

CERTIFICATION STATEMENT

2016-03-04 Nr.

Following Art. 21 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and the Submission of Periodic and Additional Information approved by the Board of the Bank of Lithuania, we, Liudas Liutkevičius, Chief Executive Officer of AB Energijos Skirstymo Operatorius, Augustas Dragūnas, Finance and Administration Service Director of AB Energijos skirstymo operatorius and Giedruolė Guobienė, Head of Reporting, Tax Accounting and Control division of UAB Verslo aptarnavimo centras, hereby confirm that to the best of our knowledge, the attached AB Lietuvos Dujos Company's Financial Statements for the Year Ended 31 December 2015 prepared according to International Financial Reporting Standards as adopted by the European Union presented together with Annual Report and Independent Auditor's Report presents a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Lietuvos Dujos and AB Lietuvos dujos status together with the description of the key risks and uncertainties that the Company faces.

Liudas Liutkevičius
Energijos Skirstymo Operatorius AB,
Chief Executive Officer

Augustas Dragūnas
Energijos Skirstymo Operatorius AB,
Finance and Administration Service Director

Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB,
Head of Financial Reporting, Tax
Accounting and Control Department acting
under Order No V-047 of 3 August 2015

2015

Lietuvos Dujos AB COMPANY'S FINANCIAL STATEMENTS

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2015
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION, THE ANNUAL
REPORT AND INDEPENDENT AUDITOR'S REPORT



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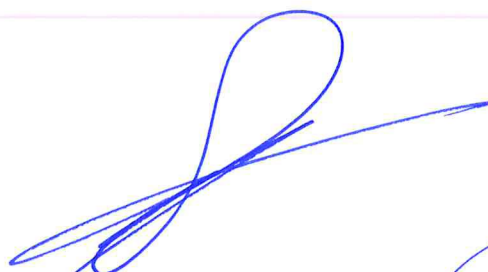
FINANCIAL STATEMENTS

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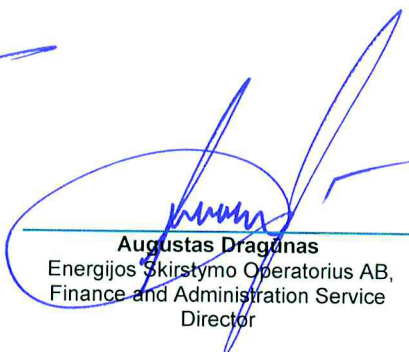
Translation note:

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

The financial statements were approved on 4 March 2016 by Energijos Skirstymo Operatorius AB Chief Executive Officer, Finance and Administration Service Director and Head of Financial Reporting, Tax Accounting and Control Department of Verslo Aptarnavimo Centras UAB (acting under Order No V-047 of 3 August 2015):



Liudas Liutkevičius
Energijos Skirstymo Operatorius AB,
Chief Executive Officer



Augustas Dragūnas
Energijos Skirstymo Operatorius AB,
Finance and Administration Service
Director



Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB,
Head of Financial Reporting, Tax
Accounting and Control Department acting
under Order No V-047 of 3 August 2015



Independent Auditor's Report

To the shareholders of Elektros Skirstymo Operatorius AB

Report on the financial statements

We have audited the accompanying financial statements of Lietuvos Dujos AB ("the Company") set out on pages 5 to 37, which comprise the statement of financial position as of 31 December 2015 and the 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.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and its financial performance and its 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 annual report for the year ended 31 December 2015 set out on pages 38 to 102 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 2015

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, consisting of a large, stylized 'R' followed by a series of loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla
Director
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
4 March 2016

Lietuvos Dujos AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania

STATEMENT OF FINANCIAL POSITION

At 31 December 2015

All amounts in EUR thousands unless otherwise stated

	Note	At 31 December 2015	At 31 December 2014
ASSETS			
Non-current assets			
Intangible assets	6	356	623
Property, plant and equipment	7	160,726	173,405
Prepayments for property, plant, equipment		1,267	8
Investments in joint ventures and associates	26	644	123
Available-for-sale financial assets		-	632
Deferred income tax assets	20	1,978	3,670
Total non-current assets		164,971	178,461
Current assets			
Inventories	9	466	770
Prepayments		90	157
Trade receivables	10	9,394	10,758
Other amounts receivable	10	14,442	50
Prepaid income tax		-	4,910
Cash and cash equivalents	11	7,934	19,751
Non-current assets held for sale		-	421
Total current assets		32,326	36,817
Total assets		197,297	215,278
EQUITY AND LIABILITIES			
Equity			
Authorised share capital	12	84,299	84,188
Legal reserve	13	8,419	8,419
Revaluation reserve	13	266	4,672
Retained earnings		47,754	68,311
Total equity		140,738	165,590
Amounts payable and liabilities			
Amounts payable after one year and non-current liabilities			
Grants	14	4,238	3,961
Long-term employee benefits	16	1,156	1,756
Deferred revenue from connection of new users	15	38,271	36,913
Total amounts payable after one year and non-current liabilities		43,665	42,630
Amounts payable within one year and current liabilities			
Trade payables	17	1,419	505
Advance amounts received		1,538	1,320
Income tax liabilities		122	-
Other current amounts payable and liabilities	18	9,815	5,233
Total amounts payable within one year and current liabilities		12,894	7,058
Total amounts payable and liabilities		56,559	49,688
Total equity and liabilities		197,297	215,278

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

Lietuvos Dujos AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

All amounts in EUR thousands unless otherwise stated

	Note	2015	2014
Revenue			
Sales revenue	4	54,856	54,513
Income from other activities		1,586	1,116
		56,442	55,629
Expenses			
Purchases of natural gas and transmission services		(3,803)	(4,962)
Depreciation and amortisation	6, 7, 14	(9,055)	(7,973)
Wages and salaries and related expenses		(19,383)	(19,873)
Increase in fair value of investment property	8	49	-
Revaluation and impairment of property, plant and equipment	7	184	(6,272)
Repair and maintenance expenses		(2,390)	(5,658)
Telecommunication and IT services		(1,387)	(801)
Taxes (other than income tax)		(1,544)	(1,828)
Other expenses		(3,952)	(2,477)
		(41,281)	(49,844)
Operating profit		15,161	5,785
Financing activities			
Finance income	19	29	98
Finance costs	19	(152)	(1)
		(123)	97
Gain (loss) on investments in associates and joint ventures	26	(12)	(17)
Gain on disposal of investment in joint venture	26	32	-
Profit before income tax		15,058	5,865
Current year income tax (expenses)/income	20	(509)	5,183
Deferred income tax expenses	20	(1,614)	(5,177)
		(2,123)	6
Profit from continuing operations (attributable to equity holders of the Company)		12,935	5,871
Net profit for the year from discontinued operations (attributable to equity holders of the Company)	5	-	36,482
Net profit for the year (attributable to equity holders of the Company)		12,935	42,353
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment, net of deferred income tax	7, 20	443	4,672
Recalculation of the defined benefit plan obligation, net of deferred income tax	16, 20	-	242
		443	4,914
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (attributable to equity holders of the Company)		13,378	47,267
Number of shares (units)		290,685,740	290,685,740
Basic and diluted earnings per share (in EUR) attributable to equity holders of the Company			
From continuing operations		0.044	0.020
From discontinued operations		-	0.126
		0.044	0.146

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

Lietuvos Dujos AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

All amounts in EUR thousands unless otherwise stated

	Notes	Authorised share capital	Legal reserve	Revaluatio n reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2014		84,188	8,419	-	94,999	(33,647)	153,959
Net profit for the year		-	-	-	-	42,353	42,353
Gain on revaluation of property, plant and equipment, net of deferred income tax	7, 20	-	-	4,672	-	-	4,672
Past service cost of the defined benefit plan obligation		-	-	-	-	242	242
Total comprehensive income for the year		-	-	4,672	-	42,595	47,267
Transfer from other reserves		-	-	-	(94,999)	94,999	-
Dividends	21	-	-	-	-	(35,636)	(35,636)
Balance at 31 December 2014		84,188	8,419	4,672	-	68,311	165,590
Balance at 1 January 2015		84,188	8,419	4,672	-	68,311	165,590
Net profit for the year		-	-	-	-	12,935	12,935
Gain on revaluation of property, plant and equipment, net of deferred income tax	7, 20	-	-	443	-	-	443
Total comprehensive income for the year		-	-	443	-	12,935	13,378
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(4,849)	-	4,849	-
Dividends	21	-	-	-	-	(38,341)	(38,341)
Result of share capital conversion to the euro	12, 19	111	-	-	-	-	111
Balance at 31 December 2015		84,299	8,419	266	-	47,754	140,738

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

All amounts in EUR thousands unless otherwise stated

	Note	2015	2014
Cash flows from operating activities			
Net profit for the year		12,935	42,353
Adjustments for non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses	6, 7	9,363	8,543
Increase in fair value of investment property	8	(49)	-
Revaluation and impairment/(reversal of impairment) of property, plant and equipment	7	(184)	6,272
Share of (profits) losses of associates and joint ventures	26	12	17
Income tax expenses	5, 20	2,123	4,293
(Depreciation) of grants	14	(308)	(287)
Increase (decrease) in impairment for amounts receivable	10	42	124
Expenses (income) from inventory write-down allowance	9	(42)	57
(Gain)/loss on disposal/write-off of property, plant and equipment and non-current assets held for sale		(267)	(38)
(Gain) on disposal of investment in joint venture	26	(32)	-
Loss on disposal of discontinued operation	5	-	56,924
Result of share capital conversion to the euro	12	111	-
Interest (income)	19	(16)	(156)
Interest expenses	19	5	3
Elimination of other non-monetary items*		-	(90,050)
Changes in working capital:			
(Increase) decrease in trade receivables and other amounts receivable		(1,149)	5,148
(Increase) decrease in inventories		200	1,610
(Increase) decrease in prepayments		67	8
Increase (decrease) in trade payable, deferred income, advance amounts received and other current amounts payable and liabilities		6,200	38,378
Increase (decrease) in long-term employee benefits		(600)	(551)
Cash generated from operations		28,411	72,648
Income tax received/(paid)		3,049	(10,399)
Net cash flows from operating activities		31,460	62,249
Whereof: from discontinued operations		-	45,824
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets		(11,017)	(11,916)
Proceeds from sale of property, plant and equipment and intangible assets		5,771	361
Disposal of non-current assets held for sale		384	-
(Acquisition) of investment in associates		(474)	(158)
Disposal of investment in joint ventures	26	131	-
Grants received	14, 22	246	280
Interest received		15	166
Cash flow from disposed activity (net of cash transferred)		-	(15,030)
Net cash flows from (used in) investing activities		(4,944)	(26,297)
Whereof: from discontinued operations		-	(39)
Cash flows from financing activities			
Interest paid		(5)	(3)
Dividends paid		(38,328)	(35,614)
Net cash flows used in financing activities		(38,333)	(35,617)
Whereof: from discontinued operations		-	(34,072)
Net (decrease) increase in cash and cash equivalents		(11,817)	335
Cash and cash equivalents at the beginning of the period	11	19,751	19,416
Cash and cash equivalents at the end of the period	11	7,934	19,751

* Elimination of non-monetary items includes a discount on the price of gas received from Gazprom OAO in 2014, resulting in non-monetary effects on the results of the Company's operations, prepayments, trade payables, and the effects of provision for onerous contracts.

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Lietuvos Dujos AB ("the Company") is a public limited liability company registered in the Republic of Lithuania. The Company's office address is as follows:

Agonų g. 24,
LT – 03212, Vilnius, Lithuania.

In 2015, the Company's main activity was distribution of natural gas. Before 31 October 2014, the Company's main activity used to be distribution and supply of natural gas. The Company's natural gas supply activity (operating segment of supply activity) was sold to Lietuvos Dujų Tiekimas UAB under the sale-purchase contract signed on 15 October 2014. In these financial statements, the Company's supply activity is disclosed as discontinued operations (Note 5) for the period ended 31 December 2014.

As at 31 December 2015, the Company had 971 employees (31 December 2014: 1,136 employees).

With effect from 1 June 2015, the Company's Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys branches lost their status as legal entities as a result of reorganisation into the Company's Vilnius, Kaunas, Klaipėda and Northern districts.

Regulation of the Company's activities

The Company's activities are regulated under the Lithuanian Law on Natural Gas. The Law provides for that the Company's gas distribution activity is subject to licensing. The licences are issued and the licensed activities are controlled by the National Control Commission for Prices and Energy ("the Commission"). The licence for natural gas distribution entitled the Company to engage in distribution of gas across 41 municipalities out of the total of 60 municipalities.

The prices for natural gas distribution services are subject to regulation. The regulated caps are set by the Commission.

The pricing for the Company's natural gas distribution services is regulated by the Commission with reference to the *Methodology for determining the prices regulated by the state in the industry of natural gas*, which was approved by the Commission under Resolution No O3-367 of 13 September 2013 ("the Methodology"). The Methodology was prepared in accordance with the Lithuanian Law on Energy (*Official Journal*, 2002, No 56-2224; 2011, No 160-7576), Lithuanian Law on Natural Gas (*Official Journal*, 2000, No 89-2743; 2011, No 87-4186), Lithuanian Law on Liquefied Natural Gas Terminal (*Official Journal*, 2012, No 68-3466), Lithuanian Government Resolutions, other requirements of the Lithuanian and EU legal acts.

The caps for natural gas distribution services are set for the regulation period of 5 years. The cap for the Company's natural gas distribution services was set by the Commission for the period of 5 years (from 1 January 2014 to 31 December 2018) based on Resolution No O3-653 of 24 October 2013. Article 9(15) of the Lithuanian Law on Natural Gas ("the Law on Natural Gas") stipulates that the caps for natural gas distribution services may be adjusted upon the Commission's decision as a result of changes in the inflation levels, gas import/shipment prices, taxes, gas volumes, legal requirements, implementation of investments by gas companies in agreement with the Commission, deviation by the gas companies from the indicators set in the cap calculation techniques approved by the Commission, however, not more often than once per year.

The costs of regulated natural gas distribution services are deemed to include all economically reasonable costs required for the natural gas company to pursue its regulated activities. The required costs are deemed to include all costs without which the natural gas company would be unable to carry on the regulated activities in a safe and effective manner, nor fulfil its obligations related to these activities as defined in the relevant legal acts. The required costs are defined in the Commission's Resolution No O3-112 of 18 July 2013 and the subsequent amendments for the approval of the *Procedure for cost allocation, separation of accounts and the related requirements for the natural gas companies*.

Having analysed the Company's actual data for 2015 and the Company's forecasts, the Commission set the cap for the natural gas distribution services for the year 2016 equal to 7.92 EUR/MWh (excl. VAT) (the cap for 2015 was equal to 7.47 EUR/MWh, excl. VAT; 2014 – 6.40 EUR/MWh, excl. VAT).

The changes in the cap for natural gas distribution services are mostly affected by lower volumes of natural gas for distribution – the projected volume of natural gas for distribution in 2016 was set as 623 million m³, i.e. 12% less compared to the projected for 2015; whilst in 2015 it was projected to distribute 711,2 mln. m³ of natural gas, i.e. by 17% less than in 2014.

The Company's reorganisation

Pursuant to Article 65 of the Lithuanian Law on Companies, the Terms of Reorganisation of the Company and LESTO AB ("LESTO") were announced on 31 August 2015, which were reviewed and approved during the Board meetings of LESTO and the Company held on 31 August 2015.

The decision on the reorganisation of LESTO and the Company and on the approval of the Terms of Reorganisation and other related issues was made during the general shareholder's meetings of LESTO and the Company. Based on the Terms of Reorganisation, LESTO and the Company were reorganised by way of merger in accordance with Article 2.97(4) of the Lithuanian Civil Code.

Lietuvos Dujos AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2015**

All amounts in EUR thousands unless otherwise stated

Following the reorganisation, a new entity was established on 1 January 2016, namely Energijos Skirstymo Operatorius AB (legal entity code – 304151376, legal form – public limited liability company, office address: Agonų g. 24, LT - 03212, Vilnius, Republic of Lithuania; share issue (ISIN) code – LT0000130023) (hereinafter “ESO”), which obtained the licences for public electricity supply and natural gas distribution services.

On 1 January 2016, ESO took over from LESTO and the Company all their non-current and current assets, non-current and current financial and other liabilities, amounts receivable and payable under the contracts signed between LESTO and the Company, and otherwise arising commitments.

The Company was registered on 23 November 1990 and de-registered on 31 December 2015. The Company's shares were quoted on the Main List of NASDAQ OMX Vilnius stock exchange. Following the reorganisation, the shares of LESTO and the Company are to be converted into the shares of ESO, which will continue its activities after the reorganisation, in accordance with the procedure and principles set in the Terms Reorganisation. The shares of ESO are quoted on the Main List of NASDAQ OMX Vilnius stock exchange.

The Company's shareholder structure

The shareholders of the Company:

	At 31 December 2015		At 31 December 2014	
	Number of shares held	Interest held, %	Number of shares held	Interest held, %
Lietuvos Energija UAB	280,930,066	96.6%	280,930,066	96.6%
Other shareholders	9,755,674	3.4%	9,755,674	3.4%
Total	290,685,740	100%	290,685,740	100%

As at 31 December 2015 and 2014, the Company's parent undertaking was Lietuvos Energija UAB, which is wholly owned (100%) by the Lithuanian Government represented by the Lithuanian Ministry of Finance.

All the shares of the Company are ordinary shares with the nominal value of EUR 0.29 each as at 31 December 2015 (31 December 2014: LTL 1 (EUR 0.2896)). All the shares were fully paid as at 31 December 2015 and 2014. The Company hold no other shares than the aforementioned ordinary shares, and the Company's Articles of Association provide for no restrictions on shares or special control rights of shareholders. The Company holds no own shares.

The Company's interest in joint venture and associates

The Company's joint ventures and associates are presented in the table below:

Joint venture or associate	Country	Year of acquisition	Company's ownership interest (%)		Profile of activities
			At 31 Dec 2015	At 31 Dec 2014	
GET Baltic UAB (joint venture)	Lithuania	2012	-	34%	Licensed activities of natural gas market operator – organisation of trading in natural gas in natural gas exchange market.
Technologijų ir Inovacijų Centras UAB (associate)	Lithuania	2014	8.998%	9.00%	IT and telecommunication and other services for the shareholders.
Verslo Aptarnavimo Centras UAB (associate)	Lithuania	2014	7.25%	7.25%	Organisation and execution of public procurement procedures, accounting and HR administration services for the shareholders.

In 2015, the shares of Technologijų ir Inovacijų Centras UAB and Verslo Aptarnavimo Centras UAB were fully paid.

Approval of financial statements

The Company's annual financial statements were approved by the management of Energijos Skirstymo Operatorius AB on 4 March 2016. The shareholders have a statutory right to approve or not the financial statements and require that management prepare a new set of financial statements.

2 Summary of significant accounting policies

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

2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (hereinafter the EU). The financial statements have been prepared under the historical cost convention, except for property, plant and equipment stated at a deemed cost on transition to IFRS less accumulated depreciation and estimated impairment losses, certain categories of property, plant and equipment to which the revalued amount accounting method is applied and investment property.

These financial statements are presented in the national currency the euro (EUR), which is the Company's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas. The litas was pegged to the euro at the exchange rate of LTL 3.4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3.4528 to EUR 1. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3.4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 19.

In these financial statements, investments in associates are accounted for under the equity method, less impairment. If investments in associates were accounted for under the cost method, less impairment, the difference compared to the amounts reported in these financial statements would be immaterial. For this reason, the Company did not prepare separate financial statements wherein the investments in associates would be accounted for under the cost method, less impairment.

New and revised IFRSs, amendments to and interpretations of existing standards are presented below.

2.1.1 Change in accounting policies and disclosures

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

IFRSs and their amendments adopted by the Company for the first time in the financial year ended 31 December 2015 are as follows:

IFRIC 21, 'Taxes'

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. This interpretation had no impact on the Company's 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.

These amendments had no impact on the Company's financial statements.

Other standards, amendments and interpretations that became effective for the financial year beginning on 01 January 2015 were not significant to the Company.

b) New, amended standards and interpretations that are not yet effective

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2016, yet not applied in preparing these financial statements are as follows:

IFRS 9, 'Financial instruments: Classification and measurement'

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

This standard is effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU. The Company is currently assessing the impact of the new standard on the financial statements.

Annual improvements to 2012 IFRSs

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.

These improvements are effective for annual periods beginning on or after 1 February 2015. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 15, 'Revenue from contracts with customers'

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The standard is effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU. The Company is currently assessing the impact of this standard on its financial statements.

Annual improvements to 2014 IFRSs

The amendments impact 4 standards.

- IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

These improvements are effective for annual periods beginning on or after 01 January 2016. The Company is currently assessing the impact of these amendments on its financial statements.

Disclosure initiative – Amendments to IAS 1

The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

These amendments are effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 16, 'Leases'

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This standard is effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU. The Company is currently assessing the impact of the new standard on its financial statements.

2.2. Investment in joint venture

In the financial statements the Company 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 Company's share of the net assets of the investee. The Company's share of the results of operations of the joint venture is recognised in the statement of comprehensive income.

2.3. Investments in associates

Investments in associates in which the Company has significant influence are accounted for using the equity method of accounting, unless the investment is acquired and held for the purpose of selling it in the near term (within 12 months after the acquisition date), and management is actively looking for the buyer.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the statement of comprehensive income.

2.4.

2.4. Segment reporting

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

2.5. Intangible assets

The Company's intangible assets are initially stated at acquisition cost. Subsequently, intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of 4 years. The useful lives and residual values are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from intangible assets. Intangible assets mainly comprise computer software used in the Company's activities and licences.

2.6. Property, plant and equipment

The Company's property, plant and equipment, i.e. gas distribution networks and related installations, technological gas equipment and structures, computer hardware, communication and other equipment, and construction in progress, are stated using the cost method and the remaining assets are recorded at the revalued amount.

Categories of property, plant and equipment measured using the cost method are recorded at cost less accumulated depreciation and accumulated impairment losses.

The initial value of property, plant and equipment comprises acquisition cost including not refundable acquisition taxes and all directly attributable costs associated with the preparation for its intended use.

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

Upon the disposal or write-off of assets their acquisition cost, accumulated depreciation and impairment are eliminated in the accounts and gain (loss) derived on their disposal is accounted for in the statement of comprehensive income.

Depreciation is calculated using the straight-line method over useful lives established as follows:

Category of assets	Useful lives
Buildings	60 years
Gas distribution networks and related installations	18 - 55 years
Structures and machinery	5 - 19 years
Technological gas equipment and structures	18 - 25 years
Motor vehicles	6 years
Computer hardware, communication and other equipment	4 years
Other PP&E	4 - 9 years

The useful lives and residual values are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from property, plant and equipment.

Construction in progress is stated at cost. Construction in progress comprises the cost of buildings, constructions and facilities and other directly attributable costs. Construction in progress is not depreciated for as long as the property has not been made ready for the intended use.

Property, plant and equipment is shown at revalued amount based on periodic valuations of fair value. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the value that would have been established based on the fair value at the balance sheet date. Increases in the carrying amount arising on the initial revaluation of property, plant and equipment are credited to other comprehensive income in the statement of comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases in the carrying amount arising on the initial revaluation of property, plant and equipment are charged to profit or loss.

Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are recognised in other comprehensive income and charged against revaluation reserve in shareholders' equity. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that exceed previous increases are recognised in profit or loss. Increases in the carrying amount that offset previous decreases are recognised in profit or loss. All other increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and subsequently to revaluation reserve in shareholders' equity.

Each year the difference between depreciation based on the revalued amount of the asset recognised in profit or loss, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the revalued amount of the asset to its residual value over the estimated useful lives (as indicated in the table above).

When revalued assets are disposed, amounts recognised in revaluation reserve are transferred to retained earnings.

2.7. Investment property

Investment property includes assets a part of which may be occupied by the Company for its own needs, whereas the other part may be designated to earn rental income and/or expect yields from asset appreciation. When these parts can be sold separately, each of them is accounted for individually. The parts of investment property are distinguished in view of the area of the building occupied by the Company and area of the building intended to earn rental income and/or expect yields from asset appreciation. When these parts cannot be sold separately, assets are classified as investment property only if insignificant part of it is occupied by the Company for its own needs.

Investment property is stated at fair value.

2.8. Financial assets

The Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. All purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs, except for the financial assets at fair value through profit or loss. As at 31 December 2015 and 2014, the Company had financial assets classified as loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently carried at amortised cost using the effective interest method less any impairment losses. Gains and losses are recognised in the income statement when the loans and receivables are derecognised, impaired or amortised.

Impairment for receivables is recognised when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired loans and receivables are written-off when they are assessed as uncollectible.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented within other comprehensive income for as long as the Company decides to sell them or recognises impairment for them, in which case the accumulated gain or loss previously recognised in equity is now recognised in profit or loss.

2.9. Inventories

The Company's inventories, which include natural gas in the pipelines remaining at the year-end, and other inventories stated at the lower of cost and net realisable value. The cost of the remaining amount of natural gas is established using the weighted average and the cost of all other inventories is estimated using the FIFO method. Inventories that are no longer expected to be realised are written off.

2.10. Non-current assets held for sale

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

2.11. Cash and cash equivalents

Cash includes cash at bank. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The original term of such investments does not exceed three months and the risk of changes in value is very insignificant.

2.12. Trade payables

Trade payables represent the commitments to pay for goods and services acquired from suppliers in the Company's ordinary course of business.

Trade payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13. Grants

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. Unamortised portion of grants is shown under the item "Grants" in the statement of financial position. Relevant amounts of depreciation expenses of property, plant and equipment financed using grants are reduced by the amount of grant amortisation.

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 defined as grants related to income. Income-related grants are recognised as used in parts to the extent of expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.14. Employee benefits

Defined benefit plan – termination benefits to employees of retirement age

Following the provisions of the collective agreement each employee of retirement age who terminates his/her employment with the Company is entitled to receive a one-off payment. Employee benefits are recognised in the statement of financial position and they reflect the present value of future benefits at the date of the statement of financial position. Such employee benefit obligation is calculated with reference to actuarial valuations using the projected unit credit method. The present value of long-term employee benefit obligation is determined by discounting the estimated future cash flows using the 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.

The current service cost of the defined benefit plan, recognised in the profit (loss) in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year and settlements.

Actuarial gains and losses are recognised in other comprehensive income

Defined benefit plan – other long-service benefits

The Company pays long-service benefits to its employees. Long-term employee benefit obligation is recognised in the statement of financial position and reflects the present value of defined benefit obligation at the date of the statement of financial position. The present value of defined benefit obligation is determined by discounting the estimated future cash flows using the 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. The current service cost is recognised in the profit (loss) in employee benefit expense. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Social security contributions

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

2.15. Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated in accordance with the requirements set forth in the Lithuanian tax legislation.

Lithuanian companies are subject to an income tax rate of 15 per cent.

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. 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. The carrying forward of tax losses is discontinued if the Company ceases the activities that gave rise to these losses, except when the Company ceases the activities for reasons that are beyond its control. Tax losses can be carried forward between the group companies that meet the requirements laid down in the Lithuanian Law on Corporate Income Tax. Tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Tax is recognised in profit (loss), except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax represents a net tax effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured using a tax rate that is expected to be used when deferred income tax assets are realised or deferred income tax liability is settled taking account of tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred income tax assets are recognised in the statement of financial position to the extent it is expected to utilise such assets in the near future taking into consideration forecasts of taxable profit. When it is probable that a portion of deferred income tax assets will not be utilised, this portion of deferred income tax assets is not recognised in the financial statements.

Income tax relief for investments is recognised within income tax for the reporting period in a year, in which it is reported in the Company's income tax return. The unused amount of income tax relief for investments is recognised as deferred income tax to the extent that it is probable that future taxable profit will be available against which the unused amount of income tax relief will be utilised.

2.16. Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Company, and a reliable estimate of the amount can be made. Sales revenue is accounted for net of VAT and discounts granted.

a) *Revenue from distribution of natural gas*

Revenue from non-household customers for the distribution 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 readings of measuring devices, referring to the quantities of gas calculated according to the methodology for the calculation of quantities of natural gas approved by the Company.

The National Control Commission for Prices and Energy regulates the Company's level of profitability by approving the prices of services for the next year. The level of prices depends on expected costs of the next year, expected volume of services provided, the variance between profit earned during the prior periods and the regulated amount of profit and other matters.

Actual costs incurred by the Company during the year may differ from budgeted costs at the time of the approval of prices and the actual volume of services may differ from the expected volume. As a result, the Company's actual profit may deviate from the regulated level and the difference will affect the prices of future services.

The Company does not recognise regulatory assets or liabilities that would be used to adjust the current year profit in order to arrive at the regulated level of profit.

b) *Revenue from new customer connection to the Company's natural gas distribution network*

Payments made by users for the connection to the Company's gas system are recorded as deferred income in the statement of financial position and recognised as income over the depreciation period of the capitalised property, plant and equipment concerned. Such income is shown in the line item 'Sales revenue' of the statement of comprehensive income.

