Litgrid AB
A. Juozapavičiaus g. 13
LT-09311, Vilnius
T +370 5 278 2777
F +370 5 272 3986
info@litgrid.eu

www.litgrid.eu

Company code
302564383
VAT number
LT100005748413

CONFIRMATION OF RESPONSIBLE PERSONS
March 25, 2015 Vilnius

Referring to the provisions of the Article 21 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Daivis Virbickas, Chief Executive Officer, Rimantas Busila, Director of Finance Department and Svetlana Sokolskytė, Chief Financier-Accounting Division Manager of LITGRID AB, hereby confirm that, to the best of our knowledge, attached Audited consolidated and LITGRID AB financial statements for the financial year 2014 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, profit or loss and cash flows, the Consolidated Annual Report includes a fair review of the development and performance of the business and the position of the LITGRID AB and consolidated position of group of companies, together with a description of the principal risks and uncertainties that it faces.

Daivis Virbickas — Chief Executive Officer

Rimantas Busila — Director of Finance Department

Svetlana Sokolskytė — Chief Financier

LITGRID AB

CONSOLIDATED AND COMPANY’S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION PRESENTED TOGETHER WITH INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED ANNUAL REPORT

PAGE

The financial statements were approved on 25 March 2015

Daivis Virbickas Chief Executive Officer	Rimantas Busila Director of the Finance Department	Svetlana Sokolskytė Chief Financier

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UAB „Ernst & Young Baltic"
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholders of AB Litgrid

Report on the Financial Statements

We have audited the accompanying financial statements of AB Litgrid, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Company"), and the consolidated financial statements of AB Litgrid and its subsidiaries (hereinafter "the Group"), which comprise the statements of financial position as at 31 December 2014, 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

The Company's 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 as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revaluated amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indications exist. The Company and the Group performed a revaluation of its property plant and equipment as of 31 December 2014 and as a result accounted for a decrease in revaluation reserve in the amount of LTL 183 million in equity and an impairment charge of LTL 425 million in the statement of comprehensive income for the year 2014. As explained in Notes 2.27 and 5 to the financial statements, the amendments to the legislation made since the last revaluation carried out in 2008 may have had a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets, however since further significant changes had been expected in the regulatory environment in the nearest future, the Company and the Group did not perform a revaluation and impairment tests of its property, plant and equipment in prior periods. Our audit opinion on the financial statements for the year ended 31 December 2013 was modified accordingly. Our opinion on the financial statements for the year ended 31 December 2014 is also modified because of the effect of not revalued property, plant and equipment in previous periods on the year 2014 statements of comprehensive income and changes in equity, and because of the possible effect of this matter on the comparability of the current period's figures and the corresponding year 2013 figures.

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Qualified Opinion

Based on our audit, except for the possible effect on the statements of comprehensive income and changes in equity and the corresponding figures of the matter described in section Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention to Note 5 to the financial statements, which describes significant assumptions that were made by the management when determining the fair value of the property, plant and equipment accounted for in the financial statements as of 31 December 2014 and the impact of these assumptions on the amounts reported in the financial statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying consolidated Annual Report for the year ended 31 December 2014 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2014.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Inga Gudinaitė
Auditor's licence
No. 000366

The audit was completed on 25 March 2015.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(All amounts in LTL thousand unless otherwise stated)

		Group	Company	Group	Company	Group	Company
		As at 31 December 2014	As at 31 December 2014	As at 31 December 2013 (adjusted)	As at 31 December 2013 (adjusted)	As at 31 December 2012 (adjusted)	As at 31 December 2012 (adjusted)
ASSETS							
Non-current assets							
Intangible assets	4	3 258	3 159	2 365	2 176	1 749	1 432
Property, plant and equipment	5	1 258 203	1 254 853	1 834 398	1 831 395	1 871 954	1 868 357
Prepayments for property, plant and equipment		283 916	283 916	184 443	184 438	110 510	110 510
Investments in subsidiaries	6	-	9 654	-	15 494	-	8 608
Investments in associates and jointly controlled entities	6	3 758	3 617	15 922	15 320	16 052	16 601
Deferred income tax assets	21	314	-	324	-	218	-
Available-for-sale financial assets	7	7 723	7 723	7 723	7 723	7 722	7 722
Total non-current assets		**1 557 172**	**1 562 922**	**2 045 175**	**2 056 546**	**2 008 205**	**2 013 230**
Current assets							
Inventories	8	7 800	3 469	8 844	3 522	14 003	2 438
Prepayments		951	858	591	455	351	106
Trade receivables	9	49 913	37 086	65 447	53 296	72 156	51 646
Other accounts receivable	10	177 073	73 359	123 707	29 162	97 034	95 844
Other financial assets	11	11 265	6 045	21 262	4 835	63 490	62 312
Held-to-maturity investments	12	55 000	55 000	70 000	70 000	-	-
Cash and cash equivalents	13	87 332	86 330	81 562	80 751	127 387	126 097
Total current assets		**389 334**	**262 147**	**371 413**	**242 021**	**374 421**	**338 443**
Non-current assets held for sale		-	-	-	-	5 620	4 731
TOTAL ASSETS		**1 946 506**	**1 825 069**	**2 416 588**	**2 298 567**	**2 388 246**	**2 356 404**
EQUITY AND LIABILITIES							
Equity							
Share capital	14	504 331	504 331	504 331	504 331	504 331	504 331
Share premium	14	29 621	29 621	29 621	29 621	29 621	29 621
Revaluation reserve	15	23 618	23 270	226 173	225 811	246 582	246 339
Legal reserve	16	50 441	50 433	50 467	50 433	50 464	50 433
Other reserves	16	591 654	591 654	654 654	654 654	654 738	654 654
Retained earnings (loss)		(372 665)	(369 575)	43 034	50 755	44 742	47 160
Equity attributable to the shareholders of the parent company		**827 000**	**829 734**	**1 508 280**	**1 515 605**	**1 530 478**	**1 532 538**
Non-controlling interest		197	-	259	-	4 390	-
Total equity		**827 197**	**829 734**	**1 508 539**	**1 515 605**	**1 534 868**	**1 532 538**
Liabilities							
Non-current liabilities							
Grants received in advance	18	373 387	373 387	297 078	297 078	213 194	213 194
Non-current loans	19	305 918	305 918	165 044	165 044	138 112	138 112
Other non-current accounts payable and liabilities	20	10 212	10 038	717	602	6 291	6 100
Deferred income tax liabilities	21	40 289	40 289	150 828	150 828	166 775	166 775
Total non-current liabilities		**729 806**	**729 632**	**613 667**	**613 552**	**524 372**	**524 181**
Current liabilities							
Current portion of non-current borrowings	19	104 275	104 275	49 030	49 030	41 434	41 434
Current loans	19	36 530	-	7 449	-	4 522	-
Trade payables	22	120 836	119 951	72 024	68 830	102 618	83 931
Advances received	23	10 080	4 813	4 227	3 454	2 740	1 914
Income tax payable		1 092	1 089	8 368	8 368	10 430	10 430
Other accounts payable	24	116 690	35 575	153 284	39 728	167 262	161 976
Total current liabilities		**389 503**	**265 703**	**294 382**	**169 410**	**329 006**	**299 685**
Total liabilities		**1 119 309**	**995 335**	**908 049**	**782 962**	**853 378**	**823 866**
TOTAL EQUITY AND LIABILITIES		**1 946 506**	**1 825 069**	**2 416 588**	**2 298 567**	**2 388 246**	**2 356 404**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL thousand unless otherwise stated)

	Notes	Group January-December 2014	Company January-December 2014	Group January-December 2013	Company January-December 2013
Revenue					
Sales of electricity and related services	25	360 734	359 913	540 587	540 066
Other revenue	27	53 398	6 073	48 528	7 200
Total revenue		**414 132**	**365 986**	**589 115**	**547 266**
Operating expenses					
Purchase of electricity and related services		(175 017)	(174 952)	(291 791)	(291 849)
Depreciation and amortization	4,5	(133 868)	(132 560)	(129 816)	(128 407)
Wages and salaries and related expenses		(40 481)	(21 244)	(37 833)	(20 347)
Repair and maintenance expenses		(16 029)	(21 695)	(14 435)	(22 701)
Telecommunications and IT systems expenses		(13 531)	(12 831)	(13 545)	(12 886)
Write-off of property, plant and equipment		(5 083)	(5 080)	(5 353)	(5 345)
Revaluation of property, plant and equipment	5	(425 381)	(425 384)	-	-
Other expenses		(56 144)	(27 839)	(70 075)	(36 523)
Total operating expenses		**(865 534)**	**(821 585)**	**(562 848)**	**(518 058)**
Operating profit (loss)	26	**(451 402)**	**(455 599)**	**26 267**	**29 208**
Financial operations					
Gain from sale of an associate		-	-	2 403	3 293
Finance income		1 517	1 510	1 338	1 331
Finance expenses		(2 448)	(2 254)	(1 340)	(1 216)
Total finance income		**(931)**	**(744)**	**2 401**	**3 408**
Share of profit/(loss) of associates and jointly controlled entities	6	312	-	1 151	-
Profit (loss) before income tax		**(452 021)**	**(456 343)**	**29 819**	**32 616**
Income tax					
Current year income tax (expense)	21	(11 475)	(11 470)	(20 518)	(20 497)
Deferred tax income (expense)	21	78 165	78 172	16 056	15 948
Total income tax		**66 690**	**66 702**	**(4 462)**	**(4 549)**
Net profit (loss) for the year		**(385 331)**	**(389 641)**	**25 357**	**28 067**
Other comprehensive income that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment	5	(215 754)	(215 779)	-	-
Effect of deferred income tax		32 363	32 367	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss		**(183 391)**	**(183 412)**	**-**	**-**
Total comprehensive income (loss) of the period		**(568 722)**	**(573 053)**	**25 357**	**28 067**
Net profit (loss) for the year attributable to:					
Parent shareholders		(385 071)	(389 641)	25 669	28 067
Non-controlling interest		(260)	-	(312)	-
		(385 331)	**(389 641)**	**25 357**	**-**
Total comprehensive income (loss) for the year attributable to:					
Parent shareholders		(568 462)	(573 053)	25 669	28 067
Non-controlling interest		(260)	-	(312)	-
		(568 722)	**(573 053)**	**25 357**	**28 067**
Basic and diluted earnings (deficit) per share (in LTL)	29	**(0.76)**		**0.05**	

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL thousand unless otherwise stated)

Group		Equity attributable to owners of the Group								
		Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance at 1 January 2013		**504 331**	**29 621**	**246 582**	**50 464**	**654 738**	**44 742**	**1 530 478**	**4 390**	**1 534 868**
Comprehensive income										
Comprehensive income (loss) for the year		-	-	-	-	-	25 669	25 669	(312)	25 357
Depreciation of revaluation reserve and amounts written off	15	-	-	(20 563)	-	-	20 563	-	-	-
Total comprehensive income (loss) for the year		**-**	**-**	**(20 563)**	**-**	**-**	**46 232**	**25 669**	**(312)**	**25 357**
Transfers to retained earnings		-	-	-	-	(126)	126	-	-	-
Transfers to reserves		-	-	-	3	42	(45)	-	-	-
Dividends	17	-	-	-	-	-	(45 000)	(45 000)	-	(45 000)
Change of interest in subsidiary		-	-	154	-	-	(3 021)	(2 867)	(3 819)	(6 686)
Balance at 31 December 2013		**504 331**	**29 621**	**226 173**	**50 467**	**654 654**	**43 034**	**1 508 280**	**259**	**1 508 539**
Balance at 1 January 2014		**504 331**	**29 621**	**226 173**	**50 467**	**654 654**	**43 034**	**1 508 280**	**259**	**1 508 539**
Comprehensive income										
Comprehensive income (loss) for the year		-	-	(183 391)	-	-	(385 071)	(568 462)	(260)	(568 722)
Depreciation of revaluation reserve and amounts written off	15	-	-	(19 164)	-	-	19 164	-	-	-
Total comprehensive income (loss) for the year		**-**	**-**	**(202 555)**	**-**	**-**	**(365 907)**	**(568 462)**	**(260)**	**(568 722)**
Transfers to retained earnings	16	-	-	-	(26)	(63 000)	63 026	-	-	-
Dividends	17	-	-	-	-	-	(112 818)	(112 818)	-	(112 818)
Change of interest in subsidiary		-	-	-	-	-		-	198	198
Balance at 31 December 2014		**504 331**	**29 621**	**23 618**	**50 441**	**591 654**	**(372 665)**	**827 000**	**197**	**827 197**

Company		Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013		**504 331**	**29 621**	**246 339**	**50 433**	**654 654**	**47 160**	**1 532 538**
Comprehensive income								
Comprehensive income (loss) for the year		-	-	-	-	-	28 067	28 067
Depreciation of revaluation reserve and amounts written off	15	-	-	(20 528)	-	-	20 528	-
Total comprehensive income (loss) for the year		**-**	**-**	**(20 528)**	**-**	**-**	**48 595**	**28 067**
Dividends	17	-	-	-	-	-	(45 000)	(45 000)
Balance at 31 December 2013		**504 331**	**29 621**	**225 811**	**50 433**	**654 654**	**50 755**	**1 515 605**
Balance at 1 January 2014		**504 331**	**29 621**	**225 811**	**50 433**	**654 654**	**50 755**	**1 515 605**
Comprehensive income								
Comprehensive income (loss) for the year	15	-	-	(183 412)	-	-	(389 641)	(573 053)
Depreciation of revaluation reserve and amounts written off	15	-	-	(19 129)	-	-	19 129	-
Total comprehensive income (loss) for the year		**-**	**-**	**(202 541)**	**-**	**-**	**(370 512)**	**(573 053)**
Transfers to retained earnings	16	-	-	-	-	(63 000)	63 000	-
Dividends	17	-	-	-	-	-	(112 818)	(112 818)
Balance at 31 December 2014		**504 331**	**29 621**	**23 270**	**50 433**	**591 654**	**(369 575)**	**829 734**

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in LTL thousand unless otherwise stated)

	Notes	Group January-December 2014	Company January-December 2014	Group January-December 2013	Company January-December 2013
Cash flows from (to) operating activity					
Net profit (loss)		(385 331)	(389 641)	25 357	28 067
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortization expenses	4,5	133 868	132 560	129 816	128 407
Impairment of assets (impairment reversal)		9 855	15 924	22 445	22 445
Share of profit/(loss) of associates and jointly controlled entities	6	(312)	-	(1 151)	-
(Gain) on disposal of associate		-	-	(2 405)	(3 294)
Income tax expenses	21	(66 690)	(66 702)	4 462	4 549
Revaluation of property, plant and equipment	5	425 381	425 384	-	-
(Gain) loss on transfer/write-off of property, plant and equipment	5	5 083	5 080	5 345	5 345
Elimination of results from financial and investing activities:					
Interest income		(752)	(746)	(1 288)	(1 284)
Interest expenses		1 682	1 488	1 290	1 170
Changes in working capital					
(Increase) decrease in trade receivables and other amounts receivable		(53 461)	(57 124)	(32 881)	35 032
(Increase) decrease in inventories, prepayments and other current assets		944	(89)	5 504	(848)
(Increase) decrease in payables, deferred income and prepayments received		(45 165)	(1 462)	(53 594)	(129 445)
Income tax (paid)	30	(9 736)	(9 653)	(21 243)	(21 138)
Other financial assets		9 997	(1 210)	42 228	57 477
Net cash generated from operating activity		**25 363**	**53 809**	**123 885**	**126 483**
Cash flows from (to) investing activity					
(Purchase) of property, plant and equipment and intangible assets		(273 898)	(272 438)	(213 976)	(213 084)
Disposal of property, plant and equipment and intangible assets		9	5	-	-
Grants received	18	118 458	118 458	121 103	121 103
Acquisition of held-to-maturity investments	12	(55 000)	(55 000)	(70 000)	(70 000)
Proceeds from redemption of held-to-maturity investments		70 000	70 000		
Additional investments in subsidiaries	6	-	(1 002)	-	-
Disposal of subsidiaries (associates)/reduction of subsidiaries‘ share capital	6	9 164	9 164	1 273	1 139
Interest received		826	820	1 259	1 255
Dividends received		517	517	110	110
Other cash flows from (to) investing activity		389	201	(59)	(48)
Net cash flows generated from/(to) investing activities		**(129 535)**	**(129 275)**	**(160 290)**	**(159 525)**
Cash flows from (to) financing activity					
Received loans		383 261	383 261	75 962	75 962
(Repayment) of loans		(187 142)	(187 142)	(41 434)	(41 434)
Overdraft		29 081	-	2 927	-
Interest paid		(2 391)	(2 207)	(2 005)	(1 896)
Dividends paid		(112 867)	(112 867)	(44 870)	(44 936)
Net cash flows from (to) financing activities		**109 942**	**81 045**	**(9 420)**	**(12 304)**
Net increase/(decrease) in cash and cash equivalents		**5 770**	**5 579**	**(45 825)**	**(45 346)**
Cash and cash equivalents at the beginning of the period	13	81 562	80 751	127 387	126 097
Cash and cash equivalents at the end of the period	13	**87 332**	**86 330**	**81 562**	**80 751**

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

1. General information

LITGRID AB is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is: A. Juozapavičiaus str. 13, LT-09311, Vilnius, Lithuania. LITGRID AB (hereinafter LITGRID or "the Company") is a limited liability profit-making entity established as a result of spin-off of Lietuvos Energija AB operations based the decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB dated 28 October 2010 which was passed to approve the spin-off of Lietuvos Energija AB. The Company was registered with the Register of Legal Entities on 16 November 2010. The Company's code is 302564383; VAT payer's code is LT100005748413.

LITGRID is an operator of electricity transmission system operating electricity transmissions in the territory of Lithuania and ensuring the stability of operation of the whole electric power system. In addition, the Company is responsible for the integration and development of the Lithuanian electricity market, as well as for the maintenance and development of electricity transmission network – the strategic projects for electricity interconnections with Sweden and Poland that will ensure the country's energetic independence.

The principal objectives of the Company's activities include ensuring the stability and reliability of electric power system in the territory of Lithuania within its areas of competence, creation of objective and non-discriminatory conditions for the use of the transmission networks, management, use and disposal of electricity transmission system assets and its appurtenances, management of companies owing electricity interconnections with other countries or those that develop, manage, use or dispose them.

On 24 February 2011, the Company was granted a license of the electricity transmission system operator by the National Control Commission for Prices and Energy (the Commission), the validity of which commenced 1 March 2011. With its resolution No O3-325 of 27 August 2013 the Commission stated that unbundling of the Company's transmission operations from electricity generation and supply companies is in compliance with the provisions of the Law on Electricity of the republic of Lithuania and the Company may be appointed as transmission system operator. Consequently, a transmission system operator license of unlimited duration was granted to the Company.

Under Resolution No. 1338 of 7 November 2012 of the Lithuanian Government the Company's subsidiary BALTPOOL UAB was assigned with the responsibility to carry out the function of the administrator of Public Service Obligation (PSO) services in the electricity sector. Following the provisions of the mentioned resolution, the Company ceases its activities as an PSO services administrator with effect from 1 January 2013, however, the Company collects the PSO funds from entities connected to the power transmission grid and transfers them to BALTPOOL UAB - the administrator of PSO funds according to Resolution of the Government of the Republic of Lithuania No 1157 of 19 September 2012 "Procedure for the Administration of the Public Interest Service Funds in the Power Sector".

As at 31 December 2014 and 31 December 2013, the Company's authorized share capital totaled LTL 504 331 380 and was divided into 504 331 380 ordinary registered shares with par value of LTL 1 per share. All shares are fully paid.

As at 31 December 2014 and 31 December 2013, the Company's shareholders structure was as follows:

Company's shareholders	Ownership interest (in LTL)	Number of shares held (%)
UAB EPSO-G	491 736 153	97.5
Other shareholders	12 595 227	2.5
Total:	**504 331 380**	**100**

The ultimate controlling shareholder of UAB EPSO-G (company code 302826889, address A. Juozapavičiaus g. 13, Vilnius, Lithuania) is the Ministry of Energy of the Republic of Lithuania.

The shares of the Company are listed on the additional trading list of NASDAQ OMX Vilnius Stock Exchange, issue ISIN code LT0000128415.

As at the date of these financial statements the Group included LITGRID and its directly controlled subsidiaries listed below:

Company	Address of the company's registered office	Shareholding as at 31 December 2014	Shareholding as at 31 December 2013	Profile of activities
BALTPOOL UAB	A. Juozapavičiaus str. 13, Vilnius, Lithuania	67%	67%	Electricity market operator and natural gas, supporting instruments as well as biofuel market operator, PSO funds administrator
UAB TETAS	Senamiesčio str. 102B, Panevėžys, Lithuania	100%	100%	Transformer substation and distribution station design, reconstruction, repair and maintenance services
UAB Tinklo Priežiūros Centras	A. Juozapavičiaus str. 13, Vilnius, Lithuania	100%	-	Management and operation of electricity interconnection facilities

Investments into subsidiaries are described in Note 6.

The structure of the Group's investments in the associates and the jointly controlled entity as at 31 December 2014 and 31 December 2013 was as follows:

Company	Address of the company's registered office	The Group's shareholding as at 31 December 2014	The Group's shareholding as at 31 December 2013	Profile of activities
UAB Duomenų Logistikos Centras	Žvejų str. 14, Vilnius, Lithuania	20%	20%	IT services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Designing of electricity transmission interconnection facilities

As at 31 December 2014, the Group had 707 employees (31 December 2013: 670), as at 31 December 2014, the Company had 226 employees (31 December 2013: 222).

2. Summary of principal accounting policies

The principal accounting policies applied in the preparation of Company's and the Group's financial statements for the year ended 31 December 2014 are set out below:

2.1 Basis of preparation

The Company's and the Group's financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss, and available-for-sale financial assets which are carried at fair value.

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

The Company's management approved these financial statements on 25 March 2015. The shareholders of the Company have a statutory right to approve or not to approve those and request for a preparation of the new financial statements.

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

In current financial year the Group and the Company have adopted the following IFRS amendments:

- IAS 27 Separate Financial Statements (Amended)
- IAS 28 Investments in Associates and Joint Ventures (Amended)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amended)

New and (or) changed standards and interpretations did not have a material impact on the Group's and the Company's financial statements or operating results and disclosures.

Standards issued but not yet effective

The Group and the Company have not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 ***Presentation of financial statements: Disclosure Initiative*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 ***Property*****,** ***Plant & Equipment*** **and IAS 38** ***Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group and the Company, as the Group and the Company do not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 ***Employee Benefits*** *(*effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's and the Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

Amendments to IAS 27 ***Equity method in separate financial statements*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

IFRS 9 ***Financial Instruments*** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The International Accounting Standards Board (IASB) has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - ***Investment Entities: Applying the consolidation exception*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company, since the Company is not an investment entity.

Amendments to IFRS 10 and IAS 28 – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

Amendment to IFRS 11 ***Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations*** *(*effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

IFRS 14 ***Regulatory Deferral Accounts*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

IFRS 15 ***Revenue from Contracts with Customers*** *(*effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group and the Company have not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs

In December 2013 IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1 January 2015):

- IFRS 1 *First-time adoption of IFRS*;
- IFRS 3 *Business Combinations*;
- IFRS 13 *Fair value Measurement;*
- IAS 40 *Investment property*.

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair value Measurement;*
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets*.

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group and the Company.

IFRIC Interpretation 21 *Levies* (effective for financial years beginning on or after 17 June 2014)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Group and the Company have not yet evaluated the impact of the implementation of this interpretation.

The Group and the Company plan to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.2 Principles of consolidation

Subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it can or has a the rignt to receive a variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

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

Subsidiaries are consolidated from the date from which effective direct or indirect control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains and losses on transactions among the Group companies are eliminated.

2.3 Business combinations between entities under common control

<u>Business combinations between entities under common control</u>
IFRS 3, 'Business combinations' is not applied to business combinations between entities under common control, therefore such business combinations are accounted for using the pooling of interest method of accounting. The Group does not restate assets and liabilities to their fair value as at the acquisition date, instead the Group combines the acquired assets and liabilities at their carrying amounts. No goodwill arises and the excess of the consideration paid or the carrying amount of net assets transferred over the consideration received or the carrying amount of net assets acquired is recorded directly in equity in the financial statements.

2.4 Investments in subsidiaries in the Company's separate financial statements

In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying value in the parent's statement of financial position exceeds its estimated recoverable value.

2.5 Investments in associates and jointly controlled entities

An associate is an entity over which the Group/Company has significant influence but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of 20% to 50% of the voting rights. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

In the consolidated financial statements associates and jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, investments in associates or jointly controlled entities are initially recognized at cost, and the carrying amount is subsequently increased or decreased by the changes of net assets' share of Group's associate and jointly controlled entities after the date of acquisition, less any impairment of investments.

The Group's share of post-acquisition profit or loss is recognized in profit (loss), and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of investment.

Goodwill related to investments in associates and joint ventures is included in the carrying amount of the investment and it is evaluated for impairment as the part of the investment.

Losses of an associate or jointly controlled entity in excess of the Group's interest in that associate/jointly controlled entity, including any other unsecured receivables, are not recognized, unless the Group had incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

Unrealized gain on transactions between the Group and associates and jointly controlled entities is eliminated to the extent of the Group's interest in the associate or jointly controlled entity. Unrealized loss is also eliminated, unless it provides evidence of an impairment of assets transferred.

If the Group's ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Gain or loss on decrease in the Group's ownership interest in an associate is recognized as profit or loss.

In the parent company's statement of financial position investments in associates and jointly controlled entities are stated at cost less impairment losses, where the investment's carrying value in the parent's statement of financial position exceeds its estimated recoverable value.

2.6 Property, plant and equipment and intangible assets

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

All property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognized in the profit and loss account. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are offset previous increases of the same asset, are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property, plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax. After the sale or a write-off of property unit, any balance of the revaluation reserve related to this property is transferred to retained earnings.

Construction in progress represents non-current fixed assets under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs.

Intangible assets
Intangible assets are initially recognized at cost. Intangible assets are recognized only if they are expected to provide economic benefit to the Group and the Company in future periods and their cost can be measured reliably.
After initial recognition, intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

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

Categories of property, plant and equipment and intangible assets	**Useful lives (in years)**
Buildings	20 - 75
Plant and machinery, whereof:	
- Constructions of transformer substations	30
- Structures, machinery and equipment, whereof:	
- 330, 110, 35 kV electricity transmission lines	40 - 55
- 330, 110, 35, 6-10 kV electricity distribution equipment	30 - 35
- 330, 110, 35, 6-10 kV capacity transformers	35
- electricity and communication devices	20 - 25
- electricity equipment, whereof:	15 - 35
- Relay security and automation equipment	15 - 35
- Technological and dispatch control equipment	8
- Other equipment	5 - 20
Motor vehicles	4 - 10
Other property, plant and equipment, whereof:	
- computer hardware and communication equipment	3 - 10
- inventory, tools	4 - 10
Intangible assets	3 - 4

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the book value of the disposed asset and is recognized in the profit or loss.

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

2.7 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

2.8 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans granted and receivables, and available-for-sale financial assets. The classification of financial assets is determined at initial recognition.

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

The Company's/Group's financial assets include cash and cash equivalents, short-term bank deposits, trade and other accounts receivable, and investments in securities.

The subsequent accounting for financial assets depends on their classification as follows.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories. Such assets are recognized as non-current assets, except where the term of investment expires or management have an intention to sell it within 12 months after the date of preparation of the financial statements.

Available-for-sale financial assets are initially recognized at fair value plus transaction costs, and subsequently measured at fair value. Changes in the fair value are recognized in other comprehensive income.

When available-for-sale financial assets are disposed or impaired, the related accumulated fair value revaluation previously recognized directly in equity is recognized in the statement of comprehensive income as profit or loss.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers closest to the financial statements date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis.

Held-to-maturity financial assets.
Held-to-maturity financial assets are non-derivative financial assets, quoted in an active market with fixed or determinable payments and fixed maturity which the entity has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest method.

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

Cash and cash equivalents
Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other short-term highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash balances in bank accounts, deposits in current accounts and other short-term highly liquid investments with original maturities of 3 months or less.

Effective interest rate method
Effective interest rate method is used to calculate amortised cost of financial assets and financial liabilities and allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

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

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

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows is retained, but there is an obligation to pay the full amount to a third party under a 'pass-through' agreement in a short period; or
- the Group/Company has transferred the rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.9 Inventories

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

2.10 Non-current assets held for sale

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

2.11 Trade payables and other financial liabilities, borrowings

Financial liabilities, borrowings
Other financial liabilities, including borrowings, are recognized initially at fair value, less transaction costs.

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense is recognized using the effective interest rate method as disclosed in paragraph 2.8 of the notes to the financial statements.

If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as of the date of the statement of financial position, that financial liability is classified as non-current.

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

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

Trade payables are classified as current liabilities if the term of their settlement is no longer than one year; otherwise they are included in non-current liabilities.

