Litgrid

CONSOLIDATED ANNUAL REPORT OF LITGRID AB AND ITS SUBSIDIARIES FOR 2014

Litgrid

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

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Financial statements approval

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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

The financial statements were approved on 25 March 2015

Audit opinion

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Juridinių asmenų registras

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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.

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)

ASSETS	Notes	Group As at 31 December 2014	Company As at 31 December 2014	Group As at 31 December 2013 (adjusted)	Company As at 31 December 2013 (adjusted)	Group As at 31 December 2012 (adjusted)	Company As at 31 December 2012 (adjusted)
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	6	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		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

	Notes	Group 2014	Company 2014	Group 2013	Company 2013	Group 2012	Company 2012
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**

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	4, 5	(175 017)	(174 952)	(291 791)	(291 849)
Depreciation and amortization		(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	5	(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		(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		312	-	1 151	-
Profit (loss) before income tax	6	**(452 021)**	**(456 343)**	**29 819**	**32 616**
Income tax					
Current year income tax (expense)		(11 475)	(11 470)	(20 518)	(20 497)
Deferred tax income (expense)	21				
Net profit (loss) for the year		78 165	78 172	16 056	15 948
	21	**66 690**	**66 702**	**(4 462)**	**(4 549)**
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		**(385 331)**	**(389 641)**	**25 357**	**28 067**
Revaluation of property, plant and equipment		(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	5	**(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**	**-**
Bendrosios pajamos (išlaidos) priskirtinos:					
Patronuojančios įmonės akcininkams		(568 462)	(573 053)	25 669	28 067
Nekontroliuojančiai daliai		(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 the shareholders of the parent company								
	Share capital	**Share premium**	**Revaluation reserve**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Subtotal**	**Non-controlling interest**	**Total**
Balance at 1 January 2013									
Comprehensive income	**504 331**	**29 621**	**246 582**	**50 464**	**654 738**	**44 742**	**1 530 478**	**4 390**	**1 534 868**
Comprehensive income (loss) for the year		-	-	-	-	25 669	25 669	(312)	25 357
Depreciation of revaluation reserve and amounts written off	-	-	(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	-	-	-	-	-	(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		-	(19 164)	-	-	19 164	-	-	-
Total comprehensive income	-								
(loss) for the year	-	-	**(202 555)**	-	-	**(365 907)**	**(568 462)**	**(260)**	**(568 722)**
Transfers to retained earnings	-	-	-	(26)	(63 000)	63 026	-	-	-
Dividends		-	-	-	-	(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		-	(20 528)	-	-	20 528	-
Total comprehensive income	-						
(loss) for the year		-	**(20 528)**	-	-	48 595	28 067
Dividends	-	-	-	-	-	(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		-	(183 412)	-	-	(389 641)	(573 053)
Depreciation of revaluation reserve and amounts	-						
written off		-	(19 129)	-	-	19 129	-
Total comprehensive income (loss) for the year	-	-	**(202 541)**	-	-	**(370 512)**	**(573 053)**
Transfers to retained earnings	-	-	-	-	(63 000)	63 000	-
Dividends	-	-	-	-	-	(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.

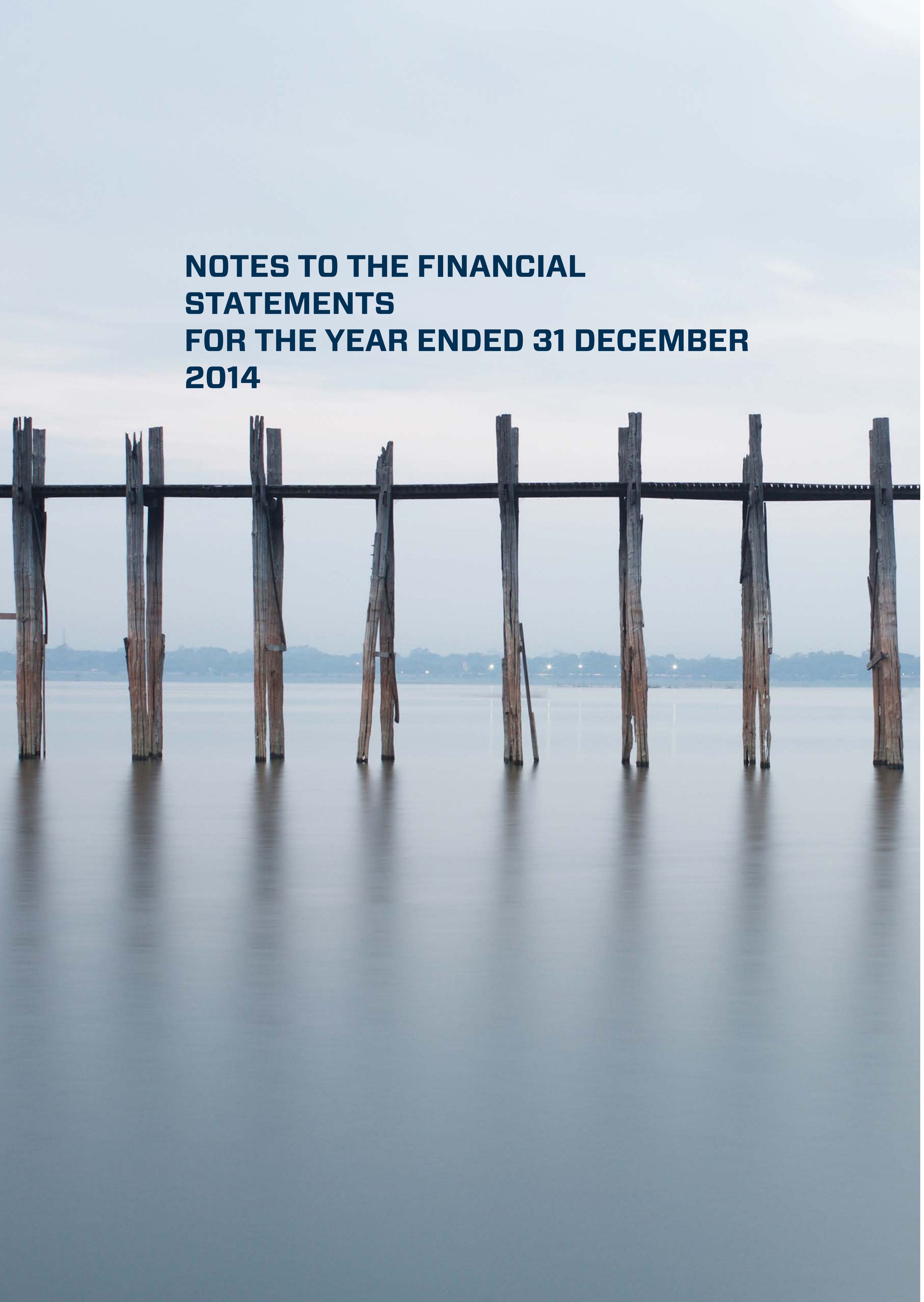
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

(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	13	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	29	**87 332**	**86 330**	**81 562**	**80 751**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



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 a spin-off of Lietuvos Energija AB operations based on 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; its VAT payer code is LT100005748413.

LITGRID is the operator of Lithuania's electricity transmission system, managing electricity transmissions in the territory of the country 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 the electricity transmission network, with strategic projects for electricity interconnections with Sweden and Poland that will ensure the country's energy independence.

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

On 24 February 2011, the Company was granted a license to act as 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. 03-325 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 the responsibility to carry out the function of the administrator of Public Service Obligation (PSO) services in the electricity sector. In accord with the provisions of the mentioned resolution, the Company ceased its activities as PSO services administrator effective 1 January 2013; however, the Company collects PSO funds from entities connected to the power transmission grid and transfers them to BALTPOOL UAB – the administrator of PSO funds according to Resolution No. 1157 of the Government of the Republic of Lithuania 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 included on the Secondary List of the 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, Lietuva	67%	67%	Electricity market operator and operator of natural gas, derivative instruments and biofuel markets; PSO funds administrator
UAB TETAS	Senamiesčio str. 102B, Panevėžys, Lietuva	100%	100%	Transformer substation and distribution station design, reconstruction, repair and maintenance services
UAB Tinklo priežiūros centras	A. Juozapavičiaus str. 13, Vilnius, Lietuva	100%	-	Management and operation of electricity interconnection facilities

Investments into subsidiaries are described in Note 6.

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

COMPANY	Address of the company's registered office	Shareholding as at 31 December 2014	Shareholding as at 31 December 2013	Pagrindinė veikla
UAB Duomenų logistikos centras	Žvejų str. 14, Vilnius, Lietuva	20%	20%	IT services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Design 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 and the Group 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 the 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 them or not approve them and request for preparation of new financial statements.

ADOPTION OF NEW AND/OR CHANGED IFRS AND INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) INTERPRETATIONS

In the 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 financial statements of the Group or the Company nor on 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 amortization 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 amortization methods.

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

The amendments address accounting for 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)

This 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 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

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

Business combinations between entities under common control

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 in the Group's net asset share in 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 the 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 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 gains on transactions between the Group and associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity. Unrealized losses are also eliminated, unless they provide 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.

A gain or loss on a 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 a useful life of more than 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 the gross carrying amount of the asset and the 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 the revaluation reserve directly in equity, and decreases are recognized in the profit and loss account. Decreases in the carrying amount arising on subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are charged against the 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 the 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 the revaluation reserve to retained earnings taking into account the effect of deferred income tax. After the sale or a write-off of a 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, installation of plant and equipment, 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 the 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 the 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 in such a way 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, or 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 has the intention to sell the assets 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 date of the financial statements. 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

The effective interest rate method is used to calculate the amortized 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 occurred after the initial recognition of the asset and if 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 the 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.

After 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 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 thousand, 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 profit or loss of the reporting period.

From 2 February 2002 until 31 December 2014 the 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 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 the 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 the 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 a 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 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 is entitled upon retirement to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws; according to the Comapny's collective agreement, the payment is equal to 3 monthly salaries. A liability for such payments is recognized in the balance sheet and 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

A lease is recognized as a financial lease when all the risks and rewards of ownership of the leased item are transferred to the lessee. An operating lease is a lease that cannot be classified as finance lease. Whether a contract meets the terms of a financial lease is assessed when the contract is signed.

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 responsible for allocating resources and assessing performance of the operating segments has been identified as the Board, which 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 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 for electricity sold by producers and independent suppliers, as well as tariffs for capacity reserves, are not regulated except in cases when the producer or supplier holds more than 25 percent of the market. In the latter case, 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 the 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 have 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 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. Projects are reviewed regularly and provisions are established when it is determined that the project will result in a loss.

Other income
Interest income is recognized on an 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.

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

No other PSO service funds collected by the Company/Group are 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 as receivables (payables) the difference between collected and disbursed PSO service funds being administered.

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 disbursements to electricity generators in the statement of comprehensive income. Only the amount of PSO service funds 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 continues to act as an intermediary in collecting PSO funds for the subsidiary of the group Baltpool UAB, the current PSO administrator; thus the difference between PSO service funds collected and transferred to Baltpool UAB is recognized in other accounts receivable (other accounts payable) as the difference between PSO service funds received and disbursed.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the production, preparation for use or sale of an asset that necessarily takes a substantial period of time to produce, prepare for its intended use or sale, are capitalized as part of the cost of that asset until the asset is fully ready for use or sale. Interest income on the temporary investment of borrowed funds until they are 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. An income tax rate of 15% was used in 2014 and 2013.