2.17. Foreign currency transactions

Foreign currency transactions are accounted for using the official exchange rates prevailing at the dates of the transactions. Gains and losses resulting from such transactions and from the translation of balances of financial assets and financial liabilities denominated in foreign currencies at the date of the statement of financial position are recognised in profit or loss. Such balances are translated using the exchange rate prevailing at the end of the reporting period.

2.18. Impairment of assets

Financial assets – loans and receivables

Financial assets are assessed for impairment at each date of the preparation of the financial statements.

When it becomes evident that the Company will not be able to collect the amounts receivable when they fall due, impairment loss of financial assets carried at amortised cost is recognised in profit or loss.

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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The previously recognised impairment loss is reversed if the amount of the impairment loss decreases and the decrease can be related objectively to events occurring after the impairment was recognised. Reversal is accounted for in profit or loss under the same item as impairment loss. That increased carrying amount cannot exceed the amortised amount that would have been determined, had no impairment loss been recognised.

Financial assets – available-for-sale financial assets

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

Non-financial assets

The Company's non-financial assets are assessed for impairment when events and circumstances indicate that the value of assets may not be recoverable. Where the carrying amount of an asset exceeds its recoverable amount, impairment loss is accounted for in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The previously recognised impairment loss is reversed when there are indications that recognised loss on impairment of an asset no longer exists or has reduced significantly. Reversal is accounted for in profit or loss under the same item as impairment loss.

2.19. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed in the financial statements, save for the cases when probability of resources generating economic benefits will be lost is very low.

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

2.20. Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.21. Offsetting financial assets and liabilities

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

3 Critical accounting estimates used in the preparation of financial statements

The preparation of financial statements according to International Financial Reporting Standards requires the Company to make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies.

The areas where estimates are significant to the financial statements are as follows:

Useful life of property, plant and equipment

The estimated useful life and residual value of the item of property, plant and equipment are reviewed annually under the procedure established at Lietuvos Energija UAB group of companies. If a material change in the asset's economic benefit is noticed or expected, the asset's useful life is changed to reflect the current situation.

In 2015 and 2014, the Company reviewed the depreciation rates used for property, plant and equipment. As a result, the effective depreciation rates were recognised as appropriate and were not adjusted.

Revaluation of property, plant and equipment

In September 2015, the whole category of buildings was subject to revaluation based on the value determined by independent property valuers – Korporacija Matininkai UAB and Ober-Haus UAB real estate. The valuation was carried out using the market approach. The management believes that the fair value of other categories of property, plant and equipment stated at revalued amounts did not change significantly during 2015. See Note 7 for more details.

Impairment of property, plant and equipment

The Company makes an assessment, at least annually, whether there are any indications that the carrying amount of property, plant and equipment has been impaired. If that is the case, the Company makes an impairment test.

As at 31 December 2015 and 2014, the recoverable amount of cash generating unit 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. The management estimated the projected cash flows in view of historical data, forecasts of the usage of natural gas and the legal acts in effect.

Key assumptions used in performing the impairment test as at 31 December 2015 are described and in Note 7:

- Value in use was estimated with reference to the financial plan covering the period 2016-2020, the projected pre-tax discounted cash flows using a pre-tax weighted average cost of capital (WACC) of 6.6%.

- Cash flow forecasts are prepared by the Company's management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. The projections of income from regulated activities also take into account the depreciation expenses of property, plant and equipment and return on investments, which is calculated on the value of PP&E used in the regulated activities. When estimating return on investments, the management used the rate of return on investments set by the Commission, which was 7.09% for the years 2016-2018 and 5.59% for the year 2019 and beyond.

As a result of the analysis, the Company's management determined that it was not necessary to recognise any impairment losses for property, plant and equipment as of 31 December 2015.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs using the following scenarios:

- Sensitivity analysis scenario 1: The establishment of the level of the Company's revenue from 2019 by the Commission and the application of a 10% lower rate of return on investments, i.e. equal to 5.03%, would result in the Company's revenue being lower by EUR 32 million and the recoverable amount of property, plant and equipment being lower by EUR 8 million over the forecast period, i.e. 2019–2070.
- Sensitivity analysis scenario 2: As a result of change in the current regulatory environment and the possibilities to generate additional profit due to the Company's operational efficiency repealed by the Commission, the recoverable amount of the Company's property, plant and equipment would be lower by EUR 0.2 million.

Period of recognition of revenue from new customer connection

The Company defers income from connection of new customers to the Company's gas system. This deferred income is recognised as revenue over the period of 55 years, i.e. the average useful life of gas network facilities built by the Company upon connection of customers. The Company is the only provider of gas distribution services across 41 municipalities of the Republic of Lithuania. This makes the management to believe that the services are provided to customers for indefinite period, and accordingly, the average useful life of gas network facilities built by the Company upon connection of customers represents the best possible estimate of the period, in which the connection fees paid by customers are recognised as revenue. See Note 15 for more details.

Tax audits

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year inspect the books and accounting records and assess additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

Defined benefit plans – pension benefits at retirement age and long-service benefits

The present value of the long-term employee benefits obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions include the discount rate. Any changes in these assumptions will impact the carrying amount of long-term employee benefits obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Other key assumptions for long-term employee benefits obligations are based in part on current market conditions. Additional information is disclosed in Note 16.

Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

4 Segment reporting

The Company's activities are organised in view of the regulatory requirements defined for the activities regulated by the state. The Company's Board is the chief operating decision-maker, which also analyses the Company's performance in terms of the regulated activities carried on by the Company. The Company defines its operating segments in line with the regulatory requirements. The Company follows the same accounting policies for both operating segments and the Company's financial accounting.

Until 31 October 2014 the Company had the following three major operating segments: distribution of natural gas, supply of natural gas, and other activities:

Distribution – transportation of natural gas via distribution pipelines;
Supply – sale of natural gas to end users;
Other activities – other activities not related to the core line of business.

Lietuvos Dujos AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

All amounts in EUR thousands unless otherwise stated

The Company's natural gas supply activity (operating segment of supply activity) was sold on 31 October 2014. The operating segment of other activities has been no longer distinguished since 31 December 2014, as it is considered as individually immaterial and related to distribution activity.

Since 31 December 2014, the Company has one operating segment – distribution activity.

Information on the Company's operating segments for the years ended 31 December 2015 and 2014 is disclosed in the table below:

	2015	2014		Total
	Distribution activity	Discontinued operations Supply activity	Continuing operations Distribution activity (combined with the operating segment of other activities)	
Sales revenue	54,856	232,403	54,513	286,916
Interest income	16	102	54	156
Interest expenses	(5)	(2)	(1)	(3)
Profit before tax	15,058	97,705	5,865	103,570
Result of disposal of discontinued operations before tax	-	(56,924)	-	(56,924)
Income tax (expenses) benefit	(2,123)	(4,299)	6	(4,293)
Net profit	12,935	36,482	5,871	42,353
Assets	197,297	-	215,278	215,278
Liabilities	56,559	-	49,688	49,688
Other information by operating segment				
Acquisitions of PP&E and intangible assets	12,900	131	11,475	11,606
Depreciation and amortisation	9,055	283	7,973	8,256
Investments in joint ventures and associates	644	-	123	123

*Information presented in the table above covers the period until the date of disposal of natural gas supply activity, i.e. as at 31 October 2014.

General information about the Company

The Company's sales revenue consists of as follows: revenue from distribution of natural gas and revenue from connection of new customers to the Company's natural gas distribution system. Revenue from connection of new customers is disclosed in Note 15.

All assets of the Company are located in Lithuania, i.e. a country in which the Company operates.

In 2015 and 2014, all revenue of the Company was earned from customers in Lithuania.

Since 31 October 2014, the Company is no longer engaged in supply activity. Since November 2014, the Company purchases natural gas from Lietuvos Dujų Tiekimas UAB. In 2015, the costs of purchase of natural gas were lower due to gradually decreasing purchase price of natural gas during the year.

In 2015 the Company had one customer, from which revenue of distribution services exceeded 10% of total sales revenue of the Company and amounted to EUR 37,890 thousand. In 2014 the Company had one customer, from which revenue of distribution and supply services exceeded 10% of total sales revenue of the Company and amounted to EUR 50,621 thousand.

5 Discontinued operations

For the purpose of implementing the provisions of the European Union's Third Energy Package for unbundling of activities, all assets, rights and obligations of the supply activity related to the activities unbundled from the Company were transferred as at 31 October 2014 balances to Lietuvos Dujų Tiekimas UAB under the sale-purchase agreement signed on 15 October 2015.

All revenue and expenses earned from/incurred in supply activity during 2014, as well as the result of disposal of supply activity were attributed to discontinued operations in the statement of comprehensive income.

	2014 Discontinued operations, supply activity
Sales revenue	232,403
Income from other activities	58
Revenue	232,461
Expenses*	(134,986)
Operating profit	97,475
Financing activities	230
Profit of discontinued operations before tax	97,705
Current income tax (expenses)	(15,346)
Deferred income tax benefit	1,049
Income tax	(14,297)
Net profit from discontinued operations	83,408
Loss on disposal of discontinued operations before tax**	(56,924)
Current income tax	-
Deferred income tax benefit	9,998
Income tax	9,998
Net loss on disposal of discontinued operations	(46,926)
Net profit from discontinued operations	36,482

* Expenses include the discount on the price of natural gas received from OAO Gazprom

On 7 May 2014, the Company signed an agreement with the supplier of natural gas OAO Gazprom regarding the significant reduction of the price for natural gas imported by the Company for the period from 1 January 2013 to 31 December 2015. Based on the agreement, the formula for calculating the import price of natural gas was adjusted for the Company retrospectively for the period from 1 January 2013 to 31 March 2014.

The Company recognised in full the discount from OAO Gazprom in its statement of comprehensive income for 2014. The major part of the retrospective reduction effects of the imported gas price was reflected in the statement of comprehensive income as at 31 December 2014 as a reduction of expenses by EUR 92.9 million, whereas the remaining portion was recognised as income and the inventory balance of natural gas was adjusted.

The Company assessed income tax on the reduction effects of the imported gas price, which led to higher income tax expenses. As a result of reduction of the imported gas price the Company recognised prepayment to the supplier of natural gas, which was netted against payables for current purchases of natural gas, and the remaining balance of prepayment at the date of disposal of the supply activity, i.e. at 31 October 2014, amounted to EUR 21,132 thousand.

As the Company agreed with the Commission to use the reduction effects of the imported gas price to reduce the natural gas tariffs for household consumers for the period from the 2nd half of 2014 to the end of 2016, the Company recognised EUR 6.9 million provision for onerous contracts in respect of the price reduction effects for onerous contracts existing in 2015. This provision was disposed together with discontinued operations.

**Result of disposal of supply activity

Based on the sale-purchase agreement signed on 15 October 2014, the Company sold part of its operations, i.e. natural gas supply activities alongside with the related assets, rights and obligations. The price of part of operations of the Company was equal to EUR 17,509,557.46. The price corresponded to the market value determined by the independent property valuers. In determining the price of operations sold, the property valuers took into account the Company's obligation to use part of discount amount on the imported gas price, which was received from OAO Gazprom (total amount of EUR 81.4 million), for the reduction of the tariff for non-household customers in the future periods.

Based on the Lithuanian Government's Resolution No 1121 of 20 October 2014, as the gas supply company received a discount on the imported gas price, the gas supply company is obliged to include the price difference into the natural gas tariff (i.e. to reduce it) during at least two following periods for non-household customers buying natural gas from the gas supply company. Though this obligation of the Company has been defined in legal acts, due to the existing circumstances where the discount provision is dependent on future supply of gas, as per IFRS, the obligation (provision) cannot be accounted for. Since as at the date of the spin-off balance sheet (at 31 October 2014) no contracts with non-household customers for sales of natural gas in 2015 and further periods were signed, the spin-off balance sheet did not include the obligation/provision related to the allocation of the reduction effects of the imported natural gas price for non-household customers.

Since the obligation/provision to non-household customers was not accounted for, the loss on disposal of part of operations – supply activity – was recognised. However, the obligation that was transferred to Lietuvos Dujų Tiekimas UAB has legal and economic grounds to exist, and it was taken into consideration when estimating the transaction price, and therefore the sale of supply activity in substance is profitable.

6 Intangible assets

Movements in the Company's intangible assets account are presented in the table below:

	Patents and licences	Software	Other intangible assets	Total
At 31 December 2013				
Cost	1,052	1,279	139	2,470
Accumulated amortisation	(653)	(946)	(136)	(1,735)
Net book amount at 1 January 2014	399	333	3	735
Additions	69	165	3	237
Disposal of discontinued supply operations	-	(75)	-	(75)
Amortisation charge	(167)	(104)	(3)	(274)
Net book amount at 31 December 2014	301	319	3	623
At 31 December 2014				
Cost	1,085	1,236	135	2,456
Accumulated amortisation	(784)	(917)	(132)	(1,833)
Net book amount at 1 January 2015	301	319	3	623
Additions	-	54	-	54
Write-offs	-	(91)	-	(91)
Amortisation charge	(134)	(95)	(1)	(230)
Net book amount at 31 December 2015	167	187	2	356
At 31 December 2014				
Cost	1,025	835	85	1,945
Accumulated amortisation	(858)	(648)	(83)	(1,589)
Net book amount at 31 December 2015	167	187	2	356

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7 Property, plant and equipment

Movements in the Company's PP&E account are presented in the table below:

	Buildings	Structures and machinery	Distribution networks and related installations	Technological gas equipment and structures	Motor vehicles	Computer hardware, communication and other equipment	Other PP&E	Construction in progress	Total
At 31 December 2013									
Cost or revalued amount	20,104	2,796	260,036	8,254	8,444	4,397	20,955	388	325,374
Accumulated depreciation	(5,301)	(1,505)	(61,369)	(3,026)	(5,426)	(3,400)	(15,629)	-	(95,656)
Impairment	(4,043)	17	(52,994)	(718)	-	-	-	-	(57,738)
Net book amount at 1 January 2014	10,760	1,308	145,673	4,510	3,018	997	5,326	388	171,980
Additions	-	158	374	-	877	463	351	9,146	11,369
Disposals	(81)	(1)	-	(23)	(14)	-	(4)	-	(123)
Disposal of assets of discontinued supply operations	-	-	-	-	(122)	(78)	-	-	(200)
Write-offs	-	-	(19)	(9)	-	-	(1)	-	(29)
Revaluation	2,349	(4)	-	-	712	-	-	-	3,057
Reclassifications between groups and to non-current assets held for sale	4,072	22	3,625	564	(421)	56	744	(9,083)	(421)
Depreciation charge	(703)	(252)	(3,815)	(431)	(879)	(486)	(1,703)	-	(8,269)
Change in impairment	-	-	(3,959)	-	-	-	-	-	(3,959)
Net book amount at 31 December 2014	16,397	1,231	141,879	4,611	3,171	952	4,713	451	173,405
At 31 December 2014									
Cost or revalued amount	16,397	1,231	267,821	8,712	3,171	3,936	4,713	451	306,432
Accumulated depreciation	-	-	(68,883)	(3,436)	-	(2,984)	-	-	(75,303)
Impairment	-	-	(57,059)	(665)	-	-	-	-	(57,724)
Net book amount at 1 January 2015	16,397	1,231	141,879	4,611	3,171	952	4,713	451	173,405
Additions	-	31	15	-	-	37	88	12,675	12,846
Disposals	(13,598)	(421)	-	-	(73)	(57)	(423)	(21)	(14,593)
Write-offs	-	-	(2)	(2)	-	(1)	(1)	-	(6)
Revaluation	705	-	-	-	-	-	-	-	705
Reclassifications between groups to/from non-current assets held for sale and inventories	33	3	9,018	515	23	-	2,408	(11,831)	169
Reclassifications to/from investment property	(2,501)	(166)	-	-	-	-	-	-	(2,667)
Depreciation charge	(808)	(208)	(4,244)	(457)	(1,387)	(394)	(1,635)	-	(9,133)
Net book amount at 31 December 2015	228	470	146,666	4,667	1,734	537	5,150	1,274	160,726
At 31 December 2014									
Cost or revalued amount	230	578	276,809	9,187	3,032	3,293	6,555	1,274	300,958
Accumulated depreciation	(2)	(108)	(76,571)	(3,875)	(1,298)	(2,756)	(1,405)	-	(86,015)
Impairment	-	-	(53,572)	(645)	-	-	-	-	(54,217)
Net book amount at 31 December 2015	228	470	146,666	4,667	1,734	537	5,150	1,274	160,726

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Revaluation of PP&E in 2015

In September 2015, the whole category of buildings was subject to revaluation based on the value determined by independent property valuers – Korporacija Matininkai UAB and Ober-Haus UAB real estate. The valuation was carried out using the market approach.

The table below presents information on the results of revaluation performed in 2015:

2015	Recognised in other comprehensive income as revaluation reserve	(Charged)/credited to the statement of comprehensive income	Total
Buildings	521	184	705
Total	521	184	705

In the management's opinion, there were no significant changes in the fair value of other categories of PP&E stated at revalued amount in 2015.

Revaluation of PP&E in 2014

As at 31 December 2014, the fair value of the respective categories of the Company's PP&E was determined as follows:

- the fair value of the buildings and related structures and machinery was based on the value determined by independent property valuers Korporacija Matininkai UAB and Ober-Haus UAB real estate. The valuation was performed using the market approach.
- the fair value of the motor vehicles was determined internally by the Company with reference to the average market prices publicly available in a publication *the Empekis*;
- due to the specifics of assets and absence of active market, the fair value of the categories of assets other than those mentioned above was determined using the cost approach and the adjusted value calculated under the discounted cash flow method.

The table below presents information on increase/decrease in value on the revaluation of the respective categories of assets:

2014	Recognised in other comprehensive income as revaluation reserve	(Charged) to the statement of comprehensive income	Total
Buildings	4,266	(1,917)	2,349
Structures and machinery	158	(162)	(4)
Motor vehicles (including non-current assets held for sale)	1,072	(360)	712
Total	5,496	(2,439)	3,057

The table below presents the carrying amounts of PP&E which would have been recognised, had the cost approach been applied to account for assets as at 31 December 2015 and 2014:

	At 31 December 2015	At 31 December 2014
Buildings	110	10,181
Structures and machinery	445	1,250
Motor vehicles	1,772	2,879
Other PP&E	5,150	4,713
Total	7,477	19,023

Information on the fair values of the Company's property, plant and equipment according to the fair value hierarchy levels is presented below.

Fair value hierarchy:

- level 1 – fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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As at 31 December 2015, the fair values were determined with reference to:

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Non-observable inputs	
Buildings	-	228	-	228
Structures and machinery	-	15	455	470
Motor vehicles	-	1,734	-	1,734
Other PP&E	-	-	5,150	5,150
Total	-	1,977	5,605	7,582

As at 31 December 2015, the fair values were determined with reference to:

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Non-observable inputs	
Buildings	-	16,397	-	16,397
Structures and machinery	-	773	458	1,231
Motor vehicles	-	3,591	-	3,591
Other PP&E	-	-	4,713	4,713
Total	-	20,761	5,171	25,932

The fair values of the Company's property, plant and equipment were determined using the market approach with reference to directly or indirectly observable inputs, and they are attributed to Level 2 in the fair value hierarchy. The valuation covered the buildings (excluding energy buildings), structures and machinery, and motor vehicles related to buildings. Valuation of property, plant and equipment attributed to Level 3 was performed using the cost approach, whereby the determined value was adjusted for the value calculated under the discounted cash flow method or the value was determined using the discounted cash flow method.

Impairment of PP&E in 2015

As at 31 December 2015, impairment test was done for property, plant and equipment using the discounted cash flow method. The discounted cash flows were estimated in view of the legal acts and methodologies regulating gas distribution activities and effective as at 31 December 2015:

- the Commission's Resolution No O3-367 of 13 September 2013 and the subsequent amendments for the approval of *the Methodology for determining the prices regulated by the state in the natural gas industry* ("the Methodology");
- the Commission's Resolution No O3-112 of 18 July 2013 and the subsequent amendments for the approval of *the Procedure for cost allocation, separation of accounts and the related requirements for the natural gas companies* ("the Procedure");
- the Commission's Resolution No O3-510 of 22 September 2015 for the approval of *the Method for determining the rate of return on investments*.

The impairment test was performed when making cash flow forecasts for the period until 2070, because the natural gas distribution activity is regulated with reference to the regulated base of property, plant and equipment, which mainly consists of assets with long-term useful life (55 years); beyond the year 2070, continuous cash flow was estimated. In its cash flow forecasts, the Company used the following key assumptions:

- when determining the cap for the distribution services for the period 2014–2018, the Commission also approved the rate of return on investments for the same period equal to 7.09%. This rate is used to estimate the rate of return on investments for the projected cash flow period 2016–2018. Since 2019 (new regulation period), the normative profit is equal to 5.59% (estimated with reference to WACC calculation data available to public on the Commission's website);
- a pre-tax discount rate of 6.6% was used to discount cash flows;
- the Company's operating expenses were projected for the period 2016–2020 with reference to long-term plans approved by the Company, whereby the level of operating expenses starting from 2021 is retained at the level which was in 2020;
- based on the Procedure, part of operating expenses incurred by the Company are not included in the tariffs of regulated distribution services;
- it was estimated that during the regulation period 2016–2018 that additional profit will be earned as a result of the projected efficiency of the Company (such possibility is stipulated in the Methodology);
- investments into property, plant and equipment were estimated for the period 2016–2025 with reference to the investment plan approved for the period of 10 years; starting from 2026, the level of investments is retained at the level which was in 2025.

In view of the above assumptions and impairment test results, the Company did not determine any impairment for property, plant and equipment.

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Impairment of PP&E in 2014

Due to a positive revaluation result recognised for certain categories of property, plant and equipment, as described in the disclosure of the Revaluation of PP&E in 2014, an additional impairment loss of EUR 3.96 million was recognised and attributed to the categories of property, plant and equipment carried at cost when estimating the recoverable amount of assets as at 31 December 2014.

Commitments to purchase PP&E

As at 31 December 2015, the Company had contractual commitments to purchase property, plant and equipment in amount of EUR 1,962 thousand (31 December 2014: EUR 1,556 thousand), which was not recognised in the financial statements

8 Investment property

On 1 May 2015, the major part of the administrative building (together with appurtenances classified within other categories of PP&E) located at address Aguonų g. 26, Vilnius, was leased to third parties and reclassified to investment property. As a result of independent valuation of investment property conducted in September 2015, the increase in fair value was recognised in the statement of comprehensive income. In December 2015 the investment property was sold.

Movements in the investment property account are presented in the table below:

	Buildings	Structures and machinery	Technological gas equipment and installations	Total
Net book amount at 1 January 2015	-	-	-	-
Reclassification from PP&E	2,501	232	3	2,736
Increase in fair value	60	(11)	-	49
Disposal	(2,561)	(155)	-	(2,716)
Reclassification to PP&E	-	(66)	(3)	(69)
Net book amount at 31 December 2015	-	-	-	-

9 Inventories

	At 31 December 2015	At 31 December 2014
Raw materials, spare parts and other inventories	492	838
Write-down	(26)	(68)
total	466	770

The change in inventory write-down in 2015 and 2014 was recorded within other expenses.

Movements in the inventory write-down account during 2015 and 2014 were as follows:

	2015	2014
At 1 January 1	68	11
Additional write-down	15	93
Reversal of write-down	(57)	(35)
Share of write-down related to discontinued operations	-	(1)
At 31 December	26	68

10 Trade receivables and other amounts receivable

	At 31 December 2015	At 31 December 2014
Receivables for gas distribution services from the system users – non-household customers	9,150	10,645
Other trade receivables	353	180
Impairment allowance	(109)	(67)
Total trade receivables	9,394	10,758
Receivables for disposal of PP&E	14,422	-
Other receivables	22	52
Impairment allowance	(2)	(2)
Total other amounts receivable	14,442	50

Trade receivables and non-interest-bearing and their settlement term is usually 15 days.

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The Company's trade receivables and other amounts receivable with the nominal value of EUR 70 thousand as at 31 December 2015 (31 December 2014: EUR 67 thousand) were fully provided for impairment (100%).

Movements in the impairment allowance account of trade receivables and other amounts receivable were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at 1 January 2014	805	1,698	2,503
Impairment charge for the year	207	439	646
Write-off of receivables	-	(66)	(66)
Reversal of amounts not utilised	(151)	(308)	(459)
Disposal of supply activity	(814)	(1,741)	(2,555)
Balance at 31 December 2014	47	22	69
Balance at 1 January 2015	47	22	69
Impairment charge for the year	5	49	54
Write-off of receivables	-	(2)	(2)
Reversal of amounts not utilised	(6)	(4)	(10)
Balance at 31 December 2015	46	65	111

The change in impairment allowance in 2015 and 2014 was recorded within other expenses, except for the impairment in 2014 which was transferred together with the disposal of discontinued operations.

The ageing analysis of the Company's trade receivables and other amounts receivable, which were not past due or past due but not impaired as at 31 December 2015 and 2014, is presented in the table below:

	Trade and other amounts receivable not past due	Trade and other amounts receivable past due					Total
		Less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	
2014	10,784	18	1	1	-	-	10,804
2015	23,706	106	3	7	7	-	23,828

The maximum exposure to credit risk at the reporting date is the carrying value of each category of receivables in the table above. The Company does not hold any collateral as security.

11 Cash and cash equivalents

	At 31 December 2015	At 31 December 2014
Cash at bank	7,934	19,751

Cash balances are invested into short-term deposits, the interest rate of which may be fixed or variable depending on the maturity. Overnight deposits have fixed or variable interest rates, which depend on the interbank offered rates.

12 Share capital

As the euro was adopted in the republic of Lithuania on 1 January 2015, according to the Lithuanian Law on Companies and Lithuanian Law on Redenomination to the Euro of the Share Capital and of the Nominal Value of Securities of Public Limited Liability Companies and Private Limited Liability Companies and Amendments to the Articles of Association of These Companies, in 2015 the Company recognised one-off loss of EUR 111 thousand arising from the conversion of the nominal value of the Company's each share from LTL to EUR and conversion of the nominal value of the share capital. The new value of the share capital was registered on 15 May 2015 on re-registration of the Articles of Association with the Centre of Registers.

13 Reserves

Revaluation reserve

The revaluation reserve of the Company was formed after the revaluation of part of property, plant and equipment. Movements in the revaluation reserve are presented in the table below (net of deferred income tax):

	2015	2014
Carrying amount at 1 January	4,672	-
Increase in revaluation reserve on revaluation	495	4,672
Decrease in revaluation reserve on revaluation	(52)	-
Transfer of revaluation reserve to retained earnings due to depreciation	(796)	-
Transfer of revaluation reserve to retained earnings due to disposal of PP&E	(4,053)	-
Carrying amount at 31 December	266	4,672

Legal reserve

A legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5 % of net profit are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2015, the legal reserve of the Company represented 10% of the share capital. The legal reserve can be used only to cover the Company's loss. When the legal reserve is used to cover the loss, the legal reserve is re-established from distributable profit in accordance with the procedure set in Article 59(5) of the Law on Companies.

Other reserves

Other reserves are formed based on the decision of the General Shareholder's Meeting on appropriation of distributable profit. In the previous periods other reserves of the Company included a business development reserve, which was not formed in 2015.

14 Grants

	2015	2014
Balance at the beginning of the period	3,961	3,785
Received during a year	594	484
Reduction of impairment expenses of PP&E during a year	(308)	(287)
Used to cover the costs incurred	(9)	(21)
Balance at the end of the period	4,238	3,961

15 Deferred revenue from connection of new customers

	2015	2014
Balance at the beginning of the period	36,913	35,566
Received during a year	2,136	2,084
Recognised as income during a year	(778)	(737)
Balance at the end of the period	38,271	36,913

Payments received from customers for their connection to the Company's gas system are accounted for as deferred revenue and recognised as income over the useful life of the related capitalised PP&E. Such income is recorded within sales revenue in the statement of comprehensive income.

16 Long-term employee benefits obligations

	2015			2014		
	Pension benefits at retirement age	Long-service benefits	Total	Pension benefits at retirement age	Long-service benefits	Total
Balance at the beginning of the period	1,433	323	1,756	1,940	367	2,307
Change reflected in the statement of comprehensive income						
Remuneration and related expenses – current service cost	(537)	(97)	(634)	(76)	(9)	(85)
Change reflected in the statement of comprehensive income	27	7	34	-	-	-
Finance costs – actuarial gain (loss)						
Change reflected in the statement of comprehensive income	-	-	-	(284)	-	(284)
Other comprehensive income – actuarial gain (loss)						
Benefits attributable to discontinued operations	-	-	-	(147)	(35)	(182)
Balance at the end of the period	923	233	1,156	1,433	323	1,756

Key assumptions used in estimating the Company's long-term employee benefits obligations are presented below:

	2015	2014
Discount rate	1.93%	2.50%
Annual employee turnover rate	4%	3%
Annual salary growth	2%	2%
Average time to retirement (years)	16	17

17 Trade payables

	At 31 December 2015	At 31 December 2014
Trade payables to natural gas suppliers	205	282
Other payables	1,214	223
Total trade payables	1,419	505

The financial liabilities presented in the table above have the following terms and conditions: trade payables and other payables are non-interest-bearing and their settlement term is mostly 30 days.