2.12 Dividend distribution

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

2.13 Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). In the consolidated financial statements, results of operations and financial position of each entity of the Group are presented in Litas, which is the functional currency of the Company and the presentation currency of the consolidated Group's financial statements. All financial information presented in Litas has been rounded to the nearest thousands, except when otherwise indicated. Some of the amounts in the tables may not coincide due to rounding.

Foreign currency transactions are accounted for using the exchange rates prevailing at the dates of transactions as established by the Bank of Lithuania. Monetary assets and liabilities are translated into Litas using the exchange rate prevailing at the date of preparation of financial statements. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized as the profit or loss of the reporting period.

From 2 February 2002 till 31 December 2014 Lithuanian litas was pegged to the euro at the rate of 3.4528 litas to 1 euro, and the exchange rates in relation to other currencies were set daily by the Bank of Lithuania.

2.14 Grants

Asset-related grants
Government and the European Union grants received in the form of property, plant and equipment or intended for the purchase of property, plant and equipment are considered as asset-related grants. Grants are recorded as a deduction of value of the respective asset and subsequently recognized as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

Public service obligation (hereinafter "PSO") service fees allocated to the Company for the development and implementation of strategic plans are recognized as asset-related grants. They are also recorded as a deduction of value of related assets and subsequently recognized as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

Grants received in advance in relation to acquisition of non-current assets are stated as non-current liabilities until the moment of acquisition of such assets.

2.15 Provisions

Provisions are recognized when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance costs.

2.16 Employee benefits

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

(b) Bonus plans
The Company and the Group recognize a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Payments to retiring employees of retirement age

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws; according to the Comapny's collective agreement – payment is equal to 3 monthly salaries. A liability for such payments is recognized in the balance sheet and it reflects the present value of these payments at the date of the financial statements. The aforementioned non-current liability for payments to employees at the date of the financial statements is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for payments to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

2.17 Leases

Lease is recognized as financial lease, when all the risks and rewards of ownership of the leased item are transferred to the lessee. Operating lease is the lease that cannot be classified as finance lease. When the contract is signed, it is being assessed whether the contract meets the terms of a financial lease.

The Group and the Company as a lessor
Operating lease income is recognized on a straight-line basis over the lease term.

The Group and the Company as a lessee
Operating lease payments are recognized as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

2.18 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.

2.19 Revenue and expense recognition

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

Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity
Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity is recognized after services have been rendered or electricity has been sold, i.e. all risks and rewards associated with the transaction have been transferred to the buyer.

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

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

The Group purchases a capacity reserve service from electricity suppliers in accordance with capacity reserve agreements and subsequently renders this service to the distribution system operators and electricity consumers using a tariff established by the Commission. The Group recognizes gross revenue as it acts as a principal in the provision of these services.

Connection of new consumers and producers to electricity transmission network
From 2010 (applicable to assets received from customers on or after 1 July 2009) to the date of spin-off, Lietuvos Energija AB, later on the Company, recognizes fees received for connection of new consumers and producers to the electricity network as income immediately upon the connection of a new consumer or producer, provided the price for electricity payable in future by the newly connected consumer or producer for the services rendered /purchased by the Company/Group does not differ from that payable by other consumers or producers who had not paid such connection fees.

Before 1 July 2009, fees received by Lietuvos Energija AB for connection of new consumers and producers to the network were initially recognized in non-current assets caption as reducing the carrying value of related assets. In the statement of comprehensive income these fees are recognised over the estimated useful life of the related assets, reducing depreciation expenses.

Repair service income
Income under individual contracts/projects with customers, for instance for repair services, is recognized using the stage of completion method estimated based on project costs actually incurred in proportion to total estimated project costs. The probable change in profitability is recognized in the statement of comprehensive income when such change is established. The projects are reviewed regularly and the provisions are established when it is determined that the project will result in a loss.

Other income
Interest income is recognized on accrual basis considering the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

Gain from sale and lease of property, plant and equipment is recognized by the Group and the Company as other revenue.

Dividend income
Dividend income is recognized when the right to receive dividend payment is established.

Recognition of expense
Expenses are recognized in the statement of comprehensive income as incurred by the accrual method.

Recognition of income and expenses from PSO services
Under the PSO scheme approved by Order No. 1-283 of 8 October 2010 of the Minister of Energy of the Republic of Lithuania, the Group acts as an administrator of PSO service funds, i.e. only collects and disburses PSO service funds.

PSO service funds are the fees paid to the suppliers of electricity under the public service obligations scheme, with the list of such suppliers established by the Lithuanian Government or other institution authorized by it. The annual quantities of PSO service funds are established by the National Control Commission for Prices and Energy (the Commission). These funds are collected from electricity consumers, using the tariff for PSO services established by the Commission as a difference between PSO service funds collected and disbursed by the Company/Group during the previous calendar year.

The Company/Group recognizes as revenue from PSO services the following:

- PSO service funds allocated by the Commission to the Company/Group for the connection of power generation facilities, using wind, biomass, solar energy or hydro energy in the process of power generation, to transmission networks, for optimization, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electric power from producers using the renewable energy resources;
- PSO service funds allocated by the Commission for balancing electricity produced from the renewable energy resources;
- PSO service funds allocated by the Commission to the Company/Group to cover administration costs of PSO service funds.

All other PSO service funds collected by the Company/Group are not recognized as income/expenses.

2.20 Accounting policy for PSO services funds when the Group acts as an administrator of PSO service funds

In performing PSO-related activities the Group acts only as an administrator on behalf of the Commission/Government and these activities do not generate revenue/profit for the Group in the normal course of business. A resolution has been passed by the Lithuanian Government which stipulates that the Group acts only as an administrator and the Group and the Commission have separate systems to tracks these transactions.

Seeking to improve the accuracy of presentation of the Group's financial position, financial result and cash flows and to reflect the actual substance of PSO administration activities the Group recognizes as revenue only the items described in Note 2.19 and recognizes the difference between collected and disbursed PSO service funds being administered as receivables (payables).

Given that the Group acts only as an agent on behalf of the Commission/Government, revenues from the collection of tariffs from customers are netted against the disbursements to the electricity generators in the statement of comprehensive income. Only the amount of PSO service funds as approved by the Government in advance that is received for PSO services rendered and for PSO administration services is recognized as income by the Group. Since 1 January 2013 the Company is no longer an administrator of PSO service funds (as described in Note 1), but it continues to act as an intermediary in collecting PSO funds to the subsidiary of the group Baltpool UAB, current PSO administrator, thus a difference between PSO service funds collected and transferred to Baltpool UAB is recognized in other accounts receivable/other accounts payable as difference between PSO service funds received and disbursed.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the production, getting ready for use or sale of an asset that necessarily takes a substantial period of time to produce, get ready for its intended use or sale, are capitalized as part of the cost of that asset until the asset is ready for use or sale in full. Interest income on the temporary investment of borrowed funds until they will be used for the acquisition of the asset is deducted from the cost of the asset.

Other borrowing costs are recognized as expenses in the statement of comprehensive income during the period when they are incurred.

2.22 Income tax

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

Income tax
Income tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2014 and 2013.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. 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. Starting from 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum of 70%.

Deferred income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liability is recognised for all temporary differences that will increase taxable profit in the future, and deferred tax asset is recognised only to the extent it is likely to reduce the taxable income in the future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

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

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

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

2.23 Earnings per share

Earnings per share are calculated by dividing the net profit for the period attributed to shareholders by the weighted average number of ordinary shares in issue during the period. When the number of shares changes and such change does not result in change of economic resources, the weighted average number of ordinary shares in issue is adjusted in proportion to change in the number of shares as if that change had occurred in the beginning of the previous period.

The Company has no dilutive potential shares; therefore its basic earnings per share are the same as diluted earnings per share.

2.24 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.
A contingent asset is not recognized in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.25 Subsequent events

Subsequent events that provide additional information on the Group‘s and the Company‘s financial position at the date of the financial statements (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in notes to the financial statements, provided their effect is material.

2.26 Offsetting

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

2.27 Critical accounting estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that have an effect on the accounting policies applied, the presented amounts of assets, liabilities, income and expenses as well as on the disclosure of contingencies. Actual results may differ from these estimates. When preparing these financial statements, critical management estimates and assumptions as well as main sources of uncertainties that induce the risk that the carrying amount of assets and liabilities may need a material adjustment in the coming reporting year are described below:

Revaluation of property, plant and equipment

As described in Note 5 the Company performed a revaluation of property, plant and equipment and determined the fair value of these assets (Level 3 of fair value measurement). It should be noted that determining the fair value of the assets is mostly influenced by the assumptions of transmission service tariffs for the future periods. More details about the fair value measurement of property, plant and equipment are further disclosed in the note mentioned.

Investment impairment

As the shares of the Company‘s subsidiaries, associates and jointly controlled entities are not publically traded, the management of the Company estimates the recoverable value of these investments considering the discounted future cash flows based on the financial forecasts for several upcoming years and information on similar transactions indirectly available in the market.

The recoverable value of investment in Duomenų Logistikos Centras UAB as at 31 December 2014 was measured based on the discounted cash flow method. The impairment of LTL 2 539 thousand was accounted for this investment as at 31 December 2014. The discount rate before tax used was 12.35%.

The recoverable value of investment in UAB TETAS as at 31 December 2014 was measured based on the discounted cash flow method taking into account the expected market changes and planned increased efficiency of UAB TETAS. The impairment of LTL 6 842 thousand was accounted for this investment as at 31 December 2014. The discount rate used before taxation was 12.55%. A 10% change in the discount rate would determine a change of LTL 1 693 thousand in the valuation result.

The recoverable value of other investments was determined based on the information indirectly obtained in the market.

Judgement related to cash and cash equivalents

As disclosed in Note 13, part of the Company‘s and Group‘s funds, which are intended to be used to settle with the Nord Balt project contractors corresponds to the cash and cash equivalents as defined by IFRS.

2.28 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible to the Company/Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company/Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the management at each reporting date. For the purpose of fair value disclosures, the Company/Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

As at 31 December 2014 and 2013 the Group and the Company did not have significant assets or liabilities measured at fair value on a recurring or not recurring basis in the financial statements, except for the available-for-sale financial assets (Notes 2.8 and 7) and property, plant and equipment (Notes 2.6 and 5).

Assets and liabilities for which fair value is disclosed in the financial statements comprise cash and cash equivalents, trade receivables, trade and other payables and borrowings. The management assessed that the fair value of the borrowings as at 31 December 2014 and 2013 are approximating their carrying value as they are subject to variable interest rates and that fair value of other mentioned financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments as at 31 December 2014 and 2013.

3. Adjustment of comparative figures

Change in accounting policies

When preparing it's prior periods' financial statements under IFRS, the Group and the Company grants received and connection fees of new users or producers accounted for as non-current liabilities (current portion of connection fees of new users or producers as current liabilities). In the financial statements for the year ended 31 December 2014 the management of the Company decided to change the accounting policy related to the accounting for grants to retain disclosures of the year-end balance of non-amortised grants related to non-current assets as due to the specifics of the assets subject to grants and of the regulatory environment, the fair value of such assets is close to zero.

Due to the changes in the accounting policy, comparative figures when preparing the financial statements of the year 2014 were adjusted as follows: in the statement of financial position for the year ended 31 December 2013 the value of property, plant and equipment was decreased by LTL 140 813 thousand (as at 31 December 2012: LTL 106 424 thousand), the value of grants decreased by LTL 126 877 thousand (as at 31 December 2012: LTL 91 777 thousand), deferred income decreased by LTL 13 274 thousand (as at 31 December 2012: LTL 13 990 thousand), and pre-payments received decreased by LTL 662 thousand (as at 31 December 2012: LTL 657 thousand). Changes in the accounting policy had no impact on the statements of comprehensive income and cash flows.

Other adjustments

When preparing the financial statements of the year ended 31 December 2014, the management of the Group adjusted the Group's income and expenses by LTL 24 076 due to inaccuracies in the elimination of intra group transactions in the statement of comprehensive income. This adjustment had no impact on the result and the statement of cash flows of the Group.

4. Intangible assets

Group	**Patents and licenses**	**Computer software**	**Other intangible assets**	**Total**
Net book amount at 31 December 2012	**60**	**1 647**	**42**	**1 749**
Additions	-	1 111	-	1 111
Write-offs	-	(7)	-	(7)
Transfer to (from) property, plant and equipment (PPE)	28	-	-	28
Amortization charge	(28)	(469)	(19)	(516)
Net book amount at 31 December 2013	**60**	**2 282**	**23**	**2 365**
31 December 2013				
Acquisition cost	89	6 287	74	6 450
Accumulated amortization and impairment	(29)	(4 005)	(51)	(4 085)
Net book amount	**60**	**2 282**	**23**	**2 365**
Net book amount at 31 December 2013	**60**	**2 282**	**23**	**2 365**
Additions	-	1 233	-	1 233
Transfer to (from) PPE	19	491	-	510
Amortization charge	(35)	(803)	(12)	(850)
Net book amount at 31 December 2014	**44**	**3 203**	**11**	**3 258**
31 December 2014				
Acquisition cost	108	8 011	74	8 193
Accumulated amortization and impairment	(64)	(4 808)	(63)	(4 935)
Net book amount	**44**	**3 203**	**11**	**3 258**

Company	**Patents and licenses**	**Computer software**	**Other intangible assets**	**Total**
Net book amount at 31 December 2012	**60**	**1 351**	**21**	**1 432**
Additions	-	1 085	-	1 085
Transfer to (from) PPE	28	-	-	28
Amortization charge	(28)	(329)	(12)	(369)
Net book amount at 31 December 2013	**60**	**2 107**	**9**	**2 176**
31 December 2013				
Acquisition cost	89	5 845	48	5 982
Accumulated amortization	(29)	(3 738)	(39)	(3 806)
Net book amount	**60**	**2 107**	**9**	**2 176**
Net book amount at 31 December 2013	**60**	**2 107**	**9**	**2 176**
Additions	-	1 183	-	1 183
Transfer to (from) PPE	19	491	-	510
Amortization charge	(35)	(669)	(6)	(710)
Net book amount at 31 December 2014	**44**	**3 112**	**3**	**3 159**
31 December 2014				
Acquisition cost	108	7 519	48	7 675
Accumulated amortization	(64)	(4 407)	(45)	(4 516)
Net book amount	**44**	**3 112**	**3**	**3 159**

5. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PPE	Construction in progress	Total
31 December 2012 (adjusted)							
Acquisition value	1 961	41 285	2 062 402	2 437	98 594	70 486	2 277 165
Accumulated depreciation	-	(6 706)	(339 029)	(1 254)	(56 858)	6	(403 841)
Accumulated impairment	-	(145)	(1 225)	-	-	-	(1 370)
Net book amount	**1 961**	**34 434**	**1 722 148**	**1 183**	**41 736**	**70 492**	**1 871 954**
Net book amount at 31 December 2012 (adjusted)	**1 961**	**34 434**	**1 722 148**	**1 183**	**41 736**	**70 492**	**1 871 954**
Additions	-	-	3	22	784	134 421	135 230
Write-offs	-	(39)	(5 883)	-	(9)	(370)	(6 301)
Transfer to (from) inventories	-	-	-	-	(5)	84	79
Transfer to (from) intangible assets (IA)	-	-	-	-	-	(28)	(28)
Reclassification between categories	-	248	5 411	-	5 206	(10 865)	-
Offsetting grants with non-current assets	-	-	-	-	-	(37 219)	(37 219)
Depreciation charge	-	(2 201)	(119 505)	(494)	(7 117)	-	(129 317)
Net book amount at 31 December 2013 (adjusted)	**1 961**	**32 442**	**1 602 174**	**711**	**40 595**	**156 515**	**1 834 398**
31 December 2013 (adjusted)							
Acquisition value	1 961	41 428	2 053 681	2 456	102 870	156 515	2 358 911
Accumulated depreciation	-	(8 841)	(450 282)	(1 745)	(62 275)	-	(523 143)
Accumulated impairment	-	(145)	(1 225)	-	-	-	(1 370)
Net book amount	**1 961**	**32 442**	**1 602 174**	**711**	**40 595**	**156 515**	**1 834 398**
Net book amount at 31 December 2013 (adjusted)	**1 961**	**32 442**	**1 602 174**	**711**	**40 595**	**156 515**	**1 834 398**
Additions	-	-	480	180	2 947	245 663	249 270
Revaluation	(118)	(991)	(639 719)	-	(307)	-	(641 135)
Disposals	-	-	(5)	(4)	-	-	(9)
Write-offs	-	(152)	(5 043)	-	(148)	-	(5 343)
Transfer to (from) inventories	-	-	-	-	-	140	140
Transfer to (from) IA	-	-	-	-	(510)	-	(510)
Transfer to (from) non yet received grants	-	-	-	-	-	(5 786)	(5786)
Reclassification between categories	-	4 089	144 353	-	(10 510)	(137 932)	-
Offsetting grants with non-current assets	-	-	-	-	-	(39 804)	(39 804)
Depreciation charge	-	(2 774)	(123 261)	(438)	(6 545)	-	(133 018)
Net book amount at 31 December 2014	**1 843**	**32 614**	**978 979**	**449**	**25 522**	**218 796**	**1 258 203**
31 December 2014							
Acquisition value	1 843	33 233	979 446	2 619	28 286	218 796	1 264 223
Accumulated depreciation	-	(619)	(467)	(2 170)	(2 764)	-	(6 020)
Accumulated impairment	-	-	-	-	-	-	-
Net book amount	**1 843**	**32 614**	**978 979**	**449**	**25 522**	**218 796**	**1 258 203**

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress
31 December 2012 (adjusted)						
Acquisition value	1 961	39 683	2 061 579	95 313	71 421	2 269 957
Accumulated depreciation	-	(6 316)	(338 754)	(55 160)	-	(400 230)
Accumulated impairment	-	(145)	(1 225)	-	-	(1 370)
Net book amount	**1 961**	**33 222**	**1 721 600**	**40 153**	**71 421**	**1 868 357**
Net book amount at 31 December 2012 (adjusted)	**1 961**	**33 222**	**1 721 600**	**40 153**	**71 421**	**1 868 357**
Additions	-	-	-	644	133 900	134 544
Write-offs	-	(39)	(5 883)	(8)	(370)	(6 300)
Transfer to (from) inventories	-	-	-	(5)	84	79
Transfer to (from) IA	-	-	-	-	(28)	(28)
Reclassification between categories	-	248	5 411	5 206	(10 865)	-
Offsetting grants with non-current assets	-	-	-	-	(37 219)	(37 219)
Depreciation charge	-	(2 087)	(119 413)	(6 538)	-	(128 038)
Net book amount at 31 December 2013 (adjusted)	**1 961**	**31 344**	**1 601 715**	**39 452**	**156 923**	**1 831 395**
31 December 2013 (adjusted)						
Acquisition value	1 961	39 825	2 052 855	99 464	156 923	2 351 028
Accumulated depreciation	-	(8 336)	(449 915)	(60 012)	-	(518 263)
Accumulated impairment	-	(145)	(1 225)	-	-	(1 370)
Net book amount	**1 961**	**31 344**	**1 601 715**	**39 452**	**156 923**	**1 831 395**
Net book amount at 31 December 2013 (adjusted)	**1 961**	**31 344**	**1 601 715**	**39 452**	**156 923**	**1 831 395**
Additions	-	-	-	2 522	245 255	247 777
Revaluation	(118)	(1 019)	(639 719)	(307)	-	(641 163)
Disposals	-	-	(5)	-	-	(5)
Write-offs	-	(152)	(5 043)	(146)	-	(5 341)
Transfer to (from) inventories	-	-	-	-	140	140
Transfer to (from) IA	-	-	-	(510)	-	(510)
Transfer to (from) non yet received grants	-	-	-	-	(5 786)	(5 786)
Reclassification between categories	-	4 089	144 353	(10 510)	(137 932)	-
Offsetting grants with non-current assets	-	-	-	-	(39 804)	(39 804)
Depreciation charge	-	(2 660)	(123 161)	(6 029)	-	(131 850)
Net book amount at 31 December 2014	**1 843**	**31 602**	**978 140**	**24 472**	**218 796**	**1 254 853**
31 December 2014						
Acquisition value	1 843	31 602	978 140	24 472	218 796	1 254 853
Accumulated depreciation	-	-	-	-	-	-
Accumulated impairment	-	-	-	-	-	-
Net book amount	**1 843**	**31 602**	**978 140**	**24 472**	**218 796**	**1 254 853**

Write-offs mainly represent derecognition of replaced part of asset upon its reconstruction.

Interest expenses satisfying the criteria for capitalization amounted to LTL 2 909 thousand for the period that ended 31 December 2014 (for the period that ended 31 December 2013 - LTL 848 thousand). This amount was reduced by the amount of interest income, which during the respective period amounted to LTL 1 535 thousand (for the period that ended 31 December 2013 – LTL 185 thousand). The total amount of capitalized interest amounted to LTL 1 374 thousand (for the period that ended 31 December 2013 – LTL 663 thousand). The annual interest rate of capitalization was 0.3% (for the period that ended 31 December 2013 – 1.09%)

Pursuant to the approved accounting policies and the Resolution No 241-235 of 17 December 2013 of the Director of the Supervision Department of the Bank of Lithuania, according to which LITGRID was obligated not later than in the financial statements for the year ended 31 December 2014 to evaluate the fair value of assets, the Company performed a valuation of property, plant and equipment as at the year end of 2014. The Company did not assess the value in use of property, plant and equipment and the possible impairment for the end of 2013 as at that time material contingencies existed due to the planned LRAIC method installation.

The Company performed valuation of assets by the revenue method using the discounted cash flows calculation technique. Only cash flows directly related to the valued assets and not all cash flows related to the Company's business were included in the calculation of the present value of net future cash flows: depreciation cost of regulated assets + return on investment – excess profit adjustment – income tax on return on investment and excess profit adjustment. The valuation corresponds to level 3 of fair value measurement (Note 2.28).

The asset valuation took into account the Principles for the establishment of state regulated prices in electrical energy sector (hereinafter, the Principles) approved by the Government Resolution No 1026 of 24 September 2014, Methodology for the establishment of price caps on electrical energy transmission, distribution and public supply services and public price (hereinafter, the Methodology) approved by the Resolution No O3-3 of 15 January 2015 of the National Commission for Energy Control and Prices and the Property and business valuation methodology approved by the Minister of Finance of the Republic of Lithuania Resolution No 1K-159 of 27 April 2012.

When approving the Methodology and estimating the Company's income for 2015 the Commission did not take into account the provision in the Principles that when establishing asset value as the basis for the calculation of return on investment "electricity transmission system operator additionally includes 1/5 of the difference between the Company's carrying amount of assets and the regulated asset base as at 30 June 2014 during the period of 2015–2019 each year, so that the total accumulated difference in 2019 is included in the regulated asset base (RAB) attributable to the service and/or product". The Company believes that the Lithuanian Government Resolution has precedence over the Commission methodology, thus the provision of the Principles regarding establishment of asset value will have to be implemented (the Company appealed against the Commission Resolution to the court, see Note 34); therefore, the Company calculated return on investment not only on the historical cost of regulated assets, but also on the difference between the carrying amount ant the value of regulated assets as prescribed by the Principles.

In January 2015, when setting the transmission service price cap for 2016 – 2020, the Commission approved the rate of return on investment at 6.79%. The Company believes that the Commission decision was taken in breach of the legal act, thus both the transmission service price cap for 2016 – 2020 and the rate of return on investment will have to be recalculated. Therefore the Company made an assumption for assets revaluation that the rate of return on investment from 2016 will equal the weighted average cost of capital (WACC) before taxation, which is 7.2%.

Having carried out an audit of the Company's expenses form regulated operations of 2011-2013, the Commission established that the Company had excess profit (profit exceeding the amount of return on investment permitted by the Commission) and took a decision to reduce the Company's revenues for 2015 – 2017 by the amount of excess profit of LTL 73 665 thousand or LTL 24,555 thousand per year. This reduction of revenue was taken into account as determining the fair value of assets, although the Company disputes this Commission's decision.

Net cash flows generated by assets were discounted at the discount rate calculated by the Company (WACC before taxation), which is 7.2%.

As a result of estimation of fair value of assets of the Company, an impairment of assets was recorded in the amount of LTL 641 163 thousand including LTL 215 779 thousand decrease in revaluation reserve and the remaining amount of LTL 425 384 thousand was recognised as impairment expenses. Impairment was mainly caused by the changes in regulatory environment that occurred after the last revaluation of Company's assets performed in 2008.

The estimated fair value of property, plant and equipment depends on the above described key assumptions that represent significant uncertainties. Sensitivity analysis of revaluation result for key assumptions impacting the fair value is presented below.

If the revaluation did not include the additional return on investment from the difference between the carrying amount and the regulated assets value, the impairment of assets would be LTL 305 642 thousand higher.

If the base valuation did not include an adjustment of excess profit for 2011-2013, the impairment of assets would be LTL 57 344 thousand lower.

Sensitivity of revaluation result to changes in the discount rate (including the respective change in the rate of return on investment) and the rate of return on investment is presented in the following tables:

Change in discount rate with respective recalculation of rate of return on investment*, %	**Impact on fair value of assets, LTL thousand**
-2%	-62 370
-1%	-28 491
1%	23 993
2%	44 202

*Under the current regulatory environment rate of return on investment is calculated as the weighted average cost of capital before taxes.

Change in rate of return on investment, %	**Impact on fair value of assets, LTL thousand**
-2%	-174 719
-1%	-87 360
1%	43 680
2%	174 720

Information about the results of revaluation performed in 2014:

Group	**Decrease of other comprehensive income and revaluation reserve in equity**	**Expenses recognised in the profit (loss) section**	**Total revaluation effect**
Decrease in net book value as at 31 December 2014	215 754	425 381	641 135

Company	**Decrease of other comprehensive income and revaluation reserve in equity**	**Expenses recognised in the profit (loss) section**	**Total revaluation effect**
Decrease in net book value as at 31 December 2014	215 779	425 384	641 163

As at 31 December 2014 and 31 December 2013, the Group and the Company had significant contractual commitments to purchase property, plant and equipment to be fulfilled in the upcoming periods.

	31 December 2014	31 December 2013
Interconnection between the electricity transmission systems of Lithuania and Sweden (NordBalt)	439 503	539 785
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink)	208 203	306 254
Transformer substations	35 046	98 023
Other	2 496	16 380
Total	**685 248**	**960 442**

The table below includes the net book amounts of the Group's and the Company's property, plant and equipment that would have been recognized, had these assets been carried at historical cost as at 31 December 2014 and 2013:

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2014	1 794	30 367	1 436 401	449	25 804	218 883	1 713 698
At 31 December 2013	1 794	28 828	1 402 289	710	40 521	157 217	1 631 359
At 31 December 2012	1 794	30 493	1 503 091	1 183	41 223	71 715	1 649 499

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2014	1 794	29 764	1 435 562	-	24 774	218 883	1 710 777
At 31 December 2013	1 794	28 151	1 401 830	-	39 377	157 217	1 628 369
At 31 December 2012	1 794	29 743	1 502 543	-	39 641	71 715	1 645 436

As at 31 December 2014, non – depreciated grants amounted to LTL 164 379 thousand (as at 31 December 2013 – LTL 126 877 thousand, 2012 – LTL 91 777 thousand).

6. Investments in subsidiaries (of the Company) and investments in associates and jointly controlled entities (of the Company and the Group)

Investments in subsidiaries in the Company's financial statements

As at 31 December 2014 the Company directly controlled the following subsidiaries:

Subsidiaries	Investment cost	Impairment	Carrying amount	Ownership interest (%)
UAB TETAS	15 042	(6 842)	8 200	100
BALTPOOL UAB	854	-	854	67
UAB Tinklo Priežiūros Centras	600	-	600	100
	16 496	**(6 842)**	**9 654**	

In 2014 an investment impairment of UAB TETAS was accounted, which was equal to LTL 6 842 thousand, up to recoverable amount, which was established based on discounted cash flows method. The used discount rate before tax was equal to 12.55 %. An impairment of investment into UAB TETAS was caused by market changes, that resulted in decrease of cash flow forecasts of UAB TETAS.

As at 31 December 2013, the Company directly controlled the following subsidiaries:

Subsidiaries	Investment cost	Impairment	Carrying amount	Ownership interest (%)
UAB TETAS	15 042	-	15 042	100
BALTPOOL UAB	452	-	452	67
	15 494	**-**	**15 494**	

Under the implementation of power sector restructuring plan in accordance with the Board of LITGRID decision as at 17 October 2012, LITGRID and LESTO AB (hereinafter - LESTO) concluded a share exchange agreement. In accordance to this agreement, on 7 January 2013 LITGRID transferred its owned shares of Elektros Tinklo Paslaugos UAB for LTL 8 025 thousand which accounted for 25.03 percent share capital of this company to LESTO and LESTO transferred owned shares of UAB "TETAS", which in turn accounted for 38.87 percent of the share capital, for LTL 6 752 thousand. The difference between the values of exchanged shares equal to LTL 1 273 thousand LESTO paid to the Company.