Tax losses can be carried forward for an indefinite period except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred, except when the company does not continue such activities for reasons that do not depend on the company itself. Losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from transactions of the same nature. Starting 1 January 2014, tax losses carried forward can be used to reduce the taxable income earned during the reporting year by a 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. A deferred income tax liability is recognised for all temporary differences that will increase taxable profit in the future, and a deferred tax asset is recognised only to the extent it is likely to reduce 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 the amount by which they are 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 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 attributed to shareholders for the period by the weighted average number of ordinary shares on issue during the period. When the number of shares changes and such change does not result in a change of economic resources, the weighted average number of ordinary shares on issue is adjusted in proportion to the change in the number of shares as if that change had occurred at 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, neither assets and liabilities nor income and expenses are offset, except 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. Critical management estimates and assumptions used when preparing these financial statements, as well as the main sources of uncertainties giving rise to 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 the determination of the fair value of the assets is mostly influenced by the assumptions regarding transmission service tariffs for the future periods. Further details about the fair value measurement of property, plant and equipment are 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 by assessing 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 using the discounted cash flow method. An impairment of LTL 2 539 thousand was accounted for this investment as at 31 December 2014. The pre-tax discount rate used was 12.35%.

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

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

Judgement related to cash and cash equivalents

As disclosed in Note 13, a portion of the Company's and Group's funds which are intended to be used to settle with the Nord Balt project contractors corresponds to 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. A 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 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 non-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 approximately their carrying value as they are subject to variable interest rates, and that the fair value of other mentioned financial assets and liabilities approximates 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 prior period financial statements under IFRS, the Group and the Company accounted for grants received and connection fees of new users or producers 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-amortized 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 these changes in accounting policy, comparative figures when preparing the financial statements for 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 for 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 or 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				
Additions	60	1 647	42	1 749
Write-offs	-	1 111	-	1 111
Transfer to (from) property, plant and equipment (PPE)	-	(7)	-	(7)
	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**	**784**	**70 492**	**1 871 954**
Additions	-	-	3	22	(9)	134 421	135 230
Write-offs	-	(39)	(5 883)	-	(5)	(370)	(6 301)
Transfer to (from) inventories	-	-	-	-	-	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 vechiles	Other PPE	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 the replaced part of an 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 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 obliged 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 introduction of the LRAIC method.

The Company performed valuation of assets by the revenue method using the discounted cash flow 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 fair value measurement (Note 2.28).

The asset valuation took into account the Principles for the Establishment of State-Regulated Prices in the Electrical Energy Sector (hereinafter, the Principles) approved by Government Resolution No. 1026 of 24 September 2014, the Methodology for the Establishment of Price Caps on Electrical Energy Transmission, Distribution and Public Supply Services and the Public Price (hereinafter, the Methodology) approved by Resolution No. 03-3 of 15 January 2015 of the National Commission for Energy Control and Prices, and the Property and Business Valuation Methodology approved by Resolution No. 1K-159 of 27 April 2012 of the Minister of Finance of the Republic of Lithuania.

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 "the 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 each year of the period of 2015–2019, 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's Methodology, thus the provision of the Principles regarding establishment of asset value will have to be implemented (the Company appealed to court against the Commission Resolution, 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 and 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's decision was taken in breach of the legislation, 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 asset 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 for regulated operations in 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 in determining the fair value of assets, though the Company disputes this decision of the Commission.

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

The estimated fair value of property, plant and equipment depends on the above-detailed key assumptions that involve significant uncertainties. Sensitivity analysis of the 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.

The sensitivity of the 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 the revaluation performed in 2014:

	Decrease of other comprehensive income and revaluation reserve in equity	Expenses recognised in the profit (loss) section	Total revaluation effect
GROUP			
Decrease in net book value as at 31 December 2014	215 754	425 381	641 135
COMPANY			
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 that must 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 (LitPol Link)	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:

	Land	Buildings	Structures and machinery	Motor vehicles	Other PPE	Construction in progress	Total
GROUP							
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							
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

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 the recoverable amount, which was established based on the discounted cash flow method. The pre-tax discount rate used was equal to 12.55%. The impairment of the investment in UAB TETAS was caused by market changes that resulted in a decrease of forecasted cash flows 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**	

In implementing the power sector restructuring plan and in accord with the 17 October 2012 decision of the Board of LITGRID, LITGRID and LESTO AB (hereinafter – LESTO) concluded a share exchange agreement. Under this agreement, on 7 January 2013 LITGRID transferred the shares it owns in Elektros Tinklo Paslaugos UAB, which comprised 25.03% of the company's share capital, for LTL 8 025 thousand to LESTO, and LESTO transferred the shares it owns in UAB TETAS, which in turn accounted for 38.87% of the share capital, for LTL 6 752 thousand to LITGRID. LESTO paid to the Company the difference between the values of the exchanged shares, which was equal to LTL 1 273 thousand.

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

In accord with the share issuance agreement signed on 9 December 2013, the shareholders of BALTPOOL UAB made an initial 25% cash contribution for the signed shares on 16 December 2013 (with the Company's portion equal to LTL 134 thousand), and the Company paid the remaining amount due for the shares, in parts, by 2 December 2014.

On 24 February 2014, as per the decision of the Board of the Company of 14 February 2014, the Company established the entity Tinklo Priežiūros Centras UAB, the key focus of which is to prepare for the 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 accumulate competence and expertise related to the management and operation of such international power links. As at 31 December 2014, the authorised capital of the Company amounted to LTL 600 000, subdivided into 600 000 common shares with a par value of LTL 1. Pursuant to the act of incorporation of UAB Tinklo Priežiūros Centras, LITGRID AB paid an initial contribution for the signed shares on 17 February 2014, and the remaining amount in instalments by 31 December 2014.

Investments in associates and jointly controlled entities in the Company's and the Group's financial statements

Movements in the balance of investments in associates and jointly controlled entities are given in the table below:

	Group 2014	Company 2014	Group 2013	Company 2014
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 an impairment of LTL 2 539 thousand for the investment in Duomenų Logistikos Centras UAB was accounted based on the recoverable value estimated using the discounted cash flow method. The pre-tax discount rate used was 12.35 %.

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

On 17 July 2014 the share capital of UAB Duomenų Logistikos Centras was reduced in order to pay out funds to shareholders. Before the reduction, the Company held 11 995 748 shares. Having annulled 9 163 806 of the shares held by the Company, UAB Duomenų Logistikos Centras on 22 August 2014 paid the Company LTL 9 163 806.

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 financial assets classified as held for sale comprised 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. Among the main objectives of this entity's activity is the provision to shareholders of IT and telecommunication services and other services.

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 were 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), those of the Company: LTL 370 thousand (31 December 2013: LTL 386 thousand).

Movements in the 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	490	524	381
Change of impairment	192	192	(34)	-
Balance as at 31 December	**682**	**682**	**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 on the 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 approximates their carrying amount.

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

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
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**

10. Other accounts receivable

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 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 PSO activities. Therefore, when accounting for the impairment of PSO receivables, the PSO amount payable to UAB Baltpool is reduced respectively.

As described in Note 1 and Note 2.20, the Group 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.

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 by up to 30 days	3 670	3 670	1 020	1 020
Overdue by 30 to 60 days	1 947	1 947	935	935
Overdue by 60 to 90 days	671	671	1 026	1 026
Overdue by 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 impairment of receivables overdue by more than 90 days as, in the judgement of the Company's management, failure to receive these amounts would not influence the Group's statement of comprehensive income, as explained above 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**

The procedure for the administration of PSO funds approved by the Commission establishes that 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 with maturity 7 March 2014	-	-	70 000	70 000
Swedbank AB bonds in LTL with maturity 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 electricity interconnection project.

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 electricity interconnection project (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 was divided into 504 331 384 ordinary registered shares with par value of LTL 1 each. All the shares were fully paid.

The share premium established as a result of the spin-off amounted to LTL 29 621 thousand. Prior to the spin-off, a share premium resulted from the difference between the nominal value of shares and the consideration paid as the share capital of Lietuvos Energija AB was increased.

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 objective when managing capital is 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, return capital to shareholders, or issue new shares. There were no changes in the objectives for capital management compared with the prior year.

15. Revaluation reserve

The revaluation reserve is the increase in the value of property, plant and equipment due to revaluation. Under Lithuanian legislation, share capital can be increased from the revaluation reserve, but this reserve cannot be used to cover losses.

	Revaluation reserve	Deferred income tax	Net of deferred income tax
GROUP			
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 31 December 2014	**28 259**	**(4 641)**	**23 618**
COMPANY			
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 31 December 2013	**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 31 December 2014	**27 375**	**(4 105)**	**23 270**

16. Legal reserve and other reserves

Legal reserve

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

Other reserves

Other reserves are formed by 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 to pay dividends in the 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 to pay dividends in the 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 (adjusted)	**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 (adjusted)	**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**

Grants received in advance during 2014 were as follows:

- From EU structural funds for reconstruction of the Company's property, plant and equipment: LTL 30 049 thousand (2013: LTL 34 411 thousand)
- From EU structural funds for implementation of the Lithuania-Poland LitPol Link interconnection project: LTL 8 171 thousand
- From the Ignalina International Decommissioning Support Fund for implementation of the Lithuania-Poland LitPol Link interconnection project: LTL 238 thousand (2013: LTL 1 692 thousand)
- PSO service funds for implementation of the Lithuania-Sweden NordBalt interconnection project: 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	305 918			
Bank loans		305 918	165 044	165 044
Current borrowings	104 275			
Current portion of non-current borrowings	36 530	104 275	49 030	49 030
Overdraft	**446 723**	-	7 449	-
Total		**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	1100 416	104 275	104 275
From 2 to 5 years	83 720	83 720	22 788	22 788
More than 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 had not pledged any material amount of collateral.

Under an agreement with the Nordic Investment Bank, the Company has committed not to exceed the Net Debt/EBITDA ratio for the year ended 31 December 2014. The Net Debt/EBITDA ratio should not exceed 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 the 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 Group's balance of unused loans and overdrafts amounted to LTL 298 505 thousand (as at 31 December 2013: LTL 25 551 thousand), that of the Company was LTL 290 035 thousand (as at 31 December 2013: LTL 0).