18 Other current amounts payable and liabilities

	At 31 December 2015	At 31 December 2014
Amounts payable for purchase of PP&E	1,506	835
Amounts payable for purchase of financial assets	-	474
Amounts payable related to payroll liabilities	2,701	1,954
Taxes payable other than income tax*	5,300	1,719
Dividends payable	146	133
Other amounts payable	162	118
Total current amounts payable and liabilities	9,815	5,233

* In 2015, the Company's taxes payable mostly comprised payable VAT amount totalling EUR 4,972 thousand as at 31 December 2015 (31 December 2014: EUR 1,318 thousand). The reason for higher VAT amount was disposal of real estate.

19 Finance income (costs)

	2015	2014
Interest income	16	54
Positive effects of conversion to euro	1	-
Other finance income	12	44
Total finance income	29	98
Finance costs of long-term employee benefits	(35)	-
Interest expenses	(5)	(1)
Effects of conversion of share capital to euro	(111)	-
Interest on late payment and default fines	(1)	-
Total finance costs	(152)	(1)
Net result of financing activities	(123)	97

20 Income tax

The reported amount of income tax for the year can be reconciled to the amount of income tax that would result from applying the basic income tax rate of 15% to profit before tax:

	2015	2014
Profit before tax from discontinued operations	-	40,781
Profit before tax from continuing operations	15,058	5,865
	15,058	46,646
Income tax at a rate of 15% (2014: 15%)	2,259	6,997
Non-taxable income	(16)	(12,009)
Non-deductible expenses	34	-
Income tax investment relief	(863)	(833)
Tax loss not carried forward	753	-
Previous year income tax adjustments	14	10,154
Charity relief	(8)	-
Other	(50)	(16)
Income tax from discontinued operations	-	(4,299)
Income tax (benefit) expenses	2,123	(6)

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities. The analysis of the balances of deferred income tax assets and liabilities and changes therein before offsetting in 2015 is presented in the table below:

	At 31 December 2014	Recognised as profit or loss	Recognised as other comprehensive income	At 31 December 2015
Deferred income tax assets:				
Impairment loss of PP&E	9,627	(430)	-	9,197
Accrual of vacation pay	143	(115)	-	28
Accrual of extra pay to employees	-	157	-	157
Accrual of long-term employee benefits	263	(90)	-	173
Balance of unused investment relief	833	379	-	1,212
Impairment allowance for trade receivables	10	7	-	17
Inventory write-down allowance	-	4	-	4
Tax loss carry-forward *	3,050	(3,050)	-	-
Deferred revenue from connection fees received from new customers during 2002-2004	550	(13)	-	537
Deferred income tax assets	14,476	(3,151)		11,325
Deferred income tax liability:				
Difference between the tax base and carrying amount of PP&E due to revaluation	(10,806)	1,537	(78)	(9,347)
Deferred income tax liability	(10,806)	1,537	(78)	(9,347)
Deferred income tax assets (liability) – net	3,670	(1,614)	(78)	1,978

* In 2015, the unused amount of tax loss carry-forward equal to EUR 753 thousand was written off, because Energijos Skirstymo Operatorius AB will not be able to use it.

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The analysis of the balances of deferred income tax assets and liabilities and changes therein before offsetting in 2014 is presented in the table below:

	At 31 December 2013	Attributed to discontinued operations	Recognised as profit or loss discontinued operations	Recognised as profit or loss continuing operations	Recognised as other comprehensive income	At 31 December 2014
Deferred income tax assets:						
Impairment loss of PP&E	8,687	-	-	940	-	9,627
Accrual of vacation pay	171	(22)	(7)	1	-	143
Accrual of long-term employee benefits	346	(27)	-	(13)	(43)	263
Balance of unused investment relief	-	-	-	833	-	833
Impairment allowance for trade receivables	619	(628)	17	2	-	10
Tax loss carry-forward	-	-	9,998	(6,948)	-	3,050
Deferred revenue from connection fees received from new customers during 2002-2004	562	-	-	(12)	-	550
Provision for price reduction for household consumers	-	(1,039)	1,039	-	-	-
Deferred income tax assets	10,385	(1,716)	11,047	(5,197)	(43)	14,476
Deferred income tax liability:						
Difference between the tax base and carrying amount of PP&E due to revaluation	(10,002)	-	-	20	(824)	(10,806)
Deferred income tax liability	(10,002)	-	-	20	(824)	(10,806)
Deferred income tax assets (liability) – net	383	(1,716)	11,047	(5,177)	(867)	3,670

When calculating the components of income tax assets and liabilities in 2015 and 2014, the Company applied income tax rate 15%.

The realisation periods of deferred income tax are presented below:

	2015	2014
Deferred income tax assets:		
Deferred income tax assets to be realised after 12 months	9,934	10,460
Deferred income tax assets to be realised within 12 months	1,391	4,016
Total	11,325	14,476
Deferred income tax liabilities:		
Deferred income tax liabilities to be realised after 12 months	(8,210)	(9,347)
Deferred income tax liabilities to be realised within 12 months	(1,137)	(1,459)
Total	(9,347)	(10,806)

21 Dividends

Dividends were paid to the shareholders in 2015 and 2014.

	2015			2014		
	Total	For annual results in 2014	For interim results in 2015	Total	For annual results in 2013	For interim results in 2014
Dividends declared (EUR thousands)	38,341	27,993	10,348	35,636	15,431	20,205
Number of shares at the date when dividends were declared	290,685,740	290,685,740	290,685,740	290,685,740	290,685,740	290,685,740
Dividends per share (EUR)	0.1319	0.0963	0.0356	0.1226	0.0531	0.0695

22 Cash flows

Cash flows from operating activities in 2014 were estimated by taking into account the non-monetary effects of the discount received from OAO Gazprom on the Company's result of operations, prepayments and trade payables.

Cash flows from operating activities in 2015 were estimated by taking into account the change in the Company's amounts payable for non-current assets equal to EUR 670 thousand (2014: EUR 602 thousand) and the asset-related grant received for the network relocation equal to EUR 348 thousand (2014: EUR 282 thousand).

23 Financial risk management

23.1. Financial risk factors

In performing its activities, the Company is exposed to financial risks, i.e. credit risk and liquidity risk.

Liquidity risk

The Company's policy is to maintain sufficient amount of cash and cash equivalents or have available funding through an adequate amount of committed credit lines or loans to cover its liabilities at a given date. Liquidity risk is managed by making regular forecasts of current and non-current cash flows of the Company. As of 31 December 2015, the Company's current ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 2.51 and 2.47, respectively (31 December 2014: 5.22 and 5.10, respectively).

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2014 and 2013 based on contractual undiscounted payments (scheduled payments include interest). Trade payables and other amounts payable with maturity term of 12 months or less correspond to their carrying amounts since the discounting effect is immaterial.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	After 5 years	Total
Trade payables	-	1,419	-	-	-	1,419
Payables for PP&E	-	1,506	-	-	-	1,506
Other current liabilities	-	134	-	-	-	134
Balance at 31 December 2015	-	3,059	-	-	-	3,059
Trade payables	-	505	-	-	-	505
Payables for PP&E	-	835	-	-	-	835
Other current liabilities	-	151	474	-	-	625
Balance at 31 December 2014	-	1,491	474	-	-	1,965

Credit risk

The Company's management believes that the maximum credit risk is equal to the sum of trade receivables, other amounts receivable, cash and cash equivalents less recognised impairment losses at the date of the statement of financial position. Credit risk is managed through regular monitoring procedures (individual debtors' supervision, especially monitoring and analysis of major customers, seeking to anticipate the potential solvency problems in the future and other) and the use of appropriate credit conditions. The debts of the customers are valued monthly and in accordance with the procedures of the Company the decision about the formation of impairment allowance for amounts receivable is made. With the help of the implemented debt management tools and effective dealing with customers the Company managed to sustain an acceptable level of debts of customers. See Note 10 for more disclosures of credit risk.

The Company is not exposed to significant credit risk concentration despite the fact that the Company's revenue from distribution services per customer exceed 10% of the Company's total sales revenue. The credit risk or the risks of counterparties defaulting is at minimum level because the Company's customer is part of Lietuvos Energija UAB group.

The Company is exposed to credit risk arising from cash at bank and investments in short-term deposits. To manage the credit risk, the Company has approved the treasury management procedure. The procedure defines the following aspects: (1) the level of credibility of banks selected as partners, (2) the diversification limits for holding or investing cash in banks or their subsidiary banks, securities of the Lithuanian Government. The level of credibility of the selected partners is assessed in view of publicly available information.

23.2. Capital management

The main objective of capital management is to guarantee the Company's compliance with external capital requirements and achievement of the relevant capital ratios, in order to maintain business activities and maximize return to the shareholders. For the purpose of capital management, capital is defined as share capital, reserves and retained earnings.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares. As at 31 December 2015 and 2014, there were no changes in capital management objectives, policies or procedures.

According to the Law on Companies of the Republic of Lithuania, the Company's equity must be not less than 1/2 of the amount of the authorised share capital. No other external capital requirements have been imposed on the Company. As of 31 December 2015 and 2014, the Company complied with this requirement. There are no other internal or external requirements for the Company's capital.

23.3. Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability by willing parties under market conditions. The Company uses the valuation methods that are appropriate at given circumstances and for which sufficient data is available to estimate the fair value, by maximizing the use of observable inputs and minimizing the use of non-observable data.

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All assets and liabilities, the fair value of which is estimated or disclosed in the financial statements, are attributed to the below listed fair value hierarchy levels based on the significant inputs of the lowest level:

Fair value hierarchy:

- Level 1 – the fair value of financial instruments quoted on active markets is based on the market prices at the reporting date. The Company has no financial assets or liabilities attributed to this level;
- Level 2 – the fair value of financial instruments not quoted on active markets is determined using the valuation methods. These valuation methods, as much as possible, use observable inputs, if available, and seek not to use the estimates that are specific to the entity. Company has no financial assets or liabilities attributed to this level;
- Level 3 – the fair value is determined using these methods, uses one or more significant variables that are not based on observable inputs. The fair values of all amounts receivable and amounts payable, borrowings and liabilities are attributed to this level.

The Company's financial assets and financial liabilities not carried at fair value in the statement of financial position include trade receivables and other amounts receivable, trade payables and other amounts payable.

The fair value of current trade receivables and other amounts receivable, current trade payables and other amounts payable approximates their carrying amount.

23.4. Financial instruments by category

All financial assets of the Company reported in the statement of financial position in 2015 and 2014 are classified as loans and receivables, except for available-for-sale financial assets of EUR 632 thousand which is designated as such in the statement of financial position as at 31 December 2014.

All financial liabilities of the Company reported in the statement of financial position in 2015 and 2014 are classified as financial liabilities carried at amortised cost.

24 Commitments and contingencies

Legal disputes

On 25 March 2011, the Ministry of Energy of the Republic of Lithuania, which held 17.7% of the Company's shares by the right of trust at that date, filed a claim to Vilnius Regional Court in relation to investigation of the legal entity's operations, wherein Lietuvos Dujos AB, 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 investigation of operations of Lietuvos Dujos AB and application of relevant requirements set forth in the claim in case the results of investigation showed that operations of Lietuvos Dujos AB and/or the aforementioned Board Members and/or the Managing Director were inappropriate. During the investigation of the requirement of the Lithuanian Ministry of Energy to commence the investigation of operations of the Company, on 3 September 2012 Vilnius Regional Court ruled in favour of the claimant to initiate investigation of operations of Lietuvos Dujos AB. The Company objected to the ruling of the court of the first instance and filed an appeal against it to the Court of Appeal of Lithuania. The Court of Appeal of Lithuania left the ruling of Vilnius Regional Court unchanged. 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 civil case by the Lithuanian Supreme Court pertaining to recognition and enforcement of the decision passed by the Arbitration Institute of the Stockholm Chamber of Commerce (Kingdom of Sweden) (hereinafter "the Arbitration"). On 23 October 2015, the Lithuanian Supreme Court passed a ruling whereby it recognised and enforced the decision passed by the Arbitration Tribunal in the Republic of Lithuania and under the ruling of 28 October 2015 renewed the investigation of the case pertaining to the initiation of investigation of operations of the legal entity. On 7 December 2015, the Lithuanian Supreme Court received the request of the Lithuanian Ministry of Energy and Lietuvos Energija, UAB for the inclusion of Lietuvos Energija, UAB as a co-claimant and suspension of the investigation of the case until the passing of the ruling in the case investigated by the Arbitration Court of the Stockholm Chamber of Commerce, which is investigated on the basis of the claim of the Lithuanian Ministry of Energy against Gazprom OAO. The final outcome of the case is unclear and cannot be reasonably assessed.

On 14 July 2014, the Prosecution Service of the Republic of Lithuania filed an indictment to Vilnius City District Court whereby Lietuvos Dujos AB and its former employees were charged with allegedly causing damage in establishing the supply activity tariffs for domestic users. On 13 August 2014, Vilnius City District Court started the examination of this criminal case. The Prosecutor General requested the court to impose a fine on Lietuvos Dujos AB amounting to 25,000 times the minimum monthly wage or EUR 950 thousand. Lietuvos Dujos AB objected to the charges and requirements of the Prosecution Service. The Company expected the court to pass an acquittal. On 27 February 2015, Vilnius City District Court passed an acquittal whereby it acquitted Lietuvos Dujos AB as it was not established that the acts attributed were made. On 18 March 2015, the Prosecutor General appealed against the acquittal. At the present moment the case is investigated under the appeal procedure. The announcement of the ruling has not been scheduled yet. In the opinion of Lietuvos Dujos AB, the decision of the court of the first instance is lawful and substantiated, therefore should not be changed.

On 23 January 2015, Vilniaus Energija UAB filed a claim to respondent Lietuvos Dujų Tiekimas UAB regarding the amendment to the pricing rules (formulas for the calculation of the price of natural gas established in the agreements) established in the agreements on the natural gas supply dated 28 December 2012 and 30 December 2013 and the awarding of the overpayment for natural gas acquired. The initial claim amounted to EUR 19,131,562.67. On 14 July 2015, Vilniaus Energija UAB filed a revised claim by indicating Lietuvos Dujos AB as a second respondent and requested the court to order Lietuvos Dujų Tiekimas UAB and Lietuvos Dujos AB jointly and severally pay the natural gas price overpayment and interest. On 3 December 2015, Vilniaus Energija UAB filed an application on the revision of the object of the claim by reducing the amount of the claim down to EUR 15,234,614.94 (the overpayment for natural gas amounting to EUR 15,199,634.96 and interest amounting to EUR 34,979.98). On 21 January 2016, the court passed the ruling whereby the claim of Vilniaus Energija UAB was rejected.

On 18 March 2015, Amilina AB filed a claim to respondent Lietuvos Dujų Tiekimas UAB regarding the amendment to the pricing rules (formulas for the calculation of the price of natural gas established in the agreements) established in the agreements on the natural gas supply dated 19 December 2012 and 06 December 2013 and the awarding of the overpayment for natural gas acquired. The claim amount is equal to EUR 1,266,434.36 and consists of the following two elements: the natural gas price overpayment amounting to EUR 1,253,657.36 and interest amounting to EUR 12,777.00. On 27 July 2015, Amilina AB filed a revised claim by indicating Lietuvos Dujos AB as a second respondent and requested the court to order Lietuvos Dujų Tiekimas UAB and Lietuvos Dujos AB jointly and severally pay the natural gas price overpayment and interest. In the opinion of Lietuvos Dujos AB, neither the legal acts nor the agreements on the natural gas supply obliged Lietuvos Dujos AB and Lietuvos Dujų Tiekimas UAB to pay to Amilina AB any amounts due to the change in import prices of natural gas or recalculate the natural gas price in case such changes occur; Lietuvos Dujos AB has properly fulfilled its contractual obligations under the agreements. As a result, in the opinion of the Company's management, the claim is not substantiated. The case is under investigation by the court of the first instance. The court's hearing is scheduled on 26 February 2016.

Based on its Resolution No O3-557 of 22 October 2015 *On the scheduled audit of Lietuvos Dujos AB*, the Commission approved the Scheduled Audit Report No D3-1, wherein (paragraph 2) it was noted that the Company's cap for distribution services for the years 2016 and 2017 was adjusted by taking into account the amount of unreasonably included expenses and eliminated revenue from regulated activities for the period 2009-2013. Based on its Resolution No O3-566 of 29 October 2015 *On the adjustment of the cap for distribution services of Lietuvos Dujos AB for the year 2016*, the Commission reduced the Company's revenue level by EUR 1,645.5 thousand (in view of the conclusions described in the Report) when determining the cap for natural gas distribution services effective from 1 January 2016. The Company notes that no complaints have been filed to court in respect of these Resolutions.

25 Related-party transactions

The Company's related parties are as follows:

- Lithuanian Ministry of Energy, with effect from 21 February 2014: Lietuvos Energija UAB and its group companies (hereinafter "Lietuvos Energija UAB Group") — one of the principal shareholders of the Company until 21 May 2014, parent company with effect from 21 May 2014;
- E.ON Ruhrgas International GmbH — one of the principal shareholders of the Company until 21 May 2014;
- Gazprom OAO — one of the principal shareholders of the Company until 19 June 2014;
- GET Baltic UAB — joint venture until 6 November 2015;
- Latvijas Gaze AS — joint shareholder until 19 June 2014.

The sales and purchase transactions with GET Baltic UAB do not include the purchase and sales of natural gas, since GET Baltic UAB acts only as an intermediary rendering intermediation services in return for a certain commission fee. Amounts receivable and amounts payable from/to GET Baltic UAB are disclosed with the amounts receivable/payable for natural gas.

The tables below presents the Company's transactions with related parties in 2015 and the outstanding balances of these transactions as at 31 December 2015:

	Purchases	Sales	Amounts receivable	Amounts payable
Lietuvos Energija UAB Group	4,876	55,261	20,077	762
- Whereof associates				
Verslo aptarnavimo centras UAB	698	-	-	167
Technologijų ir inovacijų centras UAB	772	-	-	176
- Whereof the parent company Lietuvos Energija UAB	364	-	-	119
GET Baltic UAB	1	-	-	-
	4,877	55,261	20,077	762

The tables below presents the Company's transactions with related parties in 2014 and the outstanding balances of these transactions as at 31 December 2014:

	Purchases	Sales	Amounts receivable	Amounts payable
Gazprom OAO*	63,541	(374)	-	-
Latvijas Gaze AS*	185	-	-	-
GET Baltic UAB	56	4	-	258
Lietuvos Energija UAB Group**	167	30,336	6,489	495
	63,949	29,966	6,489	753

* purchases and sales are reported for the period from 1 January 2014 to 30 June 2014.

** purchases and sales are reported for the period from 1 March 2014 to 31 December 2014.

Outstanding balances at the year-end are unsecured, interest-free and settlement occurs in monetary payments in 15 to 30 days term. There have been no guarantees provided or received for the amounts receivable or payable from/to related parties, and no impairment allowance has been made by the Company for doubtful amounts receivable from related parties.

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	At 31 December 2015	At 31 December 2014
Salaries and other short-term benefits to management	624	1,033
Average number of management members	8	11

Until 31 May 2015, the management included the head of administration, the deputies, the directors of the branches, the chief accountant; with effect from 1 June 2015, the management includes the board members.

26 Investments in joint ventures and associates

For the purpose of the statement of financial position, investments in joint ventures and associates include as follows:

	2015	2014
Associates	644	-
Joint ventures	-	123
Carrying amount at 31 December	644	123

Investments in joint ventures

Under the agreement for the purchase-sale of shares signed on 6 November 2015, the Company sold to Amber Grid AB all its shareholding in joint venture GET Baltic UAB, representing 34% of the share capital of GET Baltic UAB. The shares were sold at the market price of the share package determined by independent property valuer amounting to EUR 130,832.

Movements in investments in joint ventures were as follows:

	2015	2014
Carrying amount at January 1	123	140
Disposal of joint ventures	(99)	-
Gain (loss) on investments in joint ventures	(24)	(17)
Carrying amount at 31 December	-	123

Gain on disposal of joint ventures was calculated as follows:

	2015
Proceeds from sale	131
Carrying amount of investment in associate	(99)
Gain on disposal of investment in joint venture	32

Investments in associates

On 12 December 2014, the share capital of Verslo Aptarnavimo Centras UAB was increased from EUR 434 thousand to EUR 580 thousand. On 15 December 2014 the Company signed an agreement for the sale-purchase of shares with Verslo Aptarnavimo Centras UAB (the main business activity of which is rendering of public procurement organisation and execution, accounting and HR administration services to the shareholders), under which 145,000 ordinary shares were acquired. As at 31 December 2014, the Company's shareholding in Verslo Aptarnavimo Centras UAB was 7.25%. As at 31 December 2014, these shares were not paid by the Company, thereby resulting in no significant influence in governance of Verslo Aptarnavimo Centras UAB. In the statement of financial position as at 31 December 2014, the investments in these shares were reported within available-for-sale financial assets.

The shareholders of Verslo Aptarnavimo Centras UAB who hold 5 (five) or more per cent of shares may each nominate 1 (one) candidate to the Company's board, and the shareholders who hold less than 5 (five) per cent of shares may collectively nominate 1 (one) candidate. During the voting, each member has one vote. When the number of affirmative votes is equal to the number of negative votes, the casting vote is that of the chairman of the board. Since the Company has significant influence in governance of Verslo Aptarnavimo Centras UAB when the decisions are made, Verslo Aptarnavimo Centras UAB is treated as an associate with effect from 2015.

On 12 December 2014, the share capital of Technologijų ir Inovacijų Centras UAB was increased from EUR 5,792 thousand to EUR 6,430 thousand. On 15 December 2014, the Company and Technologijų ir Inovacijų Centras UAB (the main business activity of which is rendering of IT and communication administration services to the shareholders) signed an agreement for the sale-purchase of shares, under which 1,998,048 newly issued ordinary registered shares were acquired. As at 31 December 2014, the Company's shareholding in Technologijų ir Inovacijų Centras UAB was 9%. As at 31 December 2014, these shares were not paid by the Company, leading to the absence of significant influence in Technologijų ir Inovacijų Centras UAB. In the statement of financial position as at 31 December 2014, the investments in these shares were reported within available-for-sale financial assets.

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The shareholders of Technologijų ir Inovacijų Centras UAB who hold 10 (ten) or more per cent of shares may each nominate 1 (one) candidate to the Company's board, and the shareholders who hold less than 10 (ten) per cent of shares may collectively nominate 2 (two) candidates). During the voting, each member has one vote. When the number of affirmative votes is equal to the number of negative votes, the casting vote is that of the chairman of the board. Since the Company has significant influence in governance of Technologijų ir Inovacijų Centras UAB when the decisions are made, Technologijų ir Inovacijų Centras UAB is treated as an associate with effect from 2015.

In 2015, the share capital of Technologijų ir Inovacijų Centras UAB was increased from EUR 6,430 thousand to EUR 6,450 thousand. The Company did not acquire the newly issued shares, therefore the Company's shareholding in Technologijų ir Inovacijų Centras UAB decreased from 9% to 8.998%.

Movements in investments in associates in 2015 and 2014 were as follows:

	2015	2014
Carrying amount at 1 January	-	-
Acquisition of significant influence over associates	632	-
Gain (loss) on investments in associates	12	-
carrying amount at 31 December	644	-

Summarised statements of financial position and comprehensive income of associates for 2015:

Summarised statement of financial position	Technologijų ir Inovacijų Centras UAB 2015	Verslo Aptarnavimo Centras UAB 2015
Current assets and liabilities		
Cash and cash equivalents	862	379
Other current assets	3,536	688
Total current assets	4,398	1,067
Other current liabilities	(2,912)	(647)
Total current liabilities	(2,912)	(647)
Non-current assets and liabilities		
PP&E	4,947	1
Other non-current assets	292	34
Total non-current assets	5,239	35
Other non-current liabilities	(39)	-
Total non-current liabilities	(39)	-
Net assets	6,686	455

Summarised statement of comprehensive income	Technologijų ir Inovacijų Centras UAB 2015	Verslo Aptarnavimo Centras UAB 2015
Revenue	14,363	3,825
Profit before tax	531	43
Income tax benefit (expenses)	(74)	12
Profit after tax	457	55
Other comprehensive income	-	-
Total comprehensive income	457	55
Dividends received from the associate	-	-

Summarised financial information	Technologijų ir Inovacijų Centras UAB		Verslo Aptarnavimo Centras UAB	
	2015	2014	2015	2014
Net assets at 1 January	5,731	(725)	368	-
Share capital formation/dissolution, changes in reserves	498	5,952	32	548
Profit (loss) for the period	457	504	55	(180)
Other comprehensive income	-	-	-	-
Net assets at 31 December	6,686	5,731	455	368
Interest held	8.998 %	9 %	7.25 %	7.25 %
Investment in associate	611	570	33	27
Carrying amount	611	590	33	42

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27 Events after the reporting period

There were no other significant events after the reporting period, which might have significant impact on the Company's financial statements as at 31 December 2015.

2015

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KEY INDICATORS OF THE COMPANY

Key performance indicators of AB Lietuvos Dujos

		2015	2014	Change	
				+/-	%
Performance indicators					
Volume of gas distributed to customers	thousand m ³	646.284	747.772	-101.488	-14%
Volume of gas distributed to customers*	MWh	6.828.257	-		
Gas supply quality indicators					
SAIDI, min. (at the responsibility of the operator)	min.	0,245	0,120	0,125	
SAIFI, pcs. (at the responsibility of the operator)	pcs.	0,003	0,002	0,001	

*According to the Ministry of Energy the amount of gas must be calculated in volume units (m³), and from 1 January 2015 also (or) in energy units (kWh)

Note: The National Control Commission for Prices and Energy has set annual indicators for 2014 - 2018

	Unplanned terminations	
SAIDI, min. (at the responsibility of the operator)	min.	0,4410
SAIFI, min. (at the responsibility of the operator)	pcs.	0,0056

Key financial indicators of AB Lietuvos Dujos

		2015	2014	Change	
				+/-	%
Earnings	thousand EUR	56.442	55.629	813	1%
Natural gas and transmission service purchase expenses	thousand EUR	3.803	4.962	-1.159	-23%
Other expenses (1)	thousand EUR	37.478	44.882	-7.404	-16%
EBITDA (2)	thousand EUR	24.082	20.278	3.715	18%
EBITDA margin (3)	%	42,7%	36,5%		
Net profit	thousand EUR	12.935	5.871	7.064	120%
Net profit margin	%	22,9%	10,6%		
Total assets	thousand EUR	197.297	215.278	-17.981	-8%
Equity	thousand EUR	140.738	165.590	-24.852	-15%
Financial debt	thousand EUR	0	0		
Net financial debt (4)	thousand EUR	-7.934	-19.751		
Return-to-assets ratio (ROA) (5)	%	6,3%	2,5%		
Return-to-equity ratio (ROE) (6)	%	8,4%	3,7%		
Equity level (7)	%	71,3%	76,9%		

1) All expenses of the company with the exception of natural gas and transmission service expenses

2) EBITDA (earnings before financial performance result, taxes, depreciation and amortization) = profit (loss) before taxes + financial activity costs - financial activity earnings - dividends received + depreciation and amortization expenses + impairment expenses + long-term tangible asset write-offs;

3) EBITDA margin = EBITDA / Earnings;

4) Net financial debt = financial debt - cash and cash equivalents - short-term investments and fixed-term deposits - a share of other long-term financial assets comprising investments in debt securities;

5) Return on assets (ROA) = net profit (loss) / average assets;

6) Return on equity (ROE) = net profit (loss) / average equity;

7) Equity level = equity at the end of the period / total assets at the end of the period.

A WORD FROM THE CHIEF EXECUTIVE OFFICER



Dear all,

The year 2015 was the year of changes. In the course of the entire year, LESTO and Lietuvos Dujos were responsibly preparing for the merger of the two companies into a single company *Energijos Skirstymo Operatorius* (ESO) which successfully started its operations from 1 January 2016. We are the first in the Baltic States who merged the electric power and gas operators engaged in the same operations – energy distribution.

Alongside with the changes LESTO and Lietuvos Dujos still successfully completed the year having met the set targets.

At the end of the year, Lietuvos Dujos defined its investment guidelines in its approved investment plan for 2016-2025. The investment in the natural gas distribution network in the period concerned amounts to EUR 141.1 million.

We have already increased the investment of Lietuvos Dujos already in 2015: they amounted to EUR 14 million, which is EUR 1.9 million or 15.7 % more than in 2014. Last year we have invested more into the projects increasing reliability of the network as well as reconstruction and modernisation of the gas distribution pipeline network. Increase in investments was also influenced by a growing number of new customers connecting to the gas network and, in turn, growing gas system construction works.

The gas price that dropped by one fifth and also our active efforts encouraged more people to opt for the cleanest types of fossil fuel – natural gas. During 2015, more than 4,000 new consumers were connected to the gas networks, i.e. by 13.5 % more than in 2014. The warm autumn and the beginning of winter were the factors permitting to have more than 3,000 new customers connected to the gas network, which actually exceeded the initial target.

