LITGRID AB

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

CONTENTS

Translation note:

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

The financial statements were approved on 21 March 2016.

Daivis Virbickas Chief Executive Officer	Rimantas Busila Finance Department Director	Jūratė Vyšniauskienė Chief Financier

Independent Auditor's Report

To the shareholders of LITGRID AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of LITGRID AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 47, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2015 and the stand-alone and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

pwc

Basis for Qualified Opinion

According to the Company's accounting policy, property, plant and equipment is carried at revalued amounts, being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses. As explained in note 5, management assessed the fair value of property plant and equipment as of 31 December 2015 and as of 31 December 2014 and accounted for the related revaluation in 2014. Management did not determine the fair value of property, plant and equipment with carrying amounts of 531 million Euros as of 31 December 2013, although we consider that impairment indicators existed as of that date. As a result, we were unable to assess in which period the revaluation loss should have been recognised, and by which amount the depreciation expense of the comparative period presented in these financial statements should have been adjusted. Our opinion on the current period's financial statements is therefore modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2015 set out on pages 48 to 94 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2015.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
21 March 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(All amounts are in EUR thousands unless otherwise stated)

	Note	Group		Company	
		At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
ASSETS					
Non-current assets					
Intangible assets	4	876	944	870	915
Property, plant and equipment	5	409,643	364,401	408,757	363,431
Prepayments for property, plant, equipment		56,298	82,228	56,298	82,228
Investments in subsidiaries	6	-	-	4,089	2,796
Investments in associates and joint ventures	6	720	1,088	752	1,047
Deferred income tax assets	21	63	91	-	-
Available-for-sale financial assets	7	2,273	2,237	2,273	2,237
Total non-current assets		**469,873**	**450,989**	**473,039**	**452,654**
Current assets					
Inventories	8	2,518	2,259	1,157	1,005
Prepayments		240	,275	203	248
Trade receivables	9	12,918	14,456	8,720	10,741
Other amounts receivable	10	20,277	51,253	22,318	21,245
Prepaid income tax		1,457	31	1,435	-
Other financial assets	11	2,574	3,263	2 574	1,751
Held-to-maturity investments	12	-	15,929	-	15,929
Cash and cash equivalents	13	791	25,293	483	25,003
Total current assets		**40,775**	**112,759**	**36,890**	**75,922**
Assets of the disposal group classified as held for sale	1, 30	43,726	-	325	-
TOTAL ASSETS		**554,374**	**563,748**	**510,254**	**528,576**
EQUITY AND LIABILITIES					
Equity					
Authorised share capital	14	146,256	146,064	146,256	146,064
Share premium	14	8,579	8,579	8,579	8,579
Revaluation reserve	15	6,228	6,840	6,138	6,739
Reserve of changes in fair value of financial assets	16	298	-	298	-
Legal reserve	16	14,606	14,609	14,606	14,606
Other reserves	16	62,747	171,355	62,747	171,355
Retained earnings (deficit)		2,897	(107,931)	5,772	(107,036)
Equity attributable to owners of the Parent		**241,611**	**239,516**	**244,396**	**240,307**
Non-controlling interest		133	57	-	-
Total equity		**241,744**	**239,573**	**244,396**	**240,307**
Liabilities					
Non-current liabilities					
Grants	18	3,870	108,140	3,870	108,140
Non-current borrowings	19	124,518	88,600	124,518	88,600
Deferred income tax liability	21	10,430	11,669	10,430	11,669
Other non-current amounts payable and liabilities	20	203	2,958	151	2,907
Total non-current liabilities		**139,021**	**211,367**	**138,969**	**211,316**
Current liabilities					
Current portion of non-current borrowings	19	8,082	30,200	8,082	30,200
Current borrowings	19	70,838	10,580	69,842	-
Trade payables	22	28,068	34,997	25,301	34,740
Advance amounts received	23	2,014	2,919	2,014	1,394
Income tax liability		4	316	-	315
Other current amounts payable and liabilities	24	23,160	33,796	21,650	10,304
Total current liabilities		**132,166**	**112,808**	**126,889**	**76,953**
Total liabilities		**271,187**	**324,175**	**265,858**	**288,269**
Liabilities of the disposal group classified as held for sale	1, 30	41,443	-	-	-
TOTAL EQUITY AND LIABILITIES		**554,374**	**563,748**	**510,254**	**528,576**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR thousands unless otherwise stated)

	Note	Group		Company	
		2015	2014	2015	2014
Continuing operations:					
Revenue					
Revenue from sale of electricity and related services	25	83,480	104,238	83,480	104,238
Other income	27	17,043	15,465	2,085	1,759
Total revenue		**100,523**	**119,703**	**85,565**	**105,997**
Expenses					
Expenses attributable to electricity and related services		(37,793)	(50,670)	(37,793)	(50,670)
Depreciation and amortisation	4,5	(21,774)	(38,735)	(21,511)	(38,392)
Wages and salaries and related expenses		(12,559)	(11,421)	(6,685)	(6,153)
Repair and maintenance expenses		(4,213)	(4,641)	(6,031)	(6,283)
Telecommunications and IT maintenance expenses		(3,396)	(3,889)	(3,283)	(3,716)
Revaluation of property, plant and equipment	5	-	(123,199)	-	(123,200)
Write-off expenses of property, plant and equipment		(2,223)	(1,472)	(2,214)	(1,471)
Impairment of investments (reversal)		(343)	(959)	,1,245	(2,717)
Other expenses		(15,527)	(15,221)	(4,625)	(5,346)
Total expenses	26	**(97,828)**	**(250,207)**	**(80,897)**	**(237,948)**
Operating profit/(loss)		**2,695**	**(130,504)**	**4,668**	**(131,951)**
Financing activities					
Finance income		287	437	287	437
Finance costs		(816)	(709)	(783)	(653)
Total finance costs		**(529)**	**(272)**	**(496)**	**(216)**
Share of profit/(loss) of associates and joint ventures	6	(25)	90	-	-
Profit/(loss) before income tax		**2,141**	**(130,686)**	**4,172**	**(132,167)**
Income tax					
Current year income tax expenses	21	(1,685)	(3,323)	(1,672)	(3,322)
Deferred income tax (expenses)/income	21	1,265	22,638	1,291	22,640
Total income tax		**(420)**	**19,315**	**(381)**	**19,318**
Profit/(loss) for the year from continuing operations		**1,721**	**(111,371)**	**3,791**	**(112,849)**
Profit/(loss) for the year from discontinued operations	30	**114**	**(228)**	**-**	**-**
Profit/(loss) for the year		**1,835**	**(111,599)**	**3,791**	**(112,849)**
Other comprehensive income that will not be reclassified to profit or loss					
Loss on revaluation of property, plant and equipment	5	-	(62,487)	-	(62,494)
Change in fair value of financial assets		350	-	350	-
Effect of deferred income tax		(52)	9,373	(,52)	9,374
Total other comprehensive income that will not be reclassified to profit or loss		**298**	**(53,114)**	**298**	**(53,120)**
Total comprehensive income/(expenses) for the year		**2,133**	**(164,713)**	**4,089**	**(165,969)**
Profit/(loss) for the year attributable to:					
Owners of the Parent		1,797	(111,524)	3,791	(112,849)
Non-controlling interest		38	(75)	-	-
		1,835	**(111,599)**	**3,791**	**(112,849)**
Total comprehensive income/(expenses) for the year attributable to:					
Owners of the Parent		2,095	(164,638)	4,089	(165,969)
Non-controlling interest		38	(75)	-	-
		2,133	**(164,713)**	**4,089**	**(165,969)**
Basic and diluted earnings/(deficit) per share (in EUR)	29	**0.004**	**(0.221)**	**0.008**	**(0.224)**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR thousands unless otherwise stated)

Group		Attributable to owners of the Group									
		Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Interim amount	Non-controlling interest	Total
Balance at 1 January 2014		**146,064**	**8,579**	**65,504**	**-**	**14,616**	**189,601**	**12,464**	**436,828**	**75**	**436,903**
Comprehensive income/(expenses) for the year		-	-	(53,114)	-	-	-	(111,524)	(164,638)	(75)	(164,713)
Depreciation of revaluation reserve and amounts written off	15	-	-	(5,550)	-	-	-	5,550	-	-	-
Transfer to retained earnings	16	-	-	-	-	(7)	(18,246)	18,253	-	-	-
Dividends	17	-	-	-	-	-	-	(32,674)	(32,674)	-	(32,674)
Change in interest in the subsidiary		-	-	-	-	-	-	-	-	57	57
Balance at 31 December 2014		**146,064**	**8,579**	**6,840**	**-**	**14,609**	**171,355**	**(107,931)**	**239,516**	**57**	**239,573**
Balance at 1 January 2015		**146,064**	**8,579**	**6,840**	**-**	**14,609**	**171,355**	**(107,931)**	**239,516**	**57**	**239,573**
Comprehensive income/(expenses) for the year		-	-	-	298	-	-	1,797	2,095	38	2,133
Depreciation of revaluation reserve and amounts written off	15	-	-	(612)	-	-	-	612	-	-	-
Conversion of authorised share capital to the euro	14	192	-	-	-	-	-	(192)	-	-	-
Transfer to retained earnings	16	-	-	-	-	(3)	(108,608)	108,611	-	-	-
Change in interest in the subsidiary		-	-	-	-	-	-	-	-	38	38
Balance at 31 December 2015		**146,256**	**8,579**	**6,228**	**298**	**14,606**	**62,747**	**2,897**	**241,611**	**133**	**241,744**

Company		Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2014		**146,064**	**8,579**	**65,399**	**-**	**14,606**	**189,601**	14,701	438,950
Comprehensive income/(expenses) for the year		-	-	**(53,120)**	-	-	-	(112,849)	(165,969)
Depreciation of revaluation reserve and amounts written off	15	-	-	**(5,540)**	-	-	-	5,540	-
Transfers to retained earnings	16	-	-	-	-	-	**(18,246)**	18,246	-
Dividends	17	-	-	-	-	-	-	(32,674)	(32,674)
Balance at 31 December 2014		**146,064**	**8,579**	**6,739**	**-**	**14,606**	**171,355**	**(107,036)**	**240,307**
Balance at 1 January 2015		**146,064**	**8,579**	**6,739**	**-**	**14,606**	**171,355**	**(107,036)**	240,307
Comprehensive income/(expenses) for the year		-	-	-	298	-	-	3,791	4,089
Depreciation of revaluation reserve and amounts written off	15	-	-	(601)	-	-	-	601	-
Transfer to retained earnings	16	-	-	-	-	-	(108,608)	108,608	-
Conversion of authorised share capital to the euro	14	192	-	-	-	-	-	(192)	-
Balance at 31 December 2015		**146,256**	**8,579**	**6,138**	**298**	**14,606**	**62,747**	**5,772**	**244,396**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR thousands unless otherwise stated)