20. Other non-current accounts payable and liabilities

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
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 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	20 518
Deferred income tax (income)	(78 165)	(78 172)	(16 056)	(16 056)
Income tax expense (income) for the reporting period	**(66 690)**	**(66 702)**	**4 462**	**4 462**

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**
Recognized in profit or loss	(151)	2 708	(5)	134	2 686
Recognized in other comprehensive income	-	-	-	-	-
At 31 December 2013	**1 711**	**12 873**	**393**	**314**	**15 291**
Recognized in profit or loss	63 648	661	22	(24)	64 307
Recognized 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 capita-lisation	Total
At 31 December 2012	**(169 571)**	**(373)**	**(9 143)**	**(75)**	**(179 162)**
Recognized in profit or loss	13 015	(111)	564	(99)	13 369
Recognized in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(156 556)**	**(484)**	**(8 579)**	**(174)**	**(165 793)**
Recognized in profit or loss	13 363	125	576	(207)	13 857
Recognized 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**
Recognized in profit or loss	(152)	2 713	32	-	2 593
Recognized in other comprehensive income	-	-	-	-	-
At 31 December 2013	**1 701**	**12 861**	**288**	-	**14 850**
Recognized in profit or loss	63 648	655	19	-	64 322
Recognized 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 capita-lisation	Total
At 31 December 2012	**(169 503)**	**(310)**	**(9 144)**	**(75)**	**(179 032)**
Recognized in profit or loss	13 008	(120)	565	(98)	13 355
Recognized in other comprehensive income	-	-	-	-	-
At 31 December 2013	**(156 495)**	**(430)**	**(8 579)**	**(173)**	**(165 677)**
Recognized in profit or loss	13 357	123	576	(207)	13 849
Recognized 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)**

The income tax expense reported in the statement of comprehensive income can be reconciled to the 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%	(67 803)	(68 451)	4 473	4 892
Unrecognized income tax assets / used tax loss	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**

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**

Group and Company guarantees to secure fulfilment of obligations consist of received deposits, including for trading on an 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 recognized 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

	Grupė 2014 m.	**Bendrovė 2014 m.**	**Grupė 2013 m.**	**Bendrovė 2013 m.**
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 revenue 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 in 2013.

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

26. Segment information

The Group has distinguished the following six segments:

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

The Company's segments coincide with the segments of electricity transmission, trade in balancing/regulating electricity, provision of system (capacity reserve) services and provision of services under the PSO schemepresented by the Group. The segments of the Group and the Company are not aggregated.

Electricity transmission involves 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 the reliable, effective, high quality, transparent and safe electricity transmission to distributions networks and to 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.

In providing system (capacity reserve) services to ensure reliable functioning 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 an unexpected fall in electricity generation volumes or an increase in electricity consumption.

The Company/Group services provided under the PSO scheme are as follows:

- development and implementation of strategic projects to improve energy security by installing connection lines with the power systems of other countries and (or) connecting the electricity transmission systems of the Republic of Lithuania with those of other countries (the Lithuania-Sweden and Lithuania-Poland interconnections, and connection of the Lithuanian electric energy system with continental European networks)
- connection of power generation facilities that use renewable energy resources to transmission networks as well as optimisation, development and/or reconstruction of transmission networks to ensuring expansion of power generation using renewable energy resources
- balancing of electricity generated using 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 provides services of technologiy management and surveillance of specialized telecommunications, power energy accounting, and high voltage direct current link construction works.

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

2013	**Electricity trans-mission**	**Trade in balancing/ regulating electricity**	**Provision of system services**	**Provision of services under the PSO scheme**	**Activities as market operator**	**Repair and mainten-ance activities**	**Other inter-segment elimi-nations**	**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**
Operating profit (loss)								
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 amortization 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		-	-	-	-	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.

** As per the Methodology for Setting the Price of Electricity System Services, approved by decision No. 03-200 of 27 July 2012, when setting service prices for the coming year the Commission takes into consideration the difference between the planned and the actual costs and income from the provision of system services 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 for 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 electricity transit services to the Russian transmission system operator.

Group and the Company revenue in 2014 and 2013 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.

Group revenue in 2014 from the largest clients (those whose share of sales in Group segments exceeded 10%):

	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

Group revenue in 2013 from the largest clients (those whose share of sales in Group segments exceeded 10%):

	Transmission activity	**Trade in balancing/ regulating electricity**	**Provision of system (capacity reserve) services**
IINTER RAO Lietuva AB	9 708	74 866	-
LESTO AB	213 115	-	79 568
Lietuvos energijos gamyba AB	655	58 588	260
SKY ENERGY GROUP 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

Company/Group related parties in 2014 and 2013 were:
- EPSO-G, the parent of the Company, which is 100% 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 (a subsidiary of EPSO-G)
- The 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
The 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
The Group's associates and jointly controlled entities	264	546	1 634	5 394
	19 329	**8 671**	**102 405***	**98 290****

*Of which: LTL 66 703 thousand of PSO service funds transferred to related parties (the PSO funds administrator). In performing PSO-related activities, the Company acts only as an agent of the Commission/Government and so does not recognize revenue and expenses for funds collected from network users in the power distribution network and transferred to the PSO funds administrator.

**Of which: LTL 92 459 thousand of PSO service funds received from related parties (the PSO funds administrator). Of this amount, LTL 2 281 thousand is from a transaction in which the Company acts as an agent of the Commission/Government. The Company does not recognize revenue and expenses for funds collected from network users in the power distribution network and transferred to the PSO funds administrator.

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

Related parties	Mokėtinos sumos	Gautinos sumos	Pirkimai	Pardavimai
The Group's parent company (UAB EPSO-G)	2	-	10	-
The Group's associates and jointly controlled entities	2 533	616	15 151	6 140
	2 545	**616**	**15 151**	**6 140**

Grants received in advance are used to acquire non-current assets. During 2014 and 2013 grants balance was:

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

*Of which: LTL 97 533 thousand of PSO service funds transferred to related parties (the PSO funds administrator). In performing PSO-related activities, the Company acts only as an agent of the Commission/Government and so does not recognise revenue and expenses for funds collected from network users in the power distribution network and transferred to the PSO funds administrator.
**Of which: LTL 100 186 thousand of PSO service funds received from related parties (the PSO funds administrator). Of this amount, LTL 4 429 thousand is from a transaction in which the Company acts as an agent of the Commission/Government. The Company does not recognise revenue and expenses for funds collected from network users in the power distribution network and transferred to the PSO funds administrator.

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

Payments to 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
Of which: termination benefits	-	-	258	258
Number of the key management personnel (average for year)	14	6	16	8

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 the 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. In addition, value added tax was offset with income tax payable amounting to LTL 9 097 thousand (in 2013: LTL 1 420 thousand).

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 the 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	1 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	4 446 723	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 at 31 December 2014 accounted for approximately 93% (at 31 December 2013: 93%) of the Group's and 93% (at 31 December 2013: 86%) of the Company's total trade and other accounts receivable. Amounts payable by the major customer, the distribution network operator LESTO AB, as at 31 December 2014 accounted for 41% (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 them 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 a 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 liquid funds only in low risk money market and debt instruments, i.e. time deposits, bonds of trustworthy financial institutions, and government securities. When making investments, the priority objective is to ensure the security of funds, and in keeping with this objective to maximise return on investments. Investments are made only in debt financial instruments of financial institutions or governments with a rating from Fitch Ratings that is not lower than AA- (or an equivalent rating from other rating agencies). The table belo gives the ratings of the parents of the banks where the Group and the Company hold its cash and cash equivalents (Note 13) and held-to-maturity investments (Note12):

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

Trade and other receivables are mainly from 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 Notes 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. Liquidity risk is managed by making forecasts of the 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 ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) 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 to show undiscounted cash flows for financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances with repayment terms of 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		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 an overdraft whose interest rates are linked with VILIBOR and EURIBOR. If the interest rate were to increase/decrease by 0.1%, the impact of Group debt interest paymesnts 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 foreign exchange risk, the Group and the Company enter into purchase/sale contracts only in Euros or Litas. Since 2 February 2002, the Litas has been pegged to the Euro at a fixed exchange rate, which means that there is essentially no foreign exchange risk.

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, and 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 has invested (level 3).

33. Contingent liabilities

Litigation

Civil case initiated by the Company against Achema AB for claim of debt and related interest: The Company has filed 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 the 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's claim requesting the recognition of the transaction as null and void and payment of restitution compensation was also suspended by a court ruling of 27 February 2013 but was reinitiated by a ruling of 9 March 2015 and in the short term 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 the caption of amounts receivable (payable).

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 2 March 2011 by the claim (request) of a group of Lithuanian Parliament (Seimas) members regarding non-compliance of regulations to the Law on Electric Energy of the Republic of Lithuania. By the ruling of 8 January 2015 of the Supreme Administrative Court of Lithuania, the previously mentioned standard administrative case was terminated, and 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 term.

Administrative case initiated on the basis of Achema AB's claim against the defendant the State of Lithuania (the Company is party to the case as a third interested party) for damages caused by illegitimate actions of 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 the allegedly illegitimate actions by 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 a ruling of 20 January 2015 and currently the hearing is set for 26 March 2015 (on 10 February 2015 the claimant 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 the caption of receivables (payables).

Legal claim filed by the Company against AB LIFOSA, ORLEN AB and Achema AB regarding debt and interests for the January 2013 services and obligation to sign a PSO fee-collecting agreement. The Company demands from these companies that they pay outstanding PSO funds for January 2013 in the amounts 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 the 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 the PSO fee administrator, the Group's company BALTPOOL UAB, in case the Company's customers do not pay PSO funds during three consecutive months, the Company has the right to reduce the funds transferrable to BALTPOOL UAB (which acts as an agent, with PSO funds administrated by it recognized only as amounts receivable(payable)) by an amount equal to the uncollected PSO funds. Taking this into consideration, neither a favourable nor an unfavourable decision by the Court with respect to the Company will 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 the declaration as invalid of a one-sided set-off and also a decision in favour of payment for construction works and a 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 by 18 November 2011. However, the construction was completed 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 and the amount of LTL 18 448.61 was returned to A. Žilinskio ir Ko UAB). In Vilnius County Court, A. Žilinskio ir Ko UAB demanded to declare the set-off invalid, repay the set-off amount and adjudge the overdue interest. On 16 October 2013 the court took the decision to reject A. Žilinskio ir Ko UAB's claim in full. On 14 November 2013 the claimant appealed against this court decision. On 30 June 2014 the Lithuanian Court of Appeal decided to recognize the defaults of LTL 50 000 as reasonably set-off and awarded the remaining amount, penalties, 6% of annual interest for the case and other litigation expenses for the contractor, the third party UAB Energetikos Tinklų Institutas, and the State. LITGRID AB appealed the court ruling to cassation court. As at 31 December 2014 the Company had made a provision of LTL 862 thousand for the possibly refundable amount of defaults and penalties.

Case in Vilnius Regional Administrative Court concerning the abolishment of Resolution No. 03-817 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. 03-822 of 30 September 2014 on the recalculation of the LITGRID AB transmission service price cap for 2015, which regulate the pricing of LITGRID AB for provided electricity transfer services. The Commission's Resolution No. 03-817 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. 03-822 of 30 September 2014 on the recalculation of the 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 at 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 a ruling of 30 October 2014, but 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 the claims of LITGRID AB of 24 October 2014 is 31 March 2015.

Administrative case based on the claim of the Company concerning Resolution No 03-879 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 03-879 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 the final ruling of the case to temporarily 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 03-879 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 entirety 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 03-815 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 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.

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 an 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. The view of the management of the Company is that assessment of the current situation and facts shows 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 agreement No. SUT-40-13 of 15 February 2013 for the design and construction of the Alytus high voltage direct current insertion with 400kV switchgear (the works are one stage of the Lit-Pol Link project). 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 and 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 Resolution No. 03-442 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 party, as the party 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 parties 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 Resolution No. 03-840 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 party, as the party 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 party 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 parties 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 Resolution No. 03-91 of 24 March 2014, Resolution No. 03-136 of 26 May 2014 and Resolution No. 03-172 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 party, as the party 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 party 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 parties 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 the PSO funds payment agreement as null and void ab initio and obligation to pay PSO funds to ensure minimal coverage of primary costs. The amount of the action is not indicated. The claim is in direct conflict with the requirements of 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.