Based on the decision of the shareholders of BALTPOOL UAB meeting on 2 December 2013 the share capital of BALTPOOL UAB was increased up to LTL 635 thousand by issuing 160,000 ordinary shares with a par value of LTL 5 each. The total amount of new emission was LTL 800,000.

According to the share issuance agreement signed on 9 December 2013 the shareholders of BALTPOOL UAB made initial cash contribution for the signed shares on 16 December 2013 (25 percent equal to LTL 134 thousand) and the remaining amount for the shares was paid by the Company in equal parts until 2 December 2014.

On 24 February 2014, following the decision of the Board of the Company of 14 February 2014, the Company established an entity Tinklo Priežiūros Centras UAB, the key focus of which is to prepare for installation, management and operation of the links between the power system of the Republic of Lithuania and the power systems of the Republic of Poland and the Kingdom of Sweden, as well as to compile competence and expertise related to management and operation of such international power links. As at 31 December 2014 the authorised capital of the Company amounted to LTL 600 000 and was subdivided to 600 000 units of registered shares with par value of LTL 1. Pursuant to the statement of establishment of UAB Tinklo Priežiūros Centras LITGRID AB paid the initial contribution for signed shares on 17 February 2014, and the remaining amount for signed for shares was paid in instalments until 31 December 2014.

<u>Investments in associates and jointly controlled entities in the Company‘s and the Group‘s financial statements</u>

Movement in the account of investments in associates and jointly controlled entities is given in the table below:

	Group 2014	Company 2014	Group 2013	Company 2013
Opening balance	15 922	15 320	16 052	16 601
Share of profit (loss) of associates and jointly controlled entities	312	-	1 151	-
Shares cancelled	(9 164)	(9 164)	-	-
Impairment of investments	(3 312)	(2 539)	(1 281)	(1 281)
Closing balance	**3 758**	**3 617**	**15 922**	**15 320**

In 2014 the impairment of LTL 2 539 thousand for investment in Duomenų Logistikos Centras UAB was accounted based on the recoverable value, which was estimated using the discounted cash flows method. The used discount rate before tax was 12.35 %.

In 2013 the impairment of LTL 1 281 thousand for investment in Duomenų Logistikos Centras UAB was recognised based on the fair value of investment determined by the independent valuators. The valuation was performed using discounted cash flows method.

On 17 July 2014 the share capital of UAB Duomenų Logistikos Centras was reduced for the purpose to pay funds to shareholders. Until the reduction of the share capital the Company held 11 995 748 of shares. After 9,163,806 of shares were annulled, UAB Duomenų Logistikos Centras paid LTL 9 163 806 to the Company on 22 August 2014.

The financial positions and results of operations of associates and jointly controlled entities as at 31 December 2014 and for the year then ended:

	Assets	Liabilities	Sales revenue	Net profit (loss)
UAB Duomenų Logistikos Centras	31 888	15 247	19 107	1 344
"LitPol Link" Sp.z.o.o.	1 508	363	2 699	86

The financial positions and results of operations of associates and jointly controlled entities as at 31 December 2013 and for the year then ended:

	Assets	Liabilities	Sales revenue	Net profit (loss)
UAB Duomenų Logistikos Centras	74 552	12 321	65 602	5 335
LitPol Link Sp.z.o.o.	1 335	461	2 592	143

7. Financial assets held for sale

The Group's and the Company's other financial assets classified as held for sale comprised the shares of the following entities:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
NT Valdos, UAB (0.35%)	6 638	6 638	6 638	6 638
NordPool Spot (2%)	1 084	1 084	1 084	1 084
UAB Technologijų ir Inovacijų Centras (0.01%)	1	1	1	1
	7 723	**7 723**	**7 723**	**7 723**

In 2013 the Company acquired 1,000 shares of the joint stock company Technologijų ir Inovacijų Centras UAB which was established on 4 December 2013. One of the main targets of this entity is the provision of information technologies and telecommunication and other services to shareholders.

In the opinion of the Management the fair value did not change significantly since last year (fair value measurement of level 3).

8. Inventories

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

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Materials and consumables	8 482	4 023	9 334	3 903
Less: impairment	(682)	(554)	(490)	(381)
Total	**7 800**	**3 469**	**8 844**	**3 522**

As at 31 December 2014 the carrying amount of inventories accounted at net realisable value amounted to LTL 778 thousand (as at 31 December 2013 – LTL 885 thousand) in the Group and in the Company – LTL 627 thousand (as at 31 December 2013 – LTL 768 thousand). The Group's inventories recognized as expenses during the year ended 31 December 2014 amounted to LTL 15,475 thousand (31 December 2013: LTL 5 867 thousand), the Company's - LTL 370 thousand (31 December 2013: LTL 386 thousand).

Movements in impairment account of inventories during the year ended 31 December 2014 and 2013:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Balance as at 1 January	490	381	524	381
Change of impairment	192	173	(34)	-
Balance as at 31 December	**682**	**554**	**490**	**381**

Impairment charges were included in other expenses in the statement of comprehensive income.

9. Trade receivables

Trade receivables of the Group and the Company were as follows:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Receivables from sales of electricity	64 792	64 792	71 377	71 377
Receivables for connection of new customers	-	-	3 083	3 083
Receivables for contractual works and other services	12 806	-	12 150	-
Receivables from long-term trades in power exchange	21	-	1	-
Less impairment	(27 706)	(27 706)	(21 164)	(21 164)
Carrying amount	**49 913**	**37 086**	**65 447**	**53 296**

The fair value of current trade receivables approximate their carrying amount.

The Company made a provision for doubtful debts of LTL 6 542 thousand (LTL 21 164 thousand in 2013) related to the individually assessed doubtful receivables concerning debts for the purchased balancing energy which was accounted in the other expenses in the statement of comprehensive income.

The ageing analysis of trade receivables that were not impaired is given below:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Not overdue	46 942	36 185	48 583	45 296
Overdue up to 30 days	1 120	246	5 664	1 274
Overdue from 30 to 60 days	384	178	2 980	2 190
Overdue from 60 to 90 days	148	148	5 075	1 391
Overdue more than 90 days	1 319	329	3 145	3 145
Total	**49 913**	**37 086**	**65 447**	**53 296**

10. Other accounts receivables

Other accounts receivable were as follows:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Administered PSO funds receivable	116 714	57 325	115 428	42 057
VAT receivable from the state budget	28 939	28 939	2 688	-
Accrued income for PSO services rendered	13 444	1	2 694	2 282
Grants receivable	14 815	14 815	-	-
Receivables for lease of assets	601	601	618	618
Accrued interest receivable	281	281	355	355
Other accrued receivables	382	-	1 422	667
Other receivables	1 897	1 818	502	180
Less: impairment	-	(30 421)	-	(16 997)
Total	**177 073**	**73 359**	**123 707**	**29 162**

The fair value of current other accounts receivable approximates their carrying amount.

The Company accounted for an impairment for receivables from LIFOSA AB, ORLEN AB and Achema AB for PSO funds (see Note 33), which totalled LTL 13 424 thousand in 2014 (LTL 9 552 thousand in 2013). As at 31 December 2014 impairment totalled to LTL 30 421 thousand (LTL 16 997 thousand in 2013) and it had no impact on the Company's statement of comprehensive income, because as described in Note 1, since 1 January 2013 the Company acts only as an agent (see Note 2.20) in carrying out the activities of PSO. Therefore, when accounting impairment of PSO receivables, PSO payable amount to UAB Baltpool is reduced respectively.

As described in Note 1 and 2.20 the Group's company UAB Baltpool is the administrator of PSO funds and is responsible for redistribution of PSO funds. In addition, the Commission stipulated that uncollected PSO funds shall be reimbursed in the future. For this reason, receivable PSO funds are not impaired in the financial statements of the Group and PSO payables are not reduced.

The ageing analysis of other accounts receivable that were not impaired is given below:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Not overdue	134 940	61 647	101 064	23 516
Overdue up to 30 days	3 670	3 670	1 020	1 020
Overdue from 30 to 60 days	1 947	1 947	935	935
Overdue from 60 to 90 days	671	671	1 026	1 026
Overdue more than 90 days	35 845	5 424	19 662	2 665
Total	**177 073**	**73 359**	**123 707**	**29 162**

The Group did not recognize allowance of receivables overdue more than 90 days as according to the Company's management these amounts mainly comprise of PSO receivables, which would not have a negative impact on the statement of comprehensive income of the Group as described before in Note 2.20.

11. Other financial assets

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Administered PSO funds	-	-	15 879	-
Funds deposited for guarantees and deposits	11 174	6 045	5 380	4 835
Monetary contributions of participants of the power exchange	91	-	3	-
Total	**11 265**	**6 045**	**21 262**	**4 835**

According to procedure for the administration of PSO funds approved by the Commission, the balance of PSO funds should be reported separately from other cash and cash equivalents of the Company/Group and can only be used for the disbursement of PSO service funds.

The fair value of other financial assets as at 31 December 2014 and 2013 approximated their carrying value.

12. Held-to-maturity investments

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Swedbank AB bonds in LTL, maturity as at 7 March 2014	-	-	70 000	70 000
Swedbank AB bonds in LTL, maturity as at 22 January 2015	55 000	55 000	-	-
Closing balance	**55 000**	**55 000**	**70 000**	**70 000**

As at 31 December 2014 the annual interest rate of held-to maturity investments of the Group and the Company was 0.61 % (0.71 % as at 31 December 2013).

As at 31 December 2014 and 2013 held-to-maturity investments may be used only for the purpose of implementation of the NordBalt project for electricity interconnection.

The carrying amount of held-to-maturity investments as at 31 December 2014 and 2013 approximated the fair value.

13. Cash and cash equivalents

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Cash at bank and on hand	87 332	86 330	81 562	80 751
Total	**87 332**	**86 330**	**81 562**	**80 751**

As at 31 December 2014 funds of the Group and the Company amounting to LTL 82.5 million may be used only for the purpose of implementation of the NordBalt project for electricity interconnection (LTL 57 million as at 31 December 2013).

The carrying amount of cash and cash equivalents approximates the fair value.

14. Share capital and share premium

As at 31 December 2014 and 2013, the Company's authorised share capital amounted to LTL 504 331 384 and it was divided into 504 331 384 ordinary registered shares with par value of LTL 1 each. All the shares were fully paid.

Share premium established as a result of spin-off amount to LTL 29 621 thousand. Prior to the spin-off, share premium resulted from increase in share capital of Lietuvos Energija AB and represented a difference between the nominal value of shares and consideration paid.

Capital management

Capital consists of equity recorded in the statement of financial position.

According to the requirements of the Lithuanian Law on Companies, the Company's equity must not be less than 1/2 of its authorised share capital. As at 31 December 2014 and 2013, the Company was in compliance with the above mentioned requirement. No other external capital requirements have been imposed on the Company.

The Company's main objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell a part of assets. No changes in capital managing objects were present comparing to prior year.

15. Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the value increase. In accordance with the Lithuanian legislation the entity can use revaluation reserve to increase its share capital. However, this reserve cannot be used to cover losses.

Group	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2012	**290 570**	**(43 988)**	**246 582**
Depreciation of revaluation reserve	(23 265)	3 490	(19 775)
Write-offs of property, plant and equipment	(927)	139	(788)
Change in subsidiary share	181	(27)	154
Balance at 31 December 2013	**266 559**	**(40 386)**	**226 173**
Revaluation of property, plant and equipment (Note 5)	(215 754)	32 363	(183 391)
Depreciation of revaluation reserve	(21 812)	3 272	(18 540)
Write-offs of property, plant and equipment	(734)	110	(624)
Balance at 30 December 2014	**28 259**	**(4 641)**	**23 618**

Company	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2012	**289 810**	**(43 471)**	**246 339**
Depreciation of revaluation reserve	(23 224)	3 484	(19 740)
Write-offs of property, plant and equipment	(927)	139	(788)
Change in subsidiary share	-	-	-
Balance at 30 December 20143	**265 659**	**(39 848)**	**225 811**
Revaluation of property, plant and equipment (Note 5)	(215 779)	32 367	(183 412)
Depreciation of revaluation reserve	(21 771)	3 266	(18 505)
Write-offs of property, plant and equipment	(734)	110	(624)
Balance at 30 December 2014	**27 375**	**(4 105)**	**23 270**

16. Legal reserve and other reserves

Legal reserve

The legal reserve is established in accordance with the Lithuanian laws. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve can be used only to cover future losses. The Company's accumulated legal reserve meets the legislative requirements of the Republic of Lithuania and consists of 10 % of the share capital.

Other reserves

Other reserves are formed on the decision of shareholders and may be redistributed in distributing the profit for the succeeding year.

The Ordinary General Meeting of Shareholders of LITGRID AB held on 7 April 2014 approved the proposed profit appropriation and resolved to transfer LTL 63 000 thousand from other reserves to retained earnings.

17. Dividends

During the Ordinary General Meeting of Shareholders of LITGRID AB held on 24 April 2013, the decision was made in relation to the payment of dividends in amount of LTL 45 000 thousand. Dividends per share amounted to LTL 0.089.

During the Ordinary General Meeting of Shareholders of LITGRID AB held on 7 April 2014, the decision was made in relation to the payment of dividends in amount of LTL 112 818 thousand. Dividends per share amounted to LTL 0.224.

18. Grants received in advance

The balance of grants consists of grants related to the financing of non-current assets acquisition. Movements in grants in 2014 and 2013 were as follows:

	Group	Company
Balance at 31 December 2012 (amended)	**213 194**	**213 194**
Grants received during the period	121 103	121 103
Transferred to property, plant and equipment	(37 219)	(37 219)
Balance at 31 December 2013 (amended)	**297 078**	**297 078**
Grants received during the period	118 458	118 458
Transferred to property, plant and equipment	(39 804)	(39 804)
Written-off grants	(2 345)	(2 345)
Balance at 31 December 2014	**373 387**	**373 387**

The grants received in advance during 2014 comprised as follows:

- Amounts received from the EU structural funds to finance the reconstruction of the Company's property, plant and equipment totalling LTL 30 049 thousand (2013: LTL 34 411 thousand);
- Funds received for the implementation of the project for interconnection Lithuania-Poland (LitPolLink) totalling LTL 8 171 thousand;
- Funds received from Ignalina International Decommissioning Support Fund for the implementation of the project for interconnection Lithuania-Poland (LitPolLink) totalling LTL 238 thousand (2013: LTL 1 692 thousand);
- PSO service funds received for the implementation of the project for interconnection Lithuania-Sweden (NordBalt) totalling LTL 80 000 thousand (2013: LTL 85 000 thousand).

19. Loans

Loans of the Group/Company were as follows:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Non-current borrowings				
Bank loans	305 918	305 918	165 044	165 044
Current borrowings				
Current portion of non-current borrowings	104 275	104 275	49 030	49 030
Overdraft	36 530	-	7 449	-
Total	**446 723**	**410 193**	**221 523**	**214 074**

Terms of repayment of non-current borrowings

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Between 1 and 2 years	100 416	100 416	104 275	104 275
From 2 to 5 years	83 720	83 720	22 788	22 788
After 5 years	121 782	121 782	37 981	37 981
Total	**305 918**	**305 918**	**165 044**	**165 044**

As at 31 December 2014 and 2013 the Group and the Company did not have material collaterals.

Under the agreement with Nordic Investment Bank the Company is obliged not to exceed the net debt to EBITDA ratio for the year ended 31 December 2014. Debt to EBITDA ratio shall not be above 4.5. The Company met this requirement.

As at 31 December 2014 the weighted average interest rate on borrowings of the Group and the Company was 1.02 % (as at 31 December 2013 – 1.11%).

As at 31 December 2014 unused factoring financing facility available to the Group amounted to LTL 3 754 thousand (as at 31 December 2013 – LTL 2 104 thousand). The Company has no factoring agreements.

As at 31 December 2014 the unused balance of loans and overdrafts of the Group amounted to LTL 298 505 thousand (as at 31 December 2013 – LTL 25 551 thousand), of the Company – LTL 290 035 thousand (as at 31 December 2013 – LTL 0).

20. Other non-current accounts payable and liabilities

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Advances received from connection of new users	9 390	9 390	-	-
Provisions for payments to employees upon retirement	822	648	717	602
Total	**10 212**	**10 038**	**717**	**602**

Provisions for payments to employees upon retirement represent amounts calculated and to be paid according to the Lithuanian laws and the collective agreement of the Company (Note 2.16).

21. Current income tax and deferred income tax

Income tax expense components:

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Current income tax expenses	11 475	11 470	20 518	20 497
Deferred income tax (income)	(78 165)	(78 172)	(16 056)	(15 948)
Income tax expense (income) for the reporting period	**(66 690)**	**(66 702)**	**4 462**	**4 549**

The movement in deferred tax assets and liabilities prior to offsetting the balances with the same fiscal authority was as follows:

Group

Deferred income tax assets	**PPE revaluation (impairment)**	**Impairment of assets**	**Accrued expenses/ income**	**Other**	**Total**
At 31 December 2012	**1 862**	**10 165**	**398**	**180**	**12 605**
Recognised in profit or loss	(151)	2 708	(5)	134	2 686
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**1 711**	**12 873**	**393**	**314**	**15 291**
Recognised in profit or loss	63 648	661	22	(24)	64 307
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2014	**65 359**	**13 534**	**415**	**290**	**79 598**

Deferred income tax liabilities	**PPE revaluation (increase in value)**	**Differences in depreciation rates**	**Tax relief on acquisition of PPE**	**Effect of interest capitalisation**	**Total**
At 31 December 2012	**(169 571)**	**(373)**	**(9 143)**	**(75)**	**(179 162)**
Recognised in profit or loss	13 015	(111)	564	(99)	13 369
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(156 556)**	**(484)**	**(8 579)**	**(174)**	**(165 793)**
Recognised in profit or loss	13 363	125	576	(207)	13 857
Recognised in other comprehensive income	32 363	-	-	-	32 363
At 31 December 2014	**(110 830)**	**(359)**	**(8 003)**	**(381)**	**(119 573)**

Deferred income tax asset, net, as at 31 December 2013	**324**
Deferred income tax asset, net, as at 31 December 2014	**314**
Deferred income tax liability, net, as at 31 December 2013	**(150 828)**
Deferred income tax liability, net, as at 31 December 2014	**(40 289)**

Company

Deferred income tax assets	**PPE revaluation (impairment)**	**Impairment of assets**	**Accrued expenses/ income**	**Other**	**Total**
At 31 December 2012	**1 853**	**10 148**	**256**	**-**	**12 257**
Recognised in profit or loss	(152)	2 713	32	-	2 593
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**1 701**	**12 861**	**288**	**-**	**14 850**
Recognised in profit or loss	63 648	655	19	-	64 322
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2014	**65 349**	**13 516**	**307**	**-**	**79 172**

Deferred income tax liabilities	**PPE revaluation (increase in value)**	**Differences in depreciation rates**	**Tax relief on acquisition of PP&E**	**Effect of interest capitalisation**	**Total**
At 31 December 2012	**(169 503)**	**(310)**	**(9 144)**	**(75)**	**(179 032)**
Recognised in profit or loss	13 008	(120)	565	(98)	13 355
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(156 495)**	**(430)**	**(8 579)**	**(173)**	**(165 677)**
Recognised in profit or loss	13 357	123	576	(207)	13 849
Recognised in other comprehensive income	32 367	-	-	-	32 367
At 31 December 2014	**(110 771)**	**(307)**	**(8 003)**	**(380)**	**(119 461)**
Deferred income tax liability, net, at 31 December 2013					**(150 828)**
Deferred income tax liability, net, at 31 December 2014					**(40 289)**

Income tax expense reported in the statement of comprehensive income can be reconciled to income tax expense that would arise using a statutory income tax rate applicable to profit before income tax:

	Group as at 31 December 2014	**Company as at 31 December 2014**	**Group as at 31 December 2013**	**Company as at 31 December 2013**
Profit (loss) before income tax	**(452 021)**	**(456 343)**	**29 819**	**32 616**
Income tax calculated at a rate of 15 percent	(67 803)	(68 451)	4 473	4 892
Unrecognised income tax assets/tax loss used	118	-	-	-
Investment relief effect	(432)	(432)	(543)	(543)
Tax effect of income not subject to tax and non-deductible expenses	1 427	2 181	532	200
Income tax expense (income) for the reporting period	**(66 690)**	**(66 702)**	**4 462**	**4 549**

22. Trade payables

	Group as at 31 December 2014	**Company as at 31 December 2014**	**Group as at 31 December 2013**	**Company as at 31 December 2013**
Amounts payable for contractual works, other services	100 393	106 205	51 564	52 862
Amounts payable for electricity	10 510	10 510	15 111	15 111
Amounts payable for property, plant and equipment and inventories	6 860	163	4 508	16
Amounts payable for electricity transit	3 073	3 073	841	841
Total	**120 836**	**119 951**	**72 024**	**68 830**

The fair value of trade payables approximates their carrying amounts.

23. Advances received

	Group as at 31 December 2014	**Company as at 31 December 2014**	**Group as at 31 December 2013**	**Company as at 31 December 2013**
Guarantee to secure fulfilment of obligations	4 671	4 664	3 461	3 454
Other advance amounts received	5 409	149	766	-
Total	**10 080**	**4 813**	**4 227**	**3 454**

The Group and the Company's guarantees to secure fulfilment of obligations consist of received deposits, including for the trade in exchange.

24. Other accounts payable

	Group as at 31 December 2014	Company as at 31 December 2014	Group as at 31 December 2013	Company as at 31 December 2013
Payable administered PSO funds	49 969	8 281	102 730	10 416
Difference between PSO service funds received and disbursed	35 682	5 261	22 258	5 261
Advance amounts received from new users*	2 970	2 970	6 238	6 238
VAT payable to the state budget	5 659	-	3 500	2 964
Employment-related liabilities	1 086	498	1 997	507
Dividends payable	1 476	1 476	1 526	1 526
Accrued charges relating to vacation reserve	3 014	1 399	2 523	1 320
Accrued charges for electricity	7 814	7 814	6 592	6 592
Other accrued expenses	4 753	3 623	3 844	2 842
Real estate tax payable	1 634	1 627	1 118	1 117
Other payables and current liabilities	2 633	2 626	958	945
Total	**116 690**	**35 575**	**153 284**	**39 728**

*Advance amounts received from new users represent prepayments received from new users for their connection to the electricity network. These advance amounts will be recognised as income upon the provision of connection services.

The fair value of current other accounts payable approximates their carrying amounts.

25. Sales of electricity and related services

	Group 2014	Company 2014	Group 2013	Company 2013
Electricity transmission service	209 313	209 313	227 200	227 200
Trade in balancing/regulating electricity	77 477	77 477	186 849	186 849
Capacity reserve service	43 011	43 011	93 813	93 813
Other sales of electricity and related services	14 075	14 075	16 193	16 193
Services under PSO scheme	10 678	10 178	11 257	10 757
Income from connection of new users	5 859	5 859	5 254	5 254
Other income	321	-	21	-
Total	**360 734**	**359 913**	**540 587**	**540 066**

Income from electricity sales in comparison to 2013 decreased by 7.9%, to LTL 209.3 million, which amounted to 58% of the total income of the Group. In 2014 the Company transmitted 9.334 million kilowatt hours (kWh) of electric energy via high voltage networks for national needs or 0.4% more than that in 2013.

Income from trade in balancing/regulating electricity decreased by 58.5% to LTL 77.5 million. The decrease was caused by the fact that in 2014 the suppliers of balancing energy covered major part of their consumers' needs from other sources than PSO balancing energy. Income for system services decreased by 54.2 % to LTL 43 million, the decrease was caused by lower price of system services.

26. Segment information

The Group has distinguished the following 6 segments:

- electricity transmission;
- trade in balancing/regulating electricity;
- provision of system (capacity reserve) services;
- provision of services under PSO (public service obligation) scheme;
- activities of the market operator;
- repair and maintenance activities.

The segments of the Company coincide with the electricity transmission, trade in balancing/regulating electricity, provision of system (capacity reserve) services and provision of services under PSO (public service obligation) scheme segments presented by the Group. Segments of the Group and the Company are not aggregated.

The electricity transmission segment is engaged in transmitting electricity over high voltage (330-110 kV) networks from producers to users or suppliers not in excess of the limit established in the contract. The main objective of these activities is to ensure a reliable, effective, high quality, transparent and safe electricity transmission to distributions networks, large network users from power stations and neighbouring energy systems.

Trade in balancing/regulating electricity is a service ensuring the balancing of electricity generation/import and demand/export levels.

Provision of system (capacity reserve) services. In order to ensure a reliable work of the system, the Company purchases from electricity producers the service of ensuring capacity reserve for power generation facilities, reaction power and voltage control, breakdown and disorder prevention and its liquidation and provides capacity reserve services to users. The capacity reserve is required in case of unexpected fall in electricity generation volumes or increase in electricity consumption.

The Company's/Group's services provided under PSO scheme comprise as follows:

- development and implementation of strategic projects for the improvement of energy security, installing interconnections between the electricity transmission systems abroad and (or) connecting the electricity transmission systems in the Republic of Lithuania with the electricity transmission systems in foreign countries (interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to continental Europe networks);
- connection of power generation facilities that use the renewable energy resources to transmission networks; optimisation, development and/or reconstruction of transmission networks ensuring the development of power generation that uses the renewable energy resources;
- balancing of electricity generated using the renewable energy resources.

The Company's subsidiary BALTPOOL UAB carries out the activities of PSO fund administrator and biofuel market operator.

Repair and maintenance services are carried out by the Company's subsidiary TETAS UAB. These services include reconstruction, repair and technical maintenance of medium voltage transformer substations and distribution stations.

Tinklo Priežiūros Centras UAB is engaged in maintenance services of technological management and telecommunications, power energy accounting, and maintenance of construction specialised works of high voltage direct current links.

The Group's information on segments for the period ended 31 December 2014 is presented in the table below:

2014	Operating segments							
	Electricity trans-mission	Trade in balancing/ regulating electricity	Provision of system services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	Total
Revenue	235 318	77 477	43 011	10 178	821	83 647	-	**450 452**
Inter-segment revenue	-	-	-	-	-	(36 320)		**(36 320)**
Revenue after elimination of intercompany revenue within the Group	**235 318**	**77 477**	**43 011**	**10 178**	**821**	**47 327**	**-**	**414 132**
Expenses	696 071	64 630	50 706	10 178	1 615	84 819	-	**908 019**
Inter-segment expenses					-	(42 486)		**(42 486)**
Expenses after elimination of intercompany revenue within the Group	**696 072**	**64 630**	**50 706**	**10 178**	**1 615**	**42 333**	**-**	**865 534**
Operating profit (loss)	**(460 754)**	**12 847**	**(7 695)**	**-**	**(794)**	**4 994**	**-**	**(451 402)**
Income (expenses) from financing activities, net*	**(744)**	**-**	**-**	**-**	**7**	**(194)**	**-**	**(931)**
Share of result of associates and jointly controlled entities	312	-	-	-	-	-	-	**312**
Profit (loss) before income tax	**(461 186)**	**12 847**	**(7 695)**	**-**	**(787)**	**4 800**	**-**	**(452 021)**
Income tax*	**66 713**	**-**	**-**	**-**	**-**	**(23)**	**-**	**66 690**
Net profit (loss) for the year	**(394 473)**	**12 847**	**(7 695)**	**-**	**(787)**	**4 777**	**-**	**(385 331)**
Depreciation and amortisation expenses	132 560	-	-	-	123	1 185	-	133 868
Write-offs of property, plant and equipment	5 083	-	-	-	-	-	-	5 083
Acquisitions of non-current assets	272 855	-	-	-	-	1 043	-	273 898
Impairment of property, plant and equipment	425 384	-	-	-	-	(3)	-	425 381
Impairment of investments	3 312	-	-	-	-	-	-	3 312
Allowance for receivables	-	6 543	-	-	-	-	-	6 543

* Income tax and financing income and expenses are not allocated between the Company's operating segments and are attributed to electricity transmission operations.