	Note	Group		Company	
		2015	2014	2015	2014
Cash flows from operating activities					
Profit/(loss) for the year		1,835	(111,599)	3,791	(112,849)
Adjustments for non-cash items and other adjustments:					
Depreciation and amortisation expenses	4,5	21,774	38,735	21,511	38,393
Revaluation of property, plant and equipment	5	-	123,199	-	123,200
(Reversal of)/impairment charge on assets		(356)	2,854	(1,944)	4,612
Loss on disposal of financial assets		62	-	62	-
Share of profit of associates and joint ventures	6	25	(90)	-	-
Income tax expenses	21	420	(19,315)	381	(19,318)
(Gain)/loss on disposal/write-off of property, plant and equipment		2,212	1,472	2,214	1,471
Elimination of results of financing and investing activities:					
Interest income		(17)	(216)	(17)	(216)
Interest expenses		1,530	663	1,499	639
Dividend income		(122)	(150)	(122)	(150)
Other finance (income)/costs		79	(55)	79	(59)
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		1,978	(22,102)	279	(16,544)
(Increase) decrease in inventories, prepayments and other current assets		1,172	273	180	(26)
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received		15,956	23	16,338	(422)
Changes in other financial assets		(823)	4,248	(823)	(350)
Income tax (paid)		(1,915)	(2,820)	(1,914)	(2,796)
Net cash generated from operating activities		**43,810**	**15,120**	**41,514**	**15,585**
Net cash used in operating activities of the discontinued operations		**(13,315)**	**(7,775)**	**-**	**-**
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(212,833)	(79,311)	(212,647)	(78,903)
Proceeds from sale of property, plant and equipment and intangible assets		-	3	-	1
Grants received	18	47,373	34,308	47,373	34,308
Additional investments in subsidiaries	6	-	-	(78)	(290)
Disposal (acquisition) of subsidiaries (associates)/reduction of share capital	6	-	2,654	-	2,654
(Acquisition) of held-to-maturity investments	12	-	(15,929)	-	(15,929)
Proceeds from redemption of held-to-maturity investments	12	15,929	20,273	15,929	20,273
Interest received		94	237	94	237
Dividends received		122	150	122	150
Other cash flows from investing activities		126	113	126	58
Net cash used in investing activities		**(149,189)**	**(37,502)**	**(149,081)**	**(37,441)**
Net cash used in investing activities of the discontinued operations		**(16)**	**(13)**	**-**	**-**
Cash flows from financing activities					
Proceeds from borrowings		65,000	111,000	65,000	111,000
Repayments of borrowings		(51,200)	(54,200)	(51,200)	(54,200)
Overdraft		68,098	542	69,842	-
Interest paid		(613)	(663)	(582)	(639)
Dividends paid		(13)	(32,689)	(13)	(32,689)
Net cash generated from financing activities		**81,272**	**23,990**	**83,047**	**23,472**
Net cash generated from financing activities of the discontinued operations		**12,936**	**7,851**	**-**	**-**
Net increase (decrease) in cash and cash equivalents		**(24,502)**	**1,671**	**(24,520)**	**1,616**
Cash and cash equivalents at the beginning of the period	13	25,293	23,622	25,003	23,387
Cash and cash equivalents at the end of the period	13	**791**	**25,293**	**483**	**25,003**

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

(All amounts are in EUR thousands unless otherwise stated)

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 the unbundling 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 unbundling of Lietuvos Energija AB. The Company was registered with the Register of Legal Entities on 16 November 2010. The Company’s code is 302564383; VAT payer’s code is LT100005748413.

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

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

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

As at 31 December 2015, the Company’s authorised share capital was converted to the euro and amounted to EUR 146,256,100.20. It was divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each. All shares are fully paid.

As at 31 December 2015 and 31 December 2014, the Company's shareholder structure was as follows:

Company’s shareholders	Number of shares held	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 EPSO-G UAB (company code 302826889, address A. Juozapavičiaus g. 13, Vilnius, Lithuania) is the Ministry of Energy of the Republic of Lithuania.

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

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

Company	Address of the company’s registered office	Shareholding as at 31 December 2015	Shareholding as at 31 December 2014	Profile of activities
BALTPOOL UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	67%	67%	Electricity market operator and natural gas, supporting instruments as well as biofuel market operator, PSO funds administrator
TETAS UAB	Senamiesčio g. 102B, Panevėžys, Lithuania	100%	100%	Transformer substation and distribution station design, reconstruction, repair and maintenance services
Tinklo Priežiūros Centras UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100%	100%	Management and operation of electricity interconnection facilities

On 1 December 2015, the Company's Board approved the transfer of a 67% ownership interest in BALTPOOL UAB held by LITGRID AB to EPSO-G UAB for a consideration not lower than that established by the independent property valuer. For the purpose of the these financial statements the Company's investment in the subsidiary was reclassified to assets held for sale.

Investments in subsidiaries are described in Note 6.

The structure of the Group's investments in the associates and joint venture as at 31 December 2015 and 31 December 2014 was as follows:

Company	Address of the company's registered office	The Group's shareholding as at 31 December 2015	The Group's shareholding as at 31 December 2014	Profile of activities
Duomenų Logistikos Centras UAB	Žvejų g. 14, Vilnius, Lithuania	20%	20%	IT services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Designing of electricity transmission interconnection facilities

As at 31 December 2015, the Group had 659 employees (31 December 2014: 707), as at 31 December 2015, the Company had 235 employees (31 December 2014: 226).

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 2015 are set out below.

2.1 Basis of preparation

The Company's and the Group's financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Amounts in these financial statements are presented in thousands of euro (EUR) unless otherwise stated. Comparative figures have been converted using the official exchange rate of the litas against the euro, i.e. LTL 3.4528 to EUR 1.

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

The Company's management approved these financial statements on 21 March 2016. The shareholders of the Company have a statutory right to approve or not to approve those and request for a preparation of the new financial statements.

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

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

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

IFRIC 21, 'Taxes'
The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. This interpretation had no impact on the Group's and the Company's financial statements.

Annual improvements to IFRSs 2013 (effective for the annual periods beginning on or after 1 January 2015).

The improvements consist of changes to four standards.
- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

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

Other standards, amendments and interpretations that became effective for the financial year beginning on 1 January 2015 are not relevant to the Group and the Company.

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

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

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

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

Annual improvements to IFRSs 2012 (effective for the annual periods beginning on or after 1 February 2015).

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

- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

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

IFRS 15, 'Revenue from contracts with customers'
The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The standard is effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU. The Group and the Company are currently assessing the impact of this standard on their financial statements.

Annual improvements to IFRSs 2014 (effective for the annual periods beginning on or after 1 January 2016 and not early adopted by the Group and the Company).

The amendments impact 4 standards.
- IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.
- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

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

Disclosure initiative – Amendments to IAS 1
The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.
These amendments are effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 16, 'Leasing'
The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
This standard is effective for annual periods beginning on or after 01 January 2019; not yet adopted by the EU. The Group and the Company are currently assessing the impact of this new standard on their financial statements.

Other standards and their improvements issued but not yet effective are not expected to have a significant impact on the Group and the Company.

2.2 Principles of consolidation

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

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

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

2.3 Business combinations between entities under common control

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 Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale, if their carrying amount is recovered through a disposal rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell.
An asset or disposal group can qualify for recognition as held for sale only when the sale is highly probable and an asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that the sale will be withdrawn. Management must be committed to implement a probable sale within one year after the date of the reclassification. Assets and liabilities classified as held for sale are presented separately in the statement of financial position as current items.

2.5 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 amount in the parent's statement of financial position exceeds its estimated recoverable amount.

2.6 Investments in associates and joint ventures

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

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

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

Losses of an associate or joint venture in excess of the Group's interest in that associate/joint venture, 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/joint venture.

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

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

(All amounts are in EUR thousands unless otherwise stated)

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

In the parent company's statement of financial position investments in associates and joint ventures 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.

2.7 Property, plant and equipment and intangible assets

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

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

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

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

<u>Intangible assets</u>
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).

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

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

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

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

2.8 Impairment of property, plant and equipment and intangible assets

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

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

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

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

2.9 Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.10 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.

2.11 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.

2.12 Trade payables and other financial liabilities, borrowings

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

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

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

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

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

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

2.13 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.

2.14 Foreign currency

After the introduction of the euro in the Republic of Lithuania on 1 January 2015 the Group's functional currency was changed. The exchange rate of the litas against the euro, i.e. LTL 3.45280 to EUR 1, which was irrevocably established by the Council (the EU), was applied during the conversion of the litas to the euros.

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 the euro, which is the functional currency of the Company and the presentation currency of the consolidated Group's financial statements. All financial information presented in the euro has been rounded to the nearest thousands, except when otherwise indicated. Some of the amounts in the tables may not coincide due to rounding.

Foreign currency transactions are recorded in the euro using the exchange rates of the euro against other foreign currencies prevailing at the dates of transactions as established by the European Central Bank and the Bank of Lithuania. Monetary assets and liabilities are translated into the euro 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 recognised as the profit or loss of the reporting period.

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

2.15 Grants

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

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

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

Accrued grants receivable are recorded in other amounts receivable when the agreement whereby the European Commission commits to finance strategic projects provides evidence confirming that the financing will be received.

2.16 Provisions

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

2.17 Employee benefits

(a) Social security contributions

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

(b) Bonus plans

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

(c) Payments to retiring employees of retirement age

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

2.18 Leases

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

The Group and the Company as a lessor

Operating lease income is recognized on a straight-line basis over the lease term.

The Group and the Company as a lessee

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

2.19 Segment reporting

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

2.20 Revenue and expense recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PSO service funds allocated by the Commission to the Company/Group to cover administration costs of PSO service funds.

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

2.21 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 2.20 and recognizes the difference between collected and disbursed PSO service funds being administered as receivables (payables).

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

2.22 Borrowing costs

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

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

2.23 Income tax

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

<u>Income tax</u>
Income tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2015 and 2014.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum of 70%.

<u>Deferred income tax</u>

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

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

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

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

2.24 Earnings per share

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

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

2.25 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.

2.26 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.

2.27 Offsetting

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

2.28 Fair value measurement

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

As at 31 December 2015 and 2014 the Group and the Company did not have significant assets or liabilities measured at fair value on a recurring or not recurring basis in the financial statements, except for the available-for-sale financial assets (Notes 2.8 and 7) and property, plant and equipment (Notes 2.6 and 5).