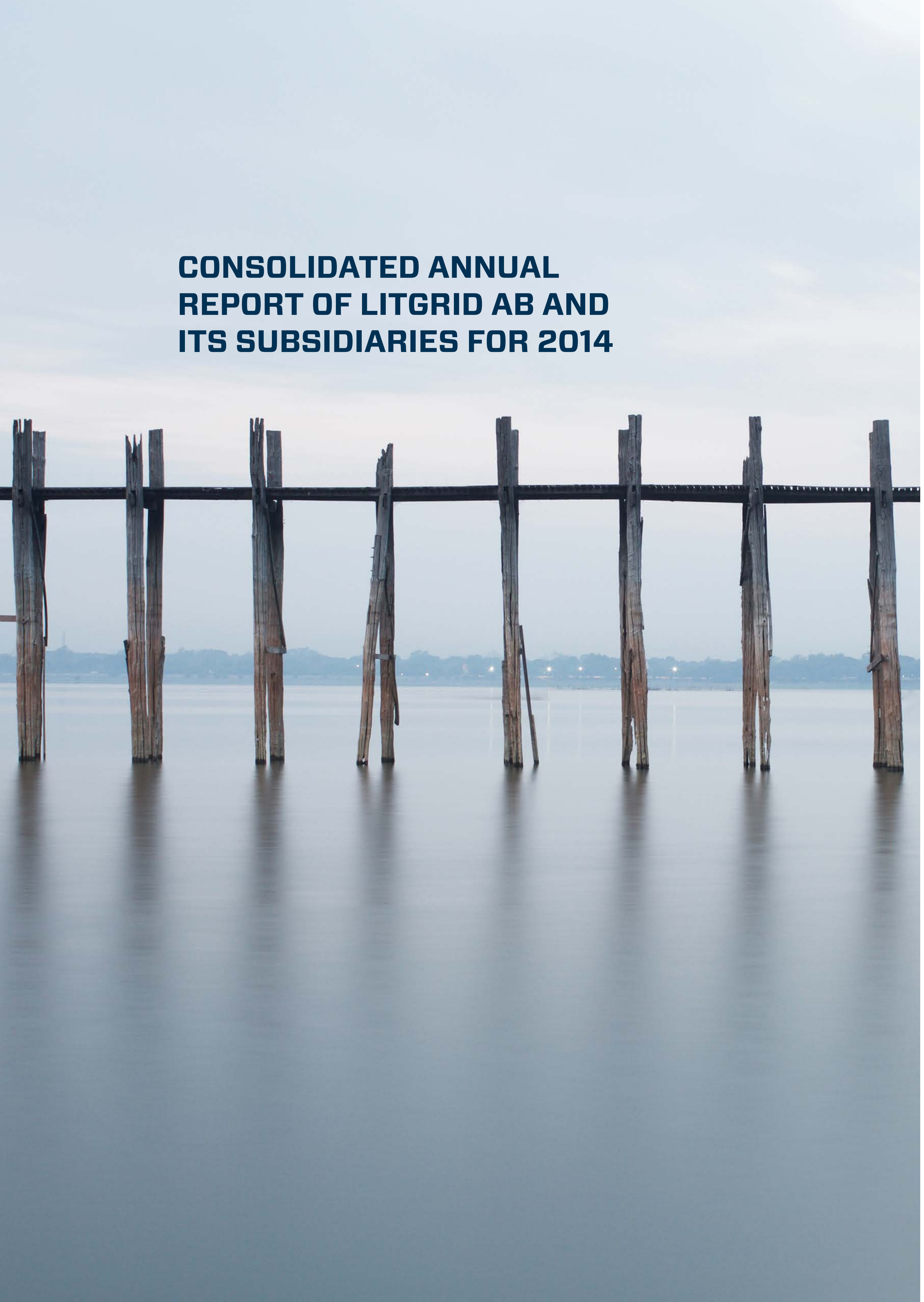
34. Subsequent events

On 1 January 2015 the Euro was adopted as the national currency of the Republic of Lithuania, so the Group's functional currency changed as well. The official exchange rate applied is LTL 3.45280 for EUR 1, as 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. 03-10 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 incorrectly calculated 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 a 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. 03-10 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 which refused to apply the claim assurance measures requested by the Company.

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



CONSOLIDATED ANNUAL REPORT OF LITGRID AB AND ITS SUBSIDIARIES FOR 2014

1. 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 str. 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 (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 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 a 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 not only is 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. Its vision and strategic operating guidelines are 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:

EUROPEAN INTEGRATION OF THE COUNTRY'S ELECTRICITY SYSTEM

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 within 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 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 electricity transmission, maintaining the country's electricity balance, maintaining infrastructure, operating and managing HVDC (high voltage direct current) links, and project management. In planning the development of the transmission grid, electricity market, and energy system, Litgrid's people — specialists and managers of the highest competence — 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 regulatory 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 were allocated to 18 electricity transmission grid investment projects carried out by Litgrid. As of 31 December 2014, the company had obtained LTL 77.5 million of that amount. Further support of LTL 226 million was allocated for implementation of the NordBalt project from the European Energy Programme for Recovery. As of 31 December 2014, the company had obtained LTL 42 million of this amount.

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

LitPol Link inter-system power link project implementation

In March 2014, construction of the overhead power transmission line from the 400 kV Alytus transformer substation to the Lithuania-Poland state border began: during the year foundations for metal supports were put in place, two thirds of the 150 supports were built, and the first electric wires were installed. Completion of the overhead line is planned for July 2015.

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

Reconstruction of the 330/110/10 kV Alytus transformer substation's 330 kV switchyard also proceeded during 2014: the operation building was constructed and all first-stage equipment for the open switchyard was installed. Completion is planned for July 2015.

NordBalt inter-system power link project implementation

By the end of December 2014, more than 95% of the NordBalt submarine cable had been manufactured. On 11 April 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 had been laid (the 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 the NordBalt direct current converter station beside the Klaipėda transformer substation was started. In December, the first two of four NordBalt transformers were brought to the direct current converter construction site and installed on the specifically prepared foundations. The building for converter valves was fully constructed by the end of December.

In 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 parts of the substation, the repair of more than ten 110 kV overhead and cable power lines, and the construction of new 10 kV, 110 kV, and 330 kV modular buildings in the territory of the substation.

In mid-October 2014, the 330 kV high voltage overhead power transmission line Klaipėda-Telšiai — the first since Lithuania's regained independence — was completed and launched. It is connected to the reconstructed Klaipėda transformer substation and can be used for the transmission of electric power from Scandinavia to the rest of Lithuania after launching the NordBalt link. The 89 km-long transmission line 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 increasing the flexibility of system management. Eight projects were related to transformer substations, while 9 involved reconstruction work on overhead lines.

Most important were the completed reconstructions of three major power transmission sites: 330/110/10 kV transformer substations in Šiauliai, Klaipėda, and Panevėžys. Modern operation technologies and equipment were installed at these high voltage transformer substations. A 330 kV overhead line in Vilnius region and a 110 kv line in Utena region were renovated. In Northern Lithuania, the supports were replaced on the 110 kV overhead line running from Pasvalys to Biržai and from Biržai to Latvia.

Also during 2014, projects tied to the reconstruction of the 110 kV Trakai and the 110 kV Kaunas hydroelectric power plant switchyards began, and public procurement to contract the reconstruction of the 330 kV Šyša switchyard was announced.

Lithuanian electricity market development work

In 2014 the average price of electricity on the Lithuanian power exchange was 2% higher than in 2013 and 25% higher than in Estonia. Meanwhile the price on Estonia's electricity exchange was 15% lower compared to 2013.

The price on the exchange was notably higher during the summer months. This was a result of reduced electricity supply from the Nordic countries due to planned reconstructions of power plants and the Estonia-Finland Estlink interconnections, lower than usual generation by Latvian hydroelectric power plants, low and expensive local capacities, and low and more expensive supply from other countries. Operation of the interconnections with Sweden and Poland that are now being constructed will further the Lithuanian electricity market's integration with the Scandinavian electricity market and bring prices closer to the Scandinavian level.

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

In 2014, trading volumes on the Elbas intraday market, which began operating in the Nord Pool Spot Lithuanian trading zone at the end of 2013, equalled up to 1% of the trading volume on the day-ahead market and were in line with tendencies on the Nordic countries' electricity markets. The intraday market allows participants to more effectively manage business risk in wholesale power trading and balance trade in electricity from renewable resources. Lithuanian electricity market participants actively use this measure — during the year Lithuanians were the most active sellers on the Elbas market.

In January 2014, Litgrid began to provide electricity market participants with daily forecasts of wind power plant production volumes for trade on the electricity market. Based on this forecast, offers to sell electricity are submitted to the Nord Pool Spot Lithuanian trading zone.

In November the electricity transmission system operators of the three Baltic countries signed a memorandum establishing the principles for the calculation and distribution of throughput via cross-border links for application from 1 January 2015. The Baltic countries' TSOs agreed to maintain the same methodology for the calculation and distribution of throughput as that applied from the beginning of 2014.

Also in November, the NASDAQ OMX Commodities exchange introduced for Lithuanian power market participants derivative financial instruments linked to electricity prices in the Lithuanian and Latvian bidding areas: EPAD RIGA contracts to hedge against differences between Lithuanian-Latvian and Nord Pool Spot system prices and the fluctuations of Nord Pool Spot system prices. The derivatives enable market players to protect themselves against price variations on the power exchange and better manage the risk of trading among different bidding areas.

The Electricity Market Development Committee of Lithuania began work in April 2014 under the chairmanship of Litgrid's CEO and Chairman of the Board. Committee members include representatives of the National Commission for Energy Control and Prices, the State Consumer Rights Protection Authority, associated business companies, electricity production and distribution companies, and participants of electricity market (the exchange operator and independent electricity supply companies). The Committee meets at least once a quarter. Its members make suggestions for improving the functioing, development, and legal regulation of the Lithuanian electricity market. Four meetings of the power market development experts took place during 2014, as was foreseen.

Litgrid membership in international organisations

Awareness and support at the international level for projects implemented by Litgrid is ensured through participation in international associations, specifically, the European Network of Transmission System Operators for Electricity (ENTSO-E) and Central Europe Energy Partners (CEEP).

ENTSO-E unites 41 electricity transmission system operators from 34 countries. Its main functions are: to resolve European-level issues on transmission grid management and development and the electricity market; to promote regional collaboration among TSOs; to make proposals regarding draft legislation prepared by the European Commission; and to prepare the Ten-Year Network Development Plan (TYNDP) and network codes. Litgrid representatives are on the organization's System Operations, System Development, Market, and R&D committees as well as in related working groups. Participation in ENTSO-E activities is aimed at representing national interests and those of Litgrid in the making of European and regional decisions related to system management, the planning and implementation of projects to develop Lithuania's electricity infrastructure, electricity market connections and electricity transmission systems integration.

CEEP unites 26 organisations from five Central and Eastern Europe countries. CEEP's main objective is to support integration of the energy sector of newest European Union member states in the context of common EU energy and energy security policy. Litgrid uses its participation in CEEP to contribute to the development of regional positions on EU energy policy issues, to take part in energy and industry forums organised by partners, and to present and seek support for key projects.