ESO will also be an active player in this field – efforts will further be focused on the improvement of the gas introduction process. Possibilities will be investigated in order to offer the customers better and faster ways of introducing gas, this activity will be made more effective.

The organisational and operational changes implemented in Lietuvos Dujos in 2015 enabled the company to enhance its efficiency, simplify its management structure, reduce costs and increase the corporate value. According to estimations the financial effect of the changes implemented in Lietuvos Dujos in 2015 will reach about EUR 2.3 million per year. The operating costs of Lietuvos Dujos has decreased by 17% over the year and amounted to EUR 41.3 million (2014: EUR 49.8 million euro).

Our customers are the best judges of our work, therefore we are very happy that the satisfaction level among customers of Lietuvos Dujos exceeds the average indicators of energy utility services in Europe and globally. The customer satisfaction survey of Lietuvos Dujos conducted last year for the first time showed that in 2015 the customer satisfaction index (GCSI) reached 80 points.

We completed the year having successfully merged LESTO and Lietuvos Dujos. From 1 January 2016, the operations of the two companies are continued by ESO. Having integrated our efforts we will be able to even more efficiently meet customers' needs and offer even more services from a single provider.

Liudas Liutkevičius
Chairman of the Board and the CEO
Energijos Skirstymo Operatorius AB

REPORTING PERIOD FOR WHICH THE REPORT WAS DRAWN UP

The report was drawn up for the period from January to December of 2015.

MAIN DATA ABOUT THE COMPANY

Name	Public Company Lietuvos Dujos (hereinafter "the Company")
Legal form	Public Limited Liability Company
Date and place of registration	23 November 1990, Register of Legal Entities
Legal entity code	120059523
Registrar of the Register of Legal Entities	State enterprise Centre of Registers
Authorized capital	EUR 84 298 864,60
Registered office address	Aguonų St. 24, LT-03212 Vilnius, Lithuania
Telephone	+370 5 236 0210
Fax	+370 5 236 0200
E-mail address	ld@lietuvosdujos.lt
Website	www.lietuvosdujos.lt (since 1 January 2016 www.eso.lt).

In implementing the state-owned energy group's Lietuvos Energija programme of the clarification of the value chain, public limited liability company Lietuvos Dujos AB and LESTO AB were reorganised by way of merger. These companies completed their activities as legal entities on 31 December 2015.

With the approval of the companies' shareholders, a new legal entity, Energijos Skirstymo Operatorius AB (hereinafter "ESO") was established, which took over LESTO AB and public limited liability company Lietuvos Dujos assets, rights and obligations, including the obligations arising from companies' contracts. ESO started its activities on 1 January 2016.

MAJOR DEVELOPMENTS OF THE REPORTING PERIOD

On 1 January 2015, Lietuvos Dujos started publishing the data on calorific value of gas supplied to the network. Consumed gas is accounted for in euro per kilowatt-hour for gas system users. Before 1 January 2015, consumed natural gas was accounted for in litas per cubic meter.

In making the activities of Lietuvos Dujos more efficient, the Company's legal, personnel management, office administration and work safety functions have been centralized since 1 January.

A member of the Board of the Company and Head of the Gas Network Service Tomas Šidlauskas resigned on 30 January. He held this position since 3 November 2014.

On 9 February, the Supervisory Board of Lietuvos Dujos elected Dalius Svetulevičius, a new member of the Board, till the end of the term of office of the current Board of the Company, who was also appointed to the position of Head of the Gas Network Service.

Seeking for operational efficiency, on 1 March the public procurement function conducted by Lietuvos Dujos was transferred to Verslo Aptarnavimo Centras UAB.

Information on the planned merger of Lietuvos Dujos and LESTO - companies managing gas and electricity distribution network - was announced on 3 March, which is planned to be implemented by the end of 2015. Concept of the activity chain clarification programme for Lietuvos Energija Group foreseeing the merger of Lietuvos Dujos and LESTO to the joint distribution network venture was approved by the Board of Lietuvos Energija.

Since 30 March, customers of Lietuvos Dujos have been serviced together with customers of LESTO and Lietuvos Dujų Tiekimas in joint customer service centres operating in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus and Utena. With focusing customer service in one point, electricity and gas consumers will be able to receive the services simpler and more conveniently.

On 1 April, employment relations administration function conducted by Lietuvos Dujos was transferred to Verslo Aptarnavimo Centras UAB.

In cooperation between Lietuvos Dujos and the Centre of Registers, on 20 April, the publication of a gas distribution pipeline managed by the Company was started online at www.regia.lt. This is one of the steps towards a shorter and more convenient connection to the gas network.

In the General Meeting of Shareholders of Lietuvos Dujos held on 27 April a decision was made to allocate the profit of 2014 and pay EUR 28 million, or EUR 0.0963 per share, in dividends. On 30 September 2014, the Extraordinary Meeting of Shareholders of Lietuvos Dujos made a decision on the allocation of interim dividends to shareholders of the Company. The amount of dividends allocated at the time was EUR 20.2 million, or EUR 0.07 per share.

The Extraordinary Meeting of Shareholders of Lietuvos Dujos held on 29 May consented to the drafting of terms of reorganization of public companies Lietuvos Dujos and LESTO by way of merger. The task of drafting the reorganization terms was delegated to Boards of both companies.

In order to achieve operating efficiency, on 1 June, the function of financial accounting carried out by Lietuvos Dujos was transferred to Verslo Aptarnavimo Centras UAB.

Having abolished the legal status of the Company's branches since 1 June, the Company's divisions have continued their activities in major cities of Lithuania - Vilnius, Kaunas and Klaipėda - as regional gas network departments. In search for ways to increase operating efficiency and decrease administrative costs, a decision was made to merge branches operating in the cities of Šiauliai and Panevėžys into a joint Northern region gas network department and to redistribute the service areas of all regions. The joint Northern region gas network comes up to Vilnius and Kaunas region gas networks in terms of its size. The equalization of service areas of regional divisions allows for the adaptation of best work organization practices and standardization of processes, more efficient use of available resources and reduction of operating expenses.

The Extraordinary General Meeting of Shareholders of Lietuvos Dujos held on 1 July made a decision to elect PricewaterhouseCoopers UAB as the audit company for the audit of the financial statements of Lietuvos Dujos for

the year 2015 and to pay it for the audit services of financial statements for the year 2015 the amount of no more than EUR 37 thousand (excluding value added tax).

On 27 July, Lietuvos Dujos signed a contract with Vilkyškių Pieninė on the connection thereof to gas network. This was a step towards the connection of another city of Lithuania - Tauragė - to the gas distribution system. The plan is to start the supply gas to the new Vilkyškių Pieninė plant at the end of 2016. Almost 6 km of gas distribution pipelines were built from the gas distribution station to Vilkyškių Pieninė located in the city of Tauragė.

On 28 July, the Supervisory Board of Lietuvos Energija approved the nominations of candidates to take the posts of the Group companies undergoing reorganization as from 1 January 2016. The Chairman of the Board and CEO of LESTO Aidas Ignatavičius was nominated for the position of the Chairman of the Board and CEO of the electricity and gas distribution company, which will be established upon the merger of LESTO and Lietuvos Dujos

. Rytis Borkys (holding the position of the Director of Kaunas Region Network Management Department of LESTO) will become the Head of Electricity and Gas Network Development Service of the company, while Dalius Svetulevičius (a current member of the Board of Lietuvos Dujos and Director of Gas Network Service) will head the activities of Network Operation Service. Dalia Andrulionienė (currently holding the position of Director of Services and Production Service and member of the Board of Lietuvos Energija) will become the Head of Electricity and Gas Distribution Operator Service, while Eglė Čiužaitė (member of the Board and Director of the Finance and Administration Department of Lietuvos Energijos Gamyba) will take the post of the Head of Finance and Administration Service. The nominated Heads and members of the Board of the electricity and gas distribution company should start holding their new positions since 1 January 2016, while their candidacies will be approved upon the establishment of the new company.

Draft Reorganization Terms of Lietuvos Dujos and LESTO were considered and approved in the meeting of the Board of AB Lietuvos Dujos and AB LESTO held on 31 August. The companies will be reorganized by way of merger. The plan is to establish a new company, namely, Energijos Skirstymo Operatorius AB (Energy Distribution Operator) ESO after the reorganization on the basis of both companies. After the reorganization the shares of LESTO and Lietuvos Dujos will be changed into the shares of ESO that will operate after the reorganization on the basis of the procedures set out in the Reorganization Terms and Conditions

The Extraordinary General Meeting of Shareholders was held on 24 September, at the time whereof a decision was made to allocate dividends to shareholders of Lietuvos Dujos for a period of time shorter than financial year. Shareholders were allocated dividends of EUR 0.0356 per share for the six-month period ended on 30 June 2015. The total sum of allocated dividends was EUR 10.3 million.

On October 22, the National Control Commission for Energy and Prices made a decision whereby it approved the scheduled inspection report of AB Lietuvos Dujos of 16 October 2015 and the conclusions presented therein, and decided to assess the amount of unreasonably allocated costs and revenues eliminated from regulated activities during the 2009-2013 period (EUR 3.291 million) adjusting the distribution price cap of Lietuvos Dujos for 2016 and 2017.

On 29 October, the National Control Commission for Energy and Prices set the natural gas distribution price cap of Lietuvos Dujos to be valid in 2016, which is EUR 7.92 per MWh. This price cap will also apply to Energijos Skirstymo Operatorius AB, which will operate after the reorganization of AB Lietuvos Dujos. Compared to 2015, the distribution price cap will increase by 6 percent in 2016. The main reason for such an increase is declining natural gas distribution volumes.

On 31 October, Nemunas Biknius, member of the Board of Lietuvos Dujos and Director of the Services and Development Service, resigned from his post.

On 6 November, Amber Grid AB and Lietuvos Dujos concluded a contract on the purchase-sale of shares in accordance wherewith Lietuvos Dujos transferred to Amber Grid AB the shares of GET Baltic UAB comprising 34 per cent of the authorised capital of GET Baltic UAB. The shares were sold at the market value of the block of shares determined by an independent property appraiser, which was EUR 130 832.

On 19 November, the National Control Commission for Energy and Prices (the Commission) approved the prices of natural gas distribution for 2016. For the majority of consumers the price change was insignificant. The Commission also approved the one-fifth lower rates for connecting to the gas pipelines for private consumers for 2016.

On 3 December extraordinary general meeting of shareholders of Lietuvos Dujos took a decision to reorganize the joint stock company Lietuvos Dujos and LESTO AB by merging them and to establish Energijos Skirstymo

Operatorius AB (ESO). The assets, the rights and the duties of the companies shall be transferred to ESO in accordance to the terms and conditions of the reorganization. In the meeting that took place on the same day the ESO board of supervisors elected the ESO board for a four year term of office. Aidas Ignatavičius, Dalia Andrulionienė, Eglė Čiužaitė, Rytis Borkys and Dalius Svetulevičius were elected the members of the board. The ESO supervisory board elected Dalius Misiūnas as the chairman of the Company supervisory board. In addition to this, in the first meeting of the Company board that took place on December 3, Aidas Ignatavičius was elected the chairman and director general of the ESO board.

On December 8, Lietuvos Dujos received a notification of the chairman of the board of Energijos Skirstymo Operatorius (director general), Aidas Ignatavičius that on 8 December 2015 he was elected for the appointment to the position of director general of Vilniaus Vandenys UAB. Reacting to this, Aidas Ignatavičius handed in a notification on resignation from the chairman of ESO board and director general from 1 January 2016.

On 10 December, as the trading session ended, trading in the shares of Lietuvos Dujos on the Baltic official trading list of NASDAQ Vilnius Stock Exchange was suspended.

On 11 December, Energijos Skirstymo Operatorius AB was registered with the state enterprise Centre of Registers.

On 14 December, the State Energy Inspectorate under the Ministry of Energy issued certificates to Energijos Skirstymo Operatorius" granting a right to use the equipment of natural gas.

On December 23, it was announced that an investment plan of Lietuvos Dujos up to 2025 was prepared. It is estimated that in ten years approximately EUR 141 million will be invested into the distribution network of natural gas. Most of the funds will be allocated for the development of the distribution system, reconstruction of the distribution pipelines and modernization of distant data collection and control systems.

On 23 December, the real estate of Lietuvos Dujos was acquired by the company of Lietuvos Energija" Group NT Valdos. According to the sale-purchase agreement, NT Valdos acquired the following real estate (non-technological property) of Lietuvos Dujos: office buildings, warehouses, garages, etc. The value of the sales transaction is EUR 16.5 million. The property was sold at the market value set by independent real estate appraisers OberHaus and Matininkai.

On 30 December, the National Control Commission for Energy and Prices issued Energijos Skirstymo Operatorius licences for public supply of power, energy distribution and natural gas distribution.

In the meeting of the supervisory board of Energijos Skirstymo Operatorius which took place on 31 December, it was decided to cancel Aidas Ignatavičius from the position of the board member from 31 December 2015 and to appoint Liudas Liutkevičius the new member of the board after the meeting of the supervisory board until the end of the term of office of the current board; until his election to the supervisory board, Liudas Liutkevičius was acting as chairman of Lietuvos Dujos board and director general.

On 31 December, Energijos Skirstymo Operatorius AB (ESO) took over all the long-term and short-term assets of LESTO and Lietuvos Dujos, as well as long-term and short-term financial and other obligations, amounts receivable and payable according to the agreements of LESTO and Lietuvos Dujos concluded or other obligations arising on other basis. ESO also took over all the rights to the licences used by LESTO and Lietuvos Dujos, all the permits and certifications, where legislation foresees an opportunity of transferring the rights, and other rights and duties of LESTO and Lietuvos Dujos according to the transactions and the obligations arising on other bases (including the rights and obligations according to the collective and work agreements concluded, the funds on the bank accounts of LESTO and Lietuvos Dujos, agreements with the new and current consumers of energy and gas distribution services, energy producers, energy and natural gas suppliers, as well as goods, services and (or) work suppliers) and the rights and duties arising from other documents concluded by LESTO and Lietuvos Dujos (technical terms and conditions, engineering conditions, etc.), except for the rights and duties of LESTO and Lietuvos Dujos, the transfer of which is prohibited by imperative legal norms of the Republic of Lithuania or which may not be transferred to another person during the reorganization (these assets, rights and duties that are to be taken over by ESO shall be referred to as the transferred assets, rights and duties). ESO took over from LESTO and Lietuvos Dujos the entire transferred assets, rights and duties, all the transactions of LESTO and Lietuvos Dujos" were included into ESO bookkeeping.

On 31 December, Lietuvos Dujos AB was removed from the Register of Legal Entities.

MAJOR DEVELOPMENTS AFTER THE REPORTING PERIOD

On 11 January 2016, the trading of electricity supply and distribution and natural gas distribution company Energijos Skirstymo Operatorius (ESO) shares commenced on the stock exchange of Nasdaq Vilnius.

ANALYSIS OF FINANCIAL AND PERFORMANCE RESULTS

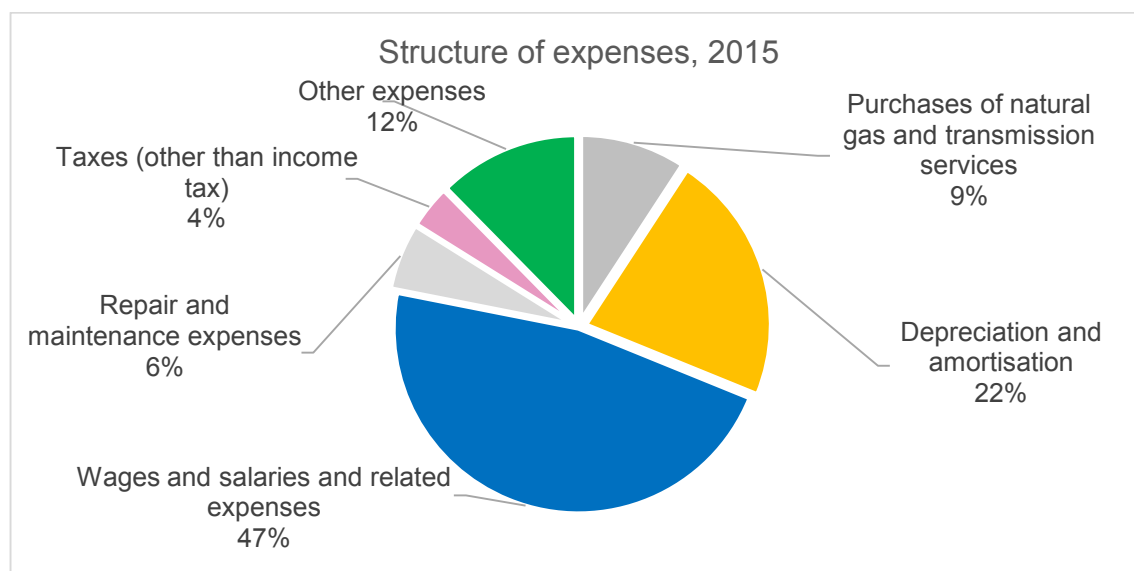
In the implementation of the provisions of the European Union's Third Energy Package on the unbundling of natural gas sector activities, the assets, rights and obligations of the natural gas supply activity were sold to Lietuvos Dujų Tiekimas UAB under the contract on the purchase-sale of a part of enterprise of 15 October 2014 as at 31 October 2014. Therefore, the statement of comprehensive income in 2014 reflects the supply activity as a discontinued activity.

REVENUE

Compared to the respective period of last year, the Company's revenue in 2015 increased by 1.5 percent and totalled EUR 56.4 million (in 2014: EUR 55.6 million). The increase in revenue was determined by reviewed distribution service prices, which were also adjusted according to gas consumption forecasts. In recent years, gas distribution volumes decreased due to warmer winter seasons, decreased electricity production in heat and electricity production companies and the replacement of natural gas with biofuel. Such situation encourages the Company to focus more on OPEX reduction, responsibly planning the necessary expenses for maintaining proper network condition.

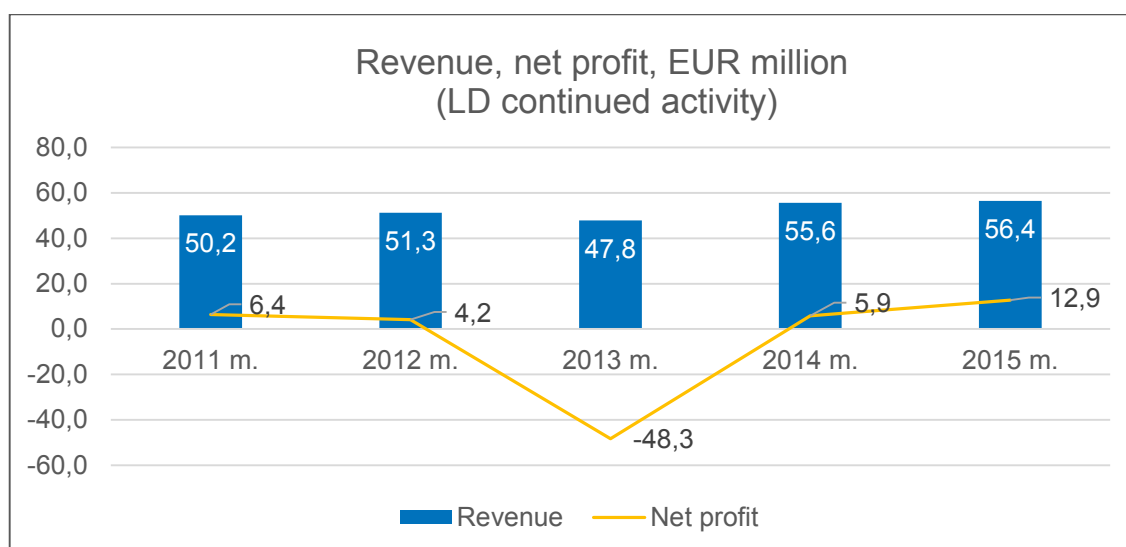
EXPENSES

In 2015, the Company's expenses decreased by 17 percent compared to the respective period of last year and amounted to EUR 41.3 million (in 2014 – EUR 49.8 million, respectively). The total expense level also decreased as a result of a retrospectively recognised impairment of non-current assets that was reported in the statements of comprehensive income and due to the reduction of repair and maintenance, salary and purchases of natural gas and transmission services expenses. The decrease was determined by certain decisions made by the Company on the change of the accounting policy and consistently implemented efficiency measures.

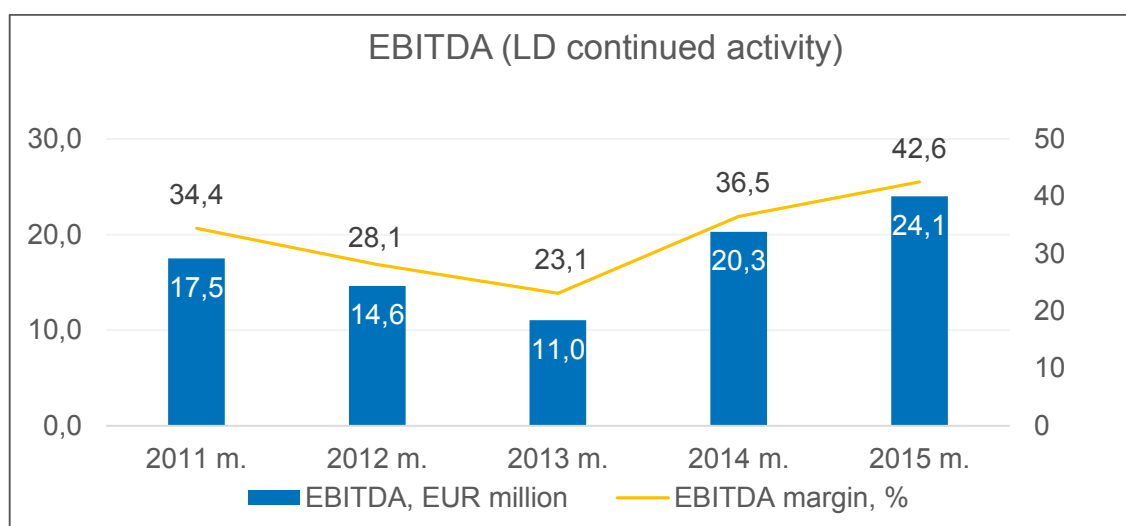


PERFORMANCE RESULTS

In 2015, net profit of the Company totalled EUR 12.9 million (in 2014, net profit accounted for a total of EUR 42.4 million, of which net profit of the continued distribution activity was EUR 5.9 million and of discontinued supply activity - EUR 36.5 million). When comparing net profit earned from gas distribution activity, it was 120 percent greater in 2015 compared to 2014. Net loss in 2013 was determined by the above-indicated impairment of non-current tangible assets.



The Company's EBITDA in 2015 accounted for EUR 24.1 million (EBITDA in 2014 was EUR 20.3 million). This change was determined by better performance results due to increased revenue and lower expenses.



ASSETS

At the end of 2015, the Company's assets amounted to EUR 197.3 million (of which non-current assets accounted for EUR 165.0 million, or 83.6 percent, and short-term assets totalled EUR 32.3 million (16.4 percent) compared to EUR 215.3 million at the end of 2014. Non-current assets value decreased by 7.6 percent, because NT Valdos acquired non-technological real estate owned by Lietuvos Dujos for EUR 16.5 million. Cash and cash equivalents decreased by 60 % due to the payments of dividends.

EQUITY AND LIABILITIES

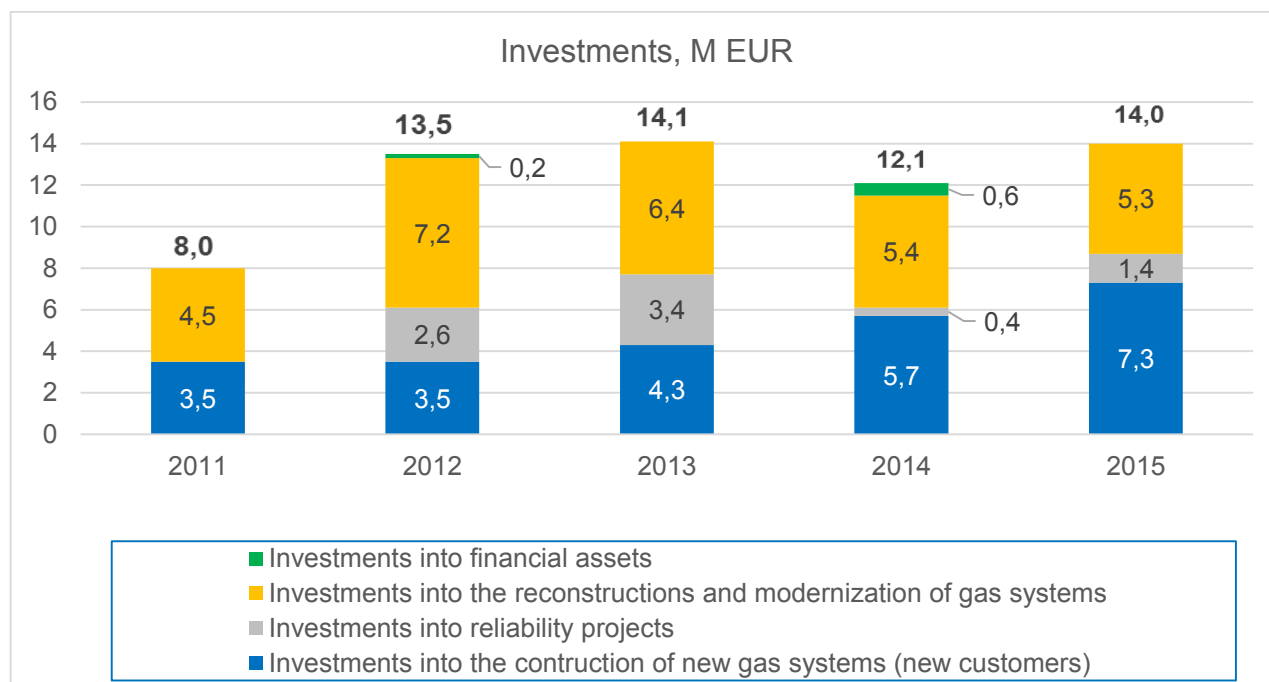
The Company's equity decreased by EUR 25.0 million as a result of dividends payments in 2015 and accounted for EUR 140.7 million at the end of 2015, i.e. 71.3 percent of the total assets of the Company.

Payables and liabilities totalled EUR 56.6 million at the end of 2015 compared to EUR 49.7 million at the end of 2014. There were no financial debts to credit institutions at the end of 2015.

For more information on the Company's financial performance results, refer to financial statements of the Company for 12 months of 2015.

INVESTMENTS

In 2015, the Company's investments totalled EUR 14.0 million, which was EUR 1.9 million, or 15.7% more, compared to investments of gas distribution activity made in 2014 (EUR 12.1 million). The increase in investments was determined by increasing number of new customers connected to the gas system and growing scope of the construction of new gas systems as a result of that. Also, more investments were made in gas networks reliability projects.



In 2015, investments in the amount of EUR 7.3 million (compared to EUR 5.7 million in 2014) were made and 82.7 km of gas distribution network were built (87.3 km in 2014). During this period of time, 4 078 new customers were connected to gas pipelines, which was 13.5 percent more compared to 12 months of 2014, when 3 592 new customers were connected to gas distribution systems.

One of the major investment projects into the construction of new gas systems which implementation has started in 2015 was the connection of the territory of Tauragė district municipality to natural gas systems. Connection to the gas system works are expected to be completed in Tauragė by 2016. The project of the construction of a medium-pressure distribution pipeline in Pramonės Avenue, Kaunas was completed in 2015. The pipeline was constructed for the business customer Dirbtinis Pluoštas. Investments into this project amounted to almost EUR 87 000, and 0.9 km of pipeline was built for connecting the new customer. Also, an almost 2 km-long gas pipeline was built in Noreikiškės neighbourhood in Kaunas district improving infrastructure services for residents of the new block of private houses. Project investments amounted to more than EUR 63 000. Over 3,8 km of gas pipeline was built during the development of the infrastructure in Kaunas airport territory in Karmėlava village, Kaunas district. For the construction of this pipeline EUR 243,000 investments were made. In just a few months, a 1.3 km-long gas distribution pipeline route was built in Panevėžys Free Economic Zone connecting thereto a new business customer investing into the local FEZ - the Norwegian capital company Devold. Project investments amounted to almost EUR 84 000.

In 2015, investments in the amount of EUR 6.7 million were made into the projects for the ensurance of reliability and safety of gas system reconstruction and gas distribution (compared to EUR 5.8 million in 2014), which is 16 percent more than last year. About 157 units of gas pipeline closing devices were reconstructed during this year, 246 units of remote management and data collection systems in gas pressure regulators were installed and about 13.5 thousand units of gas volume meters of natural gas customers were replaced.