Assets and liabilities for which fair value is disclosed in the financial statements comprise cash and cash equivalents, trade receivables, trade and other payables and borrowings. The management assessed that the fair value of the borrowings as at 31 December 2015 and 2014 are approximating their carrying value as they are subject to variable interest rates and that fair value of other mentioned financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments as at 31 December 2015 and 2014.

3. Significant accounting estimates and assumptions

The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the accounting policies applied, the reported amounts of assets, liabilities, income and expenses and the disclosures of contingencies. Actual results may differ from those estimates. The significant management judgements and assumptions and the main sources for uncertainties used in the preparation of these financial statements that might cause important corrections to the carrying amounts of the related assets and liabilities in the next accounting year are indicated below.

Impairment of investments

The shares of the subsidiaries, associates and joint ventures are not traded on the stock exchange. Therefore the Company estimated their probable recoverable amount using the discounted future cash inflows indicated in the financial forecasts covering a period of several years or indirectly observable inputs about similar transactions.

The recoverable amount of the investment in TETAS UAB as at 31 December 2015 was estimated using the discounted cash flow method considering lower financial liabilities and an improved forecast of cash flows to be generated by TETAS UAB which was positively affected by the performance in 2015. The reversal of impairment charge on the investment amounted to EUR 1,540 thousand. The discount rate used (WACC after tax) was equal to 8.19%.

The recoverable amount of other investments was estimated using indirectly observable market inputs.

Estimates related to cash and cash equivalents

As disclosed in Note 13 a part of the Company's and the Group's funds allocated for the settlements with the contractors of the Nord Balt project meet the definition of cash and cash equivalents set out by IFRS.

Valuation of property, plant and equipment

As disclosed in Note 5 the Company performed the valuation of property, plant and equipment. The determination of the assets' fair value is mainly affected by assumptions used in assessing the transmission service tariff for the future periods. The assumptions used in the determination of the fair value of property, plant and equipment are described in greater detail in the mentioned note.

(All amounts are in EUR thousands unless otherwise stated)

4. Intangible assets

Group	Patents and licences	Computer software	Other intangible assets	Total
At 31 December 2013				
Cost	26	1,821	21	1,868
Accumulated amortisation	(8)	(1,160)	(15)	(1,183)
Net book amount	**18**	**661**	**6**	**685**
Net book amount at 31 December 2013	**18**	**661**	**6**	**685**
Additions	-	357	-	357
Transfer from PP&E	6	142	-	148
Amortisation charge	(11)	(232)	(3)	(246)
Net book amount at 31 December 2014	**13**	**928**	**3**	**944**
At 31 December 2014				
Cost	32	2,320	21	2,373
Accumulated amortisation	(19)	(1,392)	(18)	(1,429)
Net book amount	**13**	**928**	**3**	**944**
Net book amount at 31 December 2014	**13**	**928**	**3**	**944**
Additions	-	284	9	293
Write-offs	-	(4)	(1)	(5)
Transfer to/from PP&E	-	66	-	66
Transfer to assets held for sale	-	(15)	(8)	(23)
Amortisation charge	(11)	(385)	(3)	(399)
Net book amount at 31 December 2015	**2**	**874**	**-**	**876**
At 31 December 2015				
Cost	32	2,551	14	2,597
Accumulated amortisation	(30)	(1,677)	(14)	(1,721)
Net book amount	**2**	**874**	**-**	**876**

Company	Patents and licences	Computer software	Other intangible assets	Total
At 31 December 2013				
Cost	26	1,693	14	1,733
Accumulated amortisation	(9)	(1,083)	(11)	(1,103)
Net book amount	**17**	**610**	**3**	**630**
Net book amount at 31 December 2013	**17**	**610**	**3**	**630**
Additions	-	343	-	343
Transfer to/from PP&E	6	142	-	148
Amortisation charge	(10)	(194)	(2)	(206)
Net book amount at 31 December 2014	**13**	**901**	**1**	**915**
At 31 December 2014				
Cost	32	2,178	14	2,224
Accumulated amortisation	(19)	(1,277)	(13)	(1,309)
Net book amount	**13**	**901**	**1**	**915**
Net book amount at 31 December 2014	**13**	**901**	**1**	**915**
Additions	-	269	-	269
Transfer to/from PP&E	-	66	-	66
Amortisation charge	(11)	(368)	(1)	(380)
Net book amount at 31 December 2015	**2**	**868**	**-**	**870**
At 31 December 2015				
Cost	32	2,513	14	2,559
Accumulated amortisation	(30)	(1,645)	(14)	(1,689)
Net book amount	**2**	**868**	**-**	**870**

(All amounts are in EUR thousands unless otherwise stated)

5. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2013							
Cost	568	11,998	594,787	711	29,793	45,330	683,187
Accumulated depreciation	-	(2,561)	(130,411)	(505)	(18,036)	-	(151,513)
Accumulated impairment	-	(42)	(355)	-	-	-	(,397)
Net book amount	**568**	**9,395**	**464,021**	**206**	**11,757**	**45,330**	**531,277**
Net book amount at 31 December 2013	568	9,395	464,021	206	11,757	45,330	**531,277**
Additions	-	-	139	52	854	71,150	72,195
Revaluation	(34)	(287)	(185,275)	-	(89)	-	(185,685)
Disposals	-	-	(1)	(1)	-	-	(2)
Write-offs	-	(44)	(1,461)	-	(43)	-	(1,548)
Transfer from inventories	-	-	-	-	-	41	41
Transfer to intangible assets	-	-	-	-	(148)	-	(148)
Transfer to/from grants not received	-	-	-	-	-	(1,676)	(1,676)
Set-off of grants with non-current assets	-	-	-	-	-	(11,528)	(11,528)
Transfer between categories	-	1,185	41,808	-	(3,044)	(39,949)	-
Depreciation charge	-	(803)	(35,699)	(127)	(1,896)	-	(38,525)
Net book amount at 31 December 2014	**534**	**9,446**	**283,532**	**130**	**7,391**	**63,368**	**364,401**
At 31 December 2014							
Cost	534	9,625	283,667	758	8,192	63,368	366,144
Accumulated depreciation	-	(179)	(135)	(628)	(801)	-	(1,743)
Net book amount	**534**	**9,446**	**283,532**	**130**	**7,391**	**63,368**	**364,401**
Net book amount at 31 December 2014	**534**	**9,446**	**283,532**	**130**	**7,391**	**63,368**	**364,401**
Additions	-	-	13	22	811	234,896	235,742
Write-offs	-	(189)	(2,426)	-	-	-	(2,615)
Transfer to/from inventories	-	-	-	(3)	-	13	10
Transfer to assets held for sale	-	-	-	-	(7)	-	(7)
Transfer to intangible assets	-	-	-	-	(7)	(59)	(66)
Transfer to/from grants not received	-	-	(16,465)	-	-	-	(16,465)
Set-off of grants with non-current assets	-	-	(2,159)	-	-	(147,808)	(149,967)
Transfer between categories	-	3,459	131,819	-	2,658	(137,936)	-
Depreciation charge	-	(581)	(18,741)	(56)	(2,012)	-	(21,390)
Net book amount at 31 December 2015	**534**	**12,135**	**375,573**	**93**	**8,834**	**12,474**	**409,643**
At 31 December 2015							
Cost	534	12,872	394,195	769	11,587	12,474	432,431
Accumulated depreciation	-	(737)	(18,622)	(676)	(2,753)	-	(22,788)
Net book amount	**534**	**12,135**	**375,573**	**93**	**8,834**	**12,474**	**409,643**

(All amounts are in EUR thousands unless otherwise stated)

Company	Land	Buildings	Structures and machinery	Other PP&E	Construction in progress	Total
At 31 December 2013						
Cost	568	11,534	594,548	28,807	45,448	680,905
Accumulated depreciation	-	(2,414)	(130,304)	(17,381)	-	(150,099)
Accumulated impairment	-	(42)	(355)	-	-	(397)
Net book amount	**568**	**9,078**	**463,889**	**11,426**	**45,448**	**530,409**
Net book amount at 31 December 2013	568	9,078	463,889	11,426	45,448	530,409
Additions	-	-	-	730	71,031	71,761
Revaluation	(34)	(295)	(185,275)	(89)	-	(185,693)
Disposals	-	-	(1)	-	-	(1)
Write-offs	-	(44)	(1,461)	(42)	-	(1,547)
Transfer from inventories	-	-	-	-	41	41
Transfer to intangible assets	-	-	-	(148)	-	(148)
Transfer to/from grants not received	-	-	-	-	(1,676)	(1,676)
Set-off of grants with non-current assets	-	-	-	-	(11,528)	(11,528)
Transfer between categories	-	1,184	41,808	(3,044)	(39,948)	-
Depreciation charge	-	(770)	(35,671)	(1,746)	-	(38,187)
Net book amount at 31 December 2014	**534**	**9,153**	**283,289**	**7,087**	**63,368**	**363,431**
At 31 December 2014						
Cost	534	9,153	283,289	7,087	63,368	363,431
Accumulated depreciation	-	-	-	-	-	-
Net book amount	**534**	**9,153**	**283,289**	**7,087**	**63,368**	**363,431**
Net book amount at 31 December 2014	534	9,153	283,289	7,087	63,368	**363,431**
Additions	-	-	-	652	234,896	235,548
Write-offs	-	(189)	(2,417)	-	-	(2,606)
Transfer from inventories	-	-	-	-	13	13
Transfer to intangible assets	-	-	-	(7)	(59)	(66)
Transfer to/from grants not received	-	-	(16,465)	-	-	(16,465)
Set-off of grants with non-current assets	-	-	(2,159)	-	(147,808)	(149,967)
Transfer between categories	-	3,459	131,819	2,658	(137,936)	-
Depreciation charge	-	(547)	(18,702)	(1,882)	-	(21,131)
Net book amount at 31 December 2015	**534**	**11,876**	**375,365**	**8,508**	**12,474**	**408,757**
At 31 December 2015						
Cost	534	12,399	393,819	10,391	12,474	429,617
Accumulated depreciation	-	(523)	(18,454)	(1 883)	-	(20,860)
Net book amount	**534**	**11,876**	**375,365**	**8,508**	**12,474**	**408,757**

Write-offs mainly represent derecognition of replaced parts of the assets during reconstruction.

Interest expenses satisfying the criteria for capitalisation at the Company amounted to EUR 1,586 thousand for the period ended 31 December 2015 (EUR 843 thousand for the period ended 31 December 2014). This amount was reduced by the amount of interest income, which during the respective period amounted to EUR 643 thousand (EUR 445 thousand for the period ended 31 December 2014). The total amount of capitalised interest amounted to EUR 943 thousand (EUR 398 thousand for the period ended 31 December 2014). The annual interest rate of capitalisation was 0.2% (0.3% for the period ended 31 December 2014).