Litgrid subsidiaries and the nature of their operations

As at 31 December 2014, the Litgrid group of companies consisted of Litgrid AB, BALTPOOL UAB (Baltpool), UAB TETAS, and UAB Tinklo Priežiūros Centras.

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 str. 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 str. 102B, LT-35116, Panevėžys
Telephone	+370 45 504 618
Fax	+370 45 504 684
Type of operations	Specialised design, installation, technical maintenance, repair, and testing services for transformer substations and distribution stations
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 str. 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 at 31 December 2014 Litgrid group also owned shares of 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 companies

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

- Electricity transmission
- System services (capacity reserve)
- Trading in balancing and regulating 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 energy equipment. The transmission system operator transmits electricity from producers to consumers who are connected to the transmission grid, and to distribution network operators. Electricity transmission is a regulated activity.

The main function of the 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 services from energy producers for capacity reserve assurance at power generation facilities, reactive capacity and voltage management, and the prevention and recovery from accidents and breakdowns, and provides consumers with system (capacity reserve) services. Capacity reserves are needed when electricity production suddenly and unexpectedly falls or its consumption increases.

Trading in balancing and regulating electricity

Litgrid ensures the country's electricity production and consumption balance. Balancing electricity is electricity that is consumed or produced outside of established electricity consumption and production schedules. Litgrid organises trading in balancing electricity, buying and selling balancing electricity that is necessary to ensure the country's electricity production and consumption balance.

Regulating electricity is electricity that is bought and/or sold on the instructions of the TSO as necessary for performing the function of balancing the country's electricity consumption and production. Litgrid organises trading in regulating electricity by auction. The auction participants are suppliers of regulating energy and TSOs of other countries with the technical means to quickly change power generation and consumption routines who have signed a corresponding agreement 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 an institution it has authorised, on the basis of public interests in the electricity sector. PSO funds are funds that are paid to providers of PSO services.

Litgrid provides these PSO services:

- Preparation and implementation of strategic projects related to increasing energy security (the Lithuania–Sweden and Lithuania–Poland electricity interconnections and integration of the Lithuanian electricity system into continental European grids)
- Connection of power generation equipment that uses wind, biomass, solar energy, or hydropower to the transmission grid as well as transmission-grid optimisation, development, and/or renovation related to the reception and transmission of electricity generated by producers who use renewable resources
- Balancing of electricity produced from renewable energy resources

The Government of the Republic of Lithuania, by its Resolution No. 1338 of 7 November 2012, designated Baltpool as a PSO fund administrator effective 1 January 2013.

PSO provisioning procedures are established by the Public Service Obligation Provisioning Procedure Description, approved 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, approved by the Lithuanian Government's Resolution No. 1157 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 PSO fund administrator.

Electricity grid technical maintenance and repair

Litgrid subsidiary UAB TETAS offers the following technical maintenance and repair services for electricity grid equipment:

- Maintenance and repair work for electrical equipment that is part of the grid
- Construction of new energy facilities and renovation of existing energy facilities
- Design services for electrical equipment and facilities

UAB TETAS operations comply with to ISO 9001:2008 and ISO 14001:2004 requirements. A system for quality management and environmental protection management introduced in 2007 is applied in operating electrical equipment of up to 400 kilovolts and in performing design and construction work for extraordinary structures.

Maintenance, operation, and management of HVDC links

On 14 February 2014, the Board of Litgrid decided to establish the subsidiary Tinklo Priežiūros Centras with the purpose of creating a highly qualified specialised engineering competency centre for the management and operation of high voltage direct current links. HVDC technology is required for electricity transmission in high volumes between distinct electricity systems. The company was registered on 24 February 2014 and is managed as an internal unit of Litgrid.

Environmental protection

Procedures for environmental impact assessment or selection are carried out for planned power transmission lines and the conclusions are taken into account when preparing technical designs. Environment protection requirements are established during the design process for the construction of new or reconstruction of existing transformer substations and switchyards. In all cases, efforts are made to select the equipment that is less harmful to the environment, contractors are obliged to organise works so as to eliminate or reduce any impact on the environment, and construction waste is cleaned up in a documented process. Services are only purchased from contractors that have implemented the LST EN ISO 14001 standard for environmental management. Before acceptance of works, it is verified whether contractors have properly fulfilled the requirements, have cleaned up waste properly and have the documents to confirm this.

In 2014, Litgrid specialists measured the strength of electric and magnetic fields in 50 various locations near 110 kV and 330 kV power transmission lines, assessing the strength of the fields at various distances from the overhead lines emitting them. The results showed that electromagnetic fields forming in Lithuania's electricity transmission grid meet the requirements of the Lithuanian Hygiene Norm, never exceeding the established limits and often significantly lower. A graphical representation of the measurements is available on the website of Litgrid at http://www.litgrid.eu/index.php/zemes-savininkams/elektromagnetiniai-laukai/elektromagnetiniu-lauku-matavimai/2413. The map is constantly updated with information from additional measurements and data for newly constructed lines.

In cooperation with Litgrid, the Lithuanian Ornithological Society conducted a study of the safety of birds among 110-330 kV electricity transmission lines. In 2014, based on the results of that study, the project "Implementation of Birds Safety Measures in High Voltage Electricity Transmission Grid of Lithuania" was launched, financed 75% 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 during overhead line reconstruction of special protectors to keep storks from landing on supports above the isolators and thus protect them from possible electric impact, and the mounting on metal supports of some 500 nesting boxes for the breeding of protected birds (the falcon-family species Falco tinnunculus). Litgrid plans EUR 800,000 of work under this project through July 2018. The project tasks are included among general renovation works on overhead lines in various regions. Contractors were hired through public procurement procedures.

In summer 2014, specialists of the Lithuanian Fund for Nature undertook environmental supervision on the route of the future LitPol Link electricity interconnection between Lithuania and Poland. The specialists found a rare plant the early marsh orchid (Dactylorhiza incarnata), which is included in the Lithuanian Red List of Threatened Species. So that the plant not be harmed during construction, Litgrid employees together with the environmental protection specialists transplanted the specimens that were on the LitPol Link route to a suitable safer place elsewhere. This plant relocation initiative by Litgrid was recognized at the European Grids Conference among the year's ten brightest environmental, innovation, and social initiatives.

Customers of the transmission system operator

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

Transmission grid users include:
- 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

Suppliers of balancing and regulating electricity are electricity producers and suppliers.

Employees

As at 31 December 2014, Litgrid Group had 707 employees, including 226 Litgrid employees, 449 TETAS employees, 12 Baltpool employees, and 20 Tinklo Priežiūros Centras employees. Employee turnover at Litgrid in 2014 was 7.87%.

Litgrid's wage bill for the financial year was LTL 15 649 thousand.

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

Litgrid Group's wage bill for the financial year was LTL 31 999 thousand.

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

Education levels of Litgrid Group employees at the end of the period:

	31 December 2014
Number of employees	707
Employees with university-level education	417
Employees with post-secondary non-university education	113
Employees with secondary or specialised secondary education	177

Litgrid employees are energy specialists of the highest level. Three-fourths of them have a university education in engineering, and average professional experience is 14 years. Putting their theoretical and practical knowledge to work, employees realize their personal aspirations and contribute to ambitious strategic national objectives in building up the country's energy independence. In working for the company that is responsible for the safety, reliability, and responsible development of Lithuania's energy system, Litgrid's professionals are guides and mentors for young specialists who want to enter the energy realm. Litgrid is open to employing not only experienced professionals, but also young people who lack experience but are eager to work hard with all their heart and develop into future specialists. In order to attract to the energy sector young people who are talented, educated, ambitious and ready to take responsibility, Litgrid collaborates with educational institutions and youth organisations, and has a Young Specialists Programme.

Remuneration policy and performance appraisal

The goal of Litgrid's remuneration policy is to contribute to realizing the mission and vision of an organization with contemporary and effective management, to mobilise people to work together and motivate them to achieve strategic priorities, to form and imbue the attitude that employees are the company's main asset, and to foster the corporate values of professionalism, cooperation, responsibility, initiative, and respect. Remuneration depends on an employee's position, work performance, achievement of individual annual goals, level of competencies, and sharing of organisational values. The remuneration policy is based on the principle that those who create greater value for the organisation and embody the organisation's values in their everyday activity should be paid more.
Employee remuneration packages consist of financial and non-financial elements: a base salary, variable compensation, additional benefits, and emotional remuneration.
Performance appraisal takes place constantly at Litgrid as one of the most important tools for effective corporate management, helping to link personal and organisational goals, show the importance of each employee's work for the attainment of common objectives, make career planning possible, and motivate employees by ensuring an objective basis for promotion.

Training

One of Litgrid's strategic goals is to become a managerial and technical competence centre for the energy sector in the Baltic countries. With this in mind, the company pays particular attention to the competences of each employee. Believing that every employee wants to become an expert in his/her field and wishes to work among other high level specialists, Litgrid creates conditions for its employees to improve their competences and qualification in the following ways:
- Organising the internal training
- 'Enriching' the content of work with new projects
- Offering opportunities to participate in unique, non-standard projects
- Participating in external trainings and conferences
- Actively participating in the activities of professional organisations

In 2014, personnel development expenses were 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 support functions: 32%.

Collective bargaining agreement

In 2013, Litgrid signed a collective bargaining agreement with its labour union. The agreement defines and ensures an honest remuneration policy and work-life balance while also regulating social and economic relations between the employer and employee. It also ensures support for employees during important or painful life events.

Litgrid social responsibility activities

Litgrid bases its activities on the principles of social responsibility, sustainable development, transparency, and forward-looking environmental protection. The company's operations are crucial for the successful functioning of the country's economy, while its long-term strategic goals and the strategic electricity projects it is implementing contribute to ensuring the country's energy independence.

The importance of the projects that are underway encourages the company, its employees, and its management to demand the highest professional and ethical standards, and to take responsibility for developing society's awareness, sense of responsibility, and desire to actively participate in promoting the country's welfare. Our social responsibility policy puts the greatest stress on ensuring conscientious and motivating working conditions, cultivating responsibility and public spirit, and helping the society in which we work to grow and develop in many ways.

A number of projects have been initiated to foster cooperation between separate Litgrid units and employee engagement in lateral processes that encompass multiple units. The goal is not just to get employees to perform tasks directly related to their work functions, but also to engage them in activities unrelated to work. Such activities foster organisational values, broaden employees' horizons, encourage professional and personal growth, spark desires to contribute to achieving the organisation's goals and increase the prestige of the energy and engineering professions, and build pride in the company and its highly significant projects.

Litgrid collaborates with institutions of higher education seeking to encourage young people to study engineering. Our employees periodically visit schools and make presentations, and we invite young people and other groups for tours of the company.