BUSINESS PLANS AND FORECASTS

Given the customer needs, Lietuvos Dujos has continued the expansion of its gas distribution network. The construction of up to 100 km of gas distribution pipelines and connection of about 4 000 new customers is planned

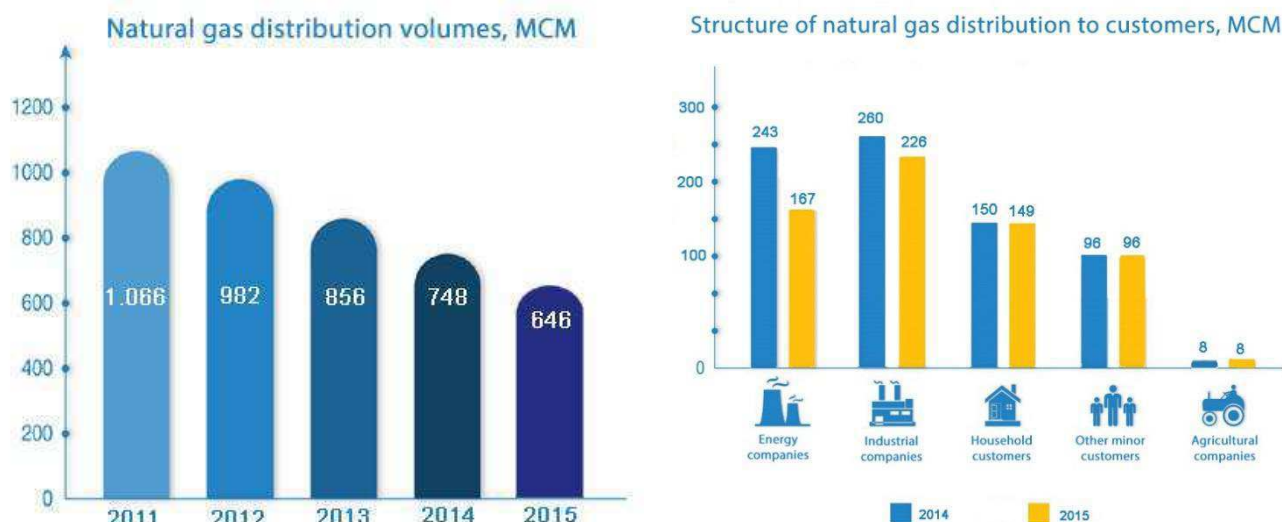
in 2016, and this number is expected to gradually increase in the future. This is allowed by decreased price of gas allowing new customers to choose a convenient way of heating by using natural gas and for those, who have changed the method of heating, - to go back to using natural gas. With the decreasing price of natural gas, this type of fuel has become one of the most appealing sources of energy.

Increasing competition in the gas market and record low oil prices are likely to ensure an even more attractive price of gas for consumers in the long run and increase the growth in the number of customers.

In the future, great attention will be devoted to the ensurance of safety and reliability of gas distribution pipelines, i.e. on the performance of gas pipeline looping projects; also, reconstruction works of gas distribution pipelines will be conducted and reconstruction of gas pressure regulators will be continued.

According to the drafted forward plan, the reconstruction of gas distribution pipelines in 2016 will be continued by inserting into the existing steel pipelines polyethylene pipes in the Vilnius Old Town (3.6 km), Viliampolė district in Kaunas city (8.12 km), and other gas pipeline reconstruction works of a smaller scale will be performed.

NATURAL GAS DISTRIBUTION



In 2015, Lietuvos Dujos transported 6.8 terawatt-hours (TWh) (646.3 MCM) of natural gas via its distribution networks, which is about 13.6 percent less than last year.

As compared to 2014, gas distribution volumes mainly decreased in energy and industrial companies due to unusually warm winter weather, reduced electricity production in heat and electricity production companies and the replacement of natural gas with biofuel. However, gas distribution to private and small business customers remained stable during the said period.

DIVIDENDS

On 27 April 2015, the General Meeting of Shareholders of Lietuvos Dujos made a decision on the distribution of profit of 2014. The amount of EUR 28 million, or EUR 0.0963 per share, was allocated for dividends.

On 24 September 2015, the Extraordinary General Meeting of Shareholders of Lietuvos Dujos made a decision on the allocation of dividends to shareholders of Lietuvos Dujos for a period shorter than the financial year. Shareholders were allocated dividends of EUR 0.0356 per share with the total allocated dividend amount being EUR 10.3 million.

ACTIVITIES OF THE COMPANY

Lietuvos Dujos - a company owned by the largest energy group Lietuvos Energija listed on NASDAQ Vilnius Stock Exchange - is a natural gas distribution system operator. The Company provides natural gas distribution services and is responsible for natural gas distribution infrastructure, its safety, renovation and development, takes care of the attraction of new customers and their connection to the gas distribution system, provides gas pipeline maintenance and other natural gas system-related services. The natural gas distribution activity of the Company is subject to regulation. The National Control Commission for Energy and Prices has been performing the function of a regulator.

In creating customer-friendly environment the Company serves its customers together with electricity distribution system operator LESTO and gas supply company Lietuvos Duju Tiekimas UAB in their joint customer service centres in seven major cities of Lithuania. Now customers are able to receive all electricity and gas infrastructure and supply-related services in one place.

After the announcement about the planned merger of gas and electricity system operators Lietuvos Dujos and LESTO in March 2015, in addition to internal changes of the company currently under implementation, this year is also meant for the preparation of joint activities in a single company.

Natural gas distribution system operated by Lietuvos Dujos is well-developed, new gas customers can be connected to it. In order to continue providing high-quality services, the Company must properly maintain the network, regularly invest in the renovation of infrastructure and construction of new gas pipelines. In order to increase its operating efficiency and decrease network maintenance costs, the Company has been investing in network modernization.

Natural gas distribution system operated by the Company



Lietuvos Dujos operates 8.5 thousand km of gas distribution pipelines and holds a natural gas distribution licence, which grants the right to conduct natural gas distribution activity in the territory of 41 municipalities. There are 5 other distribution system operators holding natural gas distribution licences, however there are a few cities and towns in Lithuania still unable to use gas. There still aren't any gas distribution network branches in Raseiniai, Kelmė, Šilalė, Šilutė, Pagėgiai, Lazdijai, Varėna, Molėtai, Ignalina, Zarasai, Rokiškis, Kupiškis, Skuodas and Tauragė. The latter is planned to be connected to gas network in 2016.

About 560 000 private consumer objects and about 9 500 business and public sector consumer objects are connected

to the system of Lietuvos Dujos. About 89 000 private customers use gas for heating houses, while the majority of customers - about 471 000 - use gas in stoves for cooking. Gas is used in the production activities of companies and for the generation of heat, thus the greatest volume of gas - about 5.28 TWh (500 MCM) per year - is used by industrial companies, public sector objects and heat producers. Household customers use about 1.54 TWh (146 MCM) of gas per year: about 1.24 TWh (118 MCM) for heating houses and about 0.30 TWh (28 MCM) in stoves for cooking.

Natural gas is the cleanest type of fossil fuel. Environmental impact of natural gas used for heat production in households, industrial and energy sectors is the lowest compared to other types of fuel. Burning natural gas does not emit any unpleasant odour and does not cause smog.

JOINT VENTURES

According to the data of 31 December 2015, Lietuvos Dujos owned Verslo Aptarnavimo Centras UAB and Technologiju ir Inovaciju Centras UAB jointly with other companies.

Key information about the companies:

Key data of joint ventures	Verslo Aptarnavimo Centras UAB	Technologiju ir Inovaciju Centras UAB
Legal form	Private limited liability company	Private limited liability company
Company code	303359627	303200016
Registered seat address	P. Lukšio g. 5B, Vilnius	A. Juozapavičiaus g. 13, Vilnius
Telephone number	(8 5) 259 4400	(8 5) 278 2272
Fax	(8 5) 259 4401	(8 5) 278 2299
E-mail	vac@le.lt	info@etic.lt
Website	www.vac.le.lt	www.etic.lt
Authorized capital	580.000 EUR	6.438.152 EUR
Share of the authorised capital owned by Lietuvos Dujos as at 31 December 2015, %	7.25 percent	9 percent
Core business of the company	Provision of services of the organization and execution of public procurement procedures, accounting and personnel administration	Provision of information technology and telecommunication services to companies operating in the energy sector

*On 6 November, Lietuvos Dujos transferred to Amber Grid AB the shares of GET Baltic UAB comprising 34 per cent of the authorised capital of GET Baltic UAB under the contract on the purchase-sale of shares. The shares were sold at the market value of the block of shares determined by an independent property appraiser, which was EUR 130 832.

MEMBERSHIP IN ASSOCIATED STRUCTURES

In the end of the reporting period, the Company was a member of the following organizations:

- Association Eurogas;
- the Lithuanian Gas Association;
- the Lithuanian Welders Association
- the Chamber of Industry, Commerce and Crafts of Šiauliai and Panevėžys.

The Company does not participate in the capital of any of the aforesaid associated structures.

NATURAL GAS BUSINESS ENVIRONMENT

Upon the implementation of the provisions of the EU Third Energy Package providing for the unbundling of natural gas sector activities, the management of the Lithuanian gas sector was refined at the end of 2014. Natural gas transmission network is managed and maintained by the Lithuanian natural gas transmission system operator Amber

Grid AB, natural gas distribution network is under the management and supervision of the Lithuanian natural gas distribution system operator Lietuvos Dujos AB, while the natural gas supply to customers is ensured by Lietuvos Dujų Tiekimas UAB and other suppliers operating in the Lithuanian market. Lietuvos Dujos AB and Lietuvos Dujų Tiekimas UAB are owned by the largest state-owned energy group Lietuvos Energija, UAB.

NATURAL GAS ACCOUNTING PROCEDURE

In the implementation of requirements of the Description of Natural Gas Accounting Procedure and its subsequent amendments approved by Order of the Minister of Energy of the Republic of Lithuania of 27 December 2013, since 1 January 2015 gas volume in the natural gas distribution system has been accounted for in units of volume and/or units of energy (kilowatt-hours, kWh), using upper calorific value of gas. For the settlement for gas and the provided gas distribution services with business and public sector users as well as system users, the volume of gas is accounted for in units of energy - kilowatt-hours, while for the settlement for gas and the provided gas distribution services with private customers, the volume of gas is accounted for in cubic meters, just like it was done before. The Company has been publishing gas calorific value every day on its website at www.lietuvosdujos.lt (since 1 January 2016 www.eso.lt).

LICENSING

The Law on Natural Gas stipulates that the activity of natural gas distribution of the Company is subject to licensing, while the licences are issued and the supervision of the licensed activities is executed by the National Control Commission for Energy and Prices (the Commission). The natural gas distribution licence grants the Company the right to engage in the gas distribution activities in the territory of 41 municipalities (out of 60).

The Company took part in tender procedure for connecting Tauragė district municipality to the gas network announced by the Commission and on 21 May 2015, it submitted the investment project *Connecting the Territory of Tauragė District Municipality to Gas Distribution System*. The Commission allowed the Company to set up a new gas system in the territory of Tauragė district municipality in the implementation of the said investment project. The initial stage of the connection of Tauragė city to gas networks is planned as soon as at the end of 2015 - beginning of 2016. This will be the 42nd municipality where the Company will be granted the right to distribute natural gas.

Lietuvos Dujos AB also holds a natural gas supply license, which grants the Company the right to engage in the natural gas supply activity in the territory of the Republic of Lithuania, however, the Company is not engaged in this activity.

Taking into consideration the decision to reorganize the Company and LESTO AB by establishing Energijos Skirstymo Operatorius AB, on 30 December 2015 the Commission annulled the licences of Lietuvos Dujos AB and issued a distribution licence to Energijos Skirstymo Operatorius AB, which came into effect on 1 January 2016.

SITUATION IN THE GAS MARKET AND BUSINESS ENVIRONMENT

Main factors affecting the perspective of the natural gas consumption is the development of the use of renewable energy sources as well as the price level of competing energy sources (biofuel, oil, etc.). The National Energy Independence Strategy establishes that by 2020 renewable energy sources (RES) shall constitute at least 23 percent in the final energy consumption (at least 20 percent in the electricity sector, at least 60 percent in the district heating sector and at least 10 percent in the transport sector). In light of the strategic goals of Lithuania, a part of the energy sector and business companies have been actively investing in the replacement of the fuel used, going over to the use of RES, which has led to decreased consumption of natural gas in Lithuania.

According to the data provided by the Statistics Department regarding the structure of the final use of fuel and energy in Lithuania in 2011-2014, the part of natural gas decreased from 37.2 % to 29.4 %, whereas the part of the renewable energy sources increased from 18.3 % to 22.6 %.

PRICING AND NATURAL GAS PRICES

Natural gas distribution prices applicable to all customers are subject to regulation. Regulated price caps are set for a five-year regulatory period and may be adjusted by a decision of the Commission, but no more often than once per year and in cases provided for in the Law on Natural Gas.

The Company sets specific natural gas distribution prices once per year and presents them for the Commission's

approval.

Taking into consideration the decision to reorganize LESTO AB and the Company by establishing Energijos Skirstymo Operatorius AB, the information on the natural gas distribution service prices is available on the website www.eso.lt from 1 January 2016.

RESEARCH AND DEVELOPMENT ACTIVITY

In order to achieve efficient development of gas distribution system and connection of new customers, information about potential new customers has been collected and analysed, real estate market development trends and formation of new residential, commercial and production territories have been observed. Also, analysis of applications for connecting to gas networks has been conducted and customers have been surveyed seeking to clear up their needs for connecting to gas networks and to encourage them to do that. Moreover, the analysis of the connection process of new customers has been conducted and new methods for shortening and facilitating it have been searched for.

RISK MANAGEMENT

In Q1 of 2015, the Company underwent a risk management system reform according to the common risk management policy of Lietuvos Energija, UAB Group. In January 2015, a Risk Management Committee was formed at Lietuvos Dujos, which monitors, supervises and ensures risk management process, also, risk assessment groups responsible for the determination of respective process groups and operating risks and the analysis thereof were brought together, and an employee responsible for the coordination of the risk assessment process was appointed.

In the beginning of 2015, an updated risk management methodology was approved, in accordance wherewith an assessment of risks of 2015 was conducted. By managing risks, the plan is to maintain a sufficient level of control of operating processes, reduce the possibilities of occurrence of events causing risk and possible negative consequences and to ensure that risks did not increase the acceptable level of risk of Lietuvos Dujos, also, to have implemented the goals of the Company.

The Company faces the following risks in its activities: competition-related risk, external regulation-related risk, ITT services-related risk, organizational development, insufficient technical maintenance and other risks.

In order to eliminate the risks or reduce the level of their manifestation, in March 2015, the Risk Management Committee approved a risk management action plan for 2015, whereby it determined measures for mitigating the identified risks, the implementation whereof was planned by the ending of 2015.

COMPETITION-RELATED RISK

The Company competes with suppliers of alternative fuels, primarily biofuel. High gas import price level affects the decrease of natural gas competitiveness in the Lithuanian fuel market and, correspondingly, the transition of consumers to the use of alternative energy sources. The National Energy Strategy provides for the promotion of the increase of the share of renewable energy sources in the country's energy balance at the expense of fossil fuels (primarily of natural gas). The majority of large natural gas consumers producing heat and electricity have the necessary technologic equipment and can use alternative energy sources replacing natural gas without any additional investments. The use of biofuel (wood waste, straw) in the production of heat energy has been increasing. During the period from 2007 to 2013, the amount of about LTL 220 million was allocated for the promotion of investment projects from the EU structural funds.

Energy produced by using renewable energy sources is bought up in the priority order, its production is subsidized though the application of Public Service Obligations (PSO) mechanism.

According to the data of the Lithuanian District Heating Association, a share of renewable energy sources in the total volume of fuel used for heat production will increase to 50-55% at the end of 2015, while during the period of 2016-2020, upon the implementation of the major Vilnius and Kaunas cogeneration power plant projects, also modernization works of other boiler houses, the heat sector should achieve the planned EU and national goals to produce 80-85% of "green" heat of biofuel. This would result in 10-15 percent lower consumption of natural gas, respectively.

In order to retain and expand its market share, to secure safe natural gas supplies to consumers and meet the set requirements for the quality of services provided, the Company implements the development of gas systems, continuously carries out gas system maintenance, repair and modernization works, upgrades its customer service and implements a consistent programme for business process optimization and cost-cutting. Lietuvos Dujos follows the principles of transparency and fair competition in its business activities.

REGULATION-RELATED RISK

The regulation-related risk is linked to unfavourable changes in the legal environment and decisions taken by regulatory authorities.

The core activity of the Company is natural gas distribution. A licence is issued for the execution of the natural gas distribution activity. Natural gas distribution service prices and investments into the natural gas distribution systems are regulated by the state.

The Company seeks to maintain constructive relations with regulatory authorities and to actively participate in the legislation drafting process.

ITT (INFORMATION TECHNOLOGIES AND TELECOMMUNICATION) SERVICE RISK

During the restructuring of business processes and company reorganisation, it is essential to ensure the adjustment of the ITT system for the changing business needs.

In 2015 the functions of ITT servicing and information system development integrated in the company were transferred to the company of Lietuvos Energija Group Technologijų ir Inovacijų Centras UAB, whereas in Lietuvos Dujos only the functions of ITT management and technological information system (telemetrics) maintenance remained.

ORGANIZATION DEVELOPMENT RISK

During the recent changes in the processes and in the organisation of operations, it is important to identify the possible losses of the employees' competences and once they are identified, to ensure an effective shiftwork in the Company ensuring continuous activity in the future.

The company is trying to ensure the necessary competence of the employees which constantly creates the competitive advantage of the Company and ensures the provision of high quality services to clients

TECHNOLOGY-RELATED RISK

The technical condition of natural gas distribution systems owned by the Company is acceptable, but quite a few of the Company's pipelines are 40-50 years old. One of the main objectives of the Company is to ensure safety and reliability of its gas distribution systems. The Company implements this objective by:

- acting in strict compliance with the provisions of legal acts, the applicable construction and operation rules, and work execution procedures;
- ensuring a high technical and technological level of gas distribution systems;
- ensuring an adequate level of preparedness for accidents and extreme situations;
- improving the management of operation processes and the organization of maintenance works;
- using state-of-the-art information technologies;
- monitoring the technical condition of gas distribution systems and eliminating any established defects;
- investigating, analysing malfunctions, assessing any possible risks of accidents or malfunctions and planning and implementing respective preventive measures;
- informing the public about the rules of safe behaviour in the vicinity of gas pipelines and measures for ensuring safety of gas consumption;
- attracting, training and retaining the necessary staff, ensuring their adequate competence levels.

INFORMATION ON THE COMPANY'S AUTHORISED SHARE CAPITAL AND SECURITIES

COMPANY'S SHARE PRICE DYNAMICS AND TURNOVER

The Company's shares are traded on the regulated market; they are quoted on the main trading list of NASDAQ Vilnius stock exchange.

Main data about shares of Lietuvos Dujos AB

ISIN code	LT0000116220
Abbreviation	LDJ1L
Number of shares (units)	290.685.740

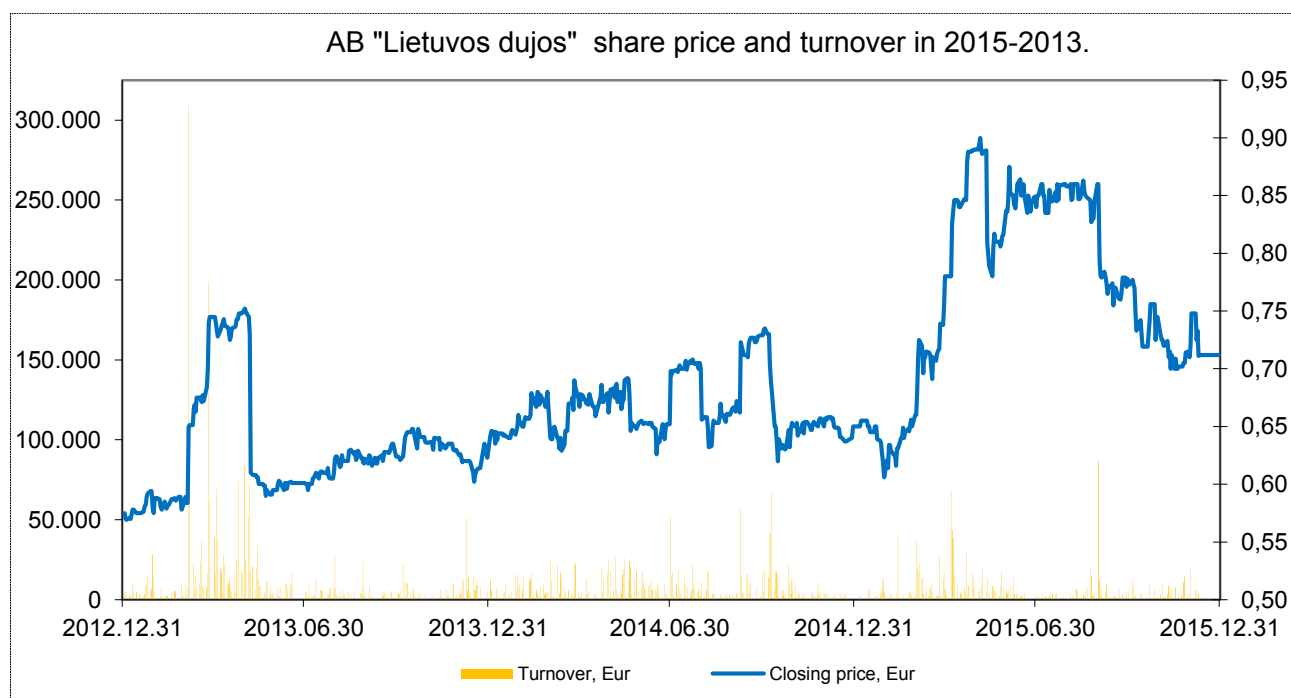
In 2015, the total turnover of trading in the Company's shares at NASDAQ Vilnius stock exchange amounted to EUR 1,311.4 thousand, 1,707,811 shares were transferred under the concluded transactions.

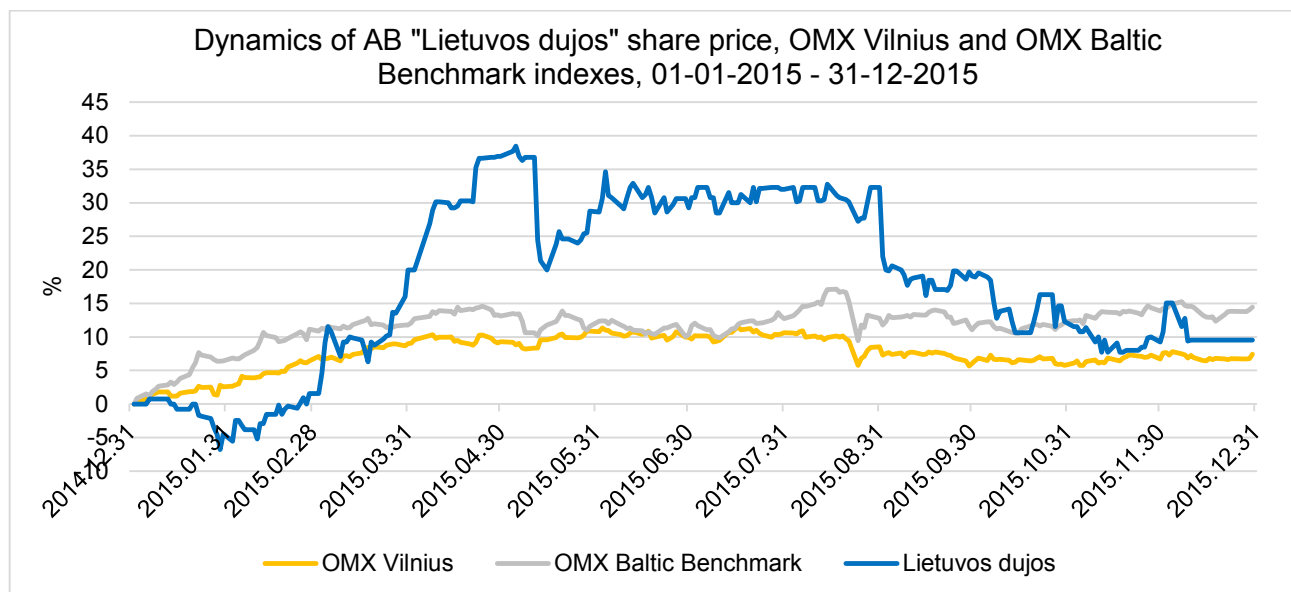
The Company is not aware of any agreements made between shareholders which may restrict the transfer of its securities and/or voting rights.

The Company has not acquired its own shares and during 2015 had not concluded any transactions related to the acquisition or disposal of own shares.

Share price dynamics and ratios in 2013-2015			
	2015	2014	2013
Highest price per share, EUR	0.900	0.739	0.755
Lowest price per share, EUR	0.606	0.613	0.559
Weighted average price per share, EUR	0.768	0.671	0.659
Price per share as at the end of the period, EUR	0.712	0.650	0.623
Market capitalization as at the end of the period, EUR million	207.0	188.9	181.1
Share price to profit ratio*	16.00	32.18	-
Dividend / net profit	79.6%	821.0%	-31.9%

*The ratio is not calculated if a company reports loss





Since the beginning of the year until 31 December, 2015, index OMX Vilnius increased by 7.42%, OMX Baltic Benchmark increased by 14.43%, while the price for Lietuvos Dujos shares increased by 9.54% during the twelve months of 2015. The weighted average price for Lietuvos Dujos share during the reporting period was EUR 0.768.

STRUCTURE OF THE COMPANY'S AUTHORISED SHARE CAPITAL, SECURITIES ISSUED

Type of shares	Number of shares	Nominal value, EUR	Total nominal value, EUR	Interest in authorised share capital, %
Ordinary registered shares	290,685,740	0.29	84,298,864.6	100.00

As at 31 December 2014, the Company's authorised share capital amounted to LTL 290,685,740.

On 27 April 2015, the Ordinary General Meeting of Shareholders approved a new version of the Articles of the Association, in which, in addition to other changes, the nominal value of one ordinary registered share and the Company's authorised share capital value in the litas was converted to the euros, i.e. it was determined that the nominal value of one ordinary registered share amounts to EUR 0.29 and the Company's authorised share capital is equal to EUR 84,298,864.6.

All shares of the Company are fully paid. All ordinary registered shares grant the same rights. Property and non-property rights are defined by the laws, other legal acts and the Articles of Association.

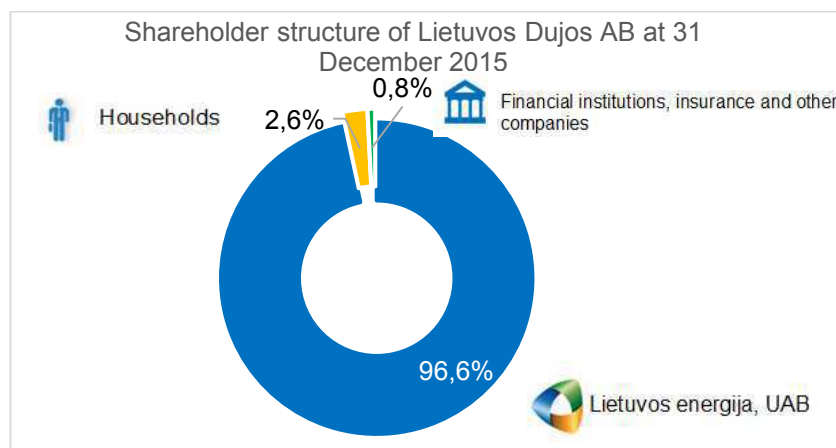
SHAREHOLDER STRUCTURE OF LIETUVOS DUJOS AB

According to data of 31 December 2014, the Company had 2,438 shareholders.

According to data of 31 December 2015, the Company had 2,501 shareholders.

Distribution of shareholders of Lietuvos Dujos by country 31/12/2015:

Country	Number of shareholders
Lithuania	2,380
Estonia	56
Latvia	30
Great Britain	6
Other countries	29
Total	2,501



AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

On 16 March 2012, Lietuvos Dujos concluded an agreement with SEB Bankas AB regarding the accounting for the securities issued by the Company and the provision of services related to the securities accounts with effect from 1 April 2012.

AB SEB bank requisite details

Company code	112021238
Banking licence No.	2 (issued by the Bank of Lithuania on 29 November 1990, as subsequently amended)
Registered office address	Gedimino Ave. 12, Vilnius, Lithuania
Telephone numbers	+370 5 268 2800, short number 1518
E-mail	info@seb.lt
Website	www.seb.lt

CUSTOMER SERVICE

In cooperation with the Lithuanian electricity distribution network operator LESTO AB, renovated joint customer service centres were opened up on 30 March 2015 in Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus and Utena. Here customers are provided with services of LESTO, Lietuvos Dujos and Lietuvos Dujų Tiekimas during one visit.

In 2015, the Company received about 4.8 thousand applications for connecting new users. A greater interest of customers in natural gas was encouraged by reduced natural gas prices in recent years, improved situation in the real estate market of the country.