Following the approved accounting policy and aiming to implement Decision No 241-235 of 17 December 2013 of the Director of the Supervision Service of the Bank of Lithuania by which LITGRID was committed to establish the fair value of its property, plant and equipment not later than by the date of the preparation of the financial statements for 2014, the Company performed the valuation of its property, plant and equipment at the 2014 year end. The Company did not measure the value in use and probable impairment of property, plant and equipment at the 2013 year end as significant uncertainties existed at that time regarding the planned introduction of the new LRAIC method.

As at 31 December 2015, having estimated whether assumptions used in the previously performed valuation of the assets have changed and whether a new valuation or impairment test needs to be performed the Company stated as follows:

- By Resolution No O3-509 of 21 September 2015 the National Control Commission for Prices and Energy (hereinafter "the Commission) substantially altered the provisions of the Methodology for the Determination of the Price Caps of Electricity Transmission, Distribution and Public Supply Services (hereinafter "the Methodology") and recognised the application of the LRAIC accounting model (hereinafter "the LRAIC model") in determining the price cap of the electricity transmission service;
- The Methodology does not take into consideration that the Description of Procedure for Determining Regulated Prices in Electric Energy Sector as approved by Resolution No 1026 of 24 September 2014 of the Lithuanian Government provides that the determination of the value of assets, on the basis of which the return on investments for the electricity transmission system operator in 2015–2019 is calculated, includes an annual additional component equal to 1/5 of the difference between the carrying amount of the company's assets and the regulated asset base that arose as at 30 June

2014. Consequently, the total calculated difference would be included in the regulated asset value attributable to the service and/or the product in 2019. The Company does not expect this provision to be implemented;

- By Resolution No O3-510 of 22 September 2015 the Commission approved the methodology for the determination of the rate of return on investments and used it to calculate the Company's rate of return on investments which is equal to 5.23% (it decreased compared to the assumptions of the previous valuation);
- By Resolution No O3-548 of 19 October 2015 the Commission established the price cap for the electricity transmission service via high voltage networks for 2016-2020;
- In December 2015, the assets related to the interconnections with Sweden and Poland were put into operation resulting in a significant increase in the value of the Company's assets;
- Due to electricity price difference in different price areas the interconnections will generate material congestion income (on average EUR 16 million each year in 2016-2025) which will be used to finance investments in the transmission network. These investments are classified as investments financed using grants, i.e. they are not included in expenses and assets of the regulated activity;
- Inputs used in the calculation of the weighted average cost of capital (discount rate) have changed.

Having estimated that all these developments may have a material impact on the value of property, plant and equipment the Company performed a new valuation of non-current assets. The valuation corresponds to level 3 of fair value measurement (Note 2.28).

The Company estimated the fair value of the assets as at 31 December 2015 under the income method using the discounted cash flows calculation technique. The assets' value was calculated as the present value of net future cash flows.

The Company assessed the assets as a business, but its assessment excluded all activities related to the transmission network development (and not related to the assets being assessed), i.e. investments in development projects, connection of new consumers/producers, grants to development projects.

The calculation of the value of the assets consisted of the following stages:
- Cash flows from the Company's operations in 2016-2025 were calculated.
- These cash flows were adjusted by cash flows related to grants received for Nordbalt and LitPol Link projects and PSO funds and respective payments related to these projects as in the Company's financial accounting the assets' value is reduced by the amount of grants received and at the valuation date the value of the assets related to Nordbalt and LitPol Link projects had already been reduced by the amount of accrued but not yet received grants.
- Adjusted cash flows for 2016-2025 were aggregated.
- Discounted going concern value (beyond 2025) was added. The Company's management assumes that in a long term the cash low will be generated only from the return on the regulated assets investments. The normalised cash flow was calculated by multiplying the value of the regulated assets at the end of 2015 by the rate of return on investments and less income tax.
- Value of intangible assets was deducted.

Net cash flows generated by the assets were discounted using the discount rate (WACC after tax) equal to 4.38% which was calculated by the Company.

The result of the fair value estimation performed in respect of property, plant and equipment amounted to EUR 403,259 thousand. The calculated value of the Company's assets exceeds their carrying amount by the amount of EUR 396,179 thousand, but the difference is insignificant and the value calculated is within the internal of the value of the assets from EUR 425,543 thousand to EUR 382,472 thousand with the discount rate changing within the interval from -1% to +1%. Therefore the Company did not account for the valuation result.

The tables below present the sensitivity of the asset valuation result to changes in the discount rate and in the amount of congestion income.

Change in discount rate (with respective recalculation of the rate of return on investment from 2021), %	Value of the assets, EUR thousands
-1.0%	425,543
-0.5%	414,206
0.0%	403,259
0.5%	392,686
1.0%	382,472

Share of congestion income, a percentage of forecast income	Value of the assets, EUR thousands
0%	399,156
25%	400,182
50%	401,208
100%	403,259
125%	404,285

Information on the valuation of property, plant and equipment performed on 31 December 2014

The Company estimated the fair value of the assets as at 31 December 2014 under the income method using the discounted cash flows calculation technique. Only cash flows directly related to the valued assets and not all cash flows related to the Company's business were included in the calculation of the present value of net future cash flows: depreciation expenses of regulated assets + return on investment – excess profit adjustment – income tax on return on investment and excess profit adjustment. The valuation corresponds to level 3 of fair value measurement (Note 2.28).

The asset valuation took into account the Description of Procedure for Determining Regulated Prices in Electric Energy Sector as approved by Resolution No 1026 of 24 September 2014 of the Lithuanian Government ("the Procedure Description"), the Methodology for the Determination of the Price Caps of Electricity Transmission, Distribution and Public Supply Services ("the Methodology") approved by Resolution No O3-3 of 15 January 2015 of the National Commission for Energy Control and Prices and the Property and Business Valuation Methodology approved by Order No 1K-159 of 27 April 2012 of the Minister of Finance of the Republic of Lithuania Resolution.

When approving the Methodology and establishing the Company's income for 2015, the Commission did not take into account the principle of the Procedure Description which provides that the determination of the value of assets, on the basis of which the return on investments for the electricity transmission system operator in 2015–2019 is calculated, includes an annual additional component equal to 1/5 of the difference between the carrying amount of the company's assets and the regulated asset base that arose as at 30 June 2014. Consequently, the total calculated difference would be included in the regulated asset value attributable to the service and/or the product in 2019. The Company believes that the Lithuanian Government Resolution has precedence over the Commission's Methodology, thus the provision of the Procedure Description regarding the establishment of the asset value will have to be implemented (the Company appealed against the Commission's Resolution to the court, see Note 34). Therefore the Company calculated return on investment not only on the historical cost of regulated assets, but also on the difference between the carrying amount and the value of regulated assets as prescribed by the Procedure Description.

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

Having carried out an audit of the Company's expenses of the regulated activities for 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 revenue for 2015–2017 by the amount of excess profit of EUR 21,335 thousand or EUR 7,112 thousand per year. This reduction of revenue was taken into account in determining the fair value of the assets.

Net cash flows generated by the assets were discounted using the discount rate (WACC recalculated before tax) equal to 7.2% which was calculated by the Company.

As a result of estimation of fair value of property, plant and equipment, a EUR 185,694 thousand impairment of assets was recorded, including a EUR 62,494 thousand decrease in the revaluation reserve and the remaining amount of EUR 123,200 thousand was recognised as impairment expenses. Impairment was mainly caused by the changes in regulatory environment that occurred after the last revaluation of Company's assets performed in 2008.

The estimated fair value of property, plant and equipment depends on the above described key assumptions that represent significant uncertainties. The sensitivity analysis of the revaluation result to key assumptions affecting 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 as stipulated in the Procedure Description, the impairment of assets would be EUR 88,520 thousand higher.

If the assets valuation did not include an adjustment of excess profit for 2011-2013, the impairment of assets would be EUR 16,608 thousand lower.

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 investments is presented in the tables below.

Change in discount rate with respective recalculation of rate of return on investment*, %	**Impact on fair value of assets, EUR thousands**
-2%	(18,064)
-1%	(8,252)
1%	6,949
2%	12,802

*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 investments, %	Impact on fair value of assets, EUR thousands
-2%	(50,602)
-1%	(25,301)
1%	12,651
2%	50,602

The results of the revaluation performed in 2014 are summarised below.

Group	Decrease in other comprehensive income and revaluation reserve in equity	Expenses recognised in the profit (loss) section	Total revaluation effect
Decrease in net book value as at 31 December 2014	62,487	123,199	185,686

Company	Decrease in other comprehensive income and revaluation reserve in equity	Expenses recognised in the profit (loss) section	Total revaluation effect
Decrease in net book value as at 31 December 2014	62,494	123,200	185,694

As at 31 December 2015 and 31 December 2014, the Group and the Company had significant contractual commitments to purchase property, plant and equipment to be fulfilled in the upcoming periods.

	At 31 December 2015	At 31 December 2014
Interconnection between the electricity transmission systems of Lithuania and Sweden (NordBalt)	16,285	127,289
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPol Link)	-	60,300
Transformer substations	4,565	10,150
Other	4,706	723
Total	**25,556**	**198,462**

The table below includes the net book amounts of the Group‘s and the Company‘s property, plant and equipment that would have been recognised, had these assets been carried at historical cost as at 31 December 2015 and 2014:

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2015	520	11,501	496,680	93	8,908	12,493	530,195
Net book amount at 31 December 2014	520	8,795	416,010	130	7,473	63,393	496,321

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
Net book amount at 31 December 2015	520	11,348	496,472	-	8,582	12,493	529,415
Net book amount at 31 December 2014	520	8,620	415,767	-	7,175	63,393	495,475

As at 31 December 2015, grants not fully depreciated amounted to EUR 214,328 thousand (31 December 2014: EUR 47,607 thousand).

6. Investments in the Company’s subsidiaries and investments in the Company’s and the Group’s associates and joint ventures

Investments in subsidiaries in the Company‘s financial statements

As at 31 December 2015, the Company’s investments comprised as follows:

Subsidiaries	Investment cost	Impairment	Carrying amount	Ownership interest, %
TETAS UAB	4,356	(441)	3,915	100
Tinklo Priežiūros Centras UAB	174	-	174	100
Total	**4,530**	**(441)**	**4,089**	

As disclosed in Note 1, on 1 December 2015, the Company's Board approved the transfer of a 67% ownership interest in BALTPOOL UAB held by LITGRID AB to EPSO-G UAB for a consideration not lower than that established by the independent property valuer. For the purpose of the these financial statements the Company's investment in the subsidiary was reclassified to assets held for sale.