The Group's information on segments for the period ended 31 December 2013 is presented in the table below:

2013	Operating segments							
	Electricity trans-mission	Trade in balancing/ regulating electricity	Provision of system services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	Total
Revenue	255 751	186 849	93 813	10 757	675	73 633	-	621 478
Inter-segment revenue	-	-	-	-	(58)	(32 809)	504	(32 363)
Revenue after elimination of intercompany revenue within the Group	**255 751**	**186 849**	**93 813**	**10 757**	**617**	**40 824**	**504**	**589 115**
Expenses	265 361	177 644	64 237	10 757	1 589	76 143	-	595 731
Inter-segment expenses					(58)	(32 809)	(17)	(32 884)
Expenses after elimination of intercompany revenue within the Group	**265 362**	**177 644**	**64 237**	**10 757**	**1 531**	**43 334**	**(17)**	**562 848**
Operating profit (loss)**	**(9 611)**	**9 205**	**29 576**	**-**	**(914)**	**(2 510)**	**521**	**26 267**
Income (expenses) from financing activities, net*	**2 518**	**-**	**-**	**-**	**4**	**(121)**	**-**	**2 401**
Share of result of associates and jointly controlled entities	1 151	-	-	-	-	-	-	1 151
Profit (loss) before income tax	**(5 942)**	**9 205**	**29 576**	**-**	**(910)**	**(2 631)**	**521**	**29 819**
Income tax *	**(4 549)**	**-**	**-**	**-**	**2**	**85**	**-**	**(4 462)**
Net profit (loss) for the year	**(10 491)**	**9 205**	**29 576**	**-**	**(908)**	**(2 546)**	**521**	**25 357**
Depreciation and amortisation expenses	128 407	-	-	-	115	1 311	(17)	129 816
Write-offs of property, plant and equipment	5 353	-	-	-	-	-	-	5 353
Acquisitions of non-current assets	213 747	-	-	-	-	892	-	214 639

* Income tax and financing income and expenses are not allocated between the Company's operating segments and are attributed to electricity transmission operations.

** According to the Methodology for Setting the Price of the Electricity System Services, approved by decision No. O3-200 of 27 July 2012, while setting prices for the coming year of electricity system services the Commission is taking into consideration the difference between the planned and the actual costs and income from provision of system services of the previous year. For 2013 this difference (profit) was equal to LTL 21 032 thousand. The profit received from the provision of system services in 2013 will decrease the operating profit of the Group and the Company in 2015 by LTL 5 258 thousand, and the operating profit of 2016 by LTL 15 774 thousand.

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 99% of total revenue.

The Company sells regulating electricity to transmission system operators in Latvia and Estonia and provides the electricity transit service to the Russian transmission system operator.

In 2014 and 2013, the Group's and the Company's revenue by geographical location of customers:

	Group 2014	**Company 2014**	**Group 2013**	**Company 2013**
Lithuania	409 664	361 518	578 673	536 824
Russia	958	958	2 088	2 088
Estonia	1 568	1 568	1 648	1 648
Latvia	1 687	1 687	6 679	6 679
Norway	255	255	-	-
Great Britain	-	-	27	27
Total	**414 132**	**365 986**	**589 115**	**547 266**

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

The Group income in 2014 from largest clients, for which sales in Group's segments exceeded 10 %:

Name of the entity	**Transmission activity**	**Trade in balancing/regulating electricity**	**Provision of system (capacity reserve) services**
INTER RAO Lietuva	8 989	13 804	-
AB LESTO	190 525	-	37 785
Lietuvos Energijos Gamyba AB	686	35 310	123

The Group income in 2013 from largest clients, for which sales in Group's segments exceeded 10 %:

Name of the entity	Transmission activity	Trade in balancing/regulating electricity	Provision of system (capacity reserve) services
INTER RAO Lietuva AB	9 708	74 866	-
LESTO AB	213 115	-	79 568
Lietuvos energijos gamyba AB	655	58 588	260
SKY ENERGY GRUOP UAB	99	16 887	-

27. Other revenue

	Group 2014	Company 2014	Group 2013	Company 2013
Repairs and other services	44 610	-	40 073	-
Lease of assets	5 916	5 941	5 987	6 037
Engineering works	2 899	-	1 537	-
Other income	(27)	132	931	1 163
Total	**53 398**	**6 073**	**48 528**	**7 200**

28. Related-party transactions

The Company's/Group's related parties in 2014 and 2013 were as follows:

- EPSO-G (the parent of the Company). 100% of EPSO-G share capital is owned by the Ministry of Energy of the Republic of Lithuania;
- Subsidiaries of the Company;
- Associates and jointly controlled entities of the Company;
- AB Amber Grid (subsidiary of EPSO-G)
- Management of the Company.

Transactions with related parties are carried out in accordance with market conditions and the tariffs approved under legislation or in accordance with the requirements of the law on public procurement.

The Group's transactions with related parties and balances as at 31 December 2014 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales
The Group's parent company (UAB EPSO-G)	-	10	-	31
Group's associates and jointly controlled entities	264	546	1 634	5 396
	264	**556**	**1 634**	**5 427**

The Company's transactions with related parties and balances as at 31 December 2014 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales
Subsidiaries of the Company	19 065	8 115	100 771	92 865
The Group's parent company (UAB EPSO-G)	-	10	-	31
Group's associates and jointly controlled entities	264	546	1 634	5 394
	19 329	**8 671**	**102 405***	**98 290****

*Whereof: LTL 66 703 thousand PSO service funds transferred to related parties (PSO funds administrator). In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government, therefore it does not recognise revenue and expenses from funds collected from network users connected to power distribution network and transferred to PSO funds administrator.
**Whereof: LTL 92 459 thousand PSO service funds received from related parties (PSO funds administrator). Out of which LTL 2 281 thousand from a transaction, in which the Company acts as an agent on behalf of the Commission/Government. The Company does not recognise revenue and expenses from funds collected from network users connected to power distribution network and transferred to PSO funds administrator.

The Group's transactions and balances with related parties as at 31 December 2013 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales
The Group's parent company (UAB EPSO-G)	12	-	10	-
Group's associates and jointly controlled entities	2 533	616	15 141	6 140
	2 545	**616**	**15 151**	**6 140**

The Company's transactions and balances with related parties as at 31 December 2013 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales
Subsidiaries of the Company	17 477	9 245	130 064	100 465
The Group's parent company (UAB EPSO-G)	12	-	10	-
Group's associates and jointly controlled entities	2 405	616	14 465	6 126
	19 894	**9 861**	**144 539***	**106 591****

*Whereof: LTL 97 533 thousand PSO service funds transferred to related parties (PSO funds administrator). In performing PSO-related activities the Company acts as an agent on behalf of the Commission/Government, therefore it does not recognise revenue and expenses from funds collected from network users connected to power distribution network and transferred to PSO funds administrator.
**Whereof: LTL 100 186 thousand PSO service funds received from related parties (PSO funds administrator). Out of which LTL 4 429 thousand from a transaction, in which the Company acts as an agent on behalf of the Commission/Government. The Company does not recognise revenue and expenses from funds collected from network users connected to power distribution network and transferred to PSO funds administrator.

Transactions with other Government owned companies were business transactions, which are regulated by legal acts, therefore such transactions are not disclosed.

Payments to the key management personnel

	Group As at 31 December 2014	Company As at 31 December 2014	Group As at 31 December 2013	Company As at 31 December 2013
Employment-related payments	2 119	1 191	2 684	1 772
Out of which - termination benefits	-	-	258	258
Number of the key management personnel (average annual)	14	6	16	8

Key management consists of heads of administration and their deputies/directors of departments and chief financiers.

29. Basic and diluted earnings per share

In 2014 and 2013, basic and diluted earnings per share of the Group were as follows:

	2014	2013
Net profit (loss) attributable to the Company's shareholders (thousand LTL)	(385 071)	25 669
Weighted average number of shares (units)	504 331 380	504 331 380
Basic and diluted earnings per share (in LTL)	(0.764)	0.051

30. Supplemental cash flow information

The change in Company's payables for fixed assets amounting to LTL 44 663 thousand (in 2013 – LTL 5 425 thousand) and capitalized interest amounting to LTL 1 374 thousand (in 2013 – LTL 663 thousand) were assessed in 2014 (in 2013) for calculation of cash flows from investing activities. Value added tax was offset with income tax payable amounting to LTL 9 097 thousand (in 2013 – LTL 1 420 thousand) as well.

31. Financial risk factors

The Group and the Company are exposed to financial risks in their operations. In managing these risks the Group and the Company seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance results. Financial risk management is conducted by the Company's Finance Planning and Analysis Department in accordance with the description of LITGRID group treasury management procedure approved by LITGRID Board.

Financial instruments by category (as reported in the statement of financial position)

Financial assets	**Group as at 31 December 2014**	**Company as at 31 December 2014**	**Group as at 31 December 2013**	**Company as at 31 December 2013**
Trade receivables	49 913	37 086	65 447	53 296
Other receivables	148 134	44 420	121 019	29 162
Other financial assets	11 265	6 045	21 262	4 835
Cash and cash equivalents	87 332	86 330	81 562	80 751
Loans and receivables	**296 644**	**173 881**	**289 290**	**168 044**
Other financial assets				
Held-to-maturity investments	55 000	55 000	70 000	70 000
Available-for-sale financial assets	7 723	7 723	7 723	7 723
Total	**359 367**	**236 604**	**367 013**	**245 767**

Financial liabilities	**Group as at 31 December 2014**	**Company as at 31 December 2014**	**Group as at 31 December 2013**	**Company as at 31 December 2013**
Loans	446 723	410 193	221 523	214 074
Trade payables	120 836	119 951	72 024	68 830
Other accounts payable and liabilities	94 894	20 040	132 881	21 365
Total	**662 453**	**550 184**	**426 428**	**304 269**

Credit risk

As at 31 December 2014 and 2013, exposure to credit risk was related to the following items:

	Group as at 31 December 2014	**Company as at 31 December 2014**	**Group as at 31 December 2013**	**Company as at 31 December 2013**
Financial assets, except for assets available for sale	351 644	228 881	359 290	238 044

The Group and the Company have a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, which 31 December 2014 accounted for approximately 93% (31 December 2013 – 93%) of the Group's and 93% (31 December 2013 – 86%) of the Company's total trade and other accounts receivable. Amounts payable by the major customer, distribution network operator LESTO AB, accounted for 41% as at 31 December 2014 (31 December 2013 – 60%) of the Group's and 24% (31 December 2013 – 37%) of the Company's total receivables.

When entering into contracts with customers (suppliers of balancing electricity) LITGRID requires to pay a cash deposit of the established amount or to provide a bank guarantee in accordance with the procedure and conditions stipulated in the Description of the Procedure for Ensuring Fulfilment of Obligations of Balancing Electricity Suppliers of LITGRID AB approved by the Company's Director General. In other cases, since the main customers are trustworthy customers – LESTO AB, which is Lietuvos Energija UAB group company, and other large corporate customers, the Group/Company does not require any collateral from its customers.

The Group and the Company invest its liquid funds only in low risk money market and debt instruments, i.e. time deposits, bonds of trustworthy financial institutions, government securities. When making investments the priority objective is to ensure the security of funds and in pursue of this objective to maximise return on investments. Investments are made only in debt financial instruments of financial institutions or governments with not lower than AA- rating according to Fitch Rating agency (or equivalent rating of other rating agencies). In the table below ratings of the parent banks where the Group and the Company hold its cash and cash equivalents (Note 13) and held-to-maturity investments (Note12) are provided:

Nordea	AA-
Danske bank	A
Swedbank	A+
SEB	A+
Pohjola Bank plc	A+
DNB Bank	A+

Trade and other receivables are mainly from the state controlled entities and large manufacturers with no history of significant defaults.
For ageing analysis of the Group's/Company's trade and other receivables see Note 9 and 10.

Liquidity risk

The Group's policy is to ensure funding of its operations so that the Group will have sufficient cash and/or committed credit facilities and overdrafts to meet its contractual obligations at any time. The liquidity risk is managed by making forecasts of cash flows of the Group companies.

The Group's cash flows from operating activities were positive in 2014, therefore its exposure to liquidity risk is not significant. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2014 were 1.00 and 0.98, respectively (31 December 2013: 1.27 and 1.24, respectively). The Company's liquidity and quick ratios as at 31 December 2014 were 0.99 and 0.97, respectively (31 December 2013: 1.41 and 1.39, respectively).

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances with repayment terms up to 12 months are equal to their carrying amounts, because the impact of discounting is insignificant.

Group	Up to 3 months	From 4 months up to one year	Within the second year	Within the third to the fifth year	After 5 years
At 31 December 2014					
Trade and other accounts payable	215 730	-	-	-	-
Borrowings	4 837	139 918	103 104	89 400	124 951
At 31 December 2013					
Trade and other accounts payable	201 945	-	-	-	-
Borrowings	8 253	51 186	43 399	87 880	39 968

Company	Up to 3 months	From 4 months up to one year	Within the second year	Within the third to the fifth year	After 5 years
At 31 December 2014					
Trade and other accounts payable	139 991	-	-	-	-
Borrowings	4 837	103 388	103 104	89 400	124 951
At 31 December 2013					
Trade and other accounts payable	104 232	-	-	-	-
Borrowings	804	51 186	43 399	87 880	39 968

Market risk

a) Interest rate risk

The Group's and the Company's income, expenses and cash flows from operating activities are substantially independent of changes in market interest rates. The Group has non-current and current borrowings and the overdraft subject to interest rate which is linked with VILIBOR and EURIBOR. If interest rate would be shifted +/- 0.1%, the impact of interest rate of the Group's borrowings on profit before tax would be LTL 229 thousand as at 31 December 2014 (in 2013 – LTL 181 thousand).

b) Foreign exchange risk

In order to manage the foreign exchange risk, the Group and the Company enter into purchase/sale contracts only in euros or litas. Since 2 February 2002, litas has been pegged to euro at the fixed exchange rate, therefore, there is no foreign exchange risk in substance.

32. Fair value of financial assets and financial liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable, time deposits, cash and cash equivalents, loans, trade payables and other accounts payable, held to maturity investments and other financial assets.

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

- The carrying amount of current trade and other accounts receivable, time deposits, other financial assets, cash and cash equivalents, current loans, current trade and other accounts payable approximates their fair value (level 3).

- The fair value of non-current loans is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (level 3).
- The fair value of held to maturity investments is determined based on the estimated fair value of bonds in which the Company invested (level 3).

33. Contingent liabilities

Litigations

The civil case initiated by the Company against Achema AB for the claim of debt and related interest amount. The Company has submitted a lawsuit against Achema AB for the collection of debt in the amount of LTL 2 271 108.65 and related interest in the amount of LTL 20 918.25 in accordance with Electricity transmission agreement (hereinafter – the Agreement) signed between the Company and Achema AB for the respective public service obligations (hereinafter – PSO) for the period from April to June 2011. The investigation of this case was suspended by the decision of 14 June 2012 of Kaunas County Court until the completion of investigation of the civil case initiated by the claim of Achema AB against LITGRID requesting the recognition of the transaction as null and void and payment of restitution compensation of LTL 3 071 678.40 by LITGRID AB for PSO funds for January-March 2011 The hearing of the civil case based on Achema AB claim requesting the recognition of the transaction as null and void and payment of restitution compensation was also suspended by court ruling of 27 February 2013, however, it was reinitiated by the ruling of 9 March 2015 and in the short run an application of Achema AB will be heard concerning the repeated suspension of the case due to the application to the Constitutional Court and the Supreme Administrative Court of Lithuanian regarding the compliance of legal acts regulating PSO fee to legal acts bearing superior power. As at 31 December 2014, the outstanding overdue debt of Achema AB amounted to LTL 10 247 thousand. The outcome of the cases will have no impact on the Company's or Group's financial results because the Company and the Group act as an agent and PSO funds administered by it are recognised only under amounts receivable (payable) caption.

The civil case initiated by Achema AB against the Company concerning the provisions of the Agreement, which partially substantiate the Company's requirements for PSO funds for the power energy produced by the plaintiff himself, requesting the recognition of the transaction as null and void and payment of restitution compensation (award of LTL 3 071 678.40 (EUR 889 619.56) from LITGRID AB of the received PSO funds for January-March 2011). The hearing of this civil case was suspended on 27 February 2013 until final resolution of the administrative case at the Supreme Administrative Court of Lithuania (SACL) initiated on the 2 March 2011 by the claim (request) of the group of the Lithuanian Parliament (Seimas) members regarding non-compliance of regulations to the Law on Electric Energy of the Republic of Lithuania. On the ruling of 8 January 2015 of the Supreme Administrative Court of Lithuania the previously mentioned standard administrative case was terminated, therefore, the civil case on the claim of Achema AB against the Company concerning the recognition of the transaction as null and void and payment of restitution compensation concerning the provisions of the Agreement, which partially substantiate the Company's requirements, will be reinitiated in the short run.

The administrative case was initiated on the basis of Achema AB claim to the defendant the state of Lithuania (the Company takes part in the case as third interested party) for damages caused by illegitimate actions of the state institutions. Achema AB claims that state institutions acted illegitimately and beyond their competence when they adopted the Law on Electric Energy of the Republic of Lithuania, the provisions of which are in breach of the Constitution of the Republic of Lithuania and EU legal acts, and regulations that are in breach of legal acts bearing superior power. Achema AB claims that damages incurred by it as a result of allegedly illegitimate actions of state authorities amounted to LTL 9 332 614.54. On 7 December 2011 Vilnius County Administrative Court decided to suspend the investigation of this case, but it was reinitiated by the ruling of 20 January 2015 and currently the hearing is set for 26 March 2015 (on 10 February 2015 the claimant has filed a claim to the Constitutional Court of Lithuania as well as the Supreme Administrative Court of Lithuania concerning the explication of compliance to legal regulation, and concerning the suspension of the case until the judgements of the mentioned courts are made). The resolution of this case will not have an impact on the net profit (loss) of the Company because the Company acts as a third party to the case. Also the Company acts as an agent in PSO funds collection and distribution and PSO funds are accounted for in receivable (payable) caption.

Legal claim filed by the Company against AB LIFOSA, ORLEN AB and Achema AB regarding the debt and interests for the January 2013 services and obligation to sign the PSO fee collecting agreement. The Company demands from these companies to pay outstanding PSO funds for January 2013 in amount of LTL 362 517.60, LTL 366,856.42 and 1 304 306.51 (interest included). The case is suspended by local regional courts until the judgment of Vilnius Regional Administrative Court in administrative cases concerning the resolution of the National Commission for Energy Control and Prices dated 16 October 2012 on the establishment of PSO funds and prices for 2013, is made and takes effect, also until the Constitutional Court completes its investigation of the application of Vilnius Regional Administrative Court concerning the compliance of PSO proceedings to provisions of the Constitution. It is important to note that since 2013 the Company acts as a PSO fee collector only. According to the agreement with PSO fee administrator Group's company BALTPOOL UAB, in case the Company's customers do not pay PSO funds in 3 consecutive months, the Company has the right to reduce the funds transferrable to BALTPOOL UAB (which acts as an agent and PSO funds administrated by it are recognized only as amounts receivable(payable)) in the amount equal to the uncollected PSO funds. Taking this into consideration, Court's either favourable or unfavourable decision with respect to the Company, will not have any impact on the Group's/Company's net profit (loss).

Legal claim filed by A. Žilinskio ir Ko UAB against the Company demanding to declare the one-sided set-off invalid and also decide in favour of payment for construction works and related overdue interest fee. According to the contract signed on 2 July 2010, A. Žilinskio ir Ko UAB was obliged to complete the construction of the 110 kV transmission line Nemunas-Murava no later than 18 November 2011. However, the construction was ended only on 30 January 2013. LITGRID AB charged A. Žilinskio ir Ko UAB the forfeit in the amount of LTL 880 187.45 which the Company set-off with the amount payable to A. Žilinskio ir Ko UAB and recognised as overdue interest income in 2012 (as new circumstances became known this amount was decreased to LTL 861 738.84, amount of LTL 18 448.61 was returned to A. Žilinskio ir Ko UAB). In Vilnius county court A. Žilinskio ir Ko UAB was demanding to declare the set-off invalid, repay the set off amount and adjudge the overdue interest. On 16 October 2013 court took the decision to reject A. Žilinskio ir Ko UAB claim in full. On November 14, 2013 claimant appealed against court decision. On 30 June 2014 the Lithuanian Court of Appeal decided to recognise the defaults of LTL 50 000 as reasonably set-off and the remaining amount, penalties, 6% of annual interest for the case and other litigation expenses awarded for the contractor, the third person UAB Energetikos Tinklų Institutas and the state. LITGRID AB appealed the court ruling to cassation court. As at 31 December 2014 the Company made a provision of LTL 862 thousand for possibly refundable amount of defaults and penalties.

The case in Vilnius Regional Administrative Court concerning the abolishment of Resolution No. O3-817 of 30 September 2014 of the National Commission for Energy Control and Prices (hereinafter – the Commission) concerning the amendment of the period of regulation of the price cap for LITGRID AB transmission service via high voltage networks and of Resolution No. O3-822 of 30 September 2014 on the recalculation of LITGRID AB transmission service price cap for 2015, which regulate the pricing of LITGRID AB for the provided electricity transfer services. The Commission's Resolution No. O3-817 of 30 September 2014 concerning the amendment of the period of regulation of the price cap for LITGRID AB transmission service via high voltage networks, made a decision to extend the regulation period of LITGRID AB electricity transfer services for 2015. As the Resolution came into force the existing electricity transfer service regulation period includes 2011-2015, and the Resolution No. O3-822 of 30 September 2014 on the recalculation of LITGRID AB transmission service price cap for 2015 established that the price cap for electricity transfer services provided by LITGIRD AB is 1.858 ct/kWh. LITGRID AB does not agree to the price cap for electricity transfer services for 2015 established by the Commission, therefore the Company filed a claim for Vilnius Regional Administrative Court on 24 October 2014 with an application to abolish the above mentioned resolutions of the Commission. Together with the claim LITGRID AB filed a request to temporarily suspend the validity of the resolutions of the Commission and to apply civil remedy. Vilnius Regional Administrative Court accepted the claim by ruling of 30 October 2014, however, did not institute any civil remedy. On 6 November 2014 LITGRID AB filed a second claim concerning part of the court ruling, which included the denial of civil remedies. The date of hearing claims of LITGRID AB of 24 October 2014 is 31 March 2015.

Administrative case based on the claim of the Company concerning Resolution No O3-879 of 30 October 2014 of the Commission on the prices for electricity transfer services and announcement of procedure of application thereof. On 28 November 2014 the Company filed a claim to Vilnius Regional Administrative Court requesting to abolish paragraphs 2.3 and 3 of Resolution No O3-879 of 30 October 2014 of the Commission on the prices for electricity transfer services and announcement of procedure of application thereof, and to institute civil remedies – until the day of making of the final ruling of the case to temporary suspend the validity of paragraphs 2.3 and 3, and in case of denial of requested civil remedies – to put a liability to the Commission to eliminate the exiting violation – by establishing the Company's price caps for transfer services for the next regulation period and to include the difference of revenue for 2015 – LTL 34 million. On 3 December 2014 Vilnius Regional Administrative Court approved the Company's request to abolish paragraphs 2.3 and 3 of Resolution No O3-879 of 30 October 2014 of the Commission on the prices for electricity transfer services and announcement of procedure of application thereof and refused the other part of the request, and denied an application to impose civil remedies. The Company filed a separate claim concerning the denial to approve part of the claim and to impose remedies. The date of hearing of the claim is not settled yet. It is likely that as the court grants the Company's claim in its entirely the Commission shall increase the amount of electricity transmission service rate for the future regulation period, which shall equal the difference of revenue in 2015.

Administrative case based on the claim of the Company concerning the abolishment of Resolution No O3-815 of 26 September 2014 on scheduled inspection of LITGRID AB. In the opinion of the Company, the resolution of the Commission is unjustified and illegitimate, therefore the Company filed a claim to Vilnius Regional Administrative Court concerning the abolishment of paragraphs 1, 2 and 3, of the previously mentioned Resolution on the validation of statement of the planned inspection and decrease of transmission price for the future periods. Considering the fact that there are grounds to restore the overdue deadline of claim submission the Company asked the court to restore the overdue deadline. On 19 January 2015 Vilnius Regional Administrative Court did not approve the claim to restore the deadline for claim submission and did not accept the claim. The Company has filed an individual claim appealing the court judgement not to accept the claim of the Company. The date of hearing of the claim is not settled yet.

A civil case involving a claim of Energijos Kodas UAB to be awarded LTL 5 621 835 for the loss and the claims of a group of other independent energy suppliers to cover the alleged loss that resulted from the agreement between LITGRID AB and Latvian and Estonian electricity transmission system operators, which supposedly triggered a rise in wholesale electricity prices on the market. Energijos Kodas UAB and a group of other independent energy suppliers claimed that they sustained losses due to an illegitimate agreement (violating the right of competition) with Latvian and Estonian electricity transmission system operators. In the opinion of independent energy suppliers, this agreement restricted competition on the wholesale energy market and subsequently sparked a price rise on the wholesale electricity market. Energijos Kodas UAB and other independent energy suppliers paid the market price for electricity and sold electricity to final consumers at a fixed lower price despite the fact that wholesale electricity prices increased. Energijos Kodas UAB claims that due to this difference in electricity prices it incurred a loss of LTL 5 621 835, for which it seeks compensation. LITGRID AB contests the claim and its statements. Currently the process documents are being changed. The date of the trial is not settled yet. The independent energy suppliers that submitted claims to LITGRID AB indicated that they will seek an award for sustained losses amounting to LTL 4 630 706.07 in court. In its response to these claims LITGRID AB declares that it does not agree with the claims and statements contained in them about the allegedly sustained losses by the independent energy suppliers. According to the management of the Company, after assessing the current situation and facts, these claims are not justified, the requirements are not based on solid evidence and arguments and the Company cannot reasonably estimate the total amount of claims that may arise from this uncertainty. This was also confirmed by the results of an investigation carried out by the Commission. Therefore, no provision relating to this uncertainty was recorded in the financial statements.

On 6 March 2014 the Company received a detailed ABB AB claim regarding additional payment for the increased bypass reactor capacity in relation to the fulfilment of the agreement No SUT-40-13 of 15 February 2013 for the design and construction of Alytus high-voltage direct current insertion with 400kV switch-gear (the works are one of the Lit-Pol Link implementation stages). According to ABB AB, such increase in the bypass reactor capacity was not provided for in the agreement concluded; therefore, in accordance with the calculations of ABB AB, LITGRID AB should make an additional payment of LTL 3 005 thousand for the works. In the opinion of LITGRID AB, the claim is groundless, the required capacity increase was within the scope of the agreement, and the contractor had to allow for that during the procurement procedures; thus, the Company will contest the claim of ABB AB; therefore, no provisions were accounted for in these financial statements in connection with this contingency.

Administrative case No I-3775-142/2014 according to the complaint of the claimants AB ORLEN Lietuva, AB Achema and AB LIFOSA regarding annulment of certain paragraphs of the Resolution No O3-442 of 11 October 2013 of the National Commission for Energy Control and Prices (regarding establishment of funds for services implementing public interest and prices for 2014). The defendant in the case is the National Commission for Energy Control and Prices. BALTPOOL UAB is involved in the case as a third person, as the person performing the functions of the PSO funds administrator. No property and/or any other claims have been presented in the case towards the Group. When the court resolves the case and the court judgement comes into force, the Group, as the person performing the functions of the PSO funds administrator, would just have to take into account the court judgement when administrating PSO funds, i.e. to adjust accordingly the PSO funds collected from and/or discharged to the persons specified in the court judgement to the established extent. The court judgement will have no effect on the financial position of the Group.

Administrative case No I-5418-142/2015 according to the complaint of the claimants AB ORLEN Lietuva, AB Achema and AB LIFOSA regarding annulment of certain paragraphs of the Resolution No O3-840 of 17 October 2014 of the National Commission for Energy Control and Prices (regarding establishment of funds for services implementing public interest and prices for 2015). The defendant in the case is the National Commission for Energy Control and Prices. The Group company BALTPOOL UAB is involved in the case as a third person, as the person performing the functions of the PSO funds administrator. No property and/or any other claims have been presented in the case towards the Group. When the court resolves the case and the court judgement comes into force, the Group, as the person performing the functions of the PSO funds administrator, would just have to take into account the court judgement when administrating PSO funds, i.e. to adjust accordingly the PSO funds collected from and/or discharged to the persons specified in the court judgement to the established extent. The court judgement will have no effect on the financial position of the Group.

Administrative case No I-3842-629/2015 according to the complaint of the claimants UAB Vėjų Gama and UAB Pabalnotas Vėjas regarding annulment of the Resolution No O3-91 of 24 March 2014, Resolution No O3-136 of 26 May 2014 and resolution No O3-172 of 4 June 2014 of the National Commission for Energy Control and Prices. The defendant in the case is the National Commission for Energy Control and Prices. The Group company BALTPOOL UAB is involved in the case as a third person, as the person performing the functions of the PSO funds administrator. No property and/or any other claims have been presented in the case towards the Group. When the court resolves the case and the court judgement comes into force, the Group, as the person performing the functions of the PSO funds administrator, would just have to take into account the court judgement when administrating PSO funds, i.e. to adjust accordingly the PSO funds collected from and/or discharged to the persons specified in the court judgement to the established extent. The court judgement will have no effect on the financial position of the Group.