Conditions were created for real estate developers planning construction works and owners of private land plots to check on the website of the Centre of Registers www.regia.lt whether a gas pipeline is built nearby their land plot and the possibilities for connecting to the gas distribution network. Future gas consumers are also allowed to submit their applications for connecting to gas pipelines by completing an electronic application form published on the Company's website at www.lietuvosdujos.lt (since 1 January 2016 www.eso.lt)

At the end of 2015, a satisfaction survey of the clients of Lietuvos Dujos was completed for the first time, which showed that the satisfaction index of the Lithuanian natural gas consumers was 80 points (out of 100). That is higher by 8 points than that of Europe (72) and 1 point as that of the US (79) indicators.

"Assessment of the clients as high as this is a merit of all the employees of Lietuvos Dujos. The services provided by our company are highly appreciated due to the employees' politeness, promptness in solving the issues and by removing the failures, also due to the fact that the obligations are fulfilled timely, and the ability to clearly render the necessary information. These results show that in a very short time we have managed to successfully overtake the standards and the culture of servicing clients of Lietuvos Energija. We have managed to master and put into practice the group values: by ensuring successful collaboration and working in a responsible manner, we have been eagerly aiming at the best results. There are no doubts as to whether this was directly felt by all our clients. And having in mind the fact that we have managed to achieve this assessment in the context of the changes which necessitated a lot of power and time, this is a proof how professional are the staff members working in Lietuvos Dujos", Director General Liudas Liutkevičius commented on the research results.

The study results have showed that private clients are slightly more satisfied with the services provided by Lietuvos Dujos and the services it provides than business clients: respectively the satisfaction index of private clients is 80 points, and that of business is 77 points. In the meantime, the indexes of service quality evaluation of private and business clients is rather high: respectively 87 and 85 points. In the quality assessment, the most important things are meeting the needs and experience of difficulties. The clients point out both meeting the needs of the services provided and meeting the needs of servicing, and rare experience of difficulties.

CORPORATE GOVERNANCE AND ORGANISATIONAL STRUCTURE

CORPORATE GOVERNANCE AND ORGANISATIONAL STRUCTURE

The activities of the Company are governed by the laws of the Republic of Lithuania, other legislation and Articles of Association of the Company.

The Company has disclosed the information regarding the observance of the provisions of the Code of Governance. Information is available on the Company's website www.lietuvosdujos.lt (since 1 January 2016 www.eso.lt) and the Central Database of Regulated Information www.crib.lt

Till 1 June 2015, the Company had five natural gas distribution branches in the regions of Lithuania: Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys Branches. Upon the merger of Šiauliai and Panevėžys branches into a single Northern region gas network department in the simplification of the Company's management structure and having abolished the legal status of branches, four regional divisions of the Company, namely those of Vilnius, Kaunas, Klaipėda and the Northern region, have been functioning since 1 June 2015.

According to the Articles of Association of the Company, the bodies of the Company comprise the General Meeting of Shareholders, collegial supervisory body - the Supervisory Board, collegial executive body - the Board and the single-person executive body - the Chief Executive Officer.

GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

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

The competence of the General Meeting of Shareholders of the Company, procedure for its convocation and decision-making are prescribed by the laws, other legal acts and the Articles of Association of the Company.

During the reporting period, shareholders of the Company had equal (property and non-property) rights established by the laws, other legal acts and the Articles of Association of the Company. None of the shareholders of the Company had any special control rights; all shareholders have equal rights.

During the reporting period, the management bodies of the Company created proper conditions to ensure the implementation of the rights of the Company shareholders. During the reporting period there were 5 shareholders meetings. In the general meeting of shareholders that took place on 27 April 2015 the General Manager of the Company and the Chairman of the Board, Liudas Liutkevičius, participated as well as the Director of Finance and Treasury Service and member of the Board, Giedrė Glinskienė, and the Chairman of the Supervisory Board of Lietuvos Dujos, Darius Kašauskas.

SUPERVISORY BOARD

The Supervisory Board of Lietuvos Dujos is a collegial supervisory body.

The competence, procedure for decision-making, election and recall of its members are prescribed by the laws, other legal acts and the Articles of Association of the Company. The Supervisory Board of Lietuvos Dujos comprises three members elected by the General Meeting of Shareholders for the term of office of four years. Independent members form at least one third of the Supervisory Board of the Company.

The Supervisory Board elects the Chairman of the Supervisory Board from among its members. In 2015, the composition of the Supervisory Board remained unchanged. On 29 October 2014, the General Meeting of Shareholders elected Darius Kašauskas (Chairman of the Supervisory Board), Ilona Daugėlaitė and Petras Povilas Čėsna (independent member of the Supervisory Board) as members of the Supervisory Board for the term of office of four years.

During the reporting period, there were 12 (twelve) meetings of the supervisory board of Lietuvos Dujos with all three members of the supervisory board participating in them.



Darius Kašauskas
Chairman of the Supervisory Board

Period in this position:
From 29 October 2014
(Chairman – from 3 November 2014)
to 31 December 2015



Ilona Daugėlaitė
Member of the Supervisory Board

Period in this position:
From 29 October 2014 to 31
December 2015



Petras Povilas Čėsna
Member of the Supervisory Board

Period in this position:
From 29 October 2014 to 31
December 2015

Education

ISM University of Management and Economics,
BI Norwegian Business School,
Master's Degree in Management.
Vilnius University, Master's Degree in Economics

Vilnius University, Master's Degree in Hydrogeology and Engineering Geology.

Vilnius University,
Master's Degree in Economics

Main place of employment

Lietuvos Energija, UAB,
Director of Finance and Treasury Service

Lietuvos Energija, UAB,
Director of Organisational Development Service

Lithuanian Centre of Exhibition and Congress LITEXPO, Chairman of the Board

Cash amounts calculated for members of the Supervisory Board in 2015, EUR

-

-

2042

Participation in the activities of companies and organizations, also a held share of capital and votes of other companies greater than 5 percent

Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %
Chairman of the Supervisory Board of Lietuvos Dujos	-	Member of the Supervisory Board of Lietuvos Dujos	-	Independent member of the Supervisory Board of Lietuvos Dujos	-
Chairman of the Supervisory Board of LESTO	-	Member of the Supervisory Board of LESTO	-	Independent member of the Supervisory Board of LESTO	-
Member of the Board of Lietuvos Energija, UAB and Director of Finance and Treasury Service	-	Member of the Board of Lietuvos Energija, UAB and Director of Organizational Development Service	-	Lithuanian Exhibition and Congress Centre LITEXPO, Chairman of the Board	-
Chairman of the Board of UAB NT Valdovs	-	Chair of the Board of UAB Technologijų ir Inovacijų Centras	-	Public assistant of the member of Seimas of the Republic of Lithuania Mrs Šiaulienė	-
Member of the Board of UAB Kauno Energetikos Remontas	-	Member of the Board of UAB Elektros Tinklo Paslaugos	-		
Chairman of the Board of UAB Verslo Aptarnavimo Centras	-	Chair of the Board of UAB Duomenų Logistikos Centras	-		
Gotlitas, UAB (currently Elektroninių Mokėjimų Agentūra UAB), CEO, for the period 03-08-2015 – 15-10-2015	-	The spouse holds 3,150 ordinary registered shares of SOLUTIONLAB PRODUCTION (company code 300629188)	63		
Elektroninių Mokėjimų Agentūra UAB, member of the Board, since 06-11-2015		The spouse holds 3,150 ordinary registered shares of SOLUTIONLAB PRODUCTION (company code 300629188)	63		

On the reporting date, the Supervisory Board of ESO consisted of the chairman of the Supervisory Board Dalius Misiūnas and the Supervisory Board members Ilona Daugėlaitė and Petras Povilas Čėsna (independent Supervisory Board member).



Dr. Dalius Misiūnas (born in 1978)
Chairman of the Supervisory Board

In this position:
since 3 December 2015

End of term:
3 December 2019



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

In this position:
since 3 December 2015

End of term:
3 December 2019



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

In this position:
since 3 December 2015

End of term:
3 December 2019

Education

Lund University, Doctor's degree in Technological Sciences, Master's Degree in Industrial Electrical Engineering and Automatics
Kaunas University of Technology Bachelor's Degree in Electrical Engineering

Vilnius university,
Master in Hydrogeology and Engineering Geology

Vilnius university,
Qualification of Economist

Main place of employment

Lietuvos Energija, UAB
Chairman of the Board and CEO

Lietuvos Energija, UAB
Director of Organizational Development

Lithuanian Centre of Exhibition and Congress LITEXPO, chairman of the Board

Participation in the activities of companies and organizations, also a held share of capital and votes of other companies greater than 5 percent

Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %
ESO, chairman of the Supervisory Board	-	ESO, member of the Supervisory Board	-	ESO, independent member of the Supervisory Board	-
Lietuvos Energija UAB Chairman of the Board and CEO	-	Lietuvos Energija UAB, member of the Board, Director of Organizational Development	-	Lithuanian Centre of Exhibition and Congress LITEXPO, chairman of the Board	-
Higher Education Council member KTU Alumni Association, president	-	Technologijų ir Inovacijų Centras, UAB, chair of the Board	-	Public assistant of the member of Seimas of the Republic of Lithuania Mrs Šiaulienė	-
National Lithuanian Energy Association, president	-	Duomenų Logistikos Centras, UAB, chair of the Board	-		
Lithuanian Confederation of Industrialists, Vice President	-	The spouse holds 3,150 ordinary registered shares of SOLUTIONLAB PRODUCTION UAB (company code 300629188)	63		
Association Eurelectric, member of the Board of Directors	-				

AUDIT COMMITTEE

On 27 August, 2013 the Supervisory Board of the company Lietuvos Energija UAB formed the Audit Committee whose activities include the examination and submissions of proposals on issues delegated to the Committee and questions on which the Supervisory Board applies to the Committee. The activities of the Audit Committee are applicable to the company Lietuvos Energija UAB and its directly and indirectly controlled subsidiaries, including Energijos Skirstymo Operatorius AB, and to other legal entities over which Lietuvos Energija UAB has a direct or indirect significant influence. .

The main functions of the Audit Committee:

- to observe Lietuvos Energija UAB and its group companies procedures of financial reporting;
- to observe Lietuvos Energija UAB and its group companies internal control and risk management system effectiveness, to perform these systems demand and relevance analysis and review;
- to observe how a certified auditor and audit company follow independence and objectiveness principles, to provide related recommendations;
- to observe Lietuvos Energija UAB and its group companies audit processes, to evaluate audit effectiveness and administration's response to recommendations which are presented to the leadership;
- to observe Lietuvos Energija UAB and its group companies internal audit function effectiveness, to analyse the demand for and relevance of the function, to provide recommendations for those questions like internal audit need, effectiveness and other, to initiate actions if needed.

The centralised internal audit function has been implemented within the group of companies since 5 January 2015. This decision allows ensuring the independence and objectivity of the internal audit activity, a uniform methodology and accountability as well as a more rational allocation of available audit resources and competences.

Members of the Audit Committee of the company Lietuvos Energija UAB at the end of the reporting period:

Name, surname	Share capital held of the Issuer (%)	Term of office	Workplace
Rasa Noreikienė (Chair of the Committee)	0	2013 August – 2017 August	Ministry of Economy of the Republic of Lithuania
Aušra Vičkauskienė	0	2013 August – 2017 August	Property Management Department of the Ministry of Finance of the Republic of Lithuania
Danielius Merkinas (independent member)	0	2013 August – 2017 August	Nordnet UAB
Gintaras Adžgauskas	0	2013 August – 2017 August	World Energy Council Lithuanian Committee
Irena Petruškevičienė (independent member)	0	2014 October – 2018 October	European Commission Audit Development Committee The UN World Food Programme ISM University of Management and Economics State Control

BOARD OF THE COMPANY

The Board of Lietuvos Dujos AB is a collegial executive body of the Company.

At the end of the reporting period, the Board of the Company comprised Liudas Liutkevičius (Chairman of the Board, CEO), Valentina Birulienė, Giedrė Glinskienė and Dalius Svetulevičius.



Liudas Liutkevičius
**Chairman of the Board
and Chief Executive
Officer**

Valentina Birulienė
Member of the Board

Giedrė Glinskienė
Member of the Board

Dalius Svetulevičius
Member of the Board

Period in this position:
From 3 November 2014 to
31 December 2015

Period in this position:
From 3 November 2014 to
31 December 2015

Period in this position:
From 3 November 2014 to 31
December 2015

Period in this position:
From 9 February 2015 to
31 December 2015

Education

Vilnius University,
Master's Degree in
International Business
Finance

Vilnius University, Bachelor's
Degree in Management and
Business Administration

Vilnius University, Master's
Degree in Economics

Kaunas University of
Technology, Master's
Degree in Measurement
Engineering;
Vilnius University,
Master's Degree in
Management and
Business Administration

Lietuvos Dujos AB, CEO

Lietuvos Dujos AB, Director
of the Organizational
Development Service

Lietuvos Dujos AB, Director
of the Finance and Treasury
Service

Lietuvos Dujos AB,
Director of the Gas
Network Service

Cash amounts calculated for members of the Board in 2015, EUR

17377

10426

10426

9329

Participation in the activities of companies and organizations, also a held share of capital and votes of other companies greater than 5 percent

Name of the company, position	Held share of capital and votes, percent	Name of the company, position	Held share of capital and votes, percent	Name of the company, position	Held share of capital and votes, percent	Name of the company, position	Held share of capital and votes, percent
Lietuvos Dujos AB, Chairman of the Board, CEO	-	Lietuvos Dujos AB, member of the Board, Director of the Organizational Development Service	-	Lietuvos Dujos AB, member of the Board, Director of the Finance and Treasury Service	-	Lietuvos Dujos AB, member of the Board, Director of the Gas Network Service	-
National Lithuanian Association of Energy, council member National Lithuanian Association of Gas, council	-	Verslo Aptarnavimo Centras UAB, acting Director General from 14 December 2015	-				
Support Fund of Lietuvos Energija, member of the Board	-						
SECURITY COMPONENTS UAB, director	-						
Directo UAB, project manager	-						

On 1 January 2016, the Board of ESO consisted of the chairman of the Board Liudas Liutkevičius and the Board members Dalia Andrulionienė, Eglė Čiužaitė, Rytis Borkys and Dalius Svetulevičius. On 19 February 2016, the

ANNUAL REPORT OF LIETUVOS DUJOS AB
As at 31 December 2015

Supervisory Board of ESO decided to recall Eglė Čiužaitė from the Board of ESO from 19 February 2016 and to elect Augustas Dragūnas as the new member of Board of ESO till the end of the term of office of the current Board. On the report signature date the Board of ESO consisted of the chairman of the Board Liudas Liutkevičius and the Board members Dalia Andrulionienė, Augustas Dragūnas, Rytis Borkys and Dalius Svetulevičius.



Liudas Liutkevičius
(born in 1980)
Chairman of the Board
CEO

In the position of Chairman:
since 31 December 2015
End of term:
2 December 2019

In the position of CEO:
since 1 January 2016



Dalia Andrulionienė
(born in 1971)
Member of the Board

In this position:
since 31 December 2015

End of term:
2 December 2019



Augustas Dragūnas
(born in 1981)
Member of the Board

In this position:
since 19 February 2016

End of term:
2 December 2019



Rytis Borkys
(born in 1969)
Member of the Board

In this position:
since 31 December, 2015

End of term:
2 December 2019



Dalius Svetulevičius
(born in 1974)
Member of the Board

In this position:
since 31 December 2015

End of term:
2 December 2019

Education

Vilnius university,
International Business
Finance Master's degree

ISM University of
Management and
Economics, BI
Norwegian Business
school, Master in
Management, Vilnius
university,
Master in Economics

Vilnius university, Master
in Business
Administration and
Management

Kaunas University of
Technology, higher
university education in
engineering

Kaunas University of
Technology,
Measurement
Engineering Master's
degree
Vilnius university, Master
in Business
Administration and
Management

Main place of employment

ESO, CEO

ESO, Director of Service
division

ESO, Director of Finance
and Administration
division

ESO, Director of Network
Development division

ESO, Director of Network
Operations division

Participation in the activities of companies and organizations, also a held share of capital and votes of other companies greater than 5 percent

Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %	Name of the company, institution or organization, position	Held share of capital and votes, %
ESO, Chairman of the Board, CEO	-	ESO, Director of Service division	-	ESO, Director of Finance and Administration division	-	ESO, Director of Network Development division	-	ESO, Director of Network Operations division	-
Support Fund of Lietuvos Energija, member of the Board	-	Verslo Aptarnavimo Centras UAB, member of the Board	-	Technologijų ir Inovacijų Centras UAB, member of the Board	-				
National Lithuanian Association of energy, council member	-								
SECURITY COMPONENTS UAB, director	-								
Directo UAB, project manager	-								

The competence of the Board of the Company, procedure for the election, recall of the Board members and decision-making are as prescribed by the laws, other legislation and the Articles of Association of the Company. The Board of Lietuvos Dujos consists of five members (four since 1 November 2015) elected by the Supervisory Board of the Company for the term of office of four years. The Board elect the Chairman of the Board from its members.

The powers of the members of the Board and areas of activity of the Chief Executive Officer of the Company are as prescribed by the laws and the Articles of Association of the Company; there are no exceptions with regard to any powers of the members of the Board or the Chief Executive Officer subject to additional notification.

On 3 November 2014, the Supervisory Board of the Company elected Liudas Liutkevičius, Nemunas Biknius, Tomas Šidlauskas, Giedrė Glinskienė and Valentina Birulienė for the term of office of four years. In its meeting of 3 November 2014, the Board of the Company elected Liudas Liutkevičius the Chairman of the Board and appointed him as the Chief Executive Officer of the Company.

On 30 January 2015, a member of the Board of Lietuvos Dujos Tomas Šidlauskas resigned from his post.

On 9 February 2015, Dalius Svetulevičius was elected a new member of the Board of the Company.

On 31 October 2015, a member of the Board of Lietuvos Dujos Nemunas Biknius resigned from his post.

During the reporting period there were 37 (thirty-seven) meetings of the Board.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is the single-person executive body of the Company.

The competence of the Chief Executive Officer, procedure for his election and recall are prescribed by laws, other legal acts and the Articles of Association of the Company. The Board of the Company elects, recalls and dismisses the Chief Executive Officer. The CEO organises the Company's activities, manages them, acts on the Company's behalf and unilaterally concludes transactions, except for cases provided for in the Articles of Association of the Company and legal acts.

Since 4 November 2014, Liudas Liutkevičius has held the post of the Chief Executive Officer of Lietuvos Dujos by the decision of the Board.

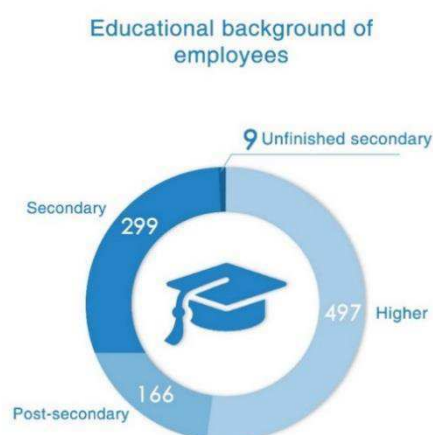
In accordance with the Policy of Top and Medium-Level Managers of Lietuvos Energija Group, the salary of the Chief Executive Officer for the period from 1 January 2015 till 31 December 2015 was EUR 85.565 and the salary of the Chief Financial Officer (Head of Accounting Department) was EUR 21.597.

TRANSACTIONS WITH ASSOCIATED PARTIES

Information is presented in the financial statements of the Company for 12 months of 2015. During the reporting period, the Issuer has not concluded any detrimental transactions (non-compliant with the Company's objectives, the existing normal market conditions, in breach of interests of shareholders or other groups of persons, etc.) or transactions concluded in presence of a conflict of interest between the obligations to the Issuer of the executives, controlling shareholders or other related parties of the Issuer and their private interests and (or) other obligations.

EMPLOYEES OF THE COMPANY

Category	Number of employees 31 12 2015
CEO	1
Top-level managers	3
Mid-level managers	57
Experts, specialists, workers	910
Total	971



At the end of the reporting period, the Company had 971 employees, i.e. 14.0 percent less compared to the same period of last year. This change in the number of employees was determined by the transfer of service functions to other companies of the Group, namely, the transfer of the functions of public procurement, employment relations administration and accounting to Verslo Aptarnavimo Centras UAB and the transfer of the functions of transport administration, trainings organisation and meter readings to external companies.

The Company currently employs skilled professionals in their field. 497 employees hold a higher education degree, another 166 employees have acquired a higher non-university (post-secondary) education.

ORGANIZATIONAL CULTURE, SKILLS DEVELOPMENT, TRAININGS, INTERNSHIP POSSIBILITIES

In order to determine the business direction within the Company, to increase employees' involvement and to give meaning to activities of each employee, the Company has implemented employee performance management system, which was associated with remuneration system in 2015. This year, remuneration system was changed essentially in the Company - in addition to the fixed salary component, a variable component was introduced, which allows motivating employees doing great job and achieving the set goals. Pursuant to the remuneration system, all jobs have been divided into levels depending on their functions, competences necessary for the job, decision-making level and importance in the Company. This allows ensuring the clarity, integrity and internal fairness of remuneration system. In 2015, 39 percent of employees had annual reviews, during which their goals, evaluation indicators, expectations and improvement were discussed. The remaining employees had performance indicators set for them, the implementation whereof will be evaluated on a quarterly basis.

The organisation of mandatory and professional trainings in the Company is one of priority areas of the development of skills of employees. During the reporting period, 201 employees of the Company took part in mandatory and professional trainings or certifications. 1 070 employees participated in civil safety trainings held by the Company, 1 030 employees took part in the customer service standard trainings newly implemented in the Company and 928 employees - in renewed environmental protection trainings. 107 employees of the Company were trained under formal training programmes and certified in the Company's certification centre, which was engaged in training activities and operated in the Company till 31 March 2015.

Due to many changes occurring in the Company, additional attention was devoted to the ability of employees to work efficiently and strive for results during the period of changes. 300 employees participated in change management trainings during the reporting period.

For the improvement of practical skills, in June of 2015, an excellence contest of the Department of Gas Pipeline Protection against Corrosion was held in Panevėžys practical training site of the Northern Regional Gas Network Department at the time of which teams from all gas network departments demonstrated their knowledge and skills, and the best ones were awarded therefor.

In addition to training its employees, the Company has been devoting great attention to future specialists as well - this year the Company participated in career fairs of 4 universities (KTU, ISM, VGTU, VU), communicated with students, invited them to engage in the Company's apprenticeship programme. In 2015 the Company had six interns. The students were able to get familiar with the activities of the Operational Service, Office Administration Division and Human Resources Department.

AVERAGE SALARY OF THE COMPANY'S EMPLOYEES

Employees	Average monthly salary, EUR
CEO	7130
Top-level managers	4060
Mid-level managers	2082
Experts, specialists, workers	947
Total	1046

REMUNERATION SYSTEM

Remuneration policy was introduced by the Company, the implementation of which placed the Company among other most advanced companies of the country, which remunerate their employees for the work performed according

to the results achieved, value created for the organisation and the team. The remuneration system was developed on the basis of the Hay Group methodology ensuring objective evaluation of the employee's positions according to the required education, complexity of the problems, and level of responsibility of the specific position. This system supports an efficient management of the Company's expenses and ensures that strategic goals and business management logics of the Company are reflected by the payroll system.

The Company's employee remuneration package consists of financial, non-financial and emotional rewards. Financial reward system includes a monthly paid fixed salary indicated in the employment contract, as well as the variable part of the salary paid for the reached results of performance and other extra pays (for overtime, night work, etc.) paid according to the collective agreement and other internal legal acts.

The variable part of the remuneration is determined and paid according to the Company's procedure for employees' variable remuneration determination and payment and according to the Company's procedure for CEO's performance indicators determination and the variable part of the salary calculation and allocation. The maximum size of the variable part of the salary is set in the Company's procedure for employees' variable remuneration determination and payment. The Company's procedure for CEO's performance indicators determination and the variable part of the salary calculation and allocation provides that the variable part of the CEO's salary cannot exceed 30 % of annual fixed salary and is set by the Company's Board. According to the Company's procedure for employees' variable remuneration determination and payment, the Company's Board, taking into account the opinion of the Supervisory Board, sets the measurement indicators for the employees' general (the Company's) objectives and approves their execution. According to the Company's procedure for CEO's performance indicators determination and the variable part of the salary calculation and allocation, the variable part of the salary for the CEO is paid for the execution of objectives (indicators). The objectives (indicators) for the CEO is determined and approved by the Company's Board in accordance with the opinion of the Supervisory Board. It should be noted that the same variable remuneration determination and payment principles are applied in all companies of Lietuvos Energija UAB group. According to the Company's procedure for employees' variable remuneration determination and payment, the variable part of the remuneration to the top-level managers is paid within 2 payments: the first part, equal to 80 % of the total calculated and assigned variable part of remuneration (for the achieved objectives (indicators) of the reported period No 1) is paid within 30 calendar days as of the decision to pay the variable part of the salary; the second part, equal to 20 % of the total calculated and assigned variable part of remuneration (for the achieved objectives (indicators) of the reported period No 1), aiming for loyalty of the top-level managers and performance continuity, is deferred and paid after 1 year within 30 calendar days as of the decision to pay the second variable part of the salary and is paid together with the variable part of the salary (80 %) for the achieved objectives (indicators) of the reported period No 2. The analogous procedure of the variable remuneration payment to the CEO is determined in the Company's procedure for CEO's performance indicators determination and the variable part of the salary calculation and allocation.

Non-financial rewards are an indirect remuneration, which is used by the Company to encourage its employees' effort, involvement and loyalty, employee well-being and enrichment activities in the Company. These rewards includes various events, greetings for special occasions, recognition and evaluation by awarding employees for their especially high results, health promotion, employee development and training. Emotional rewards are the factor that is hardly measured but very important for employees' involvement in the Company's operations, it includes the Company's reputation, organizational culture and values, career opportunities, various internal communication programmes that allows employees to share their ideas, ask questions, get acquainted with colleagues with the support of an internal website.

COLLECTIVE BARGAINING AGREEMENT, TRADE UNIONS OF EMPLOYEES

Regional gas network departments of the Company have their trade union divisions that jointly act as the Lithuanian Gas Sector Employees Trade Union Association, with which the Company closely cooperates. The Company has a signed Collective Bargaining Agreement, which establishes labour, professional, social and economic conditions and guarantees. The current Collective Bargaining Agreement is valid till the end of 2015, thus the approval process of a new version of the Collective Bargaining Agreement was started with trade unions in the first half of 2015. The plan is to sign a new Collective Bargaining Agreement by mid-February of 2016.

OTHER COMMITTEES

The Audit Committee, Risk Management Supervision Committee and Appointment and Remuneration Committee are also formed at Lietuvos Energija UAB group of companies.

RISK MANAGEMENT SUPERVISION COMMITTEE

Risk Management Supervision Committee is responsible for the submission of conclusions or proposals to the Supervisory Board on the functioning of management and control system in the Group and (or) main risk factors and implementation of risk management or prevention measures.

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant for the accomplishment of goals of the Lietuvos Energija UAB and its group companies;
- assess the adequacy of internal control procedures and risk management measures to the identified risks;
- assess the status of implementation of risk management measures;
- monitor the implementation of risk management process;
- analyse financial possibilities for the implementation of risk management measures;
- assess the risks and risk management plan Lietuvos Energija UAB and its group companies;
- assess the regular risk identification and assessment cycle;
- control the establishment of risk registers, analyse their data and provide proposals;
- monitor the drafting of risk management related internal documents;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

Members of the Risk Management Supervision Committee of Lietuvos Energija UAB at the end of the reporting period:

Name, surname	Capital held of the Issuer (%)	Term	Workplace
Antanas Danys (chairman)	0	2013 September – 2017 August	Grinvest PTE LTD
Raimundas Petrauskas (independent member)	0	2013 September – 2017 August	Schmitz Cargobull Baltic, UAB
Donatas Kaubrys (independent member)	0	2013 October – 2017 October.	Dovirma, UAB
Tomas Garasimavičius	0	2013 September – 2017 August	Government of the Republic of Lithuania

APPOINTMENT AND REMUNERATION COMMITTEE

Appointment and Remuneration Committee is responsible for the submission of conclusions or proposals on the matters of nomination, recall or promotion of the Board Members to the Supervisory Board, 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.