(All amounts are in EUR thousands unless otherwise stated)

In 2015, the reversal of impairment charge on the investment in TETAS UAB amounting to EUR 1,540 thousand was recognised. The value of the investment was determined under the discounted cash flow method. The discount rate used (WACC after tax) was equal to 8.19%. The reversal of impairment charge on the investment in TETAS UAB resulted from significantly lower financial liabilities and an improved forecast of cash flows to be generated by TETAS UAB which was positively affected by the performance in 2015.

As at 31 December 2014, the Company's investments comprised as follows:

Subsidiaries	**Investment cost**	**Impairment**	**Carrying amount**	**Ownership interest, %**
TETAS UAB	4,356	(1,981)	2,375	100
BALTPOOL UAB	247	-	247	67
Tinklo Priežiūros Centras UAB	174	-	174	100
Total	**4,777**	**(1,981)**	**2,796**	

In 2014, an investment impairment of TETAS UAB was accounted, which was equal to EUR 1,981 thousand, up to the recoverable amount, which was established based on the discounted cash flows method. The used discount rate before tax was equal to 12.55 %. An impairment of investment into TETAS UAB was caused by market changes that resulted in decrease of cash flow forecasts of TETAS UAB.

On 24 February 2014, following the decision of the Board of the Company of 14 February 2014, the Company established an entity Tinklo Priežiūros Centras UAB, the key focus of which is to prepare for installation, management and operation of the interconnections between the power system of the Republic of Lithuania and the power systems of the Republic of Poland and the Kingdom of Sweden, as well as to compile competence and expertise related to management and operation of such international power interconnections.

Investments in associates and joint ventures in the Company's and the Group's financial statements

Movement in the account of investments in associates and joint ventures is given in the table below:

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
Opening balance	**1,088**	4,611	**1,047**	4,437
Shares cancelled	-	(2,654)	-	(2,654)
Impairment of investments	(343)	(959)	(295)	(736)
Share of profit/(loss) of associates and joint ventures	(25)	90	-	-
Closing balance	**720**	**1,088**	**752**	**1,047**

In 2015, the Company recognised the impairment of EUR 295 thousand for investment in LitPol Link Sp.z.o.o. Due to doubts on the entity's ability to continue as a going concern, the Company established impairment provision equal to the acquisition cost.

In 2014, the impairment of EUR 736 thousand for investment in Duomenų Logistikos Centras UAB was accounted for based on the recoverable value, which was estimated using the discounted cash flows method. The discount rate before tax used was 12.35%.

On 17 July 2014, the share capital of Duomenų Logistikos Centras UAB was reduced for the purpose of paying funds to the shareholders. Until the reduction of the share capital the Company held 11,995,748 of shares. After 9,163,806 shares were annulled, Duomenų Logistikos Centras UAB paid EUR 2,654,022 to the Company on 22 August 2014.

The financial position and results of operations of the associate and the joint venture as at 31 December 2015 and for the year then ended:

	Assets	**Liabilities**	**Sales revenue**	**Net profit (loss)**
Duomenų Logistikos Centras UAB	8,372	3,985	4,893	(161)
LitPol Link Sp.z.o.o.	519	172	765	13

The financial position and results of operations of the associate and the joint venture as at 31 December 2014 and for the year then ended:

	Assets	**Liabilities**	**Sales revenue**	**Net profit (loss)**
Duomenų Logistikos Centras UAB	9,235	4,416	5,534	389
LitPol Link Sp.z.o.o.	437	105	782	25

(All amounts are in EUR thousands unless otherwise stated)

7. Financial assets held for sale

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

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
NT Valdos, UAB (0.35%)	-	314	-	314
NordPool Spot (2%)	2,273	1,923	2,273	1,923
Technologijų ir Inovacijų Centras UAB (0.01%)	-	-	-	-
Carrying amount	**2,273**	**2,237**	**2,273**	**2,237**

As at 31 December 2015, the Company stated the shares of NordPool at fair value which was established under the discounted cash flow method. The discount rate before tax used was equal to 7.5%. Gain on fair value change amounting to EUR 350 thousand was included in other comprehensive income.

On 30 April 2015, the Company sold 10,193 shares of NT Valdos UAB to Lietuvos Energija UAB. The basic sale price of these shares equals to EUR 252 thousand and the basic sale price premium amounts to EUR 33 thousand or EUR 63 thousand depending on the financial ratios of NT Valdos UAB projected for 2018. The EUR 62 thousand loss on the share sale transaction was recognised in the Company's statement of comprehensive income as finance costs. The consideration for the shares will be received from Lietuvos Energija UAB by 31 December 2016. The share sale agreement stipulates that the sale price premium will be paid to the Company by 31 March 2019, if in 2018 NT Valdos UAB meets financial ratios set forth in the agreement.

The Company also holds 1,000 shares of Technologijų ir Inovacijų Centras UAB worth of EUR 289.62 that were acquired in 2013. One of the main targets of this entity is the provision of information technologies and telecommunication and other services to the shareholders.

In the management's opinion the fair value did not change significantly from the last year (fair value measurement of level 3).

8. Inventories

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

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Materials and consumables	2,796	2,456	1,409	1,165
Less: impairment	(278)	(197)	(252)	(160)
Carrying amount	**2,518**	**2,259**	**1,157**	**1,005**

As at 31 December 2015, the carrying amount of inventories stated at net realisable value amounted to EUR 1,052 thousand (31 December 2014: EUR 225 thousand) and EUR 1,008 thousand (31 December 2014: EUR 182 thousand) at the Group and the Company, respectively. As at 31 December 2015, the Group's and the Company's inventories recognised as expenses amounted to EUR 7,141 thousand (31 December 2014: EUR 4,482 thousand) and EUR 261 thousand (31 December 2014: EUR 107 thousand), respectively.

Movements in write-down allowance for inventories in 2015 and 2014 are indicated below.

	Group		Company	
	2015	2014	2015	2014
Carrying amount at 1 January	197	141	160	110
Change in write-down allowance	81	56	92	50
Carrying amount at 31 December	**278**	**197**	**252**	**160**

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

(All amounts are in EUR thousands unless otherwise stated)

9. Trade receivables

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

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Receivables from transmission of electricity	15,860	18,765	15,860	18,765
Receivables for contractual works and other services	4,198	3,709	-	-
Receivables from long-term trades in power exchange	-	6	-	-
Other trade receivables	93	-	93	-
Less: impairment allowance for trade receivables	(7,233)	(8,024)	(7,233)	(8,024)
Carrying amount	**12,918**	**14,456**	**8,720**	**10,741**

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

In 2015, the Group and the Company made a EUR 791 thousand reversal of the impairment allowance (recognised an additional impairment of EUR 1,895 thousand in 2014) for individually assessed doubtful receivables related to debts for the purchased balancing energy. The reversal was accounted for in other expenses in the statement of comprehensive income.

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

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Not overdue	11,425	13,595	8,666	10,480
Overdue up to 30 days	997	324	54	71
Overdue from 30 to 60 days	2	111	-	52
Overdue from 60 to 90 days	30	43	-	43
Overdue more than 90 days	464	383	-	95
Carrying amount	**12,918**	**14,456**	**8,720**	**10,741**

10. Other accounts receivables

Other accounts receivable were as follows:

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Administered PSO funds receivable	17,879	33,803	19,908	16,602
Accrued income for PSO services rendered	-	3,894	-	-
VAT receivable from the state budget	-	8,381	-	8,381
Accrued interest receivable	4	81	4	81
Grants receivable	16,552	4,291	16,552	4,291
Other accrued receivables	-	111	-	-
Receivables for lease of assets	149	174	149	174
Other receivables	192	518	204	527
Less: impairment of other receivables	(14,499)	-	(14,499)	(8,811)
Carrying amount	**20,277**	**51,253**	**22,318**	**21,245**

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

Movements in impairment allowance during the year:

	Group		Company	
	2015	2014	2015	2014
Carrying amount at 1 January	**-**	**-**	**8,811**	**4,923**
Change in impairment allowance	14,499	-	5,688	3,888
Carrying amount at 31 December	**14,499**	**-**	**14,499**	**8,811**

The recognition of the impairment allowance 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 in carrying out the PSO activities. Therefore in accounting for the impairment allowance for PSO receivables, PSO funds payable to Baltpool UAB are reduced respectively.

(All amounts are in EUR thousands unless otherwise stated)

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

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Not overdue	16 833	39,051	18,874	17,854
Overdue up to 30 days	6	1,063	6	1,063
Overdue from 30 to 60 days	3	564	3	564
Overdue from 60 to 90 days	792	194	792	194
Overdue more than 90 days	2,643	10,381	2,643	1,570
Carrying amount	**20,277**	**51,253**	**22,318**	**21,245**

11. Other financial assets

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Funds deposited for guarantees and deposits	2,574	3,236	2,574	1,751
Monetary contributions of participants of the power exchange	-	27	-	-
Carrying amount	**2,574**	**3,263**	**2,574**	**1,751**

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

The fair value of other financial assets as at 31 December 2015 and 2014 approximated their carrying value.

12. Held-to-maturity investments

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Swedbank AB bonds in LTL, maturity as at 22 January 2015	-	15,929	-	15,929
Closing balance	**-**	**15,929**	**-**	**15,929**

As at 31 December 2014, the annual interest rate of held-to maturity investments of the Group and the Company was 0.61%.

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

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

13. Cash and cash equivalents

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Cash at bank	791	25,293	483	25,003
Carrying amount	**791**	**25,293**	**483**	**25,003**

As at 31 December 2014, funds of the Group and the Company amounting to EUR 23.9 million could be used only for the purpose of implementation of the NordBalt project for electricity interconnection.

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

14. Share capital and share premium

In accordance with the Lithuanian Law on the Adoption of the Euro in the Republic of Lithuania and the provisions of the procedure for the conversion of the nominal value of the share capital to the euro of Lietuvos Centrinis Vertybinių Popierių Depozitoriumas AB (Central Securities Depository of Lithuania), on 1 January 2015 the Company's authorised share capital was converted to the euro. As at 31 December 2015, the share capital of the Company amounted to EUR 146,256,100.20 and it was divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each (31 December 2014: LTL 1). The result of the conversion of the nominal value of shares amounted to EUR 192 thousand. As at 31 December 2014, the Company's authorised share capital amounted to EUR 146,064,463.62. All the shares are fully paid.