Civil case No e2-2160-545/2015 according to the action of the claimant UAB Vilniaus Energija against the Group company BALTPOOL UAB regarding recognition of the provisions of PSO funds payment agreement as null and void ab initio and obligation to pay PSO funds to ensure minimal coverage of the primary costs. The amount of the action is not indicated. The claim is in direct conflict with the requirements of the existing legislation, therefore the Group does not agree with it. Therefore, the claimant is asking the court to suspend the case and address the Constitutional Court for an examination of the compliance of the legal acts regulating administration of funds with the Constitution. At the moment the request of BALTPOOL UAB to leave the case unresolved is under consideration, since there was a violation of the obligatory prior non-judicial procedure for the consideration of disputes provided for in the Law on Electrical Energy. In any case the outcome of the case would have no adverse consequences for the Group even if the court acknowledged that the legal acts regulating administration of PSO funds are in conflict with the Constitution. In such case, the legal acts would have to be amended, and the amounts adjudged to the claimant would be paid out from the budget of PSO funds.

34. Subsequent events

On 1 January 2015 the euro was adopted as a national currency in the Republic of Lithuania so the Group's functional currency changes as well. The official exchange rate applied is LTL 3.45280 for EUR 1, which is irrevocably set by the European Council.

On 19 January 2015 a meeting of the the National Control Commission for Prices and Energy considered the issue of a breach of the terms of regulated operations by LITGRID AB and imposition of a fine of EUR 0.5 million (equivalent of LTL 1.7 million). The

Company is certain that imposition of the fine is not justified and presented its arguments to the Commission; therefore no provisions were accounted for in these financial statements. The Commission postponed the decision.

The Company submitted a claim regarding the Commission resolution No O3-10 of 19 January 2015 "Regarding establishment of price caps on LITGRID AB transmission service via high-voltage network for 2016-2020", which approved the Company's electrical energy transmission operation regulation period from 2016 to 2020, established the allowed final electric energy transmission service revenue level of the claimant for 2016, as well as the price cap on the electric energy transmission service via high-voltage network provided by the claimant for 2016. In the opinion of the Company, when establishing the price cap on the electric energy transmission service for the period of 2016, the Commission performed an incorrect calculation of the allowed return on investment and, therefore, groundlessly reduced the Company's allowed electricity transmission revenues by LTL 36 million. The Company filed a claim for partial annulment of this Commission resolution. By the ruling of 19 February 2015, the court accepted the Company's claim but refused to apply the claim assurance measures – until the day of adoption of the final court decision in the case, to suspend temporarily the validity of certain clauses of the Resolution No O3-10 of 19 January 2015 of the National Control Commission for Prices and Energy "Regarding establishment of price caps on LITGRID AB transmission service via high-voltage network for 2016-2020". On 26 February 2015 the Company filed a separate claim to the court regarding the part of the ruling of 19 February 2015, in which it was refused to apply the claim assurance measures requested by the Company.

On 12 February 2015 an amendment of the Group company UAB TETAS overdraft agreement no. 9 was signed. The overdraft is subject to a variable interest rate, which is established based on one-month EURIBOR plus 1.70% lender's borrowing risk margin and profit margin. According to the agreement's special conditions, UAB TETAS has to comply with three financial covenants, i.e. monthly working capital financing ratio should not be higher than 60% every reporting month, the second covenant is debt-service coverage ratio which should be not less than 1.1 starting from the third quarter of the year 2015 and the third covenant – capital ratio which should be not less than 20% from II quarter 2015 and not less than 25% from III quarter 2015.

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CONSOLIDATED ANNUAL REPORT OF LITGRID AB AND ITS SUBSIDIARIES FOR 2014

I. General information about the Group of companies

The consolidated annual report was prepared for the 2014 financial year.

The Issuer and its contact details:

Name	LITGRID AB (hereinafter referred to as 'Litgrid' or the 'Company')
Legal form	AB (public company)
Registration date and location	2010-11-16, Register of Legal Entities of the Republic of Lithuania
Company code	302564383
Headquarters address	A. Juozapavičiaus g. 13, LT-09311, Vilnius
Telephone	+370 5 278 2777
Fax	+370 5 272 3986
E-mail	info@litgrid.eu; www.litgrid.eu

Litgrid's operations

Litgrid, Lithuania's electricity transmission system operator (hereinafter referred to as the 'TSO'), maintains stable operation of the country's electricity system, manages electricity flows, and enables competition in the open electricity market. Litgrid is responsible for the integration of Lithuania's electricity system into Europe's electricity infrastructure and the common market for electricity. The Company is implementing the strategic NordBalt (Lithuania – Sweden) and LitPol Link (Lithuania – Poland) power link projects. In seeking to enhance the country's energy independence, we foster a culture of responsibility, rational creativeness, and dialogue.

Litgrid's mission is to ensure the reliable electricity transmission and enable competition in the open electricity market.

Litgrid's vision is the full-fledged integration of Lithuania's electricity system into Europe's electricity infrastructure and the common market for electricity, creating conditions for competitive economy.

Litgrid's values are cooperation, respect, responsibility, professionalism, and initiative.

Litgrid's strategy is the responsibility to manage the country's electricity system

As the backbone of the Lithuanian electricity sector, Litgrid is not only responsible for the maintenance of the balance of the electricity consumed and produced in the system and the reliable transmission of electricity but also implements strategic Lithuanian electricity projects, with its vision and strategic operating guidelines based on the long-term goals identified in the National Energy Independence Strategy. The Lithuanian TSO's most important operational areas and responsibilities are the maintenance of the country's electricity infrastructure and its integration with the Western and Northern European electricity infrastructure, development of the electricity market and participation in the creation of a common Baltic and European electricity market, and the integration of the Lithuanian and continental European electricity systems for synchronous operations.

Litgrid's operating plans and forecasts

Litgrid works actively and responsibly in the following key directions:

Integration of the country's electricity system into Europe

Once Lithuania becomes a full-fledged participant of the European electricity system, European system management standards will be introduced in the electricity sector, and electricity flow management based on market principles and participation in maintaining the system's frequency will be ensured. The desired result is the Baltic countries' synchronous operation in continental European grids.

A common European market for electricity

The integration of the Lithuanian electricity market into the Baltic and Nordic electricity market and, later, the common European electricity market will ensure transparent wholesale electricity prices, competition, and freedom of choice for all market participants as well as equitable trade in electricity with neighbouring European states. Being a part of a large electricity market will allow for the most effective use of networks and generation infrastructure and for ensuring electricity transmission security.

Integration of the transmission grid into Europe's electricity infrastructure

Lithuania's electricity transmission grid is strong and well connected with the electricity transmission infrastructure of the neighbouring Eastern states; by the power links to be established with Sweden (NordBalt) and Poland (LitPol Link) by 2015, it will be connected to the electricity grids of Northern and Western Europe. The development of inter-system links will create opportunities to sell electricity between different energy systems, and optimal investment into the country's grid will ensure the integration of new electricity generators, the safe transmission of electricity, and the reliability of the system's operations.

A modern organisation that rationally takes advantage of technological and management innovations

Litgrid operations are based on modern management and social responsibility principles. In implementing large-scale energy projects of strategic significance that are important to the entire country's economy, the company cultivates these essential competencies: system management and reliable electric transmission, maintaining the country's electricity balance, maintaining infrastructure, operating and managing HVDC (high voltage direct current) links, project management. In planning the development of the transmission grid, electricity market, and energy system, Litgrid's people — specialists and managers of the highest competency — orient themselves toward innovations that further smart grid development, formulate technical transmission grid policies, cooperate with Lithuania's institutions of higher education, and participate in the activities of international organisations that are responsible for the planning of electricity infrastructure, markets, and the system.

In implementing strategic projects that help ensure the country's energy independence and working in a strict regulative environment, Litgrid makes every effort to rationally and effectively use existing financial resources and European Union support while contributing to increasing the country's economic competitiveness and improving consumer welfare. From EU structural funds of 2007–2013, LTL 103 million of were allocated to 18 electricity transmission grid investment projects carried out by Litgrid, the transmission system operator. Till December 31, 2014, the company obtained LTL 77.5 million of them. Also, the support of LTL 226 million was allocated to the implementation of the NordBalt project from the European Energy Programme for Recovery. Till December 31, 2014, the company obtained LTL 42 million of them.

The most important activities of 2014 in implementing strategic projects and other electricity sector projects

The LitPol Link inter-system power link project implementation activities

In March 2014, construction of the overhead power transmission line from the 400 kV Alytus transformer substation to Lithuanian-Poland state border has started: foundations for metal supports, two thirds of 150 supports, and the first electric wires were installed. The completion of the overhead line is planned for July 2015.

In May 2014, the construction of Alytus HVDC back-to-back converter station with a 400 kV switchyard has started. The most important technological equipment of the HVDC back-to-back converter station – transformers and converter valves – were produced and successfully tested at the manufacturing site.

In 2014, the reconstruction of the 330/110/10 kV Alytus transformer substation's 330 kV switchyard proceeded: the operation building and all the first stage equipment of the open switchyard were installed. The completion is planned for July 2015.

The NordBalt inter-system power link project implementation activities

By the end of December 2014, more than 95 percent of the NordBalt submarine cable was manufactured. On April 11, 2014, the cable laying ship vessel Topaz Installer approached the Curonian Spit in the Baltic Sea and started cable laying works. By the end of August, 250 km of submarine cable was laid (length of the entire link is 400 km). The completion of the submarine cable laying works is planned for September 2015. During May-October 2014, land cable laying works were performed in Klaipėda city and district municipal territories; 13 km of land cable were laid.

In March 2014, the construction of NordBalt direct current converter station next to Klaipėda transformer substation was started. On December, the first two of four NordBalt transformers were brought into the direct current converter's construction site and installed on the specifically prepared foundations. The building for converter valves was constructed by the end of December.

On December 2014, the reconstruction of the 330/110/10 kV Klaipėda transformer substation was completed. The reconstruction involved the demolition of old 330 kV and 110 kV substation parts, the repair of more than ten 110 kV overhead and cable power lines, the construction of new 10 kV, 110 kV, and 330 kV modular buildings in the territory of the substation.

In the middle of October 2014, the first during the independence of Lithuania 330 kV high voltage overhead power transmission line Klaipėda-Telšiai was completed and launched. It was connected to the reconstructed Klaipėda transformer substation and may be used for the transmission of the electric power from Scandinavia to the rest of Lithuania after launching the NordBalt link. The transmission line in a length of 89 km has a capacity of 900 megawatts.

Transmission grid development and reconstruction projects

In 2014, 17 transmission grid reconstruction and development projects were completed. They were aimed at ensuring reliable work of the transmission grid and the increase of system management flexibility. Eight projects were related to the transformer substations, while 9 projects involved overhead lines' reconstruction works.

The most important were reconstructions of the biggest power transmission sites: the reconstruction of three 330/110/10 kV transformer substations in Šiauliai, Klaipėda, and Panevėžys was completed in 2014. These high voltage transformer substations were equipped with modern operation technologies and hardware. In Vilnius region, the 330 kV overhead line was reconstructed; in Utena region the 110 kV line was reconstructed. In Northern Lithuania, the supports were replaced in the 110 kV overhead line from Pasvalys to Biržai and from Biržai to Latvia.

In 2014, the project related to the reconstruction of the 110 kV Trakai and the 110 kV Kaunas hydroelectric power plants' switchyards were started. The public procurement for contracting the reconstruction of the 330 kV Šyša switchyard was announced.

Lithuanian electricity market development work

In 2014, the average price of electricity in Lithuanian electricity exchange was 2 percent higher than in 2013 and 25 percent higher than in Estonia. Meanwhile the price in Estonian electricity exchange in 2014 was 15 percent lower compared to 2013.

In 2014, higher price in electricity exchange was observed during summer months. This was conditioned by the reduced electricity supply from Nordic countries due to the planned reconstructions of power plants and Estonian-Finland Estlink interconnections, lower than usual generation of Latvian hydroelectric power plants, low and expensive local capacities, low and more expensive supply from the third countries. The operation of the interconnections with Sweden and Poland, that are being constructed now, will further the Lithuanian electricity market's integration to Scandinavian electricity market and will bring the prices to the Scandinavian level.

The Baltic electricity market is greatly influenced by electric power link between Estonia and Finland Estlink-2 launched on December 2013 and officially opened on February 2014. The increased electricity exchange between Finland and Estonia usually brings down the prices in Nord Pool Spot Estonian trading zone, however, less expensive electricity does not always reach the Lithuanian market due to the limited throughput.

In 2014, the trade volumes in Nord Pool Spot Lithuanian trading zone, which started the operation on the intraday market Elbas at the end of 2013, made up only 1 percent compared to the trade volumes on the day-ahead market. Elbas trade volumes in Lithuania correspond to the practice of the electricity markets in Nordic countries. The intraday market allows the participants to more efficiently manage the wholesale risk and balance the trade in electricity from renewable recourses. The participants of Lithuanian electricity market actively use this measure – in 2014, Lithuanians were most active sellers on Elbas market.

On January 2014, Litgrid began to provide the participants of the electricity market with the everyday forecast about volumes produced by wind power plants for trade on the electricity market. Based on this forecast, electricity sales offers are submitted to the Nord Pool Spot Lithuanian trading zone.

On November 2014, three electricity transmission system operators of the Baltic countries signed the memorandum firming the principles of the calculation and distribution of throughput in cross-border links applicable from January 1, 2015. By this memorandum, the electricity transmission system operators of the Baltic countries agreed to sustain the same methodology for the calculation and distribution of throughput as applied from the beginning of 2014.

On November 2014, NASDAQ OMX Commodities derivative exchange offered the participants of Lithuanian electricity market financial products related to the indexes of Lithuanian and Latvian trading zones – EPAD RIGA, the hedge against the difference in price between the Lithuanian-Latvian and Nord Pool Spot systems, and the hedge against the price fluctuation in Nord Pool Spot system. These financial means allow the participants of the electricity market protecting themselves from the price fluctuations in the electricity exchange and better managing risks of trading between different price zones.

On April 2014, the Electricity Market Development Committee of Lithuania, with the Managing Director of Litgrid as the Chairman, started its operation. Members of the Committee: the representatives of the National Commission for Energy Control and Prices, State Consumer Rights Protection Authority, associated business companies, electricity production and distribution companies, participants of electricity market – exchange operator and independent electricity supply companies. Members of the Committee meet at least one time per quarter and work out suggestions on the operation, development, and legal regulation of Lithuanian electricity market. In 2014, as scheduled, electricity market experts met four times.

Litgrid membership in international organisations

Knowledge and support of projects implemented by Litgrid at the international level is ensured by participating in the international associations: European Network of Transmission System Operators for Electricity (ENTSO-E) and Central European Energy Partners (CEEP).

ENTSO-E (*European Network of Transmission System Operators for Electricity*) contains 41 electricity transmission system operators from 34 countries. Its main functions: solve the European level issues on transmission grid management and development, and the electricity market; promote regional collaboration of TSOs; deliver suggestions on legal regulation drafts prepared by the European Commission; prepare Ten-Year Network Development Plan (TYNDP) and Grid Code. Litgrid representatives participate in activities of System Management, System Development, Market, Research and Development committees and work groups created by them. By participating in ENTSO-E activities, it is aimed to represent national and Litgrid interests in taking European and regional decisions related to the system management, planning and implementation of projects on the development of the infrastructure of Lithuanian electricity, electricity market connection and electricity transmission integration plans.

CEEP (*Central Europe Energy Partners*) connects 26 organisations from five Central and Eastern Europe countries. CEEP's main objective is to support the integration of the energy sector of new European Union member states (Central and Eastern Europe) in the common EU energy and energy security policy context. Litgrid uses its participation in CEEP by preparing regional positions on EU energy policy issues, participating in energy and industrial forums organised by partners, presenting the most important projects and looking for the support for them.

Litgrid subsidiaries and the nature of their operations

As of 31 December 2014, the Litgrid group of companies consisted of Litgrid AB, BALTPOOL UAB (hereinafter referred to as Baltpool), Tetas UAB, and Tinklo priežiūros centras UAB.

Name	BALTPOOL UAB
Legal form	UAB (private company limited by shares)
Registration date and location	2009-12-11, Register of Legal Entities of the Republic of Lithuania
Company code	302464881
Headquarters address	A. Juozapavičiaus g.9, LT-09311, Vilnius
Telephone	+370 5 278 2260
Fax	+370 5 278 2707
E-mail	info@baltpool.lt; www.baltpool.lt
Type of operations	Energy resource market operator
Shares controlled by Litgrid	67 %

Name	UAB Tetas
Legal form	UAB (private company limited by shares)
Registration date and location	2005-12-08, Register of Legal Entities of the Republic of Lithuania
Company code	300513148
Headquarters address	Senamiesčio g. 102B, LT-35116, Panevėžys
Telephone	+370 45 504 618
Fax	+370 45 504 684
Type of operations	Specialised transformer substation and distribution point technical maintenance, repair, and installation services; testing and trial work; energy site design
Shares controlled by Litgrid	100 %

Name	UAB Tinklo priežiūros centras
Legal form	UAB (private company limited by shares)
Registration date and location	2014 02 24, Register of Legal Entities of the Republic of Lithuania
Company code	303249180
Headquarters address	A. Juozapavičiaus g.13, LT-09311, Vilnius
Telephone	+370 5 278 2777
Fax	+370 5 272 3986
Type of operations	Preparation for installation, management, and operation of high voltage direct current electricity links with the electricity systems of Poland and Sweden
Shares controlled by Litgrid	100 %.

As of 31 December 2014, Litgrid Group also had shares in these companies:

LitPol Link Sp.z.o.o (Poland)	50 % of shares and voting rights
UAB Duomenų Logistikos Centras	20.36 % of shares and voting rights
UAB Technologijų ir inovacijų centras	0.01 % of shares and voting rights
NT Valdos, UAB	0.35 % of shares and voting rights
Nord Pool Spot AS	2.00 % of shares and voting rights and rotating board member

Services rendered by Litgrid Group of companies

Litgrid, the electricity transmission system operator, renders the following services:

- Electricity transmission;
- System services (capacity reserve);
- Trading in balance and regulation electricity;
- Public service obligation services (hereinafter referred to as PSO);
- Maintenance and repairs of the electricity grid.
- Maintenance, operation, and management of HVDC links.

Electricity transmission

Electricity transmission services are the transmission of electricity over high voltage (330–110 kV) electric equipment. The transmission system operator sends electricity from producers to consumers who are connected to the transmission grid and to distribution network operators. Electricity transmission is regulated.

The main activity of TSO is to manage the high voltage electricity transmission grid and ensure reliable, effective, high-quality, transparent and safe electricity transmission.

System services

In order to maintain reliable system operations, Litgrid purchases electricity production equipment capacity reserve assurance, reactive capacity and voltage management, accident and breakdown prevention and elimination services from energy producers and offers consumers systemic (capacity reserve) services. Capacity reserves are needed when electricity production suddenly and unexpectedly falls or its consumption increases.

Trading in balance and regulation electricity

Litgrid ensures the country's electricity production and consumption balance. Balance electricity is electricity that is consumed or produced outside of established electricity consumption and production schedules. Litgrid organises trading in balance electricity and buys and sells balance electricity that is necessary to ensure the country's electricity production and consumption balance.

Regulation electricity is electricity bought and/or sold at the direction of the TSO that is necessary to perform the country's electricity consumption and production balancing function. Litgrid organises trading in regulation electricity at auction. Those participating in the auction are regulation energy suppliers and other country's transmission system operators who have the technical means to quickly change electricity production and consumption modes and have signed corresponding contracts with Litgrid.

Public service obligation services

Public service obligations (PSO) in the electricity sector are services that ensure and increase national energy security and the integration and usage of electricity produced from renewable resources. The list of public service obligations, their providers, and provisioning procedures are approved by the Government of the Republic of Lithuania or its authorized institution in accordance with public interests in the electricity sector. PSO funds are funds paid to PSO service providers.

Litgrid provides these PSO services:

- Preparation and implementation of strategic projects related to increasing energy security (the Lithuania–Sweden and Lithuania–Poland international electricity links and integration of the Lithuanian electricity system into continental European grids);
- Connection of electricity production equipment that use wind, biomass, or solar energy or hydroelectric power to the transmission grid and transmission grid optimisation, development, and/or renovation related to the reception and transmission of electricity produced by producers who use renewable natural resources;
- Balancing of electricity produced from renewable energy resources.

By Resolution No. 1338 of the Government of the Republic of Lithuania of 7 November 2012, UAB Baltpool has been designated a PSO fund administrator effective 1 January 2013.

PSO provisioning procedures are established by the *Public Service Obligation Provisioning Procedure Description*, ratified by Resolution No. 916 of the Government of the Republic of Lithuania of 18 July 2012. PSO fund administration procedures are established by the *Public Service Obligation Fund Administration Procedure Description*, ratified by Resolution No. 1157 of the Government of the Republic of Lithuania of 19 September 2012. The PSO provisioning description provides that public service obligation funds are collected and transferred to the public service obligation fund administrator under procedures and conditions established by the *Public Service Obligation Fund Administration Procedure Description*. As the transmission system operator, Litgrid collects PSO funds from grid users whose electricity production and/or consumption equipment is connected to the electricity transmission grid and transfers them to the public service obligation fund administrator.

Electricity grid technical maintenance and repair

Litgrid's subsidiary, UAB Tetas, offers the following electricity grid equipment technical maintenance and repair services:

- Carries out electricity grid electrical equipment technical maintenance and repairs;
- Provides new energy site construction and existing energy site remodelling services;
- Provides electrical equipment design services.

UAB Tetas operations conform to ISO 9001:2008 and ISO 14001:2004 requirements. The quality management and environmental protection management system, introduced in 2007, is applied in operating electrical equipment up to 400 kilovolts and in performing design and construction work for extraordinary structures.

Maintenance, operation, and management of HVDC links

In February 14, 2014, the Board of Litgrid decided to establish the subsidiary Tinklo priežiūros centras with a purpose to form high qualification and specific engineering centre for management and operation of HVDC (*High Voltage Direct Current*, or high voltage direct current technology required for electricity transmission in high volumes between different electricity systems) links. The company registered in February 24, 2014; it is operated as an internal unit of Litgrid.

Environmental protection

For electricity transmission lines and transformer substations planned to be constructed, environmental impact assessment or selection procedures are carried out, the conclusions of which are evaluated when preparing technical designs. When designing new or reconstructing existing transformer substations and switchyards, environmental protection requirements are determined. In all cases, efforts are made to select equipment that is less harmful to the environment; the contractors are committed to organise work so that the negative effect on the environment is eliminated or remains minor, all construction waste is duly utilised and the confirmatory documents are delivered. When purchasing services, it is required that contractors have introduced environmental management systems according to the LST EN ISO 14001 standard, and contractors are obligated to clean up waste that results from construction and submit documents confirming this.

In 2014, the specialists of Litgrid measured the strength of electric and magnetic fields in 50 various locations near electricity transmission lines of 110 kV and 330 kV. The strength of electric and magnetic fields emitted by the overhead electricity transmission lines was measured from various distances. The results showed that electromagnetic fields, forming in the electricity transmission grid of Lithuania, conforms to the requirements of the Lithuanian Hygiene Norm, never exceeds the limits set and in many cases are even significantly lower. Graphical representation of measurements performed is available on the website of Litgrid http://www.litgrid.eu/index.php/zemes-savininkams/elektromagnetiniai-laukai/elektromagnetiniu-lauku-matavimai/2413. The map is constantly updated with the information about additional measurements and the data of newly constructed lines.

In cooperation with Lithuanian Ornithological Society, the study "Safety of Birds in 110-330 kV Electricity Transmission Lines" was performed. Based on the results of the study, the project "Implementation of Birds Safety Measures in High Voltage Electricity Transmission Grid of Lithuania" started in 2014; 75 percent of the project's value is financed by the European Commission and the Ministry of the Environment of the Republic of Lithuania. The project involves the marking of electricity transmission wires in order to make them more visible to birds, the installation of specific protections preventing storks from landing on supports above the isolators of the reconstructed overhead lines and thus protecting them from possible electric impact; the setting of about 500 nesting boxes for the hatching of preserved birds (falcons) in metal supports. By July 2018, Litgrid plans to implement actions worth EUR 800,000. Tasks of this project are involved into general construction works of the overhead lines in various regions. The contractors were hired after public procurement procedures.

In summer of 2014, the specialists of the Lithuanian Fund for Nature performed environmental supervision works in a route of future electricity bridge LitPol Link between Lithuania and Poland. The specialists found a rare plant, registered in the Lithuanian Red Data Book, – the Early Marsh-orchid, *Dactylorhiza incarnate*. In order to keep the plant safe during the construction, the Litgrid employees, together with the environmental protection specialists, transferred the plant from the route of LitPol Link to the safer place distantly from the construction site. This initiative of Litgrid has been mentioned among the ten brightest environmental, innovation, and social initiatives in the European Grids Conference.

Customers of the transmission system operator

Litgrid's direct customers are electricity transmission grid users and balancing and regulation electricity suppliers.

Transmission grid users:

- Lesto, the distribution grid operator;
- Electricity consumers whose electrical equipment is connected to the electricity transmission grid and who purchase electricity for consumption;
- Electricity producers.

Balancing and regulation electricity suppliers are electricity producers and suppliers.

Employees

As of 31 December 2014, 707 employees worked for the Litgrid group: 226 Litgrid employees, 449 Tetas employees, 12 Baltpool employees, and 20 Tinklo priežiūros centras employees. In 2014, Litgrid employee turnover was 7.87 %.

Litgrid wage bill of the financial year was LTL 15,649 thousand.

	Number of employees on 31 December 2014	Average monthly salary, LTL
Specialists	220	5 426
Management	6	16 547
Total	226	5 722

Litgrid group wage bill of the financial year was LTL 31,999 thousand

	Number of employees on 31 December 2014	Average monthly salary, LTL
Workers	266	2 297
Specialists	426	4 621
Management	15	12 802
Total	707	3 937

Litgrid Group employee education at the end of the period

	December 31, 2014
Number of employees	707
Employees with university educational attainment	417
Employees with college educational attainment	113
Employees with secondary or specialised secondary educational attainment	177

Litgrid employs the highest level energy specialists. Three fours of the employees have got the university educational attainment in engineering; their average working time is 14 years. Employing their theoretical and practical knowledge the employees seek for their personal goals and participate in the implementation of ambitious strategic national objectives contributing to the energy independence of the state. Working for the company responsible for the safety, reliability, and responsible development of Lithuanian electricity system, the Litgrid specialists become leaders and mentors of young employees who want to join the energy sector. Litgrid is eager to employ not only experienced professionals, but also smart and curious young specialists that aim to work hard and excel. In order to attract talented, educated, and ambitious people that are not afraid to take the responsibility, Litgrid cooperates with the education institutions and youth organisations, and maintains Young Specialists Programme.

Remuneration policy and performance appraisal

Litgrid's remuneration policy goal is to contribute to the implementation of mission and vision of contemporarily and effectively managed organisation, mobilise people for working together and motivate to implement strategic priorities, form and entrench the attitude towards the employee as the main corporate asset, foster company values – professionalism, cooperation, responsibility, initiative, and respect. Corporate employee remuneration depends on position, work performance, reaching of individual annual goals, the level of competencies, and sharing of organisational values. The remuneration policy is based on the provision that those who create higher value to the organisation and share organisational values in their everyday activities should be paid more.
Employee remuneration package consists of financial and non-financial elements: base salary, variable remuneration, additional benefits, and emotional remuneration.
Annual performance appraisals take place in Litgrid, which is one of the most important tools for effective corporate management, helping to match personal and organisational goals, show the importance of each work for common goals, enable to work out a career ladder and motivate employees making the objective basis for their promotion.

Training

One of Litgrid's strategic goals is to become the centre of managerial and technical competences of energy sector in the Baltic countries. Seeking for it, the company pays exceptional attention on competencies of each employee. Believing that each employee wants to become an expert in his/her field and wishes to work among the same high level specialists as he/she is, Litgrid creates conditions for its employees to improve their competencies and qualification in the following ways:

- Organising the internal training
- Enriching the work content with new projects
- Creating possibilities for participation in unique, extraordinary projects
- Participating in external training and conferences
- Actively participating in activities of professional organisations.

In 2014, personnel development expenses distributed as follows:

- General competencies of employees – 17 %
- General and managerial competencies of managers – 22 %
- Qualification of engineering-technical personnel – 29 %
- Qualification of personnel with supportive functions – 32 %.

Collective bargaining agreement

In 2013, Litgrid has signed a collective bargaining agreement with its labour union. The collective bargaining agreement defines and ensures honest remuneration policy and work-life balance as well as regulates social and economic relations between the employer and employee. Also, it ensures the support to the employees on important or severe events of their life.

Litgrid social responsibility activities

Litgrid operations are based on principles of social responsibility, sustainable development, transparency, and advanced environmental protection. The company's operations are an inseparable condition of the successful functioning of the country's economy, while its long-term strategic goals and strategic electricity projects contribute to the goal of ensuring the country's energy independence.

The importance of the projects it is implementing encourage the company, its employees, and its management to rely on the highest professional and ethical standards, accepting responsibility in nurturing and developing consciousness, responsibility, and the desire to actively participate in creating the country's well-being among society and its various groups. In our social responsibility policy, we devote the most attention to ensuring conscientious and motivating work conditions, cultivating responsibility and public spirit, and helping society develop and grow stronger in multidimensional ways.