Main functions of the Committee:

- assess and provide proposals on the long-term remuneration policy of the Company and its 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;
- assess and provide proposals on the policy of bonuses of the Company and its group companies;
- monitor the compliance of the policy of remunerations and bonuses of the Company and its 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;
- provide proposals concerning bonuses upon distribution of profit (losses) to be appropriated of the Company and its group companies of the respective financial year;
- assess the terms and conditions of agreements of the Company and its group companies with members of management bodies of the Company and its group companies;
- assess the procedures of recruitment and selection of candidates to members and senior management of the Company and its group companies and establishment of the qualification requirements;
- perform regular reviews of the structure, size, composition and activities of the management and supervisory bodies of the Company and its group companies;
- supervise how members of management bodies and employees of the Company and its group companies are notified of the professional development possibilities and how they upgrade their skills regularly;

- supervise and assess the implementation of measures ensuring the continuity of operations of the management bodies and employees of the Company and its group companies;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

Members of the Appointment and Remuneration Committee of Lietuvos Energija UAB at the end of the reporting period:

Name, surname	Capital held of the Issuer (%)	Term	Workplace
Aloyzas Vitkauskas (chairman)	0	2013 August – 2017 August	Ministry of Finance of the Republic of Lithuania
Virginijus Lepeška (independent member)	0	2013 August – 2017 August	Organizacijų Vystymo Centras UAB
Tomas Garasimavičius	0	2013 August – 2017 August	Government of the Republic of Lithuania

SOCIAL RESPONSIBILITY

Acting in pursuit of its strategic goals, Lietuvos Dujos has been implementing its social responsibility through targeted activities in four key areas: environmental protection, relations with employees and the public, as well as activities in the market.

ENVIRONMENTAL PROTECTION

In order to reduce the overall environmental impact of Lietuvos Dujos in the most efficient way, the Company is committed to focus its efforts in the areas of the greatest impact, where its actions would allow achieving best results. Based on these principles, each year the Company sets its environmental protection goals and forms tasks, which are in turn integrated into the overall objective of the Company's operations. The Company has approved its Environmental Protection Policy, whereby it undertook to:

- efficiently and securely supply to customers natural gas - the cleanest type of fossil fuel;
- rationally use material resources necessary for its operations, apply preventive measures for reducing the consumption thereof;
- continuously improve the efficiency of environmental management system and apply pollution prevention actions;
- comply with legal requirements applicable to the Company's activities and other obligations assumed by the Company (to its shareholders and associations which it belongs to);
- reduce adverse environmental impact of the Company's activities applying economically viable measures;
- constantly monitor, periodically analyse and evaluate the Company's performance results and environmental impact, also set environmental protection goals and form tasks based thereon;
- regularly check the efficiency of the applied environmental protection management system, develop employee skills as well as their responsible approach to work and environmental protection;
- cooperate and exchange information on environmental protection-related issues with business partners, state authorities and other stakeholders and institutions in order to improve the state of the environment and the quality of life.

The task of Lietuvos Dujos is a secure and reliable distribution of natural gas, which is the least polluting type of fossil fuel used for energy, to customers.

- ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001

In March 2015, Bureau Veritas UAB conducted a recertification audit of the environmental management system implemented in the Company under the ISO 14001 standard. One discrepancy was identified during the audit, and a corrective action plan was drawn up for the elimination thereof. On 8 April 2015, the Company was issued the certificate. With the ongoing compliance of the Company's management system with requirements of the said standard, the certificate will be valid till 7 April 2018.

The Company's aim to minimize negative impact on the environment done by its activities is reflected in annually drawn up environmental protection goals.

- MANAGEMENT OF THE ENVIRONMENTAL IMPACT OF THE ACTIVITIES

One of the main objectives of the Company in the field of control and minimization of atmospheric pollution using technical measures is the control of any possible gas leaks in the process of natural gas distribution. In order to ensure the reliability of the gas systems, the Company carries out maintenance, repair, reconstruction and modernization of gas pipelines and the equipment thereof.

Gas emissions into the atmosphere at the fault of third persons (MWh)	
2015	2014
1 790 (0.171 million m ³)	671 (0.065 million m ³)

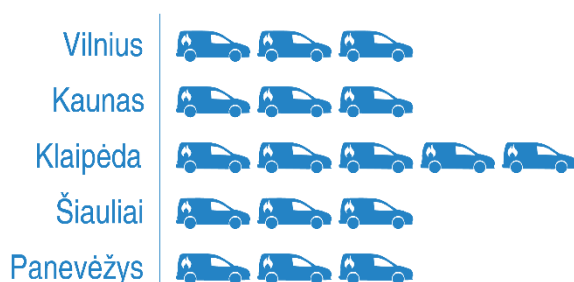
In 2015, the companies that carelessly carried out agricultural works damaged the distribution pipelines 64 times. Even though this year the number of such damages is smaller than last year during the same period, the damage of this year is of a much larger scale, since distribution pipelines of higher pressure have been damaged. Contractors that carry out excavation and construction works causing financial and environmental losses usually do not take into consideration before starting excavation works whether there are any gas distribution pipelines in their work environment. Sometimes even where they know about a pipeline nearby, the requirement to call a representative of Lietuvos Dujos is ignored.

Gas consumption for technological needs related to gas emissions into the atmosphere (MWh)	
2015	2014
126 790 (11.986 million m ³)	125 044 (12.027 million m ³)

- USE OF MORE ENVIRONMENTALLY-FRIENDLY VEHICLES

In order to minimize the pollution of the atmosphere from mobile sources, Lietuvos Dujos uses in its business economic cars and every year renovates its car fleet so that the rate of emissions would correspond to high requirements of the quality standard.

Number of natural gas-fuelled vehicles in divisions of the Company in 2015



In order to minimize adverse environmental impact, the Company has been installing technical measures for the ensurance of gas system reliability and renovating its car fleet each year. The Company acquired 14 new cars fuelled on the cleanest fossil fuel - natural gas. CO₂ emission of gas-fuelled 80 kW cars is 157 g/km as compared to 191 g/km of a 59 kW petrol-fuelled or 167 g/km of a 55 kW diesel-fuelled car.

CO₂ emission:



EMPLOYEES

The Lithuanian Gas Sector Employees Trade Union Association is operating in the Company. The Company has signed the Collective Bargaining Agreement, which establishes labour, professional, social and economic conditions and guarantees. Neither employment contracts, nor the Collective Bargaining Agreement provide for any extraordinary rights or duties for the Company's employees – rights and duties usually applied in Lietuvos Energija group have been set therein. The continuous dialogue between the Company's administration and trade union representatives ensures social interests of employees as well as the transparency and efficiency of decision-making.

The Company is constantly focusing on strengthening skills of employees, especially of its technical staff, also, supervision of contractors, because smooth direct activities of the Company and safety depends on the quality of work, while the made mistakes can result in damage done to the environment, people and property. Relevant seminars, professional excellence competitions, trainings, preventive material and safety days are periodically arranged for employees.

- IMPLEMENTED OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT SYSTEM

Lietuvos Dujos has implemented occupational safety and health management system according to BS OHSAS 18001:2007 standard requirements.

- **DEVELOPMENT OF ENVIRONMENTAL AWARENESS OF EMPLOYEES AND INITIATIVES**

In the implementation of the environmental policy, Lietuvos Dujos has actively developed environmental awareness of its employees. Paper and mixed waste is constantly sorted in the headquarters of the Company and the premises of its regional divisions. Employees have also been actively involved in environmental campaigns. At the end of May, over 80 employees of Lietuvos Dujos went to the Curonian Spit, where they jointly built a protective dune ridge nearby Smiltynė. The result of the work performed was 11 ares of covered dune ridge area having used about 600 cubic meters of twigs therefor.

- **SPORTS ACTIVITIES OF EMPLOYEES**

The Company has been fostering sports traditions. In January, a volleyball contest was held in Klaipėda, where athletes of Lietuvos Dujos reclaimed the contest cup from Amber Grid employees, who tried to retain the champions' title. In April, basketball championships were held between the Company divisions in Panevėžys to mark the Day of Energy Professionals, which was won by the team of employees from Kaunas region gas network. A tennis doubles tournament held by Lietuvos Energija and the Energy Tennis Club *Energija* took place in Nida on the last weekend of May, where Lietuvos Dujos employees ranked first in the mixed subgroup of the tournament.

- **PROFESSIONAL DEVELOPMENT OF EMPLOYEES AND PROMOTION OF WORK SAFETY**

In the beginning of June, professional excellence contest of chains of employees of the Department of Gas Pipeline Protection against Corrosion was held in the practical training site of the Northern Region Gas Network Department in Panevėžys. Panevėžys chain best demonstrated their skills and won the contest. 15 employees of Lietuvos Dujos took part in the contest, where they carried out a special practical task - the works of the inspection of the integrity of underground gas pipeline protective coating. The specialists had to demonstrate their ability to conduct the task according to work technology instructions, to show their skills in correctly using devices and individual protective measures in compliance with occupational safety requirements.

- **ZERO TOLERANCE AGAINST CORRUPTION**

The Company has a zero tolerance policy against corruption in place. Each employee of Lietuvos Dujos is an influential and significant part of the Company engaged in the provision of services of national significance to residents and business organizations. The activities of Lietuvos Dujos are based on the principles of transparency, openness and rationality. This is why each employee of the Company must get familiar and comply with the provisions and principles of the zero tolerance policy against corruption.

MARKET AND CUSTOMERS

Lietuvos Dujos promotes ethical, transparent and honest cooperation with customers, suppliers and investors; it cooperates with partners helping to implement the principles of socially responsible business.

In 2014, Lietuvos Dujos approved a new Customer Service Standard applicable in all companies of Lietuvos Energija Group. This is a step taken by the Company towards the enhanced customer service quality and mutual cooperation.

- **TRANSPARENT SELECTION OF PARTNERS**

The selection of business partners has been conducted following the Law on Public Procurement and Simplified Procurement Rules of Lietuvos Dujos. Qualification of new contractors is verified in the selection procedure, regular assessment of contractors cooperating with the Company is carried out. Also, verification of qualification of suppliers is performed during the selection procedure. Compliance with legal requirements and environmental integrity are one of the most important advantages of the Company's business partners and requirements set in contracts.

- **GAS DISTRIBUTION PIPELINE – IN VIRTUAL ENVIRONMENT**

Since now on, real estate developers planning construction works and owners of private land plots can easily check whether a gas pipeline has been built nearby their land plots and the possibilities for connecting to the gas distribution network. The possibility to find out where gas pipelines have been installed and the distance thereof to a specific land plot is available on the website of the Centre of Registers www.regia.lt. In cooperation between the Lithuanian natural gas distribution system operator Lietuvos Dujos and the Centre of Registers, the data on the natural gas

distribution network will be constantly updated on the website of regional geo-information environment www.regia.lt and the service convenient for residents will be expanded.

SOCIETY

Lietuvos Dujos supports and promotes business and public cooperation based on common interests of sustainable development, seeks to ensure long-term progress of business and the society, contributes to social development and creation of well-being of the society, accounting to the public for activities conducted thereby.

- **SUPPORT FOR SOCIALLY VULNERABLE GROUPS OF SOCIETY**

The Company's employees are involved in public activities, actively contributing to the assistance and support for socially vulnerable groups of society. The Company regularly holds and participates in social activities. Continuing a long-term tradition, a charity fair was held for pupils of public body Mažoji Guboja on April 1.

- **SUPPORT FOR PEOPLE SUFFERING FROM ONCOLOGICAL DISEASES**

In mid-May, the traditional Hope Run 2015 aimed at supporting people suffering from oncological diseases was held in Klaipėda. Three employees from Klaipėda region gas network of Lietuvos Dujos participated in this run. The run held for the eighth time was aimed at showing solidarity with those suffering from cancer, promoting healthy lifestyles, inviting people of good will to support the activities of Klaipėda St. Francis Oncology Centre in order to give hope to people suffering from oncological diseases and their relatives and to engage in sports and have fun at the same time. The raised funds allow providing services in Klaipėda St. Francis Oncology Centre to cancer patients and their relatives free of charge.

- **UNPAID BLOOD DONATION CAMPAIGNS**

At the end of June, an unpaid blood donation campaign was held in the Company's headquarters together with the National Blood Centre. Nine Lietuvos Dujos employees took part in the campaign. To celebrate the World Blood Donor Day, the employees of Klaipėda region gas network department also decided to arrange an unpaid blood donation campaign, which was attended by 8 employees of the Company.

- **SUPPORT FOR INCREASING POPULARITY OF SPORTS IN THE COUNTRY'S REGIONS**

Lietuvos Dujos granted support for Kretinga football club Minija and its participation in the Lithuanian football championship in 2015 using funds of the Lietuvos Energija Support Fund. The club seeks to bring back to Kretinga region beautiful football traditions, which existed several decades ago. At that time, the name of Kretinga football club Minija was known not only in the Western Lithuania but throughout the entire country, when the club won a prize in the Lithuanian football championship and became the winner of Lithuanian football Tauragė match.

- **SUPPORT FOR TAURAGĖ MUNICIPALITY NEWLY CONNECTED TO GAS SYSTEM**

Lietuvos Dujos has already started the works of connecting Tauragė municipality to its gas system. In 2016, Tauragė will become the 42nd municipality of the country able to use the cleanest and most convenient fossil fuel, namely, natural gas. In 2015, Lietuvos Dujos decided to allocate funds for the repairs of Tauragė St. Trinity Church from the Lietuvos Energija Support Fund. The funds will be used to repair the roof of the church.

- **CARING FOR COMMUNITY SAFETY**

Taking care of the safety of communities and residents, Lietuvos Dujos has been actively seeking to prevent gas leaks occurring as a result of reckless land excavation works. Preventive measures are implemented therefor: land excavation works are supervised, information on land excavation works in the gas pipeline protection zones is published in mass media, contractors engaged in the performance of land excavation, contract or construction works are directly encouraged to inquire in advance if gas distribution pipelines have not been built in land excavation work zones and to call Lietuvos Dujos representatives.

- **EDUCATIONAL SOCIAL RESPONSIBILITY CAMPAIGN ENTITLED *HEATING WITH CLEANER FUEL***

Lietuvos dujos, along with the scientists of the Institute on Environmental Protection of Vilnius Gediminas Technical University initiated and in December of this year completed a study whereby they tried to find out the influence of different types of fuel on air pollution. The most popular heating methods were compared: that of coal, peat blocs, natural gas, fire-woods and timber sawdust blocks. The study was completed by modelling – with equal meteorological conditions, the change of distribution and concentration of emitted pollutants was compared. The

researchers referred to real meteorological data of Vilnius region, i. e. the temperature, wind speed and direction, cloudiness and amount of rainfall.

According to the calculations of the scientists, the greatest concentration of particulate matters was recorded by heating the house by peat blocs (0.85 micrograms per cubic meter, µg/cub. m). A similar indicator of particulate matters was in the case of heating by coal (0,8 µg/cub. m). By incinerating coal a large amount of ash remains. The total ash of coal may reach up to 10 per cent. By incinerating timber blocs and logs, the concentration of particulate matters is much smaller (0,1 µg/cub. m). Natural gas is a unique type of fuel since it does not release any particulate matters.

The results of this study were published for the society in the most popular mass media, by preparing articles and video broadcasts by making public the scientists' comments or recommendations.

MATERIAL EVENTS

In the implementation of its duties under applicable laws governing securities market, Lietuvos Dujos publishes its material events and other regulated information at the European Union level. Information published by the Company can be found on its website at www.eso.lt (since 1 January 2016) and on the website of NASDAQ Vilnius AB at www.nasdaqbaltic.com.

Lietuvos Dujos AB has published information on the following material events since 1 January 2015:

Date	Material event
30 01 2015	Regarding resignation of a member of the Board of Lietuvos Dujos AB
09 02 2015	Dalius Svetulevičius was elected a new member of the Board
10 02 2015	Regarding the periodicity of the publication of preliminary financial results
13 02 2015	Preliminary unaudited financial indicators of Lietuvos Dujos AB for 12 months of 2014
27 02 2015	Refined and more efficient activities of the Company allowed Lietuvos Dujos to achieve better results in 2014 (results for the 12 months of 2014)
03 03 2015	Regarding a planned merger of Lietuvos Dujos AB and AB LESTO
10 03 2015	Regarding the change of the legal status of branches of Lietuvos Dujos AB
03 04 2015	Regarding the convocation of the General Meeting of Shareholders of Lietuvos Dujos AB
14 04 2015	Regarding the resolutions of the Supervisory Board of Lietuvos Dujos AB
27 04 2015	Regarding the resolutions of the General Meeting of Shareholders of Lietuvos Dujos AB
27 04 2015	Annual information of Lietuvos Dujos AB for the year 2014
04 05 2015	Regarding the convocation of the Extraordinary General Meeting of Shareholders of Lietuvos Dujos AB
15 05 2015	Preliminary unaudited financial indicators for three months of 2015: operating results of the Company are improving
29 05 2015	Regarding the resolutions of the General Meeting of Shareholders of Lietuvos Dujos AB
29 05 2015	Lietuvos Dujos has been consistently improving its performance results (financial statements for the first quarter of 2015 and interim report)
04 06 2015	CEO of Lietuvos Energija, UAB made a presentation at the event <i>CEO Meets Investors</i>
08 06 2015	Regarding the Convocation of Extraordinary General Meeting of Lietuvos Dujos AB Shareholders
01 07 2015	Extraordinary General Meeting of Shareholders of Lietuvos Dujos AB adopted a decision on the election of the audit company
28 07 2015	Agreement with a dairy processing company started the connection of another Lithuanian town Tauragė to the gas distribution system
28 07 2015	Regarding candidates nominated to the Board of a new electricity and gas distribution company which will continue its activities after reorganisation of LESTO AB and Lietuvos Dujos AB
14 08 2015	Preliminary unaudited financial indicators of Lietuvos Dujos for 6 months of 2015: results of the company undergoing reorganization continue to improve
31 08 2015	Interim information for first half of 2015: increasing confidence in natural gas contributed to positive result achieved by Lietuvos Dujos
31 08 2015	Regarding the Convocation of the Extraordinary General Meeting of Shareholders of Public Limited Liability Company Lietuvos Dujos

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31 08 2015	Regarding the reorganization of LESTO AB and public limited liability company Lietuvos Dujos
08 09 2015	Regarding the resolutions of the Supervisory Board of AB Lietuvos dujos
24 09 2015	Regarding resolutions of Extraordinary General Meeting of AB Lietuvos Dujos Shareholders
02 10 2015	Regarding the reorganization of LESTO AB and public limited liability company Lietuvos Dujos
16 10 2015	Regarding the resignation of the member of the Board of Lietuvos Dujos AB
22 10 2015	Regarding the findings of the inspection conducted by the National Control Commission for Control and Prices
29 10 2015	Adjusted natural gas distribution price cap
02 11 2015	Regarding the reorganization of LESTO AB and public limited liability company Lietuvos Dujos
06 11 2015	On the transfer of the 34 percent of shares of GET Baltic UAB owned by Lietuvos Dujos AB to AB Amber Grid AB
10 11 2015	Regarding the Extraordinary General Meeting of Shareholders of Lietuvos Dujos AB and the General Meeting of Shareholders of Energijos Skirstymo Operatorius AB
16 11 2015	Preliminary unaudited financial indicators of Lietuvos Dujos for 9 months of 2015: net profit grew by 73 percent and EBITDA increased by one forth
19 11 2015	NCC approved natural gas distribution prices
19 11 2015	NCC approved prices for connecting private customers to gas pipelines in 2016
27 11 2015	Interim information for 9 months of 2015: refined activities helped Lietuvos Dujos to consistently improve its performance results
30 11 2015	Regarding the presentation of Energijos Skirstymo Operatorius AB to investors
03 12 2015	Regarding the resolutions of Extraordinary General Meeting of Shareholders of public limited liability company Lietuvos Dujos
03 12 2015	Regarding the resolutions of General meeting of Shareholders of Energijos Skirstymo Operatorius AB
03 12 2015	The Board of Energijos Skirstymo Operatorius AB has been elected
03 12 2015	Regarding the resolutions of Board of Energijos Skirstymo Operatorius AB
03 12 2015	Regarding the establishment of Energijos Skirstymo Operatorius AB and inclusion on the Baltic main trading list of NASDAQ Vilnius Stock Exchange
03 12 2015	Regarding suspension of trade in shares of Lietuvos Dujos AB
08 12 2015	Regarding the resignation of Chairman of the Board and General Manager of Energijos Skirstymo Operatorius AB
11 12 2015	Regarding registration of Energijos Skirstymo Operatorius AB in the Register of Legal Entities of the Republic of Lithuania
15 12 2015	Terms of reorganization of LESTO AB and public limited liability company Lietuvos Dujos and other information is considered to be equivalent to prospectus of Energijos Skirstymo Operatorius AB
15 12 2015	Regarding the certificates, which grants the right to operate natural gas equipment and electric equipment, issued to Energijos Skirstymo Operatorius AB
18 12 2015	Regarding resolutions passed by Lietuvos Energija UAB regarding Energijos Skirstymo Operatorius AB
23 12 2015	Regarding Lietuvos Dujos investment plan for 2016-2025
23 12 2015	Lietuvos Energija Group company NT Valdosa acquired real estate owned by Lietuvos Dujos
30 12 2015	Regarding the licences for public supply of electricity energy, distribution of electricity energy and distribution of natural gas, issued to Energijos Skirstymo Operatorius AB
31 12 2015	Regarding the resolutions of Supervisory Board and the Board of Energijos Skirstymo Operatorius AB
31 12 2015	Regarding Investor' Calendar 2016
31 12 2015	Regarding the transfer of assets, rights and obligations of Lietuvos Dujos AB to Energijos Skirstymo Operatorius AB
31 12 2015	Regarding the removal of public limited liability company Lietuvos Dujos from the Register of Legal Entities of the Republic of Lithuania

Notice of the compliance with the Corporate Governance Code for companies listed on NASDAQ Vilnius

Pursuant to Article 21(3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, the public company Lietuvos Dujos (hereinafter – the Company) discloses information on its compliance with the Corporate Governance Code approved by the Board of AB NASDAQ Vilnius for the companies, whose securities are traded on the regulated market, as well as with specific provisions thereof.

Company Governance Report Summary
Corporate governance

At the end of the reporting period, according to the Articles of Association of the Company, the bodies of the Company comprise the General Meeting of Shareholders, collegial supervisory body - the Supervisory Board, collegial executive body - the Board and the single-person executive body - the Chief Executive Officer. In 2015, the composition of the Supervisory Board remained unchanged. The Supervisory Board consisted of the chairman of the Supervisory Board Darius Kašauskas and the Supervisory Board members Ilona Daugėlaitė and Petras Povilas Čėsna (independent Supervisory Board member). The hourly fee of EUR 43.44 was set for an independent member of the Supervisory Board for actually conducted activities of an independent Supervisory Board member. The monthly remuneration amount paid to an independent Supervisory Board member of the Company was limited to the maximum sum of EUR 1 013.67 (before tax). Bonuses and other payments are not provided to an independent member of the Supervisory Board.

On 1 January 2015, the Board of the Company comprised Liudas Liutkevičius (Chairman of the Board, CEO) and the Board members Giedrė Glinskienė, Nemunas Biknius, Valentina Birulienė and Dalius Svetulevičius.

As at 31 December 2015, the Company had no subsidiaries. The Company has no branches and representative offices. The centralised internal audit function has been implemented with the group of companies since 5 January 2015. Such a solution helps to ensure the independence and objectivity, unified methodology and accountability of the internal audit activity, as well as more rational allocation of available audit resources and competences.

During 2015, OMX Vilnius index increased by 7.42 %, OMX Baltic Benchmark index increased by 9.26 %, while the price of shares of Lietuvos Dujos increased by 9.54 % during the twelve months of 2015 from its initial value. The weighted average price of the share of Lietuvos Dujos was EUR 0.768 during the twelve months of 2015.

On 27 April 2015, the Ordinary General Meeting of Shareholders approved a new version of the Articles of the Association, in which, in addition to other changes, the nominal value of one ordinary registered share and the Company's authorised share capital value in the litas was changed into the value in the euros, i.e. it was determined that the nominal value of one ordinary registered share amounts to EUR 0.29 and the Company's authorised share capital is equal to EUR 84,298,864.6. All shares of the Company are fully paid. All ordinary registered shares grant the same rights. Property and non-property rights are defined in the laws, other legal acts and the Articles of Association.

In Q1 of 2015, the Company underwent a risk management system reform according to the common risk management policy of Lietuvos Energija UAB Group. In January 2015, the Risk Management Committee was formed at Lietuvos Dujos, which monitors, supervises and ensures risk management process. Risk assessment groups responsible for the identification of respective categories of processes and operating risks and the analysis thereof were also established, and an employee responsible for the coordination of the risk assessment process was appointed.

In the beginning of 2015, an updated risk management methodology was approved, in accordance wherewith an assessment of risks of 2015 was conducted. By managing risks, the plan is to maintain a sufficient level of control of operating processes, reduce the possibilities of occurrence of events causing risk and possible negative consequences and to ensure that risks did not increase the acceptable level of risk of Lietuvos Dujos, also, to have implemented the goals of the Company.

While implementing the state-owned energy group's Lietuvos Energija programme of the clarification of value chain, Lietuvos Dujos AB and LESTO AB were reorganised by merger, companies completed their activities as legal entities on 31 December, 2015. With the approval of the companies' shareholders, a new legal entity, Energijos Skirstymo Operatorius AB (hereinafter – ESO) was established, which took over LESTO AB and Lietuvos Dujos AB assets, rights and obligations, including the obligations arising from companies' contracts. ESO started activities on 1 January 2016.

Disclosure table:

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENT
Principle I: Basic provisions. The overriding objective of a company should be to operate in common interests of all the shareholders by increasing shareholder value over time.		
1.1. A company should prepare and publish the company's development strategy and objectives by clearly declaring how it intends to meet the interests of its shareholders and increase shareholder value.	Yes	The main activities of the Company and its strategic guidelines are published on the Company's website, the Company's interim and annual reports.
1.2. Activities of all management bodies of a company should be concentrated at accomplishing strategic objectives in view of the need to increase shareholder value.	Yes	Seeking for operating objectives of the Company, the Company bodies work for the benefit of the Company and all shareholders thereof.
1.3. A company's supervisory and management bodies should act in close cooperation in order to attain maximum benefit for the company and its shareholders.	Yes	Legislation governing activities of the Company's supervisory and management bodies define the principles and procedure of cooperation between the Company's supervisory and management bodies and ensure that the management and supervisory bodies of the Company act accordingly in order to attain maximum benefit for the Company and its shareholders.
1.4. The Company's supervisory and management bodies should be sure, that proper respect is shown not only to the company's shareholder's rights and interests, but also to the rights and interests of all other persons who are participating with the company's activities or are related to it (employees, creditors, providers, clients, local communities).	Yes	<p>The Company's bodies respect the rights and interests of persons that are related to and participate in the Company's activities.</p> <p>Since the establishment of the Company, it has been cooperating and participating in social partnership with representatives of the Company's employees (has allocated funds for the performance of the collective agreement, motivation of employees etc.).</p> <p>The Company has been executing its financial and other obligations to creditors.</p> <p>Based on customer opinion survey results and good international practice, the Company has been implementing systemic measures for the improvement of the Company's customer service. The Company has been organizing social projects that include children, youth, local communities and other social groups. More information on the Company's active initiatives is available on the Company's website and in its annual report.</p>
II principle: The corporate governance framework. The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	According to the Articles of Association of the Company, the Company sets up a collegial body supervising the Company's activities – Supervisory Board, and a collegial management body of the Company – a Management Board.

<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>	<p>Yes</p>	<p>According to the Articles of Association of the Company, the Management Board is responsible for proper strategic management of the Company (it approves the Company's business strategy and operating budget, the Company's organizational management structure, makes decision regarding other issues specified in the legislation and assigned to competence of the Board under the Company's Articles). The Supervisory Board is responsible for effective supervision of the Company's management bodies (it elects and dismisses members of the Management Board; presents proposals to the General Meeting of Shareholders as well as its comments on the business strategy of the Company, a set of the Company's annual financial statements, the Company's profit (loss) distribution project, its annual report and the activities of the General Manager of the Company; presents to the Company's Management Board responses and offers regarding the Company's business strategy and its operating budget, makes decisions regarding other issues, specified in the legislation and assigned to the competence of the Board by the Company's Articles).</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>	<p>Not applicable</p>	<p>According to the Company's Articles of Association, the Company forms a collegial company supervising the activities of the Company – the Supervisory Board.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.¹</p>	<p>Yes</p>	<p>According to the Articles of Association of the Company, the Company forms a collegial supervisory body of the Company – the Supervisory Board. The recommendations laid out in Principles III and IV are not implemented to the full extent in the Company, but the Company follows all the requirements set by legal acts for the formation of the collegial body. It should be noted that the Company is engaged in natural gas distribution activity, it operates, maintains, manages and develops the natural gas distribution system, so its activities are strictly regulated by legal acts and supervised by respective state authorities (the National Control Commission for Prices and Energy and others), that way ensuring transparency and timeliness of the decision-making process and implementing the principles of consumer non-discrimination, cost reduction and other principles.</p>
<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and</p>	<p>Yes</p>	<p>According to Article 20 of the Company's Articles of Association, the Company's supervisory board consists of 3 (three) members – natural persons. At least 1/3 (one third) of the supervisory board should comprise independent members. The Supervisory Board makes decisions and its meeting is considered held if it is attended by at least half of the Supervisory Board members (Article 33.5 of the Company's Articles). According to Article 37 of the Company's Articles, the Company's management board consists of 5 (five) members. The Management Board adopts decisions and its meeting is considered held if it is attended by at least 4 (four) and more members of the Management Board (Article 59.6 of the Company's Articles).</p>

¹ Principles III and IV are more applicable to those cases, when the general shareholder meeting elects the supervisory board, i.e. a body, that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) are different. For example, paragraph 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; paragraph 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²		In the Company's opinion, the number of the members of the Supervisory Board and the Management Board of the Company set forth in the Company's Articles of Association is sufficient for the ensurance of proper supervision of the Company's activities as well as timely and efficient management of the Company.
2.6. Directors-consultants or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	<p>According to Article 20 of the Company's Articles of Association, members of the Company's Supervisory Board are elected for the maximum term of office specified in the Law on Companies of the Republic of Lithuania – for a 4-year term of office.</p> <p>According to Article 37 of the Company's Articles of Association, members of the Company's Management Board are elected for the maximum term of office specified in the Law on Companies of the Republic of Lithuania – for a 4-year term of office. There are no restrictions on the number of re-elections of the members of the Supervisory Board and the Management Board provided for in the Company's Articles, but the current legislation provides for restrictions to members of the said bodies themselves.</p> <p>The Company's Articles of Association provide for a possibility to remove (dismiss) both separate members of the collegial bodies and the entire collegial body <i>in corpore</i>, before the end of the term of office of such body (Articles 26 and 44 of the Articles of Association).</p> <p>The members of the Management Board (individually or all together) can be dismissed by the Supervisory Board (Article 36 of the Company's Articles of Association), and the members of the Supervisory Board (individually or all together) can be dismissed by the General Meeting of Shareholders (Article 20 of the Company's Articles of Association).</p>
2.7. The chair of the collegial body elected by the general shareholders' meeting may be a person whose current or past position constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chair of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chair of the collegial body elected by the general shareholders' meeting. When a company decides not to conform to these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	<p>The Chair of the collegial body elected by the Company's General Meeting of Shareholders – the Supervisory Board – and the Chief Executive Officer (General Manager) of the Company is not the same person.</p> <p>Members of the Supervisory Board and the Chair have not held the position of members of the Management Board or Chief Executive Officer of the Company.</p> <p>The Chief Executive Officer of the Company is a member of the Management Board and its Chair, but this does not create preconditions for possible impartial behavior, since the Company has formed a body supervising the Company's activities – the Supervisory Board.</p>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting.</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		

² The executive director and the director's consultant concepts are used in cases, when the company elects only one collegial body

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of paragraph 3.1 as well.