(All amounts are in EUR thousands unless otherwise stated)

Share premium established during the of spin-off amount to EUR 8,579 thousand. Prior to the spin-off, share premium resulted from increase in the share capital of Lietuvos Energija AB and represented a difference between the nominal value of shares and consideration paid.

Capital management

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

According to the requirements of the Lithuanian Law on Companies, the Company's equity must not be less than 1/2 of its authorised share capital. As at 31 December 2015 and 2014, the Company was in compliance with the above-mentioned requirement. No other external capital requirements have been imposed on the Company.

The Company's main objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the capital management objectives compared to the previous year.

15. Revaluation reserve

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

Group	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2013	**77,063**	**(11,559)**	**65,504**
Depreciation of revaluation reserve	(6,317)	948	(5,369)
Write-offs of property, plant and equipment	(,213)	32	(181)
Revaluation of property, plant and equipment (Note 5)	(62,487)	9,373	(53,114)
Balance at 31 December 2014	**8,046**	**(1,206)**	**6,840**
Depreciation of revaluation reserve	(690)	104	(586)
Write-offs of property, plant and equipment	(30)	4	(26)
Balance at 31 December 2015	**7,326**	**(1,098)**	**6,228**

Company	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2013	**76,940**	**(11,541)**	**65,399**
Depreciation of revaluation reserve	(6,305)	946	(5,359)
Write-offs of property, plant and equipment	(,213)	32	(,181)
Revaluation of property, plant and equipment (Note 5)	(62,494)	9,374	(53,120)
Balance at 31 December 2014	**7,928**	**(1,189)**	**6,739**
Depreciation of revaluation reserve	(677)	102	(575)
Write-offs of property, plant and equipment	(30)	4	(26)
Balance at 31 December 2015	**7,221**	**(1,083)**	**6,138**

16. Legal reserve, reserve of changes in fair value of financial assets and other reserves

Legal reserve

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

Reserve of changes in fair value of financial assets

Reserve of changes in fair value of financial assets arises from revaluation of financial assets due to the value increase. In accordance with the Lithuanian legislation the entity can use this reserve to increase its share capital. However, this reserve cannot be used to reduce losses.

(All amounts are in EUR thousands unless otherwise stated)

Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the distribution of the next year's profit.

The Ordinary General Meeting of Shareholders of LITGRID AB held on 24 April 2015 approved the proposed profit appropriation and resolved to transfer EUR 108,608 thousand from other reserves to retained earnings.

The Ordinary General Meeting of Shareholders of LITGRID AB held on 7 April 2014 approved the proposed profit appropriation and resolved to transfer EUR 18,246 thousand from other reserves to retained earnings.

17. Dividends

During the Ordinary General Meeting of Shareholders of LITGRID AB held on 7 April 2014, the decision was made in relation to the payment of dividends in the amount of EUR 32,674 thousand. Dividends per share amounted to EUR 0.065 (LTL 0.224).

18. Grants received in advance

The grants received in advance consist of grants intended for the acquisition of non-current assets. Movements in grants in 2015 and 2014 were as follows:

	Group	Company
Balance at 31 December 2013	**86,040**	**86,040**
Grants received during the period	34,308	34,308
Transferred to property, plant and equipment	(11,528)	(11,528)
Written-off grants	(680)	(680)
Balance at 31 December 2014	**108,140**	**108,140**
Grants received during the period	47,373	47,373
Transferred to property, plant and equipment	(149,967)	(149,967)
Transferred to property, plant and equipment of 2014	(1,676)	(1,676)
Balance at 31 December 2015	**3,870**	**3,870**

The grants received in advance during 2015 comprised as follows:

- Funds received from the EU structural funds to finance the reconstruction of the Company's property, plant and equipment totalling EUR 8,650 thousand (2014: EUR 8,703 thousand);
- Financing received from the EU funds for the implementation of the project on the interconnection Lithuania-Poland (LitPolLink) totalling EUR 10,950 thousand (2014: EUR 2,366 thousand);
- Funds received from the Ignalina International Decommissioning Support Fund for the implementation of the project on the interconnection Lithuania-Poland (LitPolLink) totalling EUR 0 (2014: EUR 69 thousand);
- PSO service funds received for the implementation of the project on the interconnection Lithuania-Sweden (NordBalt) totalling EUR 20,273 thousand (2014: EUR 23,170 thousand);
- Funds received under the EU programme European Energy Programme for Recovery for the implementation of the project on the interconnection Lithuania-Sweden (NordBalt) totalling EUR 7,500 thousand (2014: EUR 0).

19. Borrowings

Borrowings of the Group/Company were as follows:

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Non-current borrowings				
Borrowings from banks	124,518	88,600	124,518	88,600
Current borrowings				
Current portion of non-current borrowings	8,082	30,200	8,082	30,200
Overdraft	70,838	10,580	69,842	-
Total borrowings	**203,438**	**129,380**	**202,442**	**118,800**

(All amounts are in EUR thousands unless otherwise stated)

Terms of repayment of non-current borrowings:

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Between 1 and 2 years	8,082	29,082	8,082	29,082
From 2 to 5 years	36,533	24,247	36,533	24,247
After 5 years	79,903	35,271	79,903	35,271
Total	**124,518**	**88,600**	**124,518**	**88,600**

As at 31 December 2015 and 2014, no significant assets were pledged by the Group/Company.

As at 31 December 2015, the weighted average interest rate on the Group's and the Company's borrowings was 0.95% (31 December 2014: 1.02%).

As at 31 December 2015, the Group's unwithdrawn balance of loans and overdrafts amounted to EUR 46,189 thousand (31 December 2014: EUR 86, 453 thousand), the Company's – EUR 45,158 thousand (31 December 2014: EUR 84,000 thousand).

Under the credit agreement signed with Nordic Investment Bank the Company is committed to comply with the net debt to EBITDA ratio for the year ended 31 December 2015 which should not exceed 6. The outstanding balance of non-current borrowings from Nordic Investment Bank in respect of which this requirement is applied amounted to EUR 59,518 thousand as at 31 December 2015. The Company did not comply with this requirement in 2015, but on 21 December 2015 letters were received from the bank stating that the bank release the Company from this commitment as at 31 December 2015.

20. Other non-current accounts payable and liabilities

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Advances received from connection of new users	40	2,720	40	2,720
Provisions for pension benefits to employees	163	238	111	187
Carrying amount	**203**	**2,958**	**151**	**2,907**

Provisions for pension benefits to employees represent amounts calculated according to the Lithuanian laws and to be paid under the collective agreement applicable at the Company (Note 2.16).

21. Current income tax and deferred income tax

Income tax expense components:

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Current year income tax expenses	1,685	3,323	1,672	3,322
Deferred income tax (income)	(1,265)	(22,638)	(1,291)	(22,640)
Current year income tax expense (income)	**420**	**(19,315)**	**381**	**(19,318)**

(All amounts are in EUR thousands unless otherwise stated)

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 2013	493	3,729	110	98	**4,430**
Recognised in profit or loss	18,434	192	5	(8)	18,623
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2014	**18,927**	**3,921**	**115**	**90**	**23,053**
Transferred to held for sale	-	-	(2)	-	(2)
Recognised in profit or loss	659	(2,639)	293	(30)	(1,717)
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2015	**19,586**	**1,282**	**406**	**60**	**21,334**

Deferred income tax liabilities	**PPE revaluation (increase in value)**	**Differences in depreciation rates**	**Tax relief on acquisition of PPE**	**Effect of interest capitalisation**	**Total**
At 31 December 2013	(45,343)	(141)	(2,485)	(50)	**(48,019)**
Recognised in profit or loss	3,870	37	167	(60)	4,014
Recognised in other comprehensive income	9,373	-	-	-	9,373
At 31 December 2014	**(32,100)**	**(104)**	**(2,318)**	**(110)**	**(34,632)**
Recognised in profit or loss	2,870	3	180	(70)	2,983
Recognised in other comprehensive income	(52)	-	-	-	(52)
At 31 December 2015	**(29,282)**	**(101)**	**(2,138)**	**(180)**	**(31,701)**

Deferred income tax assets, net, at 31 December 2014	**91**
Deferred income tax assets, net, at 31 December 2015	**63**
Deferred income tax liability, net, at 31 December 2014	**(11,669)**
Deferred income tax liability, net, at 31 December 2015	**(10,430)**

Company

Deferred income tax assets	**PPE revaluation (impairment)**	**Impairment of assets**	**Accrued expenses/ income**	**Other**	**Total**
At 31 December 2013	493	3,725	83	-	**4,301**
Recognised in profit or loss	18,434	190	5	-	18,629
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2014	**18,927**	**3,915**	**88**	**-**	**22,930**
Recognised in profit or loss	659	(2,637)	290	-	(1,688)
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2015	**19,586**	**1,278**	**378**	**-**	**21,242**

Deferred income tax liabilities	**PPE revaluation (increase in value)**	**Differences in depreciation rates**	**Tax relief on acquisition of PP&E**	**Effect of interest capitalisation**	**Total**
At 31 December 2013	(45,324)	(125)	(2,485)	(50)	**(47,984)**
Recognised in profit or loss	3,868	36	167	(60)	4,011
Recognised in other comprehensive income	9,374	-	-	-	9,374
At 31 December 2014	**(32,082)**	**(89)**	**(2,318)**	**(110)**	**(34,599)**
Recognised in profit or loss	2,868	1	180	(70)	2,979
Recognised in other comprehensive income	(52)	-	-	-	(52)
At 31 December 2015	**(29,266)**	**(88)**	**(2,138)**	**(180)**	**(31,672)**

Deferred income tax liability, net, at 31 December 2014	**(11,669)**
Deferred income tax liability, net, at 31 December 2015	**(10,430)**

(All amounts are in EUR thousands unless otherwise stated)

The changes in deferred income tax assets and liabilities are analysed below:

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Deferred income tax assets:				
Deferred income tax assets to be realised after 12 months	18,936	20,981	18,875	20,891
Deferred income tax assets to be realised within 12 months	2,398	2,072	2,367	2,039
Total	**21,334**	**23,053**	**21,242**	**22,930**
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after 12 months	(28,643)	(31,576)	(28,618)	(31,547)
Deferred income tax liabilities to be settled within 12 months	(3,058)	(3,056)	(3,054)	(3,052)
Total	**(31,701)**	**(34,632)**	**(31,672)**	**(34,599)**

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

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Profit (loss) before income tax	**2,141**	**(130,686)**	**4,172**	**(132,167)**
Income tax calculated at a rate of 15%	321	(19,603)	626	(19,825)
Investment relief effect	-	(125)	-	(125)
Unrecognised deferred income tax on tax losses	20	-	-	-
Tax effect of income not subject to tax and non-deductible expenses	79	413	(245)	632
Income tax expenses/(income) recognised in profit or loss	**420**	**(19,315)**	**381**	**(19,318)**

22. Trade payables

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Amounts payable for property, plant and equipment and inventories	21,716	30,452	21,715	28,515
Amounts payable for contractual works, services	4,167	611	1,401	2,291
Amounts payable for electricity	1,951	3,044	1,951	3,044
Amounts payable for electricity transit	234	890	234	890
Carrying amount	**28,068**	**34,997**	**25,301**	**34,740**

The fair value of trade payables approximates their carrying amounts.