In order to foster cooperation between separate Litgrid units and encourage employees to get involved in horizontal processes taking place that encompass multiple units, various projects have been initiated with the goal to get employees to not only perform tasks directly related to their work functions but also become involved in activities unrelated to work. Such activities foster organisational values, expand the perspectives of employees, encourage professional and individual development, and foster the desire to contribute to seeking the organisation's results, increasing the prestige of energy- and engineering-related professions, and taking pride in the company and the hugely significant projects it carries out.

Seeking to encourage young people and schoolchildren of higher grades to study engineering, Litgrid collaborates with the institutions of higher education; company employees periodically visit schools and make presentations, invite schoolchildren and other groups to have company tours.

We devote our energy and resources to help society in our operation areas grow economically, support the communities with which we work, ensure motivating conditions that encourage self-improvement for the people who work with us, and protect nature, which provides us with resources. We implement strategic, high-value, and historically important projects, so we understand that great work carries great responsibility. Maintaining and encouraging high-quality dialogue with the society for whom and among whom we work is a cornerstone of Litgrid's daily operations.

In 2014, Litgrid was building or planned to build high-voltage electricity transmission lines in Alytus, Lazdijai, Klaipėda, Kretinga, Plungė, Telšiai, Neringa, Prienai, and Kaišiadorys districts. During the meetings with Litgrid specialists and people recognized by society, it is sought to inform local residents about the projects being implemented in their surroundings as much as possible, and the creation of a culture of dialogue is encouraged. Meeting topics vary from discussions of public and private interests and political news to informal activities that help achieve significant results and advertise Lithuania in the world. Such activities encourage community members to understand the value of living and working in Lithuania, the significance of cultivating patriotism, and the use of maintaining Lithuania's all-around independence.

About Litgrid Group's development and research activities

Litgrid annually implements the electric system development and research programmes aimed at expanding and enhancing the efficiency of the transmission grid. The reconstruction of energy facilities involves the replacement of old equipment with the new one and the implementation of modern systems of relay protection, systematic automation, management, data collection and transfer. Ten-year plans for the construction and reconstruction of facilities are based on scientific research and studies. They are updated annually.

Upon the order of Litgrid, Kaunas University of Technology performed the feasibility study on the connection of electric power plants using renewable energy resources to the high voltage electricity transmission grid by 2030. The objective of the study was to identify where and how many of electric power plants using renewable energy resources could be connected to the existing electricity transmission grid. The authors of the study formed several scenarios for the development of renewable electric power generation resources, evaluated the adequacy of reserves of the electricity system, identified the state of the electricity transmission grid under various working conditions. Although the highest potential is forecasted for biofuel electric power plants, the biggest attention was paid to the evaluation of wind power plants, since generations of wind power plants are most difficult to forecast and mostly affected by weather conditions.

Main features of the internal control and risk management systems related to the preparation of consolidated financial statements

The Litgrid group's consolidated financial statements are prepared according to the International Financial Reporting Standards as adopted by the EU. The Litgrid internal control process includes control of service rendering–related business processes, information technology system operations, and financial statement preparation.
Consolidated financial reporting preparation is regulated by the Litgrid Accounting Policies and Procedures Description, which ensure accounting practices in accordance with the International Financial Reporting Standards adopted by the EU and the laws of the Republic of Lithuania. The Litgrid procedure descriptions cover possible risks associated with accounting and financial reporting, methods and principles for managing them, and employees responsible for risk management.

Information technology and telecommunications competence development in the company

Effective information technology and telecommunication solutions play an ever more important role in ensuring smooth and constant operations; information technology has become an inseparable part of the fields of electricity system planning and management, equipment control, and service. In implementing the EU's Third Energy Packet, which requires separating electricity production, transmission, and distribution operations, Litgrid evaluated the need to independently manage information technology and telecommunications operations.

Until June 2013, all of Litgrid's IT services were rendered by UAB Technologijų ir inovacijų centras. In 2013, the company formed an IT division, which took over part of the main information technology and telecommunications systems: maintenance of dispatcher management, substation tele-information collection and transfer, repair, and operations management. The transparent procurement of information technology and telecommunications assistive services in the market was begun in 2013, satisfying the needs of business units.

In the beginning of 2014, the company formed the unit called Information Technology and Telecommunication Centre (ITT Centre) with the activity focus on the following areas:
- Development, maintenance, and safety of the information systems for electric energy system management
- Automation of electricity transmission grid including strategic projects of the company
- Development, maintenance, safety, and continuation of business IT systems
- Delivery of quality ITT services to internal units and transparent acquisition of assistive services in the market ensuring non-interrupted operation of ITT systems in vital processes of corporate operations.

Litgrid ITT Centre employs 21 specialists. Beyond the ITT, the unit accumulates the expert knowledge of energy system management automation. It will ensure the control over the continuation of IT solutions by Litgrid and transparency of activities.

II. Financial information

The table shows the operating results of the group and the company.

	2014		2013		2012		2011	
	Group	Company	Group (adjusted)	Company (adjusted)	Group (adjusted)	Company (adjusted)	Group (adjusted)	Company (adjusted)
Financial indicators (in thousands of LTL)								
Sales revenues related to electricity	360,734	359,913	540,587	540,066	430,527	430,114	383,193	383,052
Other operating income	53,398	6,073	48,528	7,200	77,840	8,188	51,613	5,892
EBITDA*	130,068	124,240	166,324	167,598	155,296	153,424	111,338	106,605
Profit (loss) before taxes	(452,021)	(456,343)	29,819	32,616	31,035	30,176	(19,714)	(23,512)
Net profit (loss)	(385,331)	(389,641)	25,357	28,067	26,114	25,445	(16,779)	(20,324)
Cash flow from operating activities	25,363	53,809	123,885	126,483	124,998	135,691	101,832	104,256
Ratios								
EBITDA margin (%)	31.4	34.0	28.2	30.6	30.5	35.0	25.6	27.4
Operating margin (%)	(109.0)	(124.5)	4.5	5.3	5.6	6.5	(5.6)	(6.7)
Return on equity (%)	(33.0)	(33.2)	1.7	1.9	1.5	1.5	(0.9)	(1.1)
Return on assets (%)	(17.1)	(18.2)	1.0	1.1	1.0	1.0	(0.7)	(0.9)
Shareholders' equity / assets (%)	42.5	45.5	59.2	61.9	64.3	65.0	75.9	76.5
Liabilities / equity (%)***	90.2	75.0	40.5	32.1	41.7	39.8	22.2	21.1
Financial liabilities / equity (%)	54.0	49.4	14.7	14.1	12.0	11.7	0.0	0.0
Free cash flow (FCF) / revenue (%)****	(28.8)	(24.7)	5.7	6.8	27.2	34.1	19.5	22.4
Liquidity indicator	1.00	0.99	1.27	1.41	1.14	1.13	1.82	1.88
Price-to-earnings ratio (P/E)	-	-	40.88	-	36.12	-	-	-
TSO performance indicators								
Transferred quantity of electricity, million kWh		9 334		9 300		9 239		9 279
Transmission grid process costs (%)		1.92		2.11		2.11		2.17
END (electricity not delivered due to disconnections), MWh **		5.35		6.70		7.01		7.55
AIT (average interruption time), min. **		0.25		0.31		0.32		0.35

* Calculating the EBITDA impairment of investments, fixed assets, inventories and arose during previous year receivables, and the revaluation and disposal of fixed assets were not included.
** Only due to reasons the operator is responsible for and due to undetermined reasons.
*** Calculating this indicator grants received in advance were not included.
**** Calculating this indicator the investments hold to the redemption were not included.

Revenue

In 2014 the Litgrid group's revenue was LTL 414 million, a decrease by 29.7 % compared to 2013.

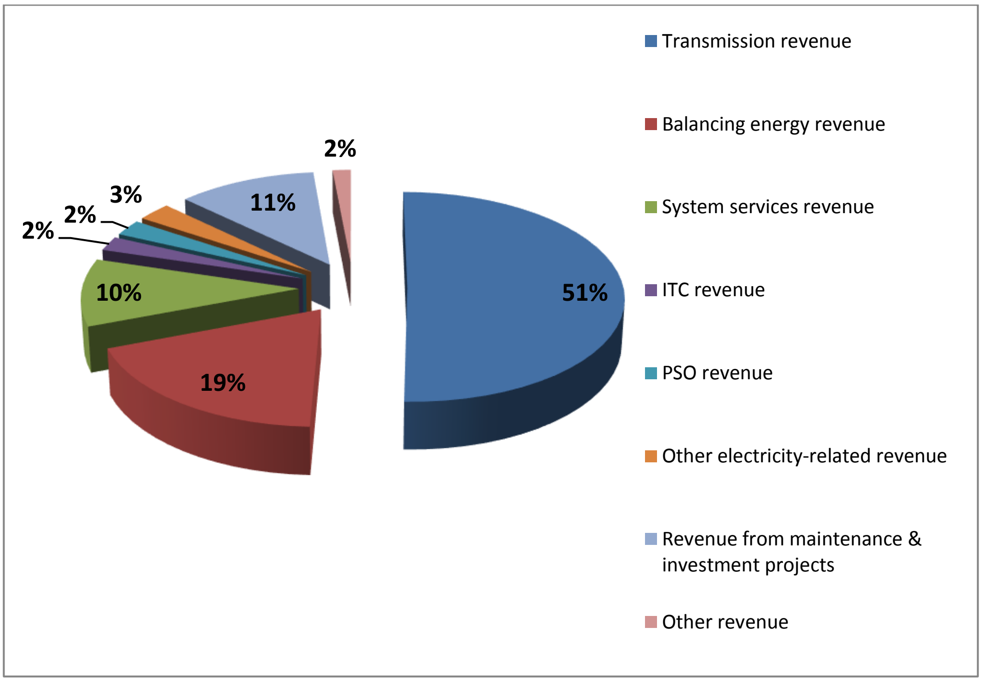
Revenue for electricity transmission decreased 7.9 % compared to 2013, to LTL 209.3 million, which made up to 51 % of the group's revenue. In 2014, Litgrid's high-voltage electricity transmission grid transmitted 9,334 million kilowatt-hours (kWh) of electricity for the country's needs, or 0.4 % more than was transmitted in 2013.

8.405 billion kWh were delivered to Lesto, the distribution grid operator, or 1.8 % more than last year, while 928 billion kWh were delivered to other users, or 10.7 % less than in 2013. This resulted from lower electricity demand of large industrial companies from the transmission grid due to increased private electricity production.

Sales revenue of balancing and regulation electricity decreased 58.5 % to LTL 77.5 million. The decrease resulted from balancing energy suppliers ensured greater share of their consumers' needs from other resources than from balancing energy delivered by TSO. Revenue from system (capacity reserve) services decreased 54.2 % to LTL 43 million, with the decrease resulting from lower prices for system services. The fee for electricity imported to or exported from countries not belonging to the EU (ITC revenue (ITC revenue, or revenue from participation in the European transmission system operator transit compensation mechanism) was LTL 9.1 million. PSO revenues were LTL 10.1 million. Other revenue related to electricity: reactive energy, transit, and new user connection revenue equalled LTL 11.7 million.

Design, maintenance, repair work, and investment project increased 14.4 % to LTL 47.3 million, while other revenue fell 14.9 % to LTL 6.1 million.

Revenue structure



Costs

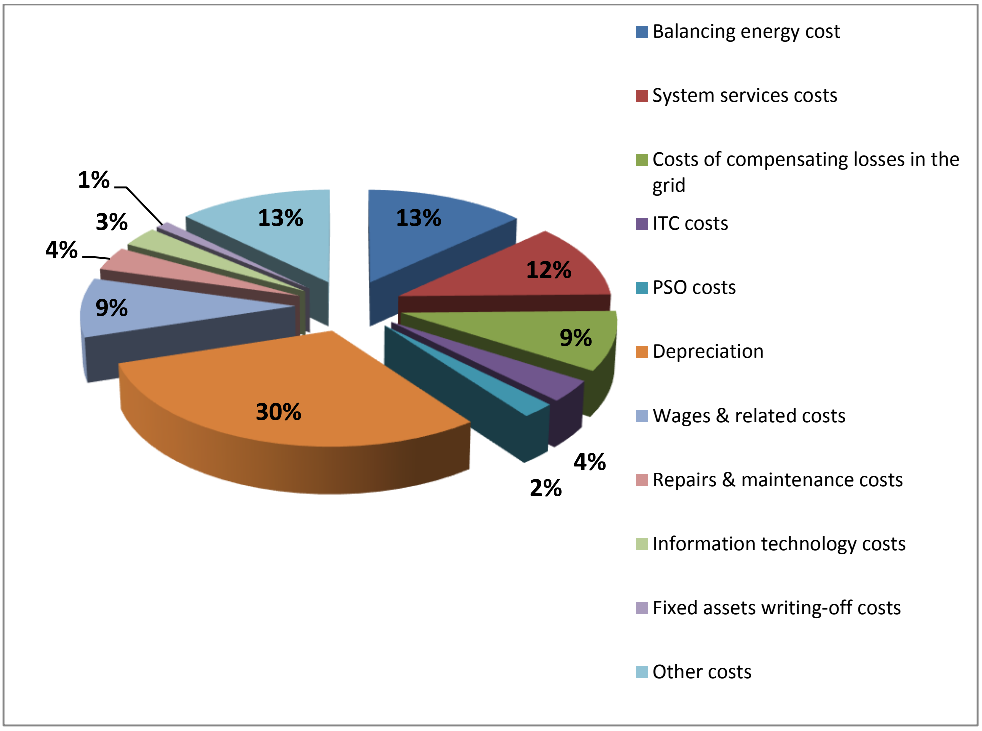
In 2014, costs of the Group amounted to LTL 440.1 million, excluding the revaluation of fixed tangible assets, a 21.8% decrease compared to 2013.

The costs of purchasing electricity and related services accounted for the largest part of the Group's costs, i.e. 39.8% or LTL 175 million (-40% compared to 2013), including a 62.9 % decrease in regulation electricity costs (up to LTL 58.1 million), 21.1 % decrease in system services costs (up to LTL 50.7 million), 12.7 % decrease in the electricity purchases for compensating process costs in the grid (up to LTL 40.8 million).

Transit costs (participation in the Inter TSO compensation mechanism, ITC)) were LTL 15.1 million and PSO provision costs were LTL 10.2 million.

Depreciation and amortisation costs increased 3.1 % up to LTL 133.9 million, wage costs and related costs increased 7 % up to LTL 40.5 million, repair and maintenance costs increased 11 %, up to LTL 16 million, telecommunications and IT systems costs remained LTL 13.5 million, fixed assets write-off costs decreased 5 % up to LTL 5.1 million, other costs decreased 19.9 % up to LTL 56.1 million.

Costs structure (excluding revaluation of fixed assets)



Fixed assets revaluation costs amounted to LTL 425.4 million. Information on assets valuation is provided in Note 5 of LITGRID AB Consolidated Financial Reporting 2014.

Profit

In 2014, the Group losses before taxes amounted to LTL 452 million; the Group losses, excluding revaluation of fixed assets, were LTL 26.6 million. In 2013, profit before taxes reached LTL 29.8 million.

In 2014, the Group losses, excluding revaluation of fixed assets, consisted of the following elements: transmission segment losses LTL 35.4 million (2013 – LTL 9.6 million), system services losses LTL 7.7 million (2013 – LTL 29.6 million profit), balancing and regulation electricity segment profit LTL 12.8 million (2013 – 9.2 million), other activities', including financial, profit LTL 3.6 million (2013 – LTL 0.6 million).

Next year, planning system services revenue of Litgrid, the National Commission for Energy Control and Prices will evaluate the difference between planned and actual system services costs and revenue in 2013 m. In 2013, this difference (profit) amounted to LTL 21.0 million; it will decrease corporate system services revenue and profit of 2015 by LTL 5.2 million and decrease system services revenue and profit of 2016 by LTL 15.8 million.

In 2014, the Group EBITDA was LTL 130.1 million and decreased 30.6 % compared to 2013 m.; however due to the decreased revenue, EBITDA margin has increased, up to 31.4 % (2013 – 28.2 %).

Balance sheet and cash flows

As of 31 December 2014, assets of the Group amounted to LTL 1,947 million. Fixed assets accounted for 80 % of total assets of the Group. Shareholders' equity accounted for 42.5 % of total assets.

As of 31 December 2014, the Group's financial obligations to credit institutions amounted to LTL 446.7 million and the financial liabilities to equity ratio was 54 %. The non-current portion of long-term debt (payable after one year) accounted for 68.5 % of all financial debts. Cash and cash equivalents totalled LTL 87.3 million including LTL 82.5 million reserved for the NordBalt intersystem link project (PSO funds and EU grants received). In addition, the Company has invested LTL 55 million, reserved for the NordBalt project, in bonds held to maturity; the maturity of the bonds is January 2015.

In 2014, the Group's net cash flows from operations amounted to LTL 25.4 million (2013 – LTL 124 million), payments for fixed tangible and intangible assets amounted to LTL 273.9 million (2013- LTL 214 million). LTL 112.9 million were paid as dividend in 2014.

In 2014, the Group's net cash flows excluding cash flows from financial activities and cash flows to term deposits and investments held to maturity totalled LTL -119.2 million (2013 – LTL 33.6 million).

PSO operating indicators

Based on the requirements for electricity transmission reliability and service quality approved by the National Commission for Energy Control and Prices, the following indicators are used to determine the electricity transmission reliability level: END – electricity not delivered due to disconnections, and AIT – average interruption time. The following minimum indicator values set for 2014 were: END – 10.06 MWh, AIT – 0.37 min. Litgrid's actual indicators in 2014 were: END - END 5.4 MWh, AIT – 0.25 min.

Investments in fixed assets

The largest amount was invested in the implementation of strategic projects: LTL 270.3 million (invoices received, irrespective of their payment). This accounted for 78 % of all investments. Investments in the reconstruction and development of transmission grid amounted to LTL 77.6 million (invoices received, irrespective of their payment), 22 % of total investments.

Risks

Political risks

Power sector is a vitally important sector of the economy. It exerts considerable influence over political and economic interests. The structure and management of the power sector and the operation of the companies in the energy sector are governed by the Republic of Lithuania Law on Electricity and the relevant regulations. Any amendments to national or European Union energy legislation can have an impact on the results of Litgrid Group.

Prices for energy services are regulated, with the price ceilings set by the State Commission on Prices and Energy Control. Operating results of Litgrid are directly dependent on these decisions.

Management of financial risks

Companies in the Litgrid Group encounter financial risk in their operations such as credit risk, liquidity risk and market risk (currency exchange risk, interest rate risk). In managing this risk, the Group's companies seek to minimise the effects of factors that can have an adverse impact on financial results of the Group. Risk management is conducted by the Company's Financial Planning and Analysis Division in accordance with the Procedure for Treasury Management at Litgrid Group approved by the Board of Litgrid.

Information about financial risk faced by the Group and its management is provided in Note 31 of Litgrid AB Consolidated and Company Financial Reporting of Litgrid, AB for 2014.

Technical risks

Lithuania's energy system has a number of connecting lines with the neighbouring energy systems. The available power and energy balance control means are limited and the power and energy balance control process is complicated.
About 50% of equipment in the TSO transformer substations is older than 25 years. 35% of all 110 kV overhead lines and 24% of all 330 kV overhead lines are older than 45 years. Failures or faults in the main process equipment can have a negative impact on Litgrid's operations and financial results.

Environmental risks

Companies of the Group comply with the environmental regulations providing for appropriate labelling, use and storage of any hazardous materials used, ensuring that equipment operated by the companies meet the requirements set for them. At facilities that pose an increased risk to the environment due to pollutants or waste, work is organised according to the conditions set out in the Integrated Pollution Prevention and Control Permits issued by regional environmental protection departments.

References and explanations about data provided in the Consolidated Financial Reporting

Detailed explanations of financial information are provided in the Explanatory Notes to the Financial Reporting for 2014.

Dividend policy

The Government of the Republic of Lithuania, which controls 97.5% shares in Litgrid indirectly through EPSO-G UAB, has established the principles of allocation of dividend on the shares owned by the State by its resolution No 20 of 14 January 1997 (new version of the Resolution: No 359 of 4 April 2012).

The general meeting of shareholders of Litgrid held on April 7, 2014 declared a dividend of LTL 0.2237 per share totalling LTL 112,818,930. The general meeting of shareholders of Litgrid held on April 24, 2013 declared a dividend of LTL 0.089 per share totalling LTL 45 mln. The general meeting of shareholders of Litgrid held on April 20, 2012 declared a dividend of LTL 0.775 per share totalling LTL 390.9 mln.

III. Information on Authorised Capital and Shareholders

Litgrid has not acquired its own shares so there were no acquisitions or disposals of own shares during the reporting period. Subsidiaries of the Company have not acquired shares of the Company either.

As of 16 November 2010, the authorised capital of LTL 504,331,380 was registered in the Register of Legal Persons. It has been divided into 504,331,380 ordinary registered shares of one Litas par value. All the shares are fully paid for and all the shares grant equal rights to the shareholders. Since 22 December 2010, Litgrid's shares are listed on the Additional Trading List of NASDAQ OMX Vilnius, issue ISIN code LT0000128415.

As of 31 December 2014 the Company had about 5,700 (five thousand and seven hundred) shareholders. Under the provisions of the European Union's Third Energy Package, on 28 September 2012 Litgrid as a transmission system operator was separated from other companies in the electricity sector. The shares in Litgrid owned by that date by Visagino Atominė Elektrinė UAB were transferred to a state-controlled company EPSO-G UAB which is wholly-owned by the Ministry of Energy. As of 31 December 2013, EPSO-G UAB (A. Juozapavičiaus g. 13, LT-09310 Vilnius, business ID 302826889) owned 491,736,153 ordinary registered shares of the Company, i. e. 97.5% of Litgrid's authorised capital.

On 28 December 2012, Litgrid concluded an agreement with Swedbank, AB on accounting for the Company's securities and related services for the period from 1 February 2013 until 31 January 2016.

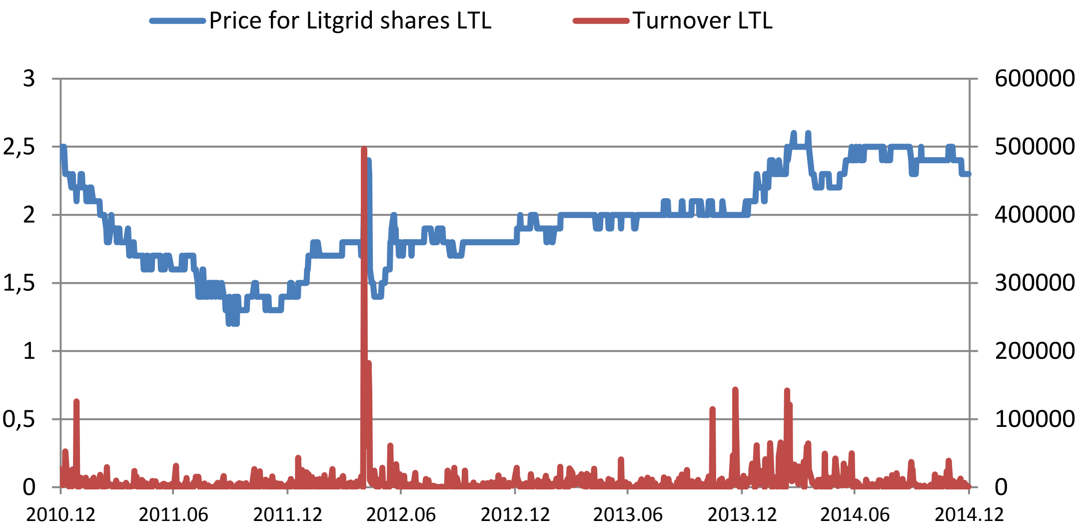
Securities of subsidiaries of the Company are not traded on securities exchange.

Trading in Litgrid securities in regulated markets:

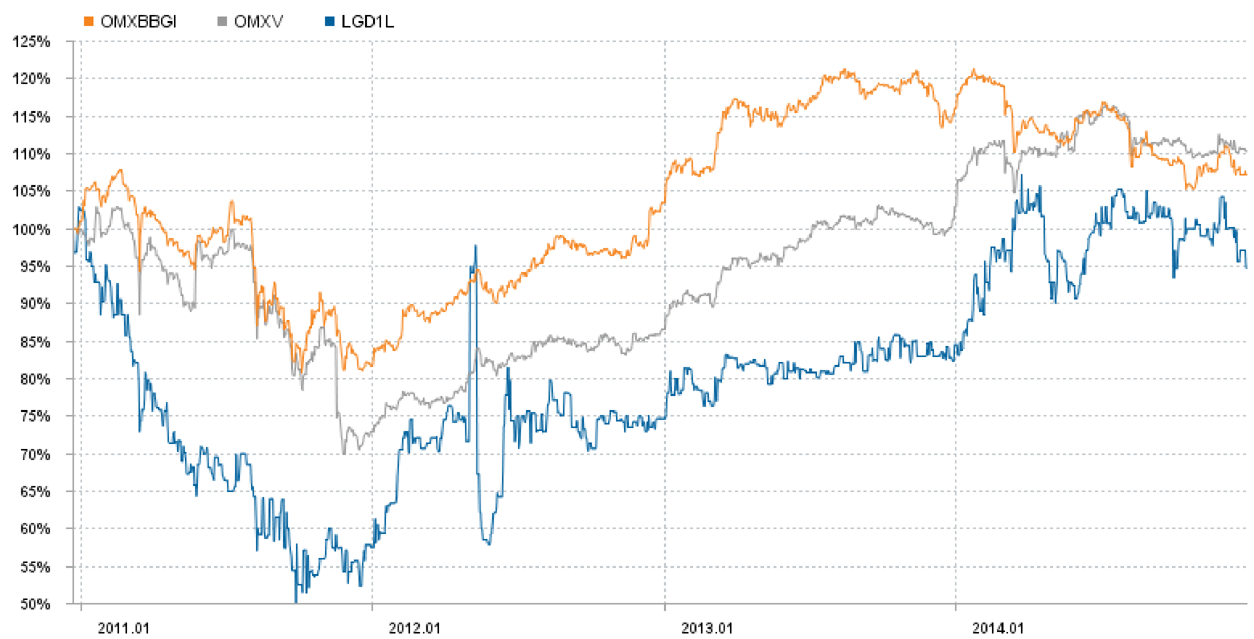
Indicator	2012	2013	2014
Opening price, LTL	1.392	1.806	2.048
Highest price, LTL	2.365	2.099	2.590
Lowest price, LTL	1.329	1.795	2.010
Closing price, LTL	1.806	2.044	2.293
Average price, LTL	1.948	1.977	2.3619
Turnover, pcs	1 306 805	726 551	1 176 548
Turnover, LTL m	2.55	1.44	2.76
Capitalisation, LTL m	910.73	1 030.88	1 156.27

Turnover and price of Litgrid shares during the period from start of trading in Litgrid shares on 22 December 2010 until 31 December 2014:

Comparison of Litgrid (LGD1L) share price with OMX Baltic Benchmark GI (OMXBBGI) and OMX Vilnius (OMXV) indexes during the period from start of trading in Litgrid shares on 22 December 2010 until 31 December 2014:



Baltic market indexes



Articles of Association

Articles of Association of Litgrid may be amended according to the procedure established by the Republic of Lithuania Law on Companies. Decisions are adopted by at least 2/3 majority vote of the shares of the shareholders attending the general meeting of shareholders.

The General Meeting of Shareholders

The general meeting of shareholders is the supreme management body of the Company.

The scope of competence of the general meeting of shareholders and the procedure for its convention and adopting of decisions is established by the laws, other legal acts and the Articles of Association.

The Supervisory Council

The Supervisory Council is a standing collegiate body that exercises supervision of the Company‘s operations.

The Supervisory Council reports to the general meeting of shareholders.

The Supervisory Council is headed by the chairperson elected by the Supervisory Council itself from among its members.

The Supervisory Council has three members including the chairperson. Independent members can also be elected to the Supervisory Council[1]. The Supervisory Council is elected for a term of office of four years. The Supervisory Council or its members start their activities after the end of the general meeting of shareholders that has elected the supervisory council/its members.

The shareholder (or his representative) that puts up a candidate for the position of the member of the Supervisory Council must submit to the general meeting of shareholders a written statement about the candidate’s qualifications, experience in managing positions, and fitness for the position of the member of the Supervisory Council including explanations concerning the meeting of the requirements set out in the Articles of Association of the Company, and providing conclusions by competent bodies and/or other documents proving compliance.