We devote our energy and resources to helping society to develop economically, to supporting the communities in which we work, to ensuring conditions that motivate and encourage personal growth for the people who work with us, and to protecting nature which provides us with resources. We are implementing strategic projects of high-value and historic significance, and we understand that great tasks carry 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 planning to build high-voltage electricity transmission lines in Alytus, Lazdijai, Klaipėda, Kretinga, Plungė, Telšiai, Neringa, Prienai, and Kaišiadorys districts. Litgrid specialists and public authorities held meetings to inform local residents as thoroughly as possible about the projects being implemented in their areas and encourage the creation of a culture of dialogue. Meeting topics varied from discussions of public and private interests and political news, to informal activities that helped achieve significant results and boost awareness of Lithuania in the world. Such activities encourage members of the community to understand the value of living and working in Lithuania, and the significance of cultivating patriotism and of supporting Lithuania's independence in every way.

About Litgrid Group's development and research activities

Litgrid each year organises power 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 and the implementation of modern systems for relay protection, system automation, management, and data collection and transfers. Plans for the construction and renewal of facilities, based on scientific research and studies, are made for a 10-year period and updated annually.

On behalf of Litgrid, Kaunas University of Technology conducted a feasibility study for 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 electric power plants using renewable energy resources could be connected to the existing electricity transmission grid. The authors of the study, using several scenarios for the development of renewable electric power generation resources, assessed the adequacy of reserves in the electricity system and identified the state of the electricity transmission grid under various working conditions. Although the highest potential is forecasted for biofuel power plants, the greatest attention was given to the evaluation of wind power plants as generation by wind power plants is the most difficult to forecast and the most heavily affected by weather conditions.

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

Litgrid Group's consolidated financial statements are prepared according to International Financial Reporting Standards as adopted by the EU. Litgrid's internal control process includes the control of business processes related to service provision, IT system operations, and financial statement preparation.

Consolidated financial reporting is regulated by Litgrid's formal Accounting Policy and Procedures Description, which ensures that accounting practices are in accordance with International Financial Reporting Standards as adopted by the EU and the laws of the Republic of Lithuania. The procedures identify possible risks associated with accounting and financial reporting with methods and principles for managing them, as well as the employees responsible for risk management.

Development of ITT competence

Effective information technology and telecommunications solutions play an ever more important role in ensuring smooth and constant operations. IT 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 Package, which requires separating electricity production, transmission, and distribution operations, Litgrid gave importance to the need to independently manage IT and telecommunications operations.

Until June 2013, all of Litgrid's IT services were provided by UAB Technologijų ir Inovacijų Centras. In 2013, the company formed an IT division, which took over some of the main ITT systems: maintenance of dispatcher management, substation tele-information collection and transfer, repair, and operations management. Transparent procurement of ITT assistive services in the market was begun in 2013, meeting the needs of business units.

At the start of 2014 the company established an Information Technology and Telecommunication Centre (ITT Centre) as a new unit focused on the following areas of activity:
- Development, maintenance, and security of information systems used to manage the power system
- Automation of the electricity transmission grid, including the company's strategic projects
- Business IT systems development, maintenance, security and continuity
- Delivery of quality ITT services to internal units and transparent acquisition of assistive services in the market to ensure uninterrupted operation of ITT systems in vital processes of corporate operations

Litgrid's ITT Centre employs 21 specialists. Besides ITT competences, the unit also concentrates expert knowledge in the automation of energy system management. It will ensure the continuity of IT solutions at Litgrid as well as security control and operational transparency.

11. Financial information

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

Financial indicators (amounts in LTL thousands)	2014		2013 (adjusted)		2012 (adjusted)		2011 (adjusted)	
	Group	Company	Group	Company	Group	Company	Group	Company
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 activity	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 (%)								
Free cash flow	54,0	49,4	14,7	14,1	12,0	11,7	0,0	0,0
(FCF) / revenue (%)****	(28,8)	(24,7)	5,7	6,8	27,2	34,1	19,5	22,4
Current ratio	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 indicatorsi

	2014	2013	2012	2011
Transmitted 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

* The calculation of EBITDA does not include impairment of investments, fixed assets, inventories or previous-year receivables, nor costs for long-term asset disposal and revaluation.
** Only for when the operator was responsible or the cause was undetermined.
*** Does not include grants received in advance.
**** Held-to-maturity investments not included in the calculation.

Revenue

Litgrid Group's revenue in 2014 was LTL 414 million, a decrease of 29.7% compared to 2013.

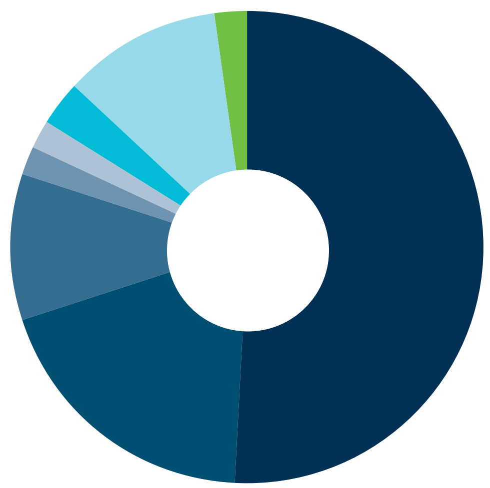
Revenue for electricity transmission decreased 7.9% compared to 2013 to LTL 209.3 million and made up 51% of group revenue. During 2014, Litgrid's high voltage electricity transmission grid transmitted 9 334 million kilowatt-hours (kWh) of electricity for the country's needs, or 0.4% more than in 2013.

8 405 million kWh were delivered to Lesto, the distribution grid operator, or 1.8% more than last year, while 928 million kWh were delivered to other users, or 10.7% less than in 2013. This resulted from the lower need of large industrial companies for electricity from the transmission grid due to increased private electricity production.

Revenue for balancing and regulating electricity decreased 58.5% to LTL 77.5 million. The reason for the decrease was that balancing energy suppliers met a greater share of their customers' needs from other sources than balancing energy delivered by the 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, or revenue from participation in the European Inter-TSO Compensation mechanism) was LTL 9.1 million. Public service obligation (PSO) revenues were LTL 10.1 million. Other revenue related to electricity totalled LTL 11.7 million, including reactive energy, transit, and new user connections.

Income from design, maintenance and repair work and investment projects increased 14.4% to LTL 47.3 million, while other revenue fell 14.9% to LTL 6.1 million.

Revenue structure



51 % – Transmission revenue
19 % – Balancing energy revenue
10 % – System services revenue
2 % – ITC revenue
2 % – PSO revenue
3 % – Other electricity-related revenue
11 % – Revenue from maintenance & investment projects
2 % – Other revenue

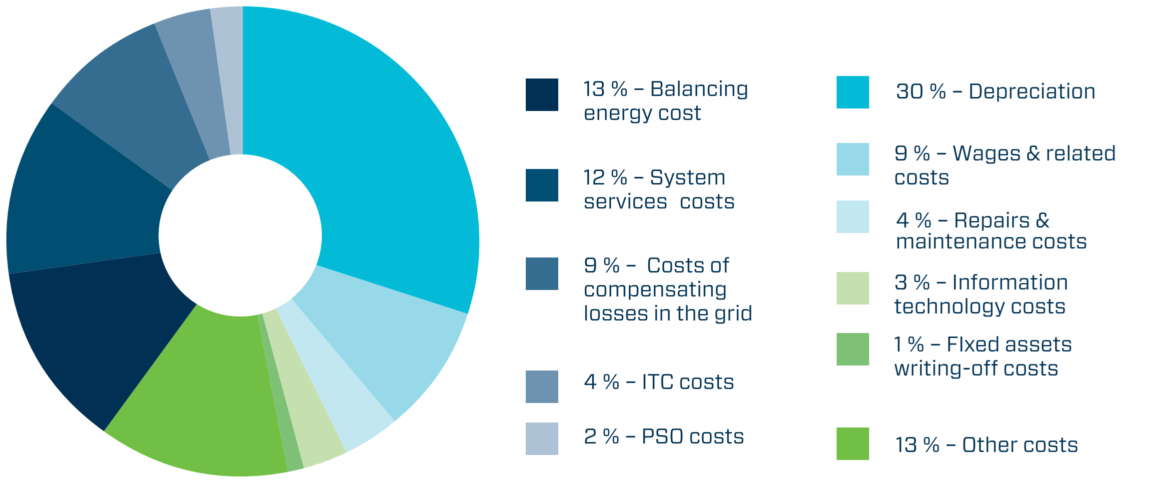
Costs

Group costs in 2014 totalled LTL 440.1 million (excluding revaluation of tangible fixed assets), a 21.8% decrease compared to 2013.

Purchases of electricity and related services accounted for the largest part of Group costs, i.e. 39.8% or LTL 175 million (down 40% compared to 2013), including a 62.9% decrease in regulating electricity costs (to LTL 58.1 million), a 21.1% decrease in system services costs (to LTL 50.7 million), and a 12.7% decrease in the cost of compensating for technical losses of electricity in the grid (to LTL 40.8 million). Costs of transit (participation in the Inter-TSO Compensation mechanism) were LTL 15.1 million, while PSO provision costs were LTL 10.2 million.

Depreciation and amortization costs increased 3.1% to LTL 133.9 million, wage costs and related costs increased 7% to LTL 40.5 million, repair and maintenance costs increased 11% to LTL 16 million, telecommunications and IT system costs were unchanged at LTL 13.5 million, fixed assets write-off costs decreased 5% to LTL 5.1 million, and other costs decreased 19.9% to LTL 56.1 million.

Cost structure (excluding revaluation of fixed assets)



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

Profit

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

The Group's 2014 losses excluding revaluation of fixed assets comprised: transmission segment losses of LTL 35.4 million (2013: LTL 9.6 million), system services losses of LTL 7.7 million (2013: LTL 29.6 million profit), a balancing and regulating electricity segment profit of LTL 12.8 million (2013: 9.2 million), a profit for other activities, including financial, of LTL 3.6 million (2013: LTL 0.6 million).

In setting Litgrid's planned system services revenue for the coming year, the National Commission for Energy Control and Prices will assess the difference between planned and actual system services costs and revenue in 2013 m. This difference in 2013 amounted to a profit of LTL 21.0 million, which will reduce the Company's system services revenues and profits by LTL 5.2 million in 2015 and by LTL 15.8 million in 2016.

Group EBITDA in 2014 was LTL 130.1 million and decreased 30.6% compared to 2013, though due to the decreased revenue the EBITDA margin increased to 31.4% (from 28.2% in 2013).

Balance sheet and cash flows

As at 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 was equal to 42.5% of total assets.

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

Group net cash flows from operations in 2014 amounted to LTL 25.4 million (2013: LTL 124 million), while payments for fixed tangible and intangible assets were LTL 273.9 million (2013: LTL 214 million), and dividends of LTL 112.9 million were paid during the year.

The 2014 Group net cash flows excluding cash flows from financial activity and cash flows to term deposits and held-to-maturity investments, totalled LTL -119.2 million (2013: LTL 33.6 million).

PSO operations indicators

Based on the requirements for electricity transmission reliability and service quality approved by the National Commission for Energy Control and Prices, two 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 minutes. Litgrid's actual indicators in 2014 were: END — 5.4 MWh, AIT — 0.25 minutes.

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 the transmission grid amounted to LTL 77.6 million (invoices received, irrespective of their payment), or 22% of total investments.

Risks

Political risks

The power sector is a vitally important part of the economy with considerable influence on 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 Law on Electricity of the Republic of Lithuania and its implementing legislation. 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. The 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, including 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, which is approved by the Board of Litgrid.