23. Advance amounts received

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Guarantee to secure fulfilment of obligations	1,944	1,353	1,944	1,351
Other advance amounts received	70	1,566	70	43
Carrying amount	**2,014**	**2,919**	**2,014**	**1,394**

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

(All amounts are in EUR thousands unless otherwise stated)

24. Other accounts payable

	Group		Company	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
Payable administered PSO funds	-	14,472	149	2,398
Difference between PSO service funds received and disbursed	49	10,334	49	1,524
Advance amounts received from new users*	2,900	860	2,900	860
Employment-related liabilities	617	315	146	144
Accrued expenses relating to vacation reserve	933	873	463	405
VAT payable	1,044	1,639	819	-
Real estate tax payable	510	473	510	471
Dividends payable	412	427	412	427
Other accrued expenses	13,915	1,377	13,822	1,049
Accrued liabilities for electricity	1,526	2,263	1,526	2,263
Other payables and current liabilities	1,254	763	854	763
Carrying amount	**23,160**	**33,796**	**21,650**	**10,304**

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

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

25. Sales of electricity and related services

	Group		Company	
	2015	2014	2013	2013
Electricity transmission service	50,419	60,621	50,419	60,621
Trade in balancing/regulating electricity	14,569	20,021	14,569	20,021
Capacity reserve service	9,370	12,457	9,370	12,457
Other sales of electricity and related services	4,115	4,076	4,115	4,076
Services under PSO scheme	4,313	5,366	4,313	5,366
Income from connection of new users	694	1,697	694	1,697
Total	**83,480**	**104,238**	**83,480**	**104,238**

Income from electricity transmission service decreased by 17% to EUR 50.4 million compared to 2014. Income from electricity transmission represented 50% of the Group's total income. Reduction in income resulted from a 19% lower electricity transmission service tariff which was established by the National Control Commission for Prices and Energy from 1 January 2015. In 2015, the Company transmitted 9.220 million kilowatt hours (kWh) of electric energy via high voltage transmission networks for domestic needs or 1.2% less than in 2014.

Income from trade in balancing/regulating electricity decreased by 27% to EUR 14.6 million. The common balancing electricity market of the Baltic countries operating from 1 January 2015 allowed reducing prices of PSO balancing energy sold by 30% resulting in lower income from sale of balancing/regulating electricity.

26. Segment reporting

The Group has distinguished the following 6 segments:

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

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

(All amounts are in EUR thousands unless otherwise stated)

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

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

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

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

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

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

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

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

The Group's information on segments for the period ended 31 December 2015 is presented in the table below:

	Operating segments					
2015	Electricity transmission	Trade in balancing/ regulating electricity	Provision of system services	Provision of services under PSO scheme	Repair and maintenance activities	Total
Revenue	57,314	14,569	9,370	4,313	20,477	106,043
Inter-segment revenue	-	-	-	-	(5,520)	(5,520)
Revenue after elimination of intercompany revenue within the Group	**57,314**	**14,569**	**9,370**	**4,313**	**14,957**	**100,523**
Operating profit/(loss)	1,808	4,194	(1,329)	(4)	(1,974)	**2,695**
Finance income/(cost), net*	**x**	**x**	**x**	**x**	**x**	**(529)**
Share of result of associates and joint ventures*	x	x	x	x	x	(25)
Profit/(loss) before income tax	**x**	**x**	**x**	**x**	**x**	**2,141**
Income tax*	**x**	**x**	**x**	**x**	**x**	**(420)**
Discontinued operations	**x**	**x**	**x**	**x**	**x**	**114**
Profit/(loss) for the year	**x**	**x**	**x**	**x**	**x**	**1,835**
Depreciation and amortisation expenses	21,331	135	45	-	263	21,774
Write-offs of property, plant and equipment	2,214	-	-	-	-	2,214

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

(All amounts are in EUR thousands unless otherwise stated)

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

	Operating segments					
2014	Electricity trans-mission	Trade in balancing/ regulating electricity	Provision of system services	Provision of services under PSO scheme	Repair and maintenance activities	Total
Revenue	68,153	22,439	12,457	2,948	24,225	130,222
Inter-segment revenue	-	-	-	-	(10,519)	(10,519)
Revenue after elimination of intercompany revenue within the Group	**68,153**	**22,439**	**12,457**	**2,948**	**13,706**	**119,703**
Operating profit/(loss)	(133,444)	3,721	(2,228)	-	1,447	**(130,504)**
Finance income/(cost), net*	**x**	**x**	**x**	**x**	**x**	**(272)**
Share of result of associates and joint ventures*	x	x	x	x	x	90
Profit/(loss) before income tax	**x**	**x**	**x**	**x**	**x**	**(130,686)**
Income tax*	**x**	**x**	**x**	**x**	**x**	**19,315**
Discontinued operations	**x**	**x**	**x**	**x**	**x**	**(228)**
Profit/(loss) for the year	**x**	**x**	**x**	**x**	**x**	**(111,599)**
Depreciation and amortisation expenses	38,392	-	-	-	343	38,735
Write-offs of property, plant and equipment	1,472	-	-	-	-	1,472

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

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 96% of total revenue.

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

In 2015 and 2014, the Group's and the Company's revenue by the geographical location of the customers:

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
Lithuania	96,416	118,409	81,458	104,703
Russia	447	277	447	277
Estonia	1,862	454	1,862	454
Latvia	835	489	835	489
Norway	373	74	373	74
Poland	590	-	590	-
Total	**100,523**	**119,703**	**85,565**	**105,997**

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

The Group's/Company's income in 2015 from largest clients, for which sales in the Group's segments exceeded 10%:

Name of the company	**Transmission activity**	**Trade in balancing/ regulating electricity**	**Provision of system services**	**Total**
Energijos Skirstymo Operatorius AB (former LESTO AB)	46,467	1,165	8,269	55,900
Lietuvos Energijos Gamyba AB	89	7,466	15	7,571
Orlen Lietuva AB	2,418	86	425	2,929

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

Name of the company	**Transmission activity**	**Trade in balancing/ regulating electricity**	**Provision of system services**	**Total**
INTER RAO Lietuva	2,603	3,998	-	6,601
Energijos Skirstymo Operatorius AB (former LESTO AB)	55,180	-	10,943	66,123
Lietuvos Energijos Gamyba AB	199	10,226	36	10,461

(All amounts are in EUR thousands unless otherwise stated)

27. Other revenue

	Group		Company	
	2015	2014	2015	2014
Repairs and other services	15,115	12,920	-	-
Lease of assets	1,594	1,713	1,604	1,721
Engineering works	233	840	-	-
Other income	101	(8)	481	38
Total	**17,043**	**15,465**	**2,085**	**1,759**

28. Related-party transactions

The Company's/Group's related parties in 2015 and 2014 were as follows:
- EPSO-G (the parent of the Company). 100% of EPSO-G share capital is owned by the Ministry of Energy of the Republic of Lithuania;
- Subsidiaries of the Company;
- Associates and joint ventures of the Company;
- AB Amber Grid (subsidiary of EPSO-G)
- Management members.

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 conducted with related parties in 2015 and balances arising from these transactions as at 31 December 2015 were as follows:

Related parties	**Trade payables**	**Trade receivables**	**Purchases**	**Sales**
The Group's parent company (EPSO-G UAB)	-	2	-	19
Group's associates and joint ventures	94	143	593	1,509
	94	**145**	**593**	**1,528**

The Company's transactions conducted with related parties in 2015 and balances arising from these transactions as at 31 December 2015 were as follows:

Related parties	**Trade payables**	**Trade receivables**	**Purchases**	**Sales**
The Group's parent company (EPSO-G UAB)	-	2	-	19
Subsidiaries of the Company	341	2,041	15,063	22,914
Group's associates and joint ventures	94	143	593	1,509
	435	**2,186**	**15,656***	**24,442****

*Whereof: EUR 10,454 thousand PSO service funds transferred to related parties (PSO funds administrator). In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government, therefore it does not recognise revenue and expenses from funds collected from network users connected to the power transmission network and transferred to the PSO funds administrator.
**Whereof: EUR 22,474 thousand PSO service funds received from related parties (PSO funds administrator). The Company does not recognise revenue and expenses from funds collected from network users connected to the power transmission network and transferred to the PSO funds administrator.

The Group's transactions conducted with related parties in 2014 and balances arising from these transactions as at 31 December 2014 were as follows:

Related parties	**Trade payables**	**Trade receivables**	**Purchases**	**Sales**
The Group's parent company (EPSO-G UAB)	-	3	-	9
Group's associates and joint ventures	76	158	473	1,563
	76	**161**	**473**	**1,572**

The Company's transactions conducted with related parties in 2014 and balances arising from these transactions as at 31 December 2014 were as follows:

Related parties	**Trade payables**	**Trade receivables**	**Purchases**	**Sales**
The Group's parent company (EPSO-G UAB)	-	3	-	9
Subsidiaries of the Company	5,522	2,350	29,185	26,896
Group's associates and joint ventures	76	158	473	1,562
	5,598	**2,511**	**29,658***	**28,467****

*Whereof: EUR 19,319 thousand PSO service funds transferred to related parties (PSO funds administrator). In performing PSO-related activities the Company acts only as an agent on behalf of the Commission/Government, therefore it does not recognise revenue and expenses from funds collected from network users connected to the power transmission network and transferred to the PSO funds administrator.
**Whereof: EUR 26,778 thousand PSO service funds received from related parties (PSO funds administrator). Out of which EUR 661 thousand from a transaction, in which the Company acts as an agent on behalf of the Commission/Government. The Company does not recognise revenue and expenses from funds collected from network users connected to the power transmission network and transferred to the PSO funds administrator.