Areas of activities of the Supervisory Council

The Supervisory Council is authorised to monitor the implementation of the Company‘s strategy and the transmission grid development plan; submit to the general meeting of shareholders feedback and proposals on the implementation of the transmission grid development plan; submit to the Board and the general meeting of shareholders (if the relevant issue is considered by the general meeting of shareholders) feedback and proposals on the decisions adopted by the Board as stated in the Articles of Association); adopt decisions on agreements with Members and Chairperson of the Board concerning work in the Board, set standard terms and conditions of such agreements, and appoint a person authorised to sign such agreements on behalf of the Company; adopt decisions on the size of remuneration to Board Members (if it is decided to pay such remuneration); ensure the effectiveness of the internal control system in place at the Company.

Audit Committee

In February 24, 2014, Litgrid AB Supervisory Council decided to elect three members to the Audit Committee of the company; two independent: independent member Aušra Pranckaitytė, independent member Rima Kvietkauskaitė, and Litgrid Financial Analyst Ana Tursienė.

In 2014, the Audit Committee held 7 meetings. All meetings had a quorum. The Audit Committee analysed corporate risk management, internal auditing plans, IT security, the auditing process of financial reporting for 2014.

[1] Independence of a member of the Supervisory Council (or its committee) is determined according to the procedure established by the laws, and if such procedures do not exist, the Supervisory Council of the Company decides on independence of the member of the Supervisory Council (or its committee).

The Audit Committee's term of office is the same as the Supervisory Council who has approved the composition of the committee.

The Board

The Board consists of five members and is elected for the term of office of four years. The term of office of the Board starts after the end of the general meeting of shareholders at which the Board was elected and ends on the date of the general meeting of shareholders held in the last year of the Board's term of office.

In case if the Board or a Board Member is recalled, resigns or ceases to perform its/his duties for any other reason, the new Board/Board Member will be elected for the new term of the Board. The person that puts up a candidate for the position of the Member of the Board must submit to the Supervisory Council a written statement about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Member of the Board including explanations concerning the meeting of the requirements set out in the Articles of Association of the Company, and providing conclusions by competent bodies and/or other documents proving compliance.

The Board elects the Chairperson from among its members.

The Board works in accordance with the laws and other legal acts, the Articles of Association, decisions of the general meeting of shareholders and Work Regulations of the Board.

The Board is a collegiate management body of the Company. The scope of competence of the Board and the procedure for adoption of decisions and electing and recalling of its members is established by the laws, other legal acts and the Articles of Association.

The Board reports to the Supervisory Council and the general meeting of shareholders.

Areas of activities of the Board

The Board is authorised to consider and approve a three-year action plan for the implementation of the Company's strategy, a ten-year plan for the development of the Company's transmission grid, the budget of the Company, the procedure for granting support and charity, and other documents governing strategic operations of the Company. The Board adopts decisions on the Company's undertaking of new lines of activities or ceasing to carry out certain activities to the extent to which this does not contradict the purpose of the Company's operations. It also adopts decisions on issue of bonds, restructuring of the Company, transfer of the Company's shares to other persons, decisions of financial transactions exceeding LTL 10 m in value. The Company also adopts decisions on other matters as stated in the Articles of Association.

Areas of activities of the Chief Executive Officer

The General Manager is the single-handed management body of the Company. The General Manager organises and directs the Company's activities, acts on behalf of the Company and concludes transactions on a single-handed basis.

The scope of competence of the General Manager as well as the procedure for his/her election and recalling is established in the laws, other legal acts and the Articles of Association.

Members of the Supervisory Council, Members of the Board, General Manager and Chief Financier of Litgrid

Position	Name	Start date	End date	Number of shares of the Issuer
Supervisory Council				
Chairperson	Aleksandras Spruogis	2013-04-24		-
Member	Audrius Misevičius	2013-04-24		-
Member	Violeta Greičiuvienė	2013-04-24	2014-04-07	-
Independent member	Mindaugas Vaičiulis	2014-04-07		-
Audit Commitee				
Member	Aušra Pranckaitytė	2014-02-24		-
Member	Rima Kvietkauskaitė	2014-02-24		-
Member	Ana Tursienė	2014-02-24		-
Board				
Chairperson	Daivis Virbickas	2013-09-10		-
Member	Karolis Sankovski	2013-09-10		-
Member	Vidmantas Grušas	2013-09-10		-
Member	Rimantas Busila	2013-09-10		1421
Member	Rolandas Masilevičius	2013-12-18		-
General Manager	Daivis Virbickas	2013-09-10		-
Chief Financier	Svetlana Sokolskytė	2012-07-02		-

*Data on the number shares hold by the issuer is as of 31-12-2014.

Members of Supervisory Council of Litgrid

Mr Aleksandras Spruogis, Chairperson of the Supervisory Council
Born in 1963, 1980–1985 – Faculty of Construction of Vilnius Civil Engineering Institute, civil engineer‘s qualifications (Diploma cum Laude). 1991–1992 – Faculty of Environmental Engineering of Vilnius Gedimino Technical University, Master of Environmental Engineering. 1996 – Doctor of Technical Sciences in environmental engineering (at Vilnius Gedimino Technical University). Work record: 1990–1997 – Research Assistant at Environment and Working Conditions Research Laboratory and Assistant at the Environmental Protection Department of Vilnius Civil Engineering Institute (Vilnius Gedimino Technical University). 1997–2003 – Senior Adviser to the Environmental Protection Committee of the Seimas (Parliament), Chairperson of the Panel of Advisers at Seimas. 2003–2009 – Secretary of the Ministry of Environment. 2009–2009 – Senior Adviser to the Ministry of Environment. 2009–2012 – Vice-Minister of Environment.

Mr Audrius Misevičius, Member of the Supervisory Council
Born in 1959. 1982 – qualifications of economist awarded by Vilnius University and Doctor of Social Sciences at the Institute of Finances and Economics of St Petersburg. 1993 – Associated Professor at Vilnius University. Work record: 1982–2005 – advanced trainee, assistant, Assoc. Professor at Finance Department of Vilnius University, 1990–1992 – Deputy Minister of Social Security. 1992 – Minister of Finance. 1993 – Assistant/secretary to Member of Parliament A. Rudys. 1993–1995 – financier, UAB „Stern von Litauen AG“. 1996 – Head of Tax Department of TŪB J. Kabašinskas ir Partneriai. 1996–2013 – Deputy Chairman of the Board, Member of the Board of the Bank of Lithuania. Since 2013 – Adviser to the Prime Minister of the Republic of Lithuania. 1998–2013 – Member of the Council, VĮ Indėlių ir Investicijų Draudimas; Curator, UAB Lietuvos Monetų Kalykla.

Mindaugas Vaičiulis, Independent Member of the Supervisory Council
Born in 1974. 1996 – Bachelor's degree in the area of banking awarded by Vilnius University. 1998 – Master's degree in the area of banking awarded by Vilnius University. 2004 - Chartered Financial Analyst (CFA) qualification obtained. 2013 - International Fixed Income and Derivatives (IFID) certification obtained. Work experience: the Member of the Supervisory Council has long-term work experience in commercial banks and financial institution, from 2012 – Head and Deputy Board Chairman of Banking Division, Bank of Lithuania, from 2013 – Board Member of UAB Lietuvos monetų kalykla. Professional activities: from 2003 - Board Member, Association of Financial Analysts; 2011-2013 and 2004-2007 – President, Association of Financial Analysts.

Members of the Board of Litgrid

Daivis Virbickas, Chairperson of the Board
Born in 1980. Responsible for strategic management and power system management. Has experience of many years in the development and management of the long-term power transmission system development strategies, analysis of electricity markets, and corporate governance. Until 2013 – Sales Director at Alpiq Energija Lietuva representing Alpiq AG, a Swiss holding company, in the Baltic States. Until 2011 – Technical Director at Litgrid, Lithuanian electricity transmission system operator.

Karolis Sankovski, Member of Member of the Board
Born in 1962. Responsible for the electricity transmission grid management. Has experience of many years in the operation of high-voltage electricity transmission grid equipment, development of grid facilities and operational control.

Rimantas Busila, Member of the Board
Born in 1958. Responsible for financial management. Experienced in financial, investment and securities management.

Rolandas Masilevičius, Member of the Board
Born in 1972. Responsible for ICT policies and administration. Experienced in administration and implementation of IT projects.

The Chief Executive Officer of the Company received no payments for his work in the Board of the Company. The Independent Member of the Board received LTL 12,675 (gross) per year for work in the Board. No payments for work in the Board were made to other Board Members and no payments for work in the Supervisory Council were made to the Supervisory Council Members. Members of the Audit Committee received LTL 10,830 (gross) for work in the Committee. Over the reporting period, the amount of pay (gross) to the CEO and Chief Financier of the Company amounted to LTL 361,862 and the average pay (gross) per person (i.e. the CEO / Chief Financier) was LTL 180,931.

Information on major related-party transactions, their amounts, type of related-party relationships and other information on the transactions which is necessary for the understanding of the Company's financial position is provided in Note 28 of the Explanatory Notes to the Financial Reporting.

Information on compliance with the Code of Corporate Governance is provided in the Annex to this Report.

Transparency

The Company complies with all the main provisions of Sections IV-VIII of the Transparency Guidelines except that:

- the Company does not publish managers' and employees' salaries;
- the Company does not have the practice of specifying the average monthly pay by divisions in the Annual Report.

Notices on material events published by Litgrid in 2014:

Date	Event
2015.03.04	Information on resignation of the Supervisory Council Member
2015.02.27	Financial results of Litgrid Group for 2014 published
2015.01.20	National Commission for Energy Control and Prices fixed higher upper limit of electricity transmission rate
2014.12.19	Litgrid signed loan agreement with Europe investment bank
2014.10.30	National Commission for Energy Control and Prices instructed the reduction of transmission rate. Litgrid does not agree with the decision
2014.10.10	Decisions of the extraordinary general meeting of shareholders of LITGRID AB held on October 10, 2014
2014.09.29	Lower upper limit of electricity transmission rate fixed
2014.09.18	Calling of an extraordinary general meeting of shareholders of LITGRID AB
2014.08.07	Litgrid borrows part of financial means necessary for financing LitPol Link from the Nordic Investment Bank.
2014.06.13	Decisions of the extraordinary general meeting of shareholders of LITGRID AB held on June 12, 2014
2014.05.30	Financial results of Litgrid Group for the first quarter of 2014 published
2014.05.23	Calling of an extraordinary general meeting of shareholders of LITGRID AB
2014.04.15	Litgrid dividend payment procedure for 2014 published
2014.04.08	Credit line agreement signed
2014.04.07	Litgrid Consolidated Annual Reporting 2014
2014.04.07	Decisions of the ordinary general meeting of shareholders of LITGRID AB held on April 7, 2014
2014.03.21	Information on resignation of the Supervisory Council Member of Litgrid and the supplementation of agenda on the ordinary meeting of shareholders
2014.03.14	Calling of an ordinary general meeting of shareholders of LITGRID AB
2014.02.28	Audit Committee of Litgrid elected
2014.02.14	Litgrid AB will form a new company for the management of the new cross-border power links
2014.02.07	Concerning published information
2014.01.13	Concerning intention to borrow

For detailed information on the material events published in 2014 please visit the website of the Vilnius Securities Exchange http://www.nasdaqomxbaltic.com/market/?pg=news&issuer=LGD&start_d=1&start_m=1&start_y=1996 and Litgrid website http://www.litgrid.eu/index.php/apie-litgrid/investuotojams/esminiai-ivykiai-/478.

LITGRID AB Notice of Compliance with the Code of Corporate Governance for Companies Listed on AB NASDAQ OMX Vilnius

According to provisions of Article 21(3) of the Republic of Lithuania Law on Securities and the Article 20.5 of the Trading Rules of Public Company Vilniaus vertybinių popierių birža, this Notice issued by LITGRID AB discloses how the Company complies with the provisions of the Code of Corporate Governance approved by the AB NASDAQ OMX Vilnius for companies whose securities are traded in the regulated market. If the Code or any provision thereof is not complied with, the specific provisions and the reasons for non-compliance are explained.

PRINCIPLES/RECOMMENDATIONS	YES/ NO	COMMENTS
Principle I: Main Provisions **The main purpose of the company should be the satisfaction of the shareholders' interests, at the same time ensuring constant increase in the value of shareholders' equity**		
1.1. The company should formulate and publish the corporate development strategy and objectives, clearly stating how it plans to act in the interests of the shareholders and augment the shareholders' equity.	YES	The main development lines and strategies of the Company are published in the Company's website www.litgrid.eu and in the Annual Report and Interim Reports of the Company.
1.2. Activities of all corporate management bodies should be focussed on the achievement of strategic goals taking account of the need to augment the shareholders' equity.	YES	The Board of the Company adopts key strategic decisions leading to an increase in the shareholders' equity (optimisation of operating functions and structure of the Company, other actions increasing the operating efficiency and cutting costs). The CEO of the Company organises and implements the Company's business, commercial and financial activities.
1.3. Corporate supervision and management bodies should closely cooperate in order to maximise the benefits for the company and the shareholders.	YES	<u>The Supervisory Council as a collegiate</u> supervisory body and the Board as collegiate management body <u>are formed in the company. The company periodically organises the meeting with the participation of members from both management bodies.</u>
1.4. Corporate supervision and management bodies should ensure that rights and interests of other parties participating in or related to the Company's operations (employees, creditors, suppliers, customers and members of local community) are respected in addition to the rights and interests of the shareholders.	YES	1. Since its formation the Company has been cooperating and developing social partnership with the Company's employee representatives (a collective agreement has been concluded). 2. The Company discharges its financial liabilities and other obligations to its creditors. 3. The Company implements social projects involving children, youth, local communities and other social groups. More detailed information on the Company's initiatives is published in its website.
Principle II: Corporate governance system **The corporate governance system should ensure strategic management of the company, effective supervision over corporate management bodies, due balance and division of functions between corporate bodies, and safeguarding of shareholders' interests.**		
2.1. Apart from the bodies mandatory under the Republic of Lithuania Law on Companies – the general meeting of shareholders and the head of the company, it is recommended that both collegiate supervisory body and collegiate management body is formed by the company. Formation of the said bodies enable a clear division of management and supervision functions in a company and accountability and control of the head of the	YES	<u>The Supervisory Council as a collegiate</u> supervisory body <u>is formed in the Company</u>. The Company's management bodies include the Board and the Chief Executive Officer of the Company.

company, which leads to a more effective and transparent corporate governance process.		
2.2. The collegiate management body is responsible for the strategic management of the company and performance of other key corporate management functions. The collegiate supervisory body is responsible for the effective supervision of the corporate management bodies.	YES YES	Articles 64 through 75 of the Articles of Association Article 25 of the Articles of Association Actual amendment of Company Articles of Association is available on company website *http://www.litgrid.eu/index.php/apie-litgrid/veiklos-reglamentavimas/pagrindiniai-dokumentai/465*
2.3. Should the company decide to form only one collegiate body, it is recommended that this body is a supervisory one, i. e. the supervisory council. The supervisory council is responsible for the effective supervision over the functions performed by the head of the company.	YES/NO	The Company has two collegiate bodies: the Supervisory Council and the Board
2.4. The collegiate supervisory body elected by the general meeting of shareholders should be formed and act according to the procedures laid down under Principles III and IV. Should the company decide to form a collegiate management body – the board – only, Principles III and IV should apply to the board to the extent to which this does not contradict the substance and purpose of this body.	YES	The Supervisory Council as a collegiate supervisory body is formed in the Company. It should be noted that the Company carries out the electricity transmission activities, therefore, its operations are strictly regulated by legal acts and supervised by the relevant authorities (State Commission on Control of Prices and Energy etc.). This ensures that transparent and effective decisions are taken and the principles of non-discrimination of customers, reduction of costs etc. are implemented.
2.5. The numbers of members of the corporate management body (executive directors) and supervision body (consulting directors) should be such that an individual or a small group of individuals is/are not able to dominate the decision-adoption process.	YES	The Supervisory Council of the Company consists of 3 (three) members and the Board of the Company consists of 5 (five) members. A meeting of the Supervisory Council is considered to be valid if at least 2 (two) members of the Supervisory Council are present. A meeting of the Board is considered to be valid and the Board may pass resolutions if at least 4 (four) members of the Board are present.
2.6. Consulting directors or members of the supervisory board should be appointed for a defined term, with the opportunity for individual re-election for a maximum term allowed by the Lithuanian legislation in order to ensure the growth in professional experience and sufficient re-approval of their status. In addition, dismissal should be provided for, however, this procedure should not be easier that the procedure for the dismissal of an executive director or a member of the board.	YES	The Supervisory Council is elected for the maximum term of office permitted by the Lithuanian law, i. e. 4 (four) years. The Board is elected for the term of office of 4 (four) years. This term is the maximum term permitted under the Republic of Lithuania Law on Companies. The general meeting of shareholders may recall the Supervisory Council and the Board in full or in part according to the procedure established by the law.
2.7. The chairman of a collegiate body elected by the general meeting of shareholders must be a person whose current or previous position is not an obstacle to independent and unbiased supervision. Where only the board and not the supervisory council	NO	The Chairman of the Supervisory Council is not the independent member, but the Articles of

is formed in the company, it is recommended that the chairman of the board and the head of the company are different persons. Former head of the company should not be immediately appointed as a chairman of a collegiate body elected by the general meeting of shareholders. Where the company decides not to follow these recommendations, information about measures taken to ensure unbiased supervision should be provided.		Association provide for such a possibility.
Principle III: Procedure for the formation of a collegiate body elected by the general meeting of shareholders **The procedure for the formation of a collegiate body elected by the general meeting of shareholders should ensure representation of interests of minority shareholders, accountability of the body to shareholders, and objective supervision over activities of the company and its management bodies**		
3.1. The mechanism of formation of a collegiate body (hereinafter for the purposes of this Principle – "collegiate body") elected by the general meeting of shareholders should ensure objective and unbiased supervision over corporate management bodies as well as proper representation of interests of minority shareholders.	YES	The Supervisory Council is elected by the general meeting of shareholders of the Company according to the provisions of the Republic of Lithuania Law on Companies. Prior to electing, the Member of the Supervisory Council must deliver detailed Declaration of Interests based on the Articles of Association, upon which the general meeting of shareholders could duly decide on his/her objectiveness and impartiality.
3.2. Names, education information, qualifications, professional experience, information on current position, other important professional obligations and potential conflicts of interests of candidates to members of collegiate management bodies should be disclosed to the company's shareholders prior to the general meeting so that the shareholders have enough time to decide on the voting on the candidates. In addition, any circumstances that may affect the candidate's independence (a model list is provided in Recommendation 3.7) should be disclosed. The collegiate body should be informed about any subsequent changes in the information disclosed under this p. 3.2. The collegiate body should collect the disclosed information on members and include them in its annual report.	YES/ NO	Information about candidates for Members of the Supervisory Council (including the information presented in point 3.7 of this table) is presented to the shareholders according to the procedure established by the Republic of Lithuania Law on Companies prior to the start of the general meeting of shareholders the agenda of which contains an item of election of Members of the Supervisory Council, and such information is not published in advance. According to the Articles of Association of the Company, each candidate to the position of the Member of the Supervisory Council must submit to the general meeting of shareholders a declaration of the candidate's interests, stating therein any circumstances that could give rise to a conflict of interests between the candidate and the Company. In case if such circumstances arise, the Supervisory Council Member must immediately notify such new circumstances to the Supervisory Council in writing. Information about positions held by the Supervisory Council Members or their participation in other companies is collected on a regular basis and published in the Annual Report and the website of the Company.
3.3. Where a proposal is made for the election of a member of a collegiate management body, his competences necessary for the	YES	Information about the candidates to the Members of the Supervisory

work in the body must be specified. In order that the shareholders and investors can assess whether the competences remain valid, in every annual report the collegiate body must include information on its composition and specific competences of its members related to their work in the body.		Council is presented to the general meeting of shareholders according to the procedure established in the Republic of Lithuania Law on Companies (see Comment on Item 3.2). The information on candidates the Members of the Supervisory Council presented to the general meeting of shareholders includes work experience, positions held and other information on the candidate's competences. Information about positions held by the Supervisory Council Members or their participation in other companies is collected on a regular basis and published in the Annual Report and the website of the Company.
3.4. In order to maintain a proper balance of qualifications of members in a collegiate body, the composition of the body should be set in line with the structure and type of operations of the company and should be subjected to period review. The body should ensure that its members as a whole should possess comprehensive knowledge, views and experience for the proper performance of their tasks. Members of an audit committee as a whole should have latest knowledge and relevant experience in finance and accounting and/or audit of the listed companies. At least one of the members of payroll committee should have knowledge and experience in the wage setting policy.	NO YES NO	The Supervisory Council is elected and its members' qualifications is evaluated by the general meeting of shareholders. The Supervisory Council may not determine its own composition. No Remuneration Committee is formed in the Company.
3.5. An individual programme aimed at familiarisation with the duties and organisation and operations of the company should be offered to every new member of a collegiate body. The body should carry out annual checks to determine the areas in which its members should refresh their skills and knowledge.	YES/ NO	The newly elected Members of the Supervisory Council are granted an opportunity to meet with the Board Members and managers of the Company's structural divisions and to familiarise themselves with the Company's operations. It should be noted that the Supervisory Council Members are informed about the Company's operations on a regular basis – at the meetings of the Supervisory Council and individually as requested by the member. No annual checks of the Members of the Supervisory Council are made.
3.6. In order to ensure proper resolution of any conflicts of interests of members of a collegiate body, the body should contain sufficient number of independent members.	YES	One independent member selected to the Supervisory Council of the Company.
3.7. A member of a collegiate body should be considered to be independent only if is not linked with the company, its controlling shareholder or administration of the company/shareholder by any business, kinship or other relations which give or could give rise to a conflict of interest and which could influence the member's views. As it is impossible to list all the cases when a member of a collegiate body may lose independence, in addition, relations and circumstances relate to the determination of independence may differ from company to company, and the best practice of resolution of the problem may form in time, an assessment of independence of the member should be based on the content and not the form of the relations and circumstances.	YES	One independent member selected to the Supervisory Council of the Company, corresponding to criteria listed in this clause. Defining the independence of the member, the independence criteria set in Article 64 of the Procedure of State Property and Non-Property Rights in State-Owned Enterprises of the Republic of Lithuania are taken into account.

Main criteria on which determination of the member‘s independence should be based: 1) he may not be executive director or member of the board of the company or an associated company (if the collegiate body elected by the general meeting of shareholders is a supervisory council) and may not have occupied such position during the past five years); 2) he may not be employee of the company or an associated company and may not have occupied such position during the past three years except for cases when the member of the collegiate body is not part of top management and was elected to the body as a representative of employees; 3) he must not be receiving or received significant additional remuneration from the company or an associated company except for remuneration received as a member of a collegiate body. Such additional remuneration includes participation in share options or other remuneration systems based on the operating results; this does not include compensation benefits under a pension plan (including deferred compensations) for previous work in the company (on condition that such benefit is not related in any way to subsequent positions); 4) he may not be a controlling shareholder and may not represent such shareholder (control is determined according to Article 1(1) of Council Directive 83/349/EEC); 5) he may not have or have had in the previous years any significant business relations with the company or an associated company directly or as a partner, shareholder, director or senior manager of an entity having such relations. An entity is considered to be having business relations if it is an important supplier of goods or services (including financial, legal, advisory and consulting services), significant customer or organisations receiving significant payments from the company or the group to which the company belongs; 6) he may not be and may not have been in the past three years a partner or employee of the current or previous external auditor of the company or an associated company; 7) he may not be executive director or member of the board of another company in which the executive director or member of the company (in case of a supervisory council elected by the general meeting of shareholders) is a consulting director or member of a supervisory council, an may not have other significant relations with the company‘s executive directors that arise in the process of participation in the activities of other companies or bodies; 8) he may not have occupied the position of a member of a collegiate body longer than 12 years; 9) he may not be a member of the closest family of the executive director or a member of the board (in case of a supervisory council elected by the general meeting of shareholders) or of persons referred to in items 1 to 8 above. Close family includes spouses/partners, children and parents.		
3.8. The content of the notion of independence is determined by the collegiate body itself. The body mat decide that a certain member cannot be considered independent due to particular personal or company-related circumstances, even though he meets all the independence criteria set in this Code.	YES	The independent member elected to the Supervisory Council of the Company corresponds to all independency criteria.
3.9. Information on the conclusions drawn by the collegiate body in determining whether a member can be considered independent should be disclosed. Where appointment of a member of a collegiate body is proposed, the company should announce whether the member is considered independent. Where a member of the body does not meet any independence criteria set in this code, the company should announce reasons why it still considers that member independent. In addition, the company should state in every annual report which members of the collegiate body are considered independent.	YES	The independent member elected to the Supervisory Council of the Company corresponds to all independency criteria. The status of the independent member of the Supervisory Council is identified in the annual report.

3.10. Where one or more of the independence criteria set out in this Code have not meet throughout the year, the company should announce reasons why a member of the collegiate body is considered independent. In order to ensure accuracy of information about independence, the company should demand that independent members would confirm their independence on a regular basis.	YES	The independent member elected to the Supervisory Council of the Company corresponds to all independency criteria.
3.11. Independent members of a collegiate body may be remunerated for their work and attendance of meetings of the body out of the company's funds. The size of the remuneration should be approved by the general meeting of shareholders.	YES	The independent member of the Supervisory Council of the Company elected is paid an hourly remuneration, approved by the general meeting of shareholders.
Principle IV: Duties and responsibilities of a collegiate body elected by the general meeting of shareholders **The corporate governance system should ensure that the collegiate body elected by the general meeting of shareholders functions properly and effectively and the rights granted to the body should endure effective supervision over the corporate management bodies and protection of the shareholders' interests**		
4.1. The collegiate body elected by the general meeting of shareholders ("the collegiate body") should ensure integrity and transparency if the financial accounting and control system of the company. The collegiate body should constantly make recommendations to the company's management bodies and supervise and control their activities in the area of management of the company.	YES	The Supervisory Council of the Company submits to the general meeting of shareholders its feedback and proposals for the Company's operating strategies, the annual financial statements, the profit allocation project, the Annual Report of the Company, and the work of the Company's CEO and makes proposals concerning a draft decision on declaring dividend for a period shorter than the financial year and the interim financial statements and the interim report prepared for this purpose.
4.2. Members of the collegiate body should act for the benefit and in the interests of the company and shareholders in good faith, carefully and responsibly, taking account of the employees' interests and public welfare. Independent members of a collegiate body should: a) maintain independence of their analyses, decision adoption and actions under any circumstances; b) do not seek and do not accept unjustified preferences that might compromise their independence; c) clearly express their objections in cases when, in their opinion, decision by the collegiate body may be harmful to the company. Where the collegiate body has adopted decisions with respect to which an independent member has serious doubts, in such a case the member should draw conclusions accordingly. In case of resignation of an independent member he should explain the reasons therefor in a letter to the collegiate body or audit committee and, if necessary, to a relevant external institution.	YES	The independent member of the Supervisory Council of the Company actively expresses his/her opinion and objections. No members of the Supervisory Council resigned during the reporting period.
4.3. Each member of a collegiate body should devote sufficient time and efforts to the performance of his duties in a collegiate body. Each member of a collegiate body should undertake to limit his other professional obligations (in particular the duties of a director of another company) so that they do not hinder the performance of his duties as a member of the collegiate body. If a member has attended less than one half of the meetings of the collegiate body during the company's financial year, the shareholders should be notified thereof.	YES	Members of the Supervisory Council take an active part in the meetings of the collegiate body and devote sufficient time for the performance of their functions as Members of the collegiate body. The participants in the meetings are recorded in the minutes.
4.4. Where decisions by the collegiate body may have different effects on different shareholders, the collegiate body must treat all the shareholders in good faith and without bias. It should ensure that the shareholders are duly informed about the company's affairs, strategies, risk management and resolution of conflicts of interest. The company must have clearly defined the role of the members of the collegiate body in the relations with shareholders and in their obligations to the shareholders.	YES	The shareholders are informed about the Company's strategies, risk management and resolution of conflicts of interests according to the procedure established by the law. The role of the Supervisory Council Members in the communication with and obligations to the shareholders is determined according to provisions of the Law

		on Companies and the Articles of Association.
4.5. It is recommended that transactions (except low value transactions or transactions concluded in the normal course of business of the company) between the company and its shareholders or members of supervisory or managerial bodies or other natural or legal persons that may have influence over the company's management should be certified by a collegiate body. Decision on the approval of such transactions should be deemed to be adopted only if the majority of the independent members of the collegiate body vote for it.	YES / NO	Management bodies of the Company conclude and approve transactions according to provisions of the legal acts and Articles of Association of the Company. The general meeting of shareholders of the Company takes decisions on standard terms and conditions of agreements with the Supervisory Council Members and on payment of remuneration to the Supervisory Council Members. The Supervisory Council of the Company takes decisions on standard terms and conditions of agreements with the Board Members and on payment of remuneration to the Board Members. Other transactions are approved by the Company's CEO irrespective of counterparties of the transactions.
4.6. The collegiate body should be independent in adopting decisions that are significant for the company's activities and strategies. In addition, the collegiate body should be independent from management bodies of the company. Work and decisions by the collegiate body should not be influenced by the persons that elected it. The company should ensure that the collegiate body and its committees are provided with sufficient resources (including financial) necessary for the performance of their duties including the right to obtain – in particular from the employees of the company – all the requisite information and the right to approach external law, accounting or other professionals for advice on the matters falling within the scope of competence of the collegiate body and its committees. The remuneration committee, while using the consultants'/experts' services in order to get information about market standards on setting of remuneration rates, must ensure that the same consultant would not provide consulting on personnel division or executive director or members of management bodies of a related company at the same time.	YES/ NO YES NO	The independent member elected to the Supervisory Council corresponds to the criteria set. The Company ensures proper working conditions for the Supervisory Council and its Members and furnishes them with organisational resources necessary for work. The CEO of the Company appoints a secretary for the Supervisory Council who services its meetings. No Remuneration Committee has been formed by the Company.
4.7. Work of the collegiate body should be organised in such a way that independent members of the collegiate body would have significant influence in the most important areas with a high potential of conflicts of interest. Such areas include issues related to the appointment of directors, setting of remuneration to directors, and audit control over the company. Therefore, in the case where these issues fall within the scope of competence of a collegiate body, it is recommended that the collegiate body forms committees on appointment, remuneration and audit. The company should ensure that functions assigned to the appointments, remuneration and audit committees are performed, however, they may be combined and less than three committees may be formed. In such a case the company must provide a detailed explanation why an alternative approach was selected and how it complies with the objectives of the three individual committees. Where the collegiate body has a small number of members, the functions of the three committees may be performed by the collegiate body itself, provided that it meets the composition requirements set for the committees and the requisite	YES / NO YES / NO	Only one independent member selected to the Supervisory Council of the Company. No Remuneration Committee or Appointment Committees have been formed. In the opinion of the Company, the work of the Supervisory Council is effective and well organised, therefore, the Supervisory Council can properly perform all the functions of the Remuneration and Appointment Committees.