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

Technical risks

Lithuania's energy system has many connecting lines with neighbouring energy systems. The available means for power and energy balance control are limited, and the power and energy balance control process is complicated.
About 50% of equipment in the TSO's transformer substations is older than 25 years, while 35% of all 110 kV overhead lines and 24% of all 330 kV overhead lines are older than 45 years. Failures or faults in key 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 for appropriate labelling, use and storage of any hazardous materials and for ensuring that equipment operated by the companies meets the established requirements. 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 for information in the Consolidated Financial Statements

Detailed explanations of financial information are provided in the Notes to the 2014 financial statements.

Dividend policy

The Government of the Republic of Lithuania, which indirectly through EPSO-G UAB controls 97.5% of Litgrid shares, has established the principles for the allocation of dividends for shares owned by the State in its Resolution No. 20 of 14 January 1997, the revised text of which is Resolution No. 359 of 4 April 2012.

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

III. Information regarding authorised share capital and shareholders

Litgrid has not acquired any of its own shares. 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.

On 16 November 2010 the authorised share capital of LTL 504 331 380 was registered in the Register of Legal Persons. It is divided into 504 331 380 ordinary registered shares of 1 Litas par value. All the shares are fully paid for and all shares grant equal rights to the shareholders. Since 22 December 2010, Litgrid's shares are included on the Baltic Secondary List at the NASDAQ OMX Vilnius exchange, issue ISIN code LT0000128415.

As at 31 December 2014, the Company had about 5 700 (five thousand seven hundred) shareholders. On 28 September 2012, to fulfil the provisions of the European Union's Third Energy Package, Litgrid as the transmission system operator was separated from the other companies in the electricity sector. The shares in Litgrid owned at that date by Visagino Atominė Elektrinė UAB were transferred to the 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, company code 302826889) owned 491 736 153 ordinary registered shares of the Company, which is 97.5% of Litgrid's authorised capital.

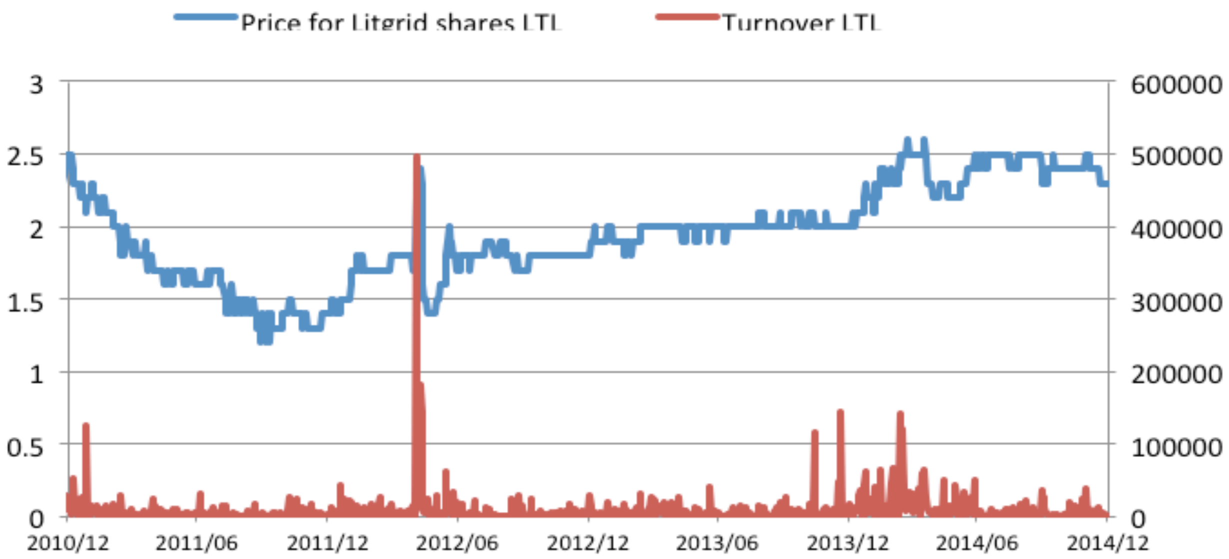
On 28 December 2012, Litgrid concluded an agreement with Swedbank AB on accounting for the Company's securities and related services for the period from 1 February 2013 until 31 January 2016.

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

Trading in Litgrid securities in regulated markets:

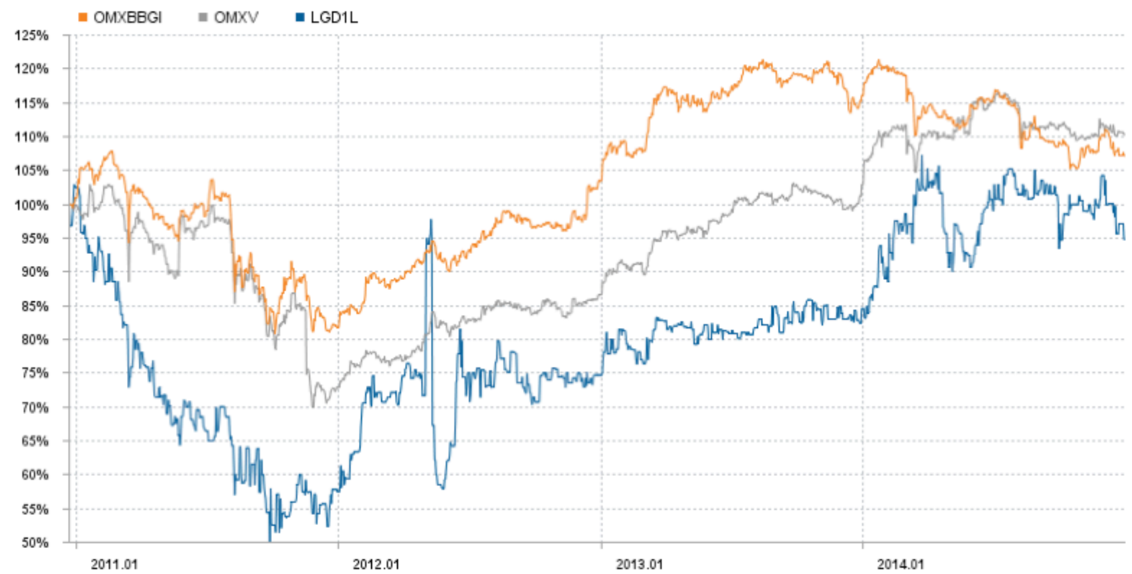
Indicator	2012	2013	2014
Opening price, LTL	1,392	1,806	2,048
Highest price, LTL	2,365	2,099	2,590
Lowest price, LTL	1,329	1,795	2,010
Closing price, LTL	1,806	2,044	2,293
Average price, LTL	1,948	1,977	2,3619
Turnover, pcs	1 306 805	726 551	1 176 548
Turnover, LTL m	2,55	1,44	2,76
Capitalisation, LTL m	910,73	1 030,88	1 156,27

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



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

Baltic market indexes



Articles of Association

The Articles of Association of Litgrid may be amended according to the procedure established by the Law on Companies of the Republic of Lithuania. Adoption of an amendment requires a majority vote of at least two-thirds of the voting shares of the shareholders participating in a 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 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 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 demonstrating suitability.

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 the 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.

[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 the independence of the member of the Supervisory Council (or its committee).

Audit Committee

On 24 February 2014, the Supervisory Council of Litgrid AB decided to elect three members to the Company's Audit Committee, of whom two are independent: independent member Aušra Pranckaitytė, independent member Rima Kvietkauskaitė, and Litgrid Financial Analyst Ana Tursienė.

The Audit Committee held seven meetings in 2014. All meetings had a quorum. The Audit Committee analysed corporate risk management, internal auditing plans, IT security, and the process for auditing the 2014 financial statements.

The Audit Committee's term of office coincides with that of the Supervisory Council which approved the composition of the committee.

The Board

The Board consists of five members and is elected for a four-year term of office. The term 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 ordinary general meeting of shareholders held in the last year of the Board's term.

If the Board or a Board Member is recalled, resigns or ceases to perform its duties for any other reason, a new Board/Board Member is elected for the remainder of the Board's term. The person that puts up a candidate for the position of Member of the Board must submit to the Supervisory Council a written statement about the qualifications of the candidate, his/her experience in management 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 demonstrating suitability.

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 types 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 the issuing of bonds, restructuring of the Company and transfer of the Company's shares to other persons, and decides on financial transactions exceeding LTL 10 million in value. The Board also adopts decisions on other matters as stated in the Articles of Association.

Areas of activities of the Chief Executive Officer

The Chief Executive Officer (CEO) is the single-person management body of the Company. The CEO organises and directs the Company's activities, acts on behalf of the Company, and concludes agreements at his/her sole discretion.

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

Members of the Supervisory Council and the Board, CEO, and Chief Financial Officer of Litgrid

Position	Name, surname	Beginning date	Ending date	Number of owned issuer shares*
Supervisory Council				
Chairperson	Dr. 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 holdings of shares of the issuer held is as at 31 December 2014.

Members of the Supervisory Council of Litgrid

Dr. Aleksandras Spruogis, Chairman of the Supervisory Council
Born in 1963. Civil engineer qualifications (diploma cum laude): Faculty of Construction, Vilnius Civil Engineering Institute, 1985. Master of Environmental Engineering: Faculty of Environmental Engineering, Vilnius Gedimino Technical University, 1992. Doctor of Technical Sciences in Environmental Engineering, Vilnius Gedimino Technical University, 1996. 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), 1990–1997. Senior Adviser to the Seimas (Parliament) Environmental Protection Committee and Chairman of the Seimas Panel of Advisers, 1997–2003. Secretary of the Ministry of Environment, 2003–2009. Senior Adviser to the Ministry of Environment, 2009. Vice-Minister of Environment, 2009–2012.

Audrius Misevičius, Member of the Supervisory Council
Born in 1959. Economist qualification, Vilnius University, 1982. Doctor of Social Sciences, St Petersburg Institute of Finances and Economics. Associate Professor, Vilnius University, 1993. Advanced trainee, Assistant, Associate Professor at Finance Department of Vilnius University, 1982–2005. Deputy Minister of Social Security, 1990–1992. Minister of Finance, 1992. Assistant/secretary to Member of Parliament A. Rudys, 1993. Financier, UAB Stern von Litauen AG, 1993–1995. Head of Tax Department, TŪB J. Kabašinskas ir Partneriai, 1996. Deputy Chairman of the Board, Member of the Board of the Bank of Lithuania, 1996–2013. Adviser to the Prime Minister of the Republic of Lithuania, since 2013. Member of the Council of VĮ Indėlių ir Investicijų Draudimas and Curator of UAB Lietuvos Monetų Kalykla, 1998–2013.

Mindaugas Vaičiulis, Independent Member of the Supervisory Council
Born in 1974. Bachelor's degree in banking, Vilnius University, 1996. Master's degree in banking, Vilnius University, 1998. Chartered Financial Analyst (CFA), 2004. International Fixed Income and Derivatives (IFID) certification, 2013. Long-term work experience in commercial banks and financial institutions. Since 2012, Head of Banking Division and Deputy Chairman of the Board at the Bank of Lithuania. Since 2013, Board Member of UAB Lietuvos Monetų Kalykla. Also, since 2003, Board Member of the Association of Financial Analysts (and President of the Association in 2004-2007 and 2011-2013).