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3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter - the collegial body) should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Supervisory Board is elected by the General Meeting of Shareholders, in compliance with the requirements set forth in the Law on Companies of the Republic of Lithuania and the Company's Articles.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	Information on candidates to become members of the Company's Supervisory Board is presented in the procedure prescribed in the Law on Companies of the Republic of Lithuania at the General Meeting of Shareholders of the Company, which has an issue of the election of new Supervisory Board members on its agenda, and is not announced in advance. According to Article 22 of the Company's Articles of Association, each candidate to become a member of the Supervisory Board is obliged to present the candidate's declaration of interests to the General Meeting of Shareholders, indicating wherein any and all circumstances, which can lead to the conflict of interests of the candidate and the Company. Upon emergence of any new circumstances, which may result in the conflict of interests of the Company and the member of the Supervisory Board, the member of the Supervisory Board must immediately inform the Company and the Supervisory Board of such circumstances in writing. Information on the positions taken by members of the Supervisory Board or their participation in the activities of other companies is constantly collected, stored and presented in the Company's interim and annual reports and on the Company's website.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order for the shareholders and investors to be able to evaluate whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes/No	Information on candidates to become members of the Company's Supervisory Board is presented in the procedure prescribed in the Law on Companies of the Republic of Lithuania at the General Meeting of Shareholders of the Company (see comment to recommendation 3.2.). Information on work experience and the position taken as well as other information describing competences of the candidate to become member of the Supervisory Board is presented at the General Meeting of Shareholders. Information on the positions taken by members of the Supervisory Board or their participation in the activities of other companies is constantly collected, stored and presented in the Company's annual report and on its website.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No Not applicable	According to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and qualifications of its members are assessed at the General Meeting of Shareholders. Since the parent company Lietuvos Energija, UAB (hereinafter – LE) has an Audit Committee in place, there is no separate Audit Committee formed in the Company (see comments to recommendation 4.14). LE has also formed the Appointment and Remuneration Committee (see comments to the recommendation 4.13). Therefore there is no Remuneration Committee set up in the Company.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body	Not applicable	The members of the Supervisory Board are regularly informed about the activities of the Company and their changes, essential amendments to legislation governing activities of the Company and changes in any other circumstances that can

<p>should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>		<p>impact the activities of the Company at the meetings of the Supervisory Board and, if necessary, individually. Up until now, there was no need or such practice in the Company of offering a tailored programme for newly appointed members of the Supervisory Board introducing them to their duties, corporate organization and activities, and no annual reviews were organized.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>	<p>Yes</p>	<p>The formation of the Supervisory Board (and election of independent members) falls under the competence of the General Meeting of Shareholders. Article 20 of the Company's Articles of Association establishes that the Company's supervisory board shall be formed of 3 (three) members, of which at least 1/3 (one third) shall be independent members. As at the day of the report, there is 1 (one) independent member of a total of 3 (three) members of the Supervisory Board.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</p> <p>He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</p> <p>He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance-based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</p> <p>He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and</p>	<p>Yes</p>	<p>According Article 24 of the Company's Articles of Association, the independence criterion, according to the requirements laid down in legislation in force and good corporate governance practice is determined by the General Meeting of Shareholders. In the evaluation of the independency of new members, the requirements laid down in the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius and provisions of paragraph 64 of the Description of the Procedure for the Implementation of State Property and Non-Property Rights in State-managed Enterprises (approved by Resolution No. 665 of the Government of the Republic of Lithuania of 6 June 2012) are followed. According to Article 22 of the Company's Articles of Association, each candidate to become a member of the Company's Supervisory Board is obliged to present to the General Meeting of Shareholders the candidate's declaration of interests indicating therein the circumstances that may cause a conflict of interests of the candidate and the Company. Upon emergence of any new circumstances, which may results in the conflict of interests of the Company and the member of the Supervisory Board, the member of the Supervisory Board must immediately inform the Company and the Supervisory Board of such circumstances in writing. As at the day of the report, there is 1 (one) independent member of the Supervisory Board. Also, see comment to the recommendation 3.6.</p>

⁴ The Code does not provide for a specific number of independent members to comprise a collegial body. Many codes in foreign countries fix a specific number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a specific number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	Yes/No	<p>The formation of the Supervisory Board (and election of independent members) falls under the competence of the General Meeting of Shareholders (see comment to the recommendation 3.6). According to Article 24 of the Company's Articles of Association, the independence criterion, according to the requirements laid down in legislation in force and good corporate governance practice is determined by the General Meeting of Shareholders (see comment to the recommendation 3.7). Moreover, Article 23 of the Company's Articles of Association declares that the following persons may not become members of the Supervisory Board: the General Manager, a member of the Management Board, a member of the supervisory body, management body or administration of a legal person engaged in electricity or gas transmission or production (mining), and any person, who has no right to take this position according to legislation.</p>
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	Yes/No	<p>The formation of the Supervisory Board (and election of independent members) falls under the competence of the General Meeting of Shareholders (see comment to the recommendation 3.6).</p> <p>Information on candidates to become members of the Company's Supervisory Board (as well as information regarding their conformity to the independence requirements) is presented to the General Meeting of Shareholders in the procedure prescribed by the Law on Companies of the Republic of Lithuania (see comment to the recommendation 3.2). Information on the elected independent Supervisory Board members is provided in the Company's interim and annual reports and on its website.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically reconfirmed.</p>	Not applicable	<p>The need to apply this recommendation has not yet occurred in the Company.</p> <p>An agreement on the activities of an independent member of the Supervisory Board entered into with an independent member of the Supervisory Board establishes an obligation of the independent member of the Supervisory Board to immediately inform the Company and the Supervisory Board in writing of any new circumstances, which could lead to a conflict of interests of the member of the Supervisory Board and the Company.</p>

<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds⁶. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Yes</p>	<p>The independent Supervisory Board member is remunerated for his/her activities as a member of the Supervisory Board in the procedure and under conditions set forth in the agreement on the activities of an independent member of the Supervisory Board.</p> <p>The terms and conditions of such an agreement are approved by the Company's General Meeting of Shareholders (Article 19.1. of the Company's Articles of Association). The hourly fee of LTL 150 (EUR 43.44) (before tax) was set for an independent member of the Supervisory Board for actually conducted activities of an independent Supervisory Board member. The monthly remuneration amount paid to an independent Supervisory Board member of the Company was limited to the maximum sum of LTL 3500 (EUR 1013.67) (before tax). Information on payments made to the independent Supervisory Board member is published in the Company's annual report.</p>
<p>Principle IV: Duties and liabilities of a collegial body elected by the general shareholders' meeting. The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the collegial body) should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance⁸.</p>	<p>Yes</p>	<p>According to the Company's Articles of Association, the collegial body elected by the General Meeting of Shareholder – the Supervisory Board - is responsible for monitoring the activities of the Company's management bodies (elects Management Board members and dismisses them; presents proposals and responses to the General Meeting of Shareholders regarding the Company's business strategy, its set of annual financial statements, the Company's profit (loss) distribution project, its annual report and activities of the Board and Chief Executive Officer of the Company; provides to the Company's Management Board responses and proposals regarding the Company's business strategy and operating budget, adopts decisions regarding other issues assigned under the competence of the Supervisory Board by legislation and the Company's Articles.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>The members of the Supervisory Board act in good faith in respect of the Company, following interests of the Company and the public welfare. The Supervisory Board members have the right to express their opinion on all of the questions on the agenda of the meeting, which, pursuant to the Rules of Procedure of the Company's Supervisory Board, should be properly reflected in the meeting minutes.</p>

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

⁷ See footnote No.3.

⁸ See footnote No. 3, if the general shareholder meeting elected collegial body is the management board, it should provide recommendations to the company's sole management body – the Head of the company.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half ⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Supervisory Board members participate in the collegial body meetings and dedicate sufficient time to perform their duties as members of the collegial body. During 2015 (12 (twelve) Supervisory Board meetings were held and all of them were attended by all 3 (three) Supervisory Board members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's collegial bodies follow the specified recommendations. Before making decisions, members of the collegial bodies consider the impact of their decisions on the Company's business and all shareholders of the Company. The Company's Articles of Association oblige the collegial bodies of the Company and each of their members to act for the benefit of the Company and its shareholders. Communication with shareholders and commitments to them are set according to legislation requirements.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes / No	Agreements with the Supervisory Board members on the activities in the Supervisory Board are made by the decision of the Company's General Meeting of Shareholders. Conditions of the agreements with members and Chair of the Management Board on their activities in the Board are set by the Supervisory Board. Conditions of the employment agreement of the Chief Executive Officer of the Company are determined by the Management Board. The company's collegial bodies sign and approve transactions according to the requirements of the legal acts and the Company's Articles of Association.
4.6. The collegial body should be independent in passing decisions that are significant for the company's activities and strategy. Taken separately, the collegial body should be independent of the company's management bodies ¹⁰ . Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The Company's Supervisory Board is independent from the Company's management bodies in passing decisions that are significant to the company's activities and strategy. The Supervisory Board acts independently following the legislation requirements, the Company's Articles, operating guidelines and rules of the parent company LE as well as other parameters. The Company ensures that the Supervisory Board is supplied with all the resources necessary for its activities (technical supervises the Supervisory Board meetings, provides all the needed information and carries out all other functions, provided in the Rules of Procedure of the Company's Supervisory Board). See the comment to paragraph 4.13.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit.	No	The Supervisory Board acts and makes decisions according to the requirements of legal acts and the Company's Articles of Association.

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. The companies should ensure that the appointment, salary and audit committees functions should be executed, but they might link these functions and create less than three committees. In such a case, the companies should explain in detail the reason why they have chosen an alternate stance and how does this choice conform to the aims set before the three separate committees. The companies, whose collegial body has a small number of members, can appoint the functions of all three committees to the collegial body if it corresponds with the committee compositional requirements in this regard and if it discloses relevant information on this matter. In such a case, the provisions of this codex, related with the collegial body committees (especially on their role, activities and clarity), should be properly applied to the complete collegial body.</p>	No/Yes	<p>The Company has no committees formed.</p> <p>In the opinion of the Company, the work of the Supervisory Board work is sufficiently effective and well-organized, thus the Supervisory Board can properly execute all of its functions assigned to these committees.</p> <p>According to the provisions of the Law on Audit of the Republic of Lithuania, a public interest company, which is a secondary company and the financial reports whereof are consolidated, may choose not to comply with the requirement to form an Audit Committee established in the Law on Audit of the Republic of Lithuania, if its parent company has one. Since the Company's parent company LE has formed an Audit Committee, a separate Audit Committee is not formed at the Company.</p> <p>As a parent company, LE has formed the Appointment and Remuneration Committee as well as the Risk Management Supervision Committee.</p> <p>Among all its other functions, the Appointment and Remuneration committee, evaluates and presents proposals on the Company's long-term remuneration policy, the policy of bonuses, evaluates conditions of agreements made with the Company's management bodies, procedures of the search and selection of candidates to become members of the Company's bodies and top management as well as setting their qualification requirements, constantly evaluates the structure, size, composition and activities of the Company's management and supervisory bodies.</p> <p>The LE Risk Management Committee supervises the evaluation and managements of the risks relevant to the achievement of the Company's goals, evaluates the adequacy of the measures of the internal control procedure and risk management for the identified risks, evaluates risks and the Company's risk management plan and oversees the implementation of risk management process.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	No	<p>The Company has no committees formed.</p> <p>See comments to the recommendations 4.7, 4.12, 4.13 and 4.14.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	No	<p>The Company has no committees formed.</p> <p>See comments to the recommendations 4.7, 4.12, 4.13 and 4.14.</p>
	No	<p>The Company has no committees formed.</p>

¹¹ The Law on Audit of the Republic of Lithuania (Official Gazette, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state.

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<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>		<p>See comments to the recommendations 4.7, 4.12, 4.13 and 4.14.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>No</p>	<p>The Company has no committees formed. See comments to the recommendations 4.7, 4.12, 4.13 and 4.14.</p>
<p>4.12. Appointment committee. 4.12.1. Key functions of the appointment committee should be the following: 1) Select and recommend, for the approval of the collegial body, candidates to fill board vacancies. The appointment committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Appointment committee can also consider candidates to members of the collegial body delegated by the shareholders of the company. 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. The appointment committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the appointment committee.</p>	<p>No</p>	<p>Appointment Committee is not formed in the Company. See comment to recommendation 4.7.</p>
<p>4.13. Remuneration committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these</p>	<p>No</p>	<p>Remuneration Committee is not formed in the Company. See comment to recommendation 4.7.</p>

<p>persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</p> <p>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit committee</p> <p>4.14.1. Key functions of the audit committee should be the following::</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually.</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p>	<p>Yes/ No</p>	<p>See comment to recommendation 4.7.</p> <p>According to the provisions of the Law on Audit of the Republic of Lithuania, a public interest company, which is a secondary company and the financial reports whereof are consolidated, may choose not to comply with the requirement to form an Audit Committee established in the Law on Audit of the Republic of Lithuania, if its parent company has one. Since the Company's parent company Lietuvos Energija, UAB, has formed an Audit Committee, the Audit Committee of AB Lietuvos Dujos was revoked by the decision of the Extraordinary General Meeting of Shareholders held on 29 October 2014, and thus a separate Audit Committee is not formed in the Company.</p>

<p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed <i>inter alia</i> data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 June 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee.</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
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<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>Legislation of the Republic of Lithuania does not provide for an obligation to conduct the assessment of activities of the Company's Supervisory Board.</p>
<p>Principle V: the working procedure of the company's collegial bodies. The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept <i>collegial bodies</i> covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>According to the Company's Articles, Rules of Procedure of the Supervisory Board and the Management Board as well as the current practice, this recommendation has been implemented in the Company.</p>
<p>5.2. The company's collegial body meetings are recommended to be conducted according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.¹²</p>	<p>Yes</p>	<p>According to the Company's Articles of Association and Rules of Procedure of the Supervisory Board and the Management Board, the meetings of the Supervisory Board of the Company are convened at least once per quarter, and meetings of the Management Board – at least once per calendar month. If necessary, the Management Board can define a different frequency of meetings.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>According to the Company's Articles of Association and Rules of Procedure of the Supervisory Board and the Management Board, members of the collegial bodies and persons invited to such meetings are notified thereof in advance. They are also provided with all the information and materials relevant to the issues on the agenda.</p>

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Company follows this recommendation. The Chair of the Supervisory Board and Chair of the Management Board closely cooperate in resolving issues of corporate governance. According to Article 34.3 of the Company's Articles of Association, the Supervisory Board is obliged to allow members of the Management Board, Chief Executive Officer of the Company and other employees participate in its meetings and provide explanations in resolving the issues related to their activities.
Principle VI: Impartial treatment of shareholders and shareholder rights. The corporate governance framework should ensure the impartial treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares with the nominal value of LTL 1 (EUR 0.29), which grant equal rights to all shareholders of the Company .
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights granted by the shares are indicated in the Company's Articles of Association, which are published on the Company's website.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Transactions of the Company are concluded in the procedure established in the Law on Companies of the Republic of Lithuania and the Company's Articles of Association.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The Company convenes and conducts the General Meeting of Shareholders in the procedure laid down in the Law on Companies of the Republic of Lithuania, and ensures equal opportunities for the shareholders to participate in the meeting.

¹³ The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in paragraphs 3, 4, 5 and 6 of part 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.5. If possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The Company provides information on the convened General Meeting of Shareholders, proposed draft decisions, other documents related to the General Meeting of Shareholders as well as information on decisions approved at the General Meeting of Shareholders to its shareholders in the procedure and terms set in legislation, announcing them publicly and publishing them on the Company's website.</p> <p>All information and the documents for the investors are published in the Lithuanian and English languages through the information system of NASDAQ OMX Vilnius Stock Exchange and on the Company's website.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The Company's shareholders may exercise their right to participate in the General Meeting of Shareholders both in person and in absentia through a representative, provided that he/she has the due power of attorney or is a party to the agreement on the cession of the voting right made in the procedure prescribed by legislation. The Company also provides its shareholders with the possibility to vote in advance by filling in the general voting ballot paper, as established in the Law on Companies of the Republic of Lithuania.</p>
<p>6.7. In order to increase the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>Currently, the Company believes there is no need to organize the voting via telecommunication devices; moreover, this would require large investments. However, upon the shareholder's request and given objective possibilities, the Company would allow the shareholders to vote using telecommunication devices.</p>
<p>Principle VII: the avoidance of conflicts of interest and their disclosure.</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		

<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The Company follows these recommendations. According to Article 22 of the Company's Articles of Association, each candidate to become member of the Supervisory Board is obliged to present to the General Meeting of Shareholders his/her declaration of interests indicating therein all circumstances, which could lead to a conflict of his/her interests and interests of the Company. Upon the emergence of any new circumstances, which may give rise to a conflict of interests of the member of the Supervisory Board and the Company, the Supervisory Board member must immediately inform the Company and the Supervisory Board about them in writing. According to Article 39 of the Company's Articles of Association, each candidate member of the Management Board is obliged to present to the Supervisory Board his/her declaration of interests indicating therein all circumstances, which could lead to a conflict of his/her interests and interests of the Company. Upon the emergence of any new circumstances, which may give rise to a conflict of interests of the member of the Board and the Company, the Board member must immediately inform the Board and the Supervisory Board about them in writing.</p>
		<p>Moreover, Article 41 of the Company's Articles of Association establishes that members of the Board cannot work in another job or take the office, which would be incompatible with their activities on the Board, including holding executive positions in other legal entities (except for the office and job in the Company or the group), work in the public service or statutory service. Members of the Board can hold another office or have another work, except for the office in the Company and other legal entities the participant whereof is the Company, and engage in teaching, creative or author's work only having obtained a prior consent of the Supervisory Board.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	<p>The Company follows these recommendations.</p>
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>Yes</p>	<p>The Company follows these recommendations.</p>
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>Yes</p>	<p>According to the laws and the Company's legal acts governing the activities of members of the Company's supervisory and management bodies, members of the Company's bodies must avoid situations, when their personal interests are in conflict with the Company's interests, and do not have the right to vote when decisions concerning his/her activities on the respective body of the Company or issues under his/her responsibility are voted on in the meeting.</p>

Principle VIII: company's remuneration policy. Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company's established practice does not include the preparation of the remuneration policy, procedure of the approval, review and publication of remuneration to directors as well as the company's remuneration statement. Such a requirement is not provided for by the laws. General information on the Company's remuneration policy and average remuneration amount of individual groups of employees is published in the Company's interim and annual reports. According to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company publishes salary set for members of management bodies of the Company and other benefits related to the functions performed by members of management bodies.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See the comment to paragraph 8.1. The interim and annual reports do not include remuneration policy of the Company's directors for the following and subsequent years. The Company's interim and annual reports provide information on the amounts of money calculated for the Company's body members (salaries, other benefits, bonuses and other profit-related payments).
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code.; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	No	See the comment to paragraph 8.1 of the recommendation. The Company's interim and annual reports provide information on the amounts of money calculated for the Company's body members (salaries, other benefits, bonuses and other profit-related payments). It also contains information on transferred assets and guarantees provided to members of the Company's bodies as well as other information related to their remuneration.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See comment to paragraph 8.1.

<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above paragraphs 1-5; <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes related information should be disclosed:</p> <ol style="list-style-type: none"> 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	<p>No</p>	<p>See comment to paragraph 8.1.</p>
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<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	<p>Yes</p>	<p>The determination and payment of the variable part of the remuneration in the Company is regulated according to the procedure for employees' remuneration of Lietuvos Dujos AB of 30 June 2015.</p> <p>The determination and payment of the variable part of the remuneration to Director General in the Company is regulated by the procedure for the determination of the performance indicators of Director General of Lietuvos Dujos AB and the calculation and allocation of the variable part of remuneration, clause 3.5.1 of which specifies that the variable part of the remuneration to the director general up to 30 per cent of the annual fixed remuneration part is determined by the Company board.</p> <p>It should be noted that equal principles of calculation of the variable part of pay and payment thereof are applied in the entire group of the companies of Lietuvos Energija UAB. The human resources policy of Lietuvos Energija UAB group approved by the decision of the board of Lietuvos Energija UAB of 29 January 2015 is applied in the Company.</p>
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	<p>Yes</p>	<p>The human resources policy of Lietuvos Energija UAB group approved by the decision of the board of Lietuvos Energija UAB of 29 January 2015 is applied in the Company, which determines that the purpose of the remuneration is to pay for the work, performance results and competence and to encourage, motivate and empower the staff members to achieve the Company's objectives.</p> <p>The determination and payment of the variable part of the pay in the Company is regulated by the remuneration procedure of Lietuvos Dujos AB, where it is established that the variable part of the remuneration for Company employees is given for the achievement of the objectives or indicators of the reporting period.</p> <p>The procedure for the determination of the performance indicators of the director general of Lietuvos Dujos AB and the calculation of the variable part and allocation thereof foresees that the variable part of the pay to the director general is allocated to the director general for the achievement of the Company's objectives (indicators). The objectives (indicators) to the director general are set and approved by the Company's board, taking into consideration the opinion of the Company's supervisory board.</p>
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a period of time that meets a certain prudence criterion. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	<p>Yes</p>	<p>The remuneration procedure of Lietuvos Dujos AB establishes that the variable part of the pay is paid for the objectives / performance indicators achieved. The payment regularity is established taking into consideration the level of the position, the specificity of the functions of the position, and the specificity of the objectives and indicators of the position. The regularity of the payment of the variable part of the pay and the size of the variable part of the pay (a percentage of the constant part of the pay) for each position are approved in each reporting year by an order of director general of the Company. The procedure for the determination of the performance indicators of the director general of Lietuvos Dujos AB and the calculation and allocation of the variable part of the pay to the director general establishes that the calculated variable part of the remuneration for the highest level managers is paid in parts in 2 (two) payments: the first part of the variable pay part comprising 80 per cent of the total calculated and allocated variable part of the remuneration (for the performance results achieved during the reporting period No. 1) is paid within 30 calendar days from the day of the adoption of the decision on payment of the variable part of remuneration; the second part of the variable remuneration part comprising 20 per cent of the total calculated variable part of remuneration (for the performance results achieved during the reporting period No. 1) aiming at the loyalty to the Company of the highest level managers and continuity of performance results, shall be postponed and paid after 1 (one) year within 30 calendar days from the day of the adoption of the decision on payment of the second variable part by paying it together with a 80 per cent variable part of remuneration, which was calculated for the performance results achieved during the reporting period No. 2.</p>

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8.9. Contractual arrangements with executive or members of the managing bodies should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	Termination payments are calculated and paid pursuant to the provisions of Article 140 of the Labor Code of the Republic of Lithuania.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	See comment to paragraph 8.10 of the recommendation.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See comment to paragraph 8.1 of the recommendation.
8.13. In case of the share-based remuneration, shares should not vest for at least three years after their award.	Not applicable	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Yes	See comment to paragraph 8.1 of the recommendation.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	See comment to paragraph 8.1 of the recommendation.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	See comment to paragraph 8.1 of the recommendation.

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	See comment to paragraph 8.1 of the recommendation.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	See comment to paragraph 8.1 of the recommendation.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	See comment to paragraph 8.1 of the recommendation.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	See comment to paragraph 8.1 of the recommendation.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	See comment to paragraph 8.1 of the recommendation.
Principle IX: the role of stakeholders in corporate governance. The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The corporate governance framework of the Company ensures that the rights of stakeholders that are protected by law are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Company complies with these recommendations. For example, the representatives of the Company's employees are involved in consultations, negotiations, discussions regarding the Company's business optimization processes. According to the collective agreement signed with the representatives of the Company's employees, the Company informs the representatives of trade unions on the expected changes in the Company, the Company's financial position and so on. The stakeholders can participate in the Company's governance to the extent provided by the laws.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company complies with these recommendations.
Principle X: information disclosure. The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
10.1. The company should disclose information on: 1. The financial and operating results of the company; 2. Company objectives; 3. Persons holding by the right of ownership or in control of a block of shares in the company; 4. Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5. Material foreseeable risk factors; 6. Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7. Material issues regarding employees and other stakeholders; 8. Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The Company's interim and annual reports include information on shareholders holding by the right of ownership more than 5 percent of the issuer's share capital. The Company's annual report discloses information on members of the Supervisory Board and Management Board as well as the Chief Executive Officer of the Company. According to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company publishes information on salary of the members of the Company's Supervisory and Management Board as well as on other payments related with the functions of members of management bodies. The information indicated in paragraphs 4 and 6 of the recommendation is published to the extent required by applicable legal acts and requirements set for the preparation of annual financial reports. The Company discloses the information specified in this recommendation (except for paragraphs 4 and 6), in a number of ways: <ol style="list-style-type: none"> 1) It publishes information in the procedure prescribed by laws as material events (such as the election of new members of the Supervisory and Management Board, Company's financial results, etc.); 2) It publishes information on the Company's website (i.e. the Company's business objectives); 3) It publishes information in the annual report (i.e. members of the Company's Supervisory and Management Board, foreseeable essential risk factors).
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Not applicable	The Company does not have any subsidiaries

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	Information mentioned in paragraph 4 of the recommendation 10.1 is included in the Company's annual report and published on the Company's webpage. According to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company publishes information on salary of the members of the Company's Supervisory and Management Board as well as on other payments related with the functions of members of management bodies.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	Information indicated in paragraph 7 of the recommendation 10.1 is disclosed to the extent required by valid legal acts of the Republic of Lithuania. Information about the links between the Company and its stakeholders is published in press releases and on the Company's website.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company provides information in Lithuanian and English languages via the NASDAQ OMX Vilnius Stock Exchange information system simultaneously. The Company complies with the recommendation and reports its material events prior or after the NASDAQ OMX Vilnius Stock Exchange trading session, with exception of cases specified in legal acts. The information that may affect the price of the Company's issued securities is not disclosed in the commentaries, interviews or in any other ways until such information is not made publicly available via the Stock Exchange information system.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Besides the method for the disclosure of information specified in comment to the recommendation 10.5, the Company uses various information disclosure instruments (electronic publication published by the State Enterprise Centre of Registers, news agencies, publicly accessible website of the Company) to ensure that the disseminated information reaches the maximum number of stakeholders. The Company's website provides information in both Lithuanian and English languages.
10.7. It is recommended that the company's annual report, the set of the financial statements and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company publishes all the information specified in this recommendation on its website.
Principle XI: the selection of the company's auditor.		
The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An I audit of the company's set of interim financial statements and the set of annual financial statements and the annual report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Company conducts the audit of its annual financial statements. The audit firm also verifies the compliance of the annual report of the Company with the audited financial statements.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	Having selected the audit firm in the procedure prescribed by the Law on Public Procurement of the Republic of Lithuania, the selected audit firm is proposed to the General Meeting of Shareholders by the Company's Management Board. According to the Articles of Association of the Company (Article 54), the Management Board shall be responsible for the convening and organisation of the General Meetings of Shareholders in due time.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	