information on this issue is disclosed. In such a case the provisions of this Code related to the said committees of the collegiate body (in particular, to their role, activities and transparency) should apply to the collegiate body as whole, where applicable.		
4.8. The main purpose of the committees is to increase efficiency of work of the collegiate body to ensure that decisions are adopted upon proper consideration and to assist in the organisation of work so that conflicts of interest do not influence decisions adopted by the collegiate body. The committees should act in an independent manner and adhere to their principles and provide to the collegiate body recommendations on decision-adoption by the collegiate body, however, the final decision shall be adopted by the collegiate body itself. The recommendation on the formation of committees is not aimed at narrowing the scope of competence of the collegiate body or delegate it to the committees. The collegiate body remains fully responsible for the decisions adopted within the scope of its competence.	YES / NO	Only Audit Committee has been formed in the company. No Remuneration Committee or Appointment Committees have been formed.
4.9. Committees formed by the collegiate body should normally consist of at least three members. In companies whose collegiate body has a small number of members a committee may be formed of two persons by way of exception. The majority of the members of any committees should consist of independent members of the collegiate body. In case if no supervisory council is formed in the company, the salaries committee and the audit committee should be formed exclusively of consulting directors. In deciding on the chairman and members of a committee, account should be taken of the fact that membership of committees should be renewed and excessive trust should not be placed on any person.	YES	The Audit Committee consists of three members, two of whom are independent members.
4.10. Authorisations of any committee should be established by the collegiate body. Committees should perform their duties within the scope of their authorisations and inform the collegiate body about its activities and results on a regular basis. Authorisations of each committee, with the roles, rights and responsibilities defined, should be published at least once in a year (as part of the information that the company publishes on its management structure and practices every year). The annual report of the company should also include notices of published by the committees stating information about their composition, number of meetings and attendance by members during the past year as well as about main lines of activities. The audit committee should certify that is it satisfied with the independence of the audit process and briefly describe actions taken to arrive to this conclusion.	YES	Authorisations of the Audit Committee were set by the Supervisory Council of the Company by approving the Rules for the Formation and Operation of the Audit Committee, which set out the rights and responsibilities of the Audit Committee and its members.
4.11. In order to ensure independence and objectivity of committees, members of the collegiate body that are not members of the committees should normally have the right to attend the meetings of the committee only subject to invitation by the committees, The committee may invite or demand that certain employees or experts attend the meetings. Chairman of each committee should be enabled to maintain direct relations with the shareholders. Cases when this should be done should be stated in the committee‘s regulations.	YES	
4.12. Appointments Committee. 4.12.1. The main functions of the Appointments Committee should be as follows: 1) select candidates to vacant positions of members of management bodies and recommend them to the collegiate body for consideration. The committee should assess the balance of skills, knowledge and experience in a management body, prepare a description of functions and abilities required for a specific position, and assess the time necessary for the discharge of obligations. The	NO	No Appointments Committee has been formed in the Company. .

committee may also evaluate the candidates to members of the collegiate body proposed by the shareholders; 2) on a regular basis, evaluate the structure, size, composition and activities of supervisory and management bodies, make recommendations for changes to the collegiate body; 3) on a regular basis, evaluate skills, knowledge and experience of individual director and notify the collegiate body; 4) devote sufficient attention to the continuity planning; 5) review management bodies‘ policies on election and appointment of top management. 4.12.2. The appointments committee should consider proposals received from other persons including administration and shareholders. Where issues related to executive directors or members of the board (where the collegiate body elected by the general meeting of shareholders is the supervisory council) and top management, the committee should consult the CEO, entitling him to make proposals to the committee.		
4.13. Remuneration Committee 4.13.1. The main functions of the Remuneration Committee should be as follows: 1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company’s remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) review, on a periodic basis, the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;	NO	No Remuneration Committee has been formed in the Company.

2) examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee 4.14.1. The main functions of the Audit Committee should be as follows: 1) monitor the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit firm/auditor and make recommendations on required actions in such situations; 5) monitor the independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) review the efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting	YES	The majority of the specified functions of the Audit Committee have been included in the Rules for the Formation and Operation of the Audit Committee approved by the Supervisory Council.

treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegiate body should make a self-assessment, which should include an assessment of the structure, organisation of work, and ability to act as a team of/by the collegiate body, an assessment of competence and efficiency of each member and committee of the body, and an assessment whether the body has achieved its objectives. The collegiate body should publish, at least once in a year (as part of information published annually by the company on its management structures and practices), relevant information on its internal organisation and operating procedures, specifying any material changes resulting from the self-assessment.	NO	The Company does not perform assessments of the collegiate body and has no practice of publishing the relevant information.
Principle V: Working procedures of collegiate bodies of the company **The working procedures of the collegiate supervisory and managerial bodies should ensure effective operation and decision-adoption by these bodies and encourage active cooperation between corporate bodies**		
5.1. Collegiate supervisory and managerial bodies of the company (for the purposes of this Principle, *collegiate bodies* include both supervisory and managerial bodies) are headed by chairmen. A chairman is responsible for the proper convening of meetings of a collegiate body. The chairman should ensure proper notification of all members of the body including the agenda of the meeting. He should also ensure proper chairing of the meetings, order at the meetings and working atmosphere during the meeting.	YES	Appropriate requirements are set in work regulations of all collegial bodies of the company.
5.2. It is recommended that meetings of collegiate bodies of the company are convened at relevant intervals under an approved schedule. A company decides itself on the periodicity of the meetings, however, it is recommended that the periodicity should	YES	Meetings of the Supervisory Council are held at least once in a quarter as stated in Article 45(3) of the Articles of Association of the

ensure continues resolution of key issues of corporate management. Meetings of the supervisory council should be convened at least quarterly and meetings of the board – at least monthly.		Company. The Supervisory Council draws up a schedule of the Supervisory Council's meetings at the beginning of the calendar year in accordance with the Regulations of the Supervisory Council. According to Article 84(4) of the Articles of Association, meetings of the Board are held at least once in two weeks. The Board draws up a schedule of the Board's meetings at the beginning of the calendar year in accordance with the Regulations of the Board.
5.3. Members of a collegiate body should be notified of a meeting in advance so that they have enough time to prepare for the consideration of issues at the meeting and the discussions are fruitful and followed by adoption of proper decisions. A notice of the meeting to the members of the collegiate body should be accompanied by any requisite materials related to the agenda. The agenda should not be amended or supplemented during the meeting except for cases when all the members of the body are present at the meeting or where issues material to the company must be urgently resolved.	YES	According to the Regulations of the Supervisory Council, the Members of the Supervisory Council and the invited persons are given a 6 (six) days' notice of the meeting, and are furnished with all the requisite information related to the agenda. According to the Regulations of the Board, the Board Members and the invited persons are given a 5 (five) days' notice of the meeting, and are furnished with all the requisite information related to the agenda.
5.4. In order to coordinate work of collegiate bodies of the company and ensure an effective decision-adoption process, chairman of the collegiate supervisory and managerial bodies should agree on dates of meetings and agendas and cooperate closely in resolving other issues related to the company's management. Meetings of the supervisory council should be open to members of the board, in particular where issues related to recalling or liability of the latter or setting of remuneration for the latter are resolved.	YES	
Principle VI: Unbiased treatment of shareholders and shareholders' rights **The corporate governance system should ensure unbiased treatment of all shareholders including minority shareholders and foreign shareholders. The corporate management governance should protect the shareholders' rights**		
6.1. It is recommended that the company's capital consists only of those shares that grant equal right in terms of voting, ownership, dividend etc. to their holders.	YES	The authorised capital of the Company consists of ordinary registered shares of LTL 1 par value. The shares grant equal property and non-property rights to their holders.
6.2. It is recommended that investors are afforded the opportunity of early (i. e. prior to purchase of shares) familiarisation with the rights attached to newly issued or existing shares.	YES	The rights attached to the shares are specified in the Articles of Association of the Company, which are published in the Company's website.
6.3. Transactions that are material to the company and its shareholders such as transfer of the company's assets, investments, mortgage or other encumbrance should be approved by the general meeting of shareholders in advance. All shareholders should be afforded equal opportunities for familiarisation with and participation in the adoption of decisions important for the company including approval of the said transactions.	YES	Clauses 70(1) and 72 of the Articles of Association of the Company establish the criteria for material transactions requiring approval of the general meeting of shareholders.
6.4. Procedures for the convening and holding of general meetings of shareholders should provide equal opportunities for the shareholders to take part in the meeting and should not infringe the shareholders' rights and interests. The selected place, date and	YES	The Company convenes general meetings of shareholders and implements other procedures related to such meetings according

time of the meeting should not prevent the shareholders from active participation in the meeting.		to the provisions of the Republic of Lithuania Law on Companies.
6.5. In order to ensure the foreign shareholders' right to get conversant with the information, it is recommended that the documents prepared for the general meeting of shareholders, where possible, are published in advance in a publicly accessible website of the company in Lithuanian and English and/or other languages. The signed minutes of the meeting and/or decisions should also be published in a publicly accessible website of the company in Lithuanian and English and/or other languages. A document may be published on the company's website in a reduced scope if full publication could damage the company or trade secrets of the company would be disclosed.	YES	Pursuant to the Republic of Lithuania Law on Companies, the Company publishes draft decisions of the general meeting of shareholders in its website, in Lithuanian and English. Decisions taken by the general meeting of shareholders are published in the Company's website in Lithuanian and English. This information is also published, pursuant to the Articles of Association of the Company and other legal acts in the NASDAQ OMX Vilnius and the Centre of Registers' electronic newsletter.
6.6. The shareholders should be provided the opportunity to vote at the general meeting by attending or not attending the meeting in person. There should be no obstacles for the shareholders to vote in advance by completing the general ballot.	YES	The shareholders of the Company may exercise the right of attending the general meeting of shareholders either in person or through a proxy, provided that the latter holds a properly executed power of attorney or has signed an agreement on the transfer of the voting right. The Company enables the shareholders to vote by completing a ballot as provided for by the Republic of Lithuania Law on Companies.
6.7. In order to increase the shareholders' opportunities for participation in the general meetings, the companies should seek to more widely apply modern technologies and to enable the shareholders to attend and vote at the general meetings by means of electronic communications. In such cases security of the information transmission and the possibility of identification of the participants and voters must be ensured. Furthermore, companies should enable shareholders, in particular those residing abroad, to observe the general meetings by means of modern technologies.	NO	The Company has no practice of voting by means of electronic communications.
Principle VII: Avoiding and disclosing conflicts of interest **The corporate governance system should encourage members of the bodies to avoid conflicts of interests and ensure a transparent and effective mechanism of disclosing conflicts of interests of members of the bodies**		
7.1. A member of a managerial or supervisory body of the company should avoid a situation where his personal interests conflict or may conflict with the company's interests. If such situation arises, the member should notify, within a reasonable time limit, other members of the same body or the body of the company that has elected him or the shareholders of the situation of conflict of interests, specifying the nature and, where possible, value of the interests.	YES	All members of the supervisory and management body are obliged to follow the requirement set.
7.2. A member of a managerial or supervisory body of the company may not mix the corporate assets the use of which has not been specifically considered with him with his personal assets or use the asset or the information that he receives as a member of a collegiate body for personal or third-party benefit unless the general meeting of shareholders or another body of the company authorised by the meeting gives its consent.	YES	
7.3. A member of a managerial or supervisory body of the company may conclude a transaction with the company having formed the	YES	

relevant body. The shareholder must immediately notify the transaction (except for low value transactions or transactions concluded in the normal course of business of the company and on standard terms and conditions) to other members of the same body or the body that has elected him or the shareholders; the notice may be in writing or oral, with an entry in the minutes of the meeting. Recommendation 4.5 also applies to the transactions referred to above.		
7.4. A member of a managerial or supervisory body of the company should refrain from voting when decisions on transactions or other matters with which he is connected by personal or business interests are being adopted.	YES	According to Article 45(9) of the Republic of Lithuania Law on Companies, a Member of the Supervisory Council is not entitled to vote if there is a conflict of interest between the Member of the Supervisory Council and the Company. According to Article 35(6) of the Republic of Lithuania Law on Companies, a member of the Board is not entitled to vote if a matter related to his/her work in the Board or to his/her responsibility is being resolved. In addition, according to legal acts, members of management bodies of the Company must avoid situations when their personal interests contradict or can contradict the interests of the Company.
Principle VIII: Corporate remuneration policy **The remuneration policy and the procedure for approving, reviewing and publishing of remuneration for directors in place in the company should prevent potential conflicts of interest and abuse in setting remuneration for directors and should ensure publicity and transparency of the corporate remuneration policy and directors' remuneration**		
8.1. The company should publish a report on its remuneration policy ("the remuneration report") which should be clear and understandable. The remuneration report should be published in the company's website and not only as part of the annual report.	NO	The Company has no practice of preparing a report on the remuneration policy and the approval, revision and publishing of salaries paid to the Company‘s directors. No such requirement is contained in the legal acts. General information on the Company‘s remuneration policy and average rates of pay for employee groups are published in the Annual Report of the Company. According to Article 25(5) of the Republic of Lithuania Law on Energy, the Company publishes the salaries set for Members of the Company's management as well as other payments to them related to their functions in the management bodies.
8.2. The remuneration report should be focussed on the directors' remuneration policy in next year and where applicable in subsequent financial years. It should also contain an overview of the implementation of the remuneration policy in previous financial years.	NO	The Annual Report does not contain information on the policy of remuneration to the Company‘s directors for next year and subsequent years. The Annual Report contains information on amounts calculated for the members of the Company‘s management bodies (salaries, other

		payments, tantiemes, other distributions from profit).
8.3. The remuneration report should contain at least this information: 1) relationship between the variable and fixed components of the directors remuneration and explanation thereof; 2) sufficient information on criteria for the evaluation of performance results on which the entitlement to share options, to shares or to variable components of remuneration is based; 3) explanation of why the selected criteria are beneficial for long-term interests of the company; 4) explanation of the methods applied in determining whether the performance evaluation criteria are met; 5) sufficiently detailed information on periods of deferring the payment of the variable component of remuneration; 6) sufficient information on the link between remuneration and performance; 7) main criteria underlying the annual bonus system and other non-cash benefits; 8) sufficiently detailed information on the severance pay policy; 9) sufficiently detailed information on the period of granting of share-based payment as stated in item 8.15; 10) sufficiently detailed information on retaining shares upon granting of rights under item 8.15; 11) sufficiently detailed information on composition of similar groups of companies whose remuneration policies were analysed in order to formulate the remuneration policy for an associated company; 12) description of main features of an additional pension scheme or early retirement scheme intended for directors; 13) the remuneration report should not contain information that ought not to be published for commercial considerations.	NO	The Annual Report contains information on amounts calculated for the Members of the Company's management bodies (salaries, other payments, tantiemes, other distributions from profit), information on assets transferred and guarantees issued to the Members as well as other information related to the remuneration to the Members. Please see Comment on Item 8.1.
8.4. The remuneration report should also summarise and explain the company's policy for agreements concluded with executive directors and members of management bodies. This should include, inter alia, information on the terms of agreements with executive directors and members of management bodies and periods of notice of resignation as well as detailed information on severance pay and other benefits related to the early termination of agreements with executive directors and members of management bodies.	NO	The Company has no practice of publishing such information.
8.5. The full amounts of remuneration and other benefits received by individual directors in the relevant financial year should be detailed in the remuneration report. This document should contain at least information referred to in items 8.5.1–8.5.4 for each person that had occupied the position of a director in the company in any period of the financial year. 8.5.1. The following information related to remuneration and/or other service income should be provided: 1) total amount of remuneration paid or payable to the director for the services provided in the past financial year including, where applicable, participation fees set in the general meeting of shareholders; 2) remuneration and benefits received from any company of the same group; 3) remuneration paid as allocation from profit and/or bonuses and reasons for granting of such bonuses and/or allocations from profit; 4) if permitted by the laws, each type of material extra pay paid to directors for special services not included in normal functions of directors; 5) compensation payable or paid to each executive director or member of management bodies who has resigned in the previous financial year;	NO	The Company has no practice of publishing such information.

6) total value of the benefit which is treated as remuneration and which is given in a form other than cash, if such benefit is not covered by items 1 to 5. 8.5.2. The following information related to shares and/or rights to take part in share options and/or any other rights to take part in the share-based incentive systems should be provided: 1) number of share options offered or shares allocated previous financial year and the terms and conditions thereof; 2) number of share options exercised during previous financial year specifying the number and price of the shares in each option, or the value of participation in the share-based employee incentive system as of the end of previous year; 3) number of share options unrealised as of the end of financial year, their realisation price, realisation data and main terms of exercise of the rights; 4) any changes in the terms of share options in the next financial year. 8.5.3. The following information related to the additional pension schemes should be provided: 1) in case defined benefit schemes – changes in benefits accumulated for the directors in the relevant financial year; 2) in case of defined contribution schemes – detailed information on contributions paid or payable for the director by the company in the relevant financial year; 8.5.4. Amounts paid by the company or its subsidiary or any company included in the company's consolidated financial statements as a loan, prepayment or guarantee to any person who has occupied the position of a director in any period of the relevant financial year, including outstanding amounts and interest rates.		
8.6. Where the remuneration policy provides for variable components of remuneration, the company should set the limits of the variable components. The fixed component should be sufficient to allow the company not to pay the variable component in case if the performance criteria are not met.	NO	The Company has no practice of publishing such information.
8.7. The payment of the variable component should depend on pre-set and measurable performance evaluation criteria.	NO	The Company has no practice of publishing such information.
8.8. Where the variable component of the remuneration is paid, payment of the larger part of this component should be deferred for a reasonable period. The size of the deferred part of the variable component should be set based on the relative value of the variable part as compared with the fixed part of the remuneration.	NO	The Company does not publish such information.
8.9. Agreements with executive directors or members of management bodies should include a provision enabling the company to recover the variable part that has been paid based on the data which later appeared to be untrue.	NO	The Company has no practice of publishing such information.
8.10. Severance pay should not exceed a set amount or a set number of annual pay amounts and generally should not be higher than the sum of the fixed remuneration component for two years or an equivalent.	YES	
8.11. Severance pay should not be paid if employment contract is terminated on the grounds of poor performance.	YES	
8.12. Furthermore, information on the preparatory and decision-adoption processes whereby directors' remuneration policy is formulated should be disclosed. The information should include data, if applicable, on the powers and composition of the remuneration committee, names of external consultants whose services were used in the formulation of the remuneration policy, and the role of the annual general meeting of shareholders.	NO	The Company has no practice of publishing such information.
8.13. In cases where remuneration is share-based, the right to shares should not be granted during at least three years after allocation thereof.	YES	N/A
8.14. Share options or other rights to acquire shares or to receive remuneration based on share price fluctuations should not be exercised earlier than on expiry of three years after allocation. The granting of the right to the shares and the right to exercise share options or other rights to acquire shares or receive remuneration	YES	N/A

based on share price fluctuations should depend on pre-set and measurable performance evaluation criteria.		
8.15. Upon allocation of the rights the directors should retain a certain number of shares until the end of the term of office depending on the need to cover any expenses related to the share acquisition. The number of shares to be acquired should be pre-set, e. g. the value of annual remuneration (variable plus fixed) multiplied by two.	YES	N/A
8.16. Remuneration to consulting directors or members of the supervisory council should not include share options.	YES	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to take part in the annual meetings of shareholders and vote on the issue of setting remuneration for the directors.	YES	
8.18. Without diminishing the role of bodies responsible for the setting of remuneration, remuneration policy and any material change therein should be included in the agenda of the annual meeting of shareholders. The remuneration report should be submitted to the general meeting of shareholders for voting. The voting results may have mandatory or advisory effect.	YES	
8.19. Schemes under which remuneration to directors is paid in shares, share options or other rights to acquire shares or receive remuneration based on share price fluctuations should be approved in advance by a decision adopted by the general meeting of shareholders. The consent should be given to the scheme itself and shareholders should not decide on the benefit received by individual directors under that scheme. Any material amendments to the scheme proposed prior to the scheme introduction date should also be approved by the decision of a general meeting of shareholders. In such cases the shareholders should be informed in detail about the proposed amendments and the potential effects thereof.	NO	Such schemes are not applied and the Company does not publish such information.
8.20. Consent of the general meeting of shareholders should be obtained for the following matters: 1) remuneration to directors under share-based schemes including share options; 2) setting of the maximum number of shares and main terms and conditions of share allocation; 3) term within which share options must be exercised; 4) terms and conditions of changing the price for the exercise of each further share option; 5) any other long-term incentive schemes for directors that are not offered to any other employees of the company on similar terms. The general meeting of shareholders should also set the final time limit for the allocation of the above-said compensations to directors by the body responsible for director's' remuneration.	NO	Such schemes are not applied and the Company does not publish such information.
8.21. If permitted by the national law or the Articles of Association of the company, the shareholders' approval should also be required for each model of option permitting subscription for the shares at a price lower than market price valid as of the price-setting day or at an average market price valid several days prior to the setting of the exercise price.	NO	Such schemes are not applied and the Company does not publish such information.
8.22. Items 8.19 and 8.20 should not be applied to schemes which are offered, on similar terms and conditions, to employees of the company or of any subsidiary entitled to participate in the scheme and which were approved by the general meeting of shareholders.	NO	Such schemes are not applied and the Company does not publish such information.
8.23. Prior to the date of the general meeting of shareholders at which the decision referred to in Item 8.19 is to be considered, the shareholders should be afforded the opportunity to familiarise themselves with the draft decision and the related notice (the documents should be published on the company's website). The notice should contain the full text describing the share-based scheme or a description of the main terms and conditions thereof as well as names of participants in the scheme. The notice should also specify the relationship between the schemes and the overall directors' remuneration policy. The draft decision should contain a clear reference to the scheme itself or a summary of the main	NO	Such schemes are not applied and the Company does not publish such information.

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terms and conditions. The shareholders should also be furnished with information on the way the company intends to secure the availability of the shares necessary for the discharge of obligations under the incentive scheme: it should be clearly indicated whether the company intends to buy the shares in the market, or keep them as a reserve, or issue new shares. In addition, an overview of the scheme costs to be incurred by the company due to the application of the scheme should be provided. The information under this item should be published in the company's website.		
Principle IX: Role of stakeholders in corporate governance **The corporate governance system should recognise the statutory rights of stakeholders and promote active collaboration between them and the company in creating the company's welfare, jobs and financial stability. For the purposes of this principle, *stakeholders i*nclude investors, employees, creditors, suppliers, customers, local community and other persons having interests in a specific company**		
9.1. The corporate governance system should ensure respect for the statutory rights of stakeholders.	YES	
9.2. The corporate governance system should enable stakeholders to participate in the governance according to procedures established by the law. Examples of stakeholders' involvement: participation of employees in adopting decisions significant for the company, consulting with the employees on matters of the company's management and other important matters, employees' participation in the share capital, involvement of creditors in the company's management in case of insolvency of the company etc.	YES	The Company complies with this recommendation. For example, consultations, negotiations etc. on the optimisation processes implemented in the Company are held with representatives of the Company's employees. Under the Collective Agreement concluded with the employee representatives, the Company informs the trade union representatives of projected changes, financial position of the Company etc. Stakeholders can take part in the corporate governance to the extent permitted by the laws.
9.3. Where stakeholders take part in the corporate governance process, they should be enabled to access requisite information.	YES	
Principle X: Disclosure of information **The corporate governance system must ensure that information on all material issues relevant to the company, including financial position, operations and management, is disclosed timely and accurately**		
10.1. The company should disclose information on: 1) operations and financial results of the company; 2) objectives of the company; 3) persons owning or controlling a block of shares of the company; 4) members of supervisory and management bodies of the company and the head of the company as well as their remuneration; 5) predictable key risks; 6) the company's transactions with related parties as well as transactions concluded in other way than the usual course of business; 7) main issues related to employees and other stakeholders; 8) management structure and strategies of the company. This list is a minimum list and companies are encouraged not to confine themselves to the disclosure of this information.	YES, except (4) and (7)	
10.2. In disclosing the information referred to in (1) of Item 10.1, it is recommended that the controlling company discloses information on the consolidated results of the entire group of companies.	YES	
10.3. In disclosing the information referred to in (4) of Item 10.1, it is recommended to provide information on professional experience and qualifications of members of the company's supervisory and managerial bodies and the head of the company as well as potential conflicts of interests that could influence their decisions. It is also recommended to disclose remuneration and other income received by the said persons as detailed under Principle VIII.	NO	The Company has no practice of publishing such information.
10.4. In disclosing the information referred to in (7) of Item 10.1, it is recommended that information on relations between the	NO	The Company has no practice of publishing such information.

company and its stakeholders such as employees, creditors, suppliers, local community etc. is disclosed including the company's human resources policy, programmes on employees' participation in share capital etc.		
10.5. The information should be disclosed in such a way that no shareholder or investor is discriminated against with respect to the method and scope of information received. The information should be disclosed to all at the same time. It is recommended that notices of material events are published prior to or after a trading session at NASDAQ OMX Vilnius so that all shareholders and investors of the company have equal opportunities to familiarise themselves with the information and to adopt relevant investment decisions.	YES	The Company publishes information through the information system of the Vilnius Securities Exchange in Lithuanian and English simultaneously. The Company publishes information prior to, during and after each trading session at Vilnius Securities Exchange and presents it simultaneously to all the markets in which the Company's securities are traded. The Company does not disclose information that may influence the price of its securities in any comments, interviews etc. before such information is published in the Vilnius Securities Exchange IS.
10.6. The methods of disclosing information should ensure unbiased, timely and inexpensive access to information to the information users including free access in cases established by the law. It is recommended that information technologies are used widely for the dissemination of information, e. g. publishing of information on the company's website. Information should be published on the company's website both in Lithuanian and English as well as in other languages if possible.	YES	Apart from the method of disclosure stated in p. 10.5, the Company uses various media (an electronic newsletter published by VĮ Registrų centras, news agencies, the Company's website which is publicly available) in order to ensure that the information reaches the largest circle of stakeholders possible. Information in the Company's website is published in Lithuanian and English.
10.7. It is recommended that the annual report, the financial statements and other period reports of the company are published on its website, together with the company's notices of material events and changes in the prices of the company's shares in securities exchange.	YES	
Principle XI: Selection of the Company's auditor **The mechanism for the selection of an auditor for the company should ensure independence of the audit opinion**		
11.1. In order to obtain an objective opinion of the interim and annual financial statements and the annual report of the company, they should be audited by an independent auditor.	YES	
11.2. It is recommended that the supervisory council proposes an auditor to the general meeting of shareholders, and if no supervisory council is formed, then the proposal should be made by the board.	NO	The auditor of the Company is selected through a public procurement procedure.
11.3. If the audit firm receives payment from the company for services other than audit services, the company should disclose this to its shareholders. This information should also be disclosed to the supervisory council, and if no supervisory council is formed – to the board for the purposes of selecting the auditor that it intends to propose to the general meeting of shareholders.	YES / NO	The Company purchases from audit firm's services other than audit services only in exceptional cases and usually these are low-value transactions, therefore, the Company has no practice of disclosing such information to its shareholders or management bodies, except the Audit Committee, which supervises the process of auditing.