Members of the Board of Litgrid

Daivis Virbickas, Chairman 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 long-term strategies for power transmission system development, 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.

Karolis Sankovski, Member of the Board
Born in 1985. Responsible for strategic electricity grid projects. Has many years of experience working at power companies and with strategic international interconnector projects.

Vidmantas Grušas , Member of Member of the Board
Born in 1962. Responsible for 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 ITT policies and administration. Experienced as a head of administration and in the implementation of IT projects.

No payments were made to the CEO of the Company or the Members of the Board for their on the Board. The Independent Member of the Supervisory Council was allocated a gross annual payment of LTL 12 675 for work on the Council. No payments for work on the Supervisory Council were made to the other Members of the Council. Members of the Audit Committee received LTL 10 830 (gross) for work on the Committee. Over the reporting period, the gross amount of pay to the CEO and Chief Financier of the Company amounted to LTL 361 862 and the average pay of the two executives was LTL 180 931.

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

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 the salaries of managers and employees
- the Company does not have the practice of specifying the average monthly pay by division in the Annual Report

Notices on material events published by Litgrid in 2014 and after the end of the financial year:

Date	Event
2015.03.04	Information regarding notification of resignation
2015.02.27	Litgrid Group financial results for 2014 announced
2015.01.20	Price cap for electricity transmission rate set
2014.12.19	Litgrid borrows from European Investment Bank
2014.11.28	Litgrid Group's Financial Results for Nine Months of 2014 Published
2014.10.30	Litgrid has been instructed to reduce the transmission fee, but does not agree with the decision
2014.10.10	Resolutions Adopted on October 10, 2014 at the Extraordinary General Shareholders Meeting of LITGRID AB
2014.09.29	Lower price cap for transmission service using high voltage transmission networks set for 2015
2014.09.18	Convocation of an extraordinary general meeting of shareholders of LITGRID AB
2014.08.29	Litgrid Group's results for the first half of 2014 announced
2014.08.07	Litgrid borrows from NIB to partially fund LitPol Link
2014.06.13	Decisions adopted at the extraordinary general meeting of shareholders of Litgrid AB on 12 June 2014
2014.05.30	Litgrid Group Publishes Financial Reports for the First Quarter of 2014
2014.05.23	Convocation of the extraordinary general meeting of shareholders of LITGRID AB
2014.04.15	Announcement of LITGRID AB Dividend Payment Procedure for 2013
2014.04.08	Credit line contract signed
2014.04.07	Consolidated annual report of LITGRID AB for 2013
2014.04.07	Resolutions Adopted at the Ordinary General Shareholders Meeting of LITGRID AB on April 7, 2014
2014.03.21	Statement about the resignation of the Supervisory Board member of LITGRID AB and the update of the agenda of an ordinary general shareholders' meeting
2014.03.14	Notice of Convention of Ordinary General Meeting of LITGRID AB Shareholders
2014.02.28	Litgrid Group publishes interim activity results for 2013
2014.02.24	Litgrid's Audit Committee appointed
2014.02.14	LITGRID AB will establish a company to operate new electricity interconnections
2014.02.07	Regarding information released in public
2014.01.13	LITGRID plans to borrow

Detailed notices on the material events published in 2014 are available on the website of the Nasdaq OMX Vilnius Securities Exchange http://www.nasdaqomxbaltic.com/market/?pg=news&issuer=LGD&start_d=1&start_m=1&start_y=1996 and the 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 Exchange

In according with the provisions of Article 21(3) of the Law on Securities of the Republic of Lithuania and Article 20.5 of the Trading Rules of the 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 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 on 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 is responsible for adopting the key strategic decisions that lead 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	Both a collegiate supervisory body (the Supervisory Council) and a collegiate management body (the Board) are formed in the company. Meetings are periodically organised in the Company with the participation of the members of both bodies.
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 company, which leads to a more effective and transparent corporate governance process.	YES	The Company has both a collegiate supervisory body (the Supervisory Council) and a collegiate management body (the Board)
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 The current wording of the Articles of Association is available on the Company's 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	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 Company's collegiate supervisory body is the Supervisory Council. It should be noted that the Company engages in electricity transmission activities, and therefore its operations are strictly regulated by legislation and supervised by relevant state institutions (the State Commission on Control of Prices and Energy, and others). This ensures that decisions are made in a transparent and timely way and that principles such as non-discrimination of customers and cost reduction are applied.
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 than 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 permitted by the Lithuanian law, 4 (four) years. The Board is elected for a term of 4 (four) years —the maximum term permitted under the Law on Companies of the Republic of Lithuania. 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 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.	NO	The Chairman of the Supervisory Council is not an independent member, though the Articles of 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 Law on Companies of the Republic of Lithuania. The Articles of Association require that prior to being elected as a Member of the Supervisory Council, a person must present a detailed Declaration of Interests based upon which the general meeting of shareholders can duly assess his/her objectivity 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 to become 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 Law on Companies of the Republic of Lithuania prior to the start of a general meeting of shareholders whose agenda includes election of Members of the Supervisory Council, and such information is not made public in advance. According to the Articles of Association of the Company, each candidate to the position of Member of the Supervisory Council must submit to the general meeting of shareholders a declaration of interests, stating therein any circumstances that could give rise to a conflict of interests between the candidate and the Company. In case such circumstances later arise, the Supervisory Council Member must immediately notify the Supervisory Council in writing about such new circumstances. 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 on 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 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.	TAIP/ NE	Information about the candidates to become Members of the Supervisory Council is presented to the general meeting of shareholders according to the procedure established in the Law on Companies of the Republic of Lithuania (see comment on item 3.2). The information presented to the general meeting of shareholders includes the candidates' 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 on 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.	NO	The Supervisory Council is elected and its members' qualifications are evaluated by the general meeting of shareholders. The Supervisory Council may not determine its own composition.

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.	YES	
At least one of the members of payroll committee should have knowledge and experience in the wage setting policy.	NO	The Company does not have a Remuneration Committee.
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.		
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	Newly elected Members of the Supervisory Council are given the 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 – both at the meetings of the Supervisory Council and also 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 a sufficient number of independent members.	YES	One independent member has been elected 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. 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	YES	One independent member has been elected to the Supervisory Council of the Company, meeting the 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.

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 meets 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 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 of 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 draft decisions on declaring a dividend for a period shorter than the financial year as well as 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, a 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 the Articles of Association of the Company. The general meeting of shareholders of the Company takes decisions on standard terms and conditions for agreements with 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 for agreements with Board Members and on payment of remuneration to the Board Members. Other transactions are approved by the Company's CEO irrespective of the counterparties involved.
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.	YES/ NO	The independent member elected to the Supervisory Council corresponds to the criteria set.
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 legal, accounting or other professionals for advice on the matters falling within the scope of competence of the collegiate body and its committees.	YES	The Company ensures proper working conditions for the Supervisory Council and its Members and furnishes them with the organisational resources necessary for their work. The CEO of the Company appoints a secretary for the Supervisory Council who services its meetings.
The remuneration committee, while using consultants'/experts' services in order to get information about market standards on setting of remuneration rates, must ensure that the same consultant not provide consulting on personnel division or executive director or members of management bodies of a related company at the same time.	NO	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.	YES/ NO	Only one independent member has been elected to the Supervisory Council of 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 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.	YES/ NO	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, and therefore the Supervisory Council can properly perform all the functions of the Remuneration and Appointment Committees.
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 no supervisory council is formed in the company, the salaries	YES	The Audit Committee consists of three members, two of whom are independent members.

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.		
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 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 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 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.	NO	No Appointments Committee has been formed in the Company.
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; 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	NO	No Remuneration Committee has been formed in the Company.

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 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.	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.
4.15. Kiekvienais metais kolegialus organas turėtų atlikti savo veiklos įvertinimą. Jis turėtų apimti kolegialaus organo struktūros, darbo organizavimo ir gebėjimo veikti kaip grupė vertinimą, taip pat kiekvieno kolegialaus organo nario ir komiteto kompetencijos ir darbo efektyvumo vertinimą bei vertinimą, ar kolegialus organas pasiekė nustatytų veiklos tikslų. Kolegialus organas turėtų bent kartą per metus paskelbti (kaip dalį informacijos, kurią bendrovė kasmet skelbia apie savo valdymo struktūras ir praktiką) atitinkamą informaciją apie savo vidinę organizaciją ir veiklos procedūras, taip pat nurodyti, kokius esminius pokyčius nulėmė kolegialaus organo atliktas savo veiklos įvertinimas.	NO	The Company does not perform assessments of the collegiate body and does not have the practice of publishing the mentioned type of 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 the work regulations of all collegiate 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 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.	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 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 every two weeks. The Board draws up a schedule of Board 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 6 (six) days' notice of a 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 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, the chairmen 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 on 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 time of the meeting should not prevent the shareholders from active participation in the meeting.	YES	The Company convenes general meetings of shareholders and implements other procedures related to such meetings according to the provisions of the Law on Companies of the Republic of Lithuania.
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 on 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 on 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	YES	Pursuant to the Law on Companies of the Republic of Lithuania, the Company publishes draft decisions of the general meeting of shareholders on its website, in Lithuanian and English. Decisions taken by the general meeting of shareholders are published on 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, on the NASDAQ OMX Vilnius and in the Centre of Registers' electronic newsletter.

could damage the company or trade secrets of the company would be disclosed.		
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 Law on Companies of the Republic of Lithuania.
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 for 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 a 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 about the 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 this requirement .
7.2. A member of a managerial or supervisory body of the company may not mix 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 that formed the relevant body. The shareholder must immediately notify about 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 Law on Companies of the Republic of Lithuania, 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 Law on Companies, a member of the Board is not entitled to vote if a matter related to his/her work on 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 on the company's website and not only as part of the annual report.	NO	The Company has no practice of preparing a report on its remuneration policy or 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. In accord with Article 25(5) of the Law on Energy of the Republic of Lithuania, 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 for the next year and, where applicable, for subsequent financial years. It should also contain an overview of the implementation of the remuneration policy in previous financial years.		The Annual Report does not contain information on the policy for remuneration of the Company's directors for the next year and subsequent years. The Annual Report contains information on gross amounts allocated to the members of the Company's management bodies (salaries, other payments, tantiems, 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 paid to Members. 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 is not in the 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; 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.	NO	The Company is not in the practice of publishing such information.
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 is not in the 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 is not in the 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 is not in the practice of publishing 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 is not in the 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 an 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 is not in the 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 based on share price fluctuations should depend on pre-set and measurable performance evaluation criteria.	YES	N/A
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.		
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	NO	Such schemes are not applied and the Company does not publish such information.

summary of the main 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 include 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, the 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 a way other 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.	TAIP	
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 is not in the 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 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.	NO	The Company is not in the practice of publishing such information.
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 the 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 on the Vilnius Securities Exchange information system.

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.		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, and the Company's website which is publicly accessible) in order to ensure that the information reaches the largest circle of stakeholders possible. Information on the Company's website is published in Lithuanian and English.
10.7. It is recommended that the annual report, the financial statements and other periodic 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 services other than audit services from the audit firm only in exceptional cases and usually these are low-value transactions; therefore, the Company is not in the practice of disclosing such information to its shareholders or management bodies, except the Audit Committee, which supervises the audit process.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