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

Payments to the key management personnel

	Group		Company	
	2015	2014	2015	2014
Employment-related payments	745	614	437	345
Whereof: termination benefits	15	-	14	-
Number of the key management personnel (average annual)	15	14	6	6

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

29. Basic and diluted earnings per share

In 2014 and 2014, the Group's basic and diluted earnings per share were as follows:

	2015	2014
Net profit (loss) attributable to the Company's shareholders (EUR thousands)	1,797	(111,524)
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings (deficit) per share (in EUR)	**0.004**	**(0.221)**

30. Assets held for sale and discontinued operations

Pursuant to the decision passed during the extraordinary general meeting of the Company's shareholders held on 28 January 2016, the Company and EPSO-G UAB signed the agreement on the purchase and sale of shares on 5 February 2016. Under this agreement the Company transferred to EPSO-G UAB 478,800 ordinary registered intangible shares of BALTPOOL UAB representing 67% of the total share capital of BALTPOOL UAB. The agreement stipulates that the right of ownership is transferred to EPSO-G UAB from 1 March 2016. Shares of BALTPOOL UAB were sold for the market share price established by the independent property valuer amounting to EUR 387,828. EPSO-G UAB has fully settled for the shares.

As at 31 December 2015, assets and liabilities attributable to discontinued operations comprised as follows:

Condensed statement of financial position	**At 31 December 2015**
Intangible assets	23
Property, plant and equipment	7
Other non-current assets	2
Current assets	43,694
Total assets (excluding transactions with the Group)	**43,726**
Amounts receivable from the Group companies	149
Total assets (excluding transactions with the Group)	**43,875**
Non-current liabilities	2
Financial liabilities	21,231
Other current liabilities	20,210
Total liabilities (excluding transactions with the Group)	**41,443**
Amounts payable to the Group companies	2,029
Total liabilities	**43,472**
Total equity	**403**
Attributable to:	
Owners of the Company	270
Non-controlling interest	133

(All amounts are in EUR thousands unless otherwise stated)

Condensed income statement	**2015**	**2014**
Revenue	533	219
Expenses	(413)	(449)
Financing activity, net	-	2
Profit before income tax	120	(228)
Income tax	(6)	-
Net profit (loss)	114	(228)
Minority interest	38	(75)
	-	-

Condensed cash flow statement	**2015**	**2014**
Net cash flows from operating activities	(13,200)	(8,003)
Net cash flows from investing activities	(16)	(13)
Net cash flows from financing activities	13,433	7,985
Net (decrease) increase in cash and cash equivalents	**217**	**(31)**

31. Additional information to the cash flow statement

Change in the Company's payables for non-current assets amounting to EUR 1,817 thousand (2014: EUR 12,935 thousand) and capitalised interest amounting to EUR 943 thousand (2014: EUR 398 thousand) were assessed when calculating cash flows from investing activities in 2015. Value added tax was set off with income tax payable for the amount of EUR 1,509 thousand (2014: EUR 2,635 thousand) as well.

32. Financial risk factors

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

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

	Group		Company	
Financial assets	**At 31 Dec 2015**	**At 31 Dec 2014**	**At 31 Dec 2015**	**At 31 Dec 2014**
Trade receivables	12,918	14,456	8,720	10,741
Other receivables	20,277	42,872	22,318	12,864
Other financial assets	2,574	3,263	2,574	1,751
Cash and cash equivalents	791	25,293	483	25,003
Loans and receivables	**36,560**	**85,884**	**34,095**	**50,359**
Other financial assets				
Held-to-maturity investments	-	15,929	-	15,929
Available-for-sale financial assets	2,273	2,237	2,273	2,237
Total	**38,833**	**104,050**	**36,368**	**68,525**

	Group		Company	
Financial liabilities	**At 31 Dec 2015**	**At 31 Dec 2014**	**At 31 Dec 2015**	**At 31 Dec 2014**
Borrowings	203,438	129,380	202,442	118,800
Trade payables	28,068	34,997	25,301	34,740
Other accounts payable and liabilities	15,309	27,483	14,895	5,803
Total	**246,815**	**191,860**	**242,638**	**159,343**

Credit risk

As at 31 December 2015 and 2014, exposure to credit risk was related to the following items:

	Group		Company	
	At 31 Dec 2015	**At 31 Dec 2014**	**At 31 Dec 2015**	**At 31 Dec 2014**
Financial assets, except for assets available for sale	36,560	101,813	34,095	66,288

The Group and the Company have a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, which as at 31 December 2015 accounted for approximately 89% (31 December 2014: 93%) of the Group's and 94% (31 December 2014: 93%) of the Company's total trade and other accounts receivable. As at 31 December 2015, amounts payable by the major customer, distribution network operator Energijos Skirstymo Operatorius AB (former LESTO AB), made up 18% (31 December 2014: 41%) of the Group's and 19% (31 December 2014: 24%) of the Company's total receivables.

(All amounts are in EUR thousands unless otherwise stated)

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

The Group and the Company invest its liquid funds only in low risk money market and debt instruments, i.e. time deposits, bonds of trustworthy financial institutions, government securities. When making investments the priority objective is to ensure the security of funds and in pursue of this objective to maximise return on investments. Investments are made only in debt financial instruments of financial institutions or governments with not lower than A- rating according to Fitch Rating agency (or equivalent rating of other rating agencies). In the table below ratings of the parent banks where the Group and the Company hold its cash and cash equivalents (Note 13) and held-to-maturity investments (Note 12) are provided:

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

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

Liquidity risk

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

The Group's cash flows from operating activities were positive in 2015, therefore its exposure to liquidity risk is not significant. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2015 were 0.31 and 0.29, respectively (31 December 2014: 1.00 and 0.98, respectively). The Company's liquidity and quick ratios as at 31 December 2015 were 0.29 and 0.28, respectively (31 December 2014: 0.99 and 0.97, respectively).

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

Group	Up to 3 months	From 4 months up to one year	Within the second year	Within the third to the fifth year	After 5 years
At 31 December 2015					
Trade and other accounts payable	43,377	-	-	-	-
Borrowings	2,411	7,897	9,234	109,266	82,790
At 31 December 2014					
Trade and other accounts payable	62,480	-	-	-	-
Borrowings	1,401	40,523	29,861	25,892	36,188

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 2015					
Trade and other accounts payable	40,196	-	-	-	-
Borrowings	1,415	7,897	9,234	109,266	82,790
At 31 December 2014					
Trade and other accounts payable	40,543	-	-	-	-
Borrowings	1,401	29,943	29,861	25,892	36,188

Market risk

a) Interest rate risk

The Group's and the Company's income, expenses and cash flows from operating activities are substantially independent of changes in market interest rates. The Group has non-current and current borrowings and the overdrafts subject to interest rate which is linked with EURIBOR. If interest rate would be shifted +/- 0.1%, the impact of interest rate of the Group's borrowings on profit before tax would be EUR 184 thousand as at 31 December 2015 (2014: EUR 66 thousand).

b) Foreign exchange risk

In order to manage the foreign exchange risk, the Group and the Company enter into purchase/sale contracts only in euros.

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

34. Contingent liabilities

Legal proceedings

Currently, LITGRID AB (the Company) is involved in 29 legal proceedings: 18 civil and 11 administrative cases. The majority of cases are investigated by the Lithuanian courts and also by Vilnius Court of Commercial Arbitration. The Company is a third party to 12 cases; in 10 cases it acts as a claimant and is a defendant in 7 cases.

Disputes regarding default interest:
1. Main court rulings that came into force
1.1. A dispute arose between Tetas UAB and the Company regarding the Company's set-off of EUR 123,609.82 default interest that were charged for delay in the implementation of works under the agreement of 25 March 2013 on the repair works (cleaning of routes) of 110 kV and 330 kV voltage overhead lines of the Company's Klaipėda group against amounts payable to contractor Tetas UAB (the claim amount is EUR 123,700.27). In view of the arguments presented in the Company's response to the claim, the claimant TETAS UAB revised the claim requirements by reducing the amount claimed to EUR 116,709.66. Vilnius County Court passed the ruling on 4 May 2015 whereby the partial withdrawal by TETAS UAB in the case was accepted and the remainder of the claim was satisfied; the court followed the principle of prudence and awarded from the Company default interest set off, procedural interest and legal expenses amounting to EUR 116,709.66. The ruling has been executed.
1.2. A dispute arose between Tetas UAB and the Company regarding the Company's set-off of EUR 310,183.04 default interest that were charged for delay in the implementation of works under the construction agreement No SUT-20-12 of 31 January 2012 on the reconstruction of 330/110/10 kV voltage Klaipėda transformer substation and regarding EUR 127,998.42 owed for additional works performed (the claim amount is EUR 445,972.90). Vilnius County Court passed the ruling on 4 November 2015 whereby the amount owed, procedural interest and legal expenses amounting to EUR 273,244.95 were awarded from the Company. The ruling has been executed.
1.3. A dispute arose between Archstudija UAB and the Company regarding the Company's set-off of EUR 43,504.40 default interest that were charged for delay in the provision of services under the service provision agreement No SUT-358-11 of 5 October 2011 on the environmental impact assessment and related services in respect of the construction of 330 kV voltage electricity transmission line for Kruonis Pumped Storage Power Plant–Alytus (the claim amount is EUR 43,504.40). The Lithuanian Court of Appeals passed the ruling on 21 January 2016 whereby the ruling of Vilnius County Court of 31 August 2015, according to which the investigation of the claim of Archstudija UAB for the recognition of the Company's set-off of EUR 43,504.40 (default interest charged) as null and void and for the awarding of the debt was not proceeded, was left unchanged. As at 31 December 2015, the Company established a provision for this amount relating to a probable amount of default interest to be refunded.
1.4. A dispute arose between Energetikos Paslaugų ir Rangos Organizacija UAB and the Company regarding the Company's set-off of EUR 17,694.90 default interest that were charged for delay in the implementation of works under the route cleaning agreement No SUT-178-13 of 11 June 2013 and the route cleaning agreement No SUT-41-14 of 17 February 2014. Vilnius County Court passed the ruling on 1 March 2016 whereby the claim of Energetikos Paslaugų ir Rangos Organizacija UAB (the claim amount is EUR 17,694.90) against the Company for the recognition of the set-offs (default interest charged) as null and void and for the awarding of the debt was rejected. The ruling has not come into force.

2. Ongoing and potential disputes:
2.1. A dispute arose between Tetas UAB and the Company regarding the Company's set-off of EUR 249,707.73 default interest that were charged for delay in the implementation of works under the construction agreement No SUT-4-13 of 4 January 2013 on the reconstruction of 110.35/10 kV voltage Mariai transformer substation. Tetas UAB filed the claim to Vilnius County Court requesting to award from the Company the amount owed of EUR 249,707.73 (default interest set off), interest on late payment, procedural interest, legal expenses amounting to EUR 12,734.10 (the claim amount is EUR 262,441.83). On 23 February 2016, the Company's response was submitted; the preparation for the investigation of the case by the court is carried out by way of preparatory documents. As at 31 December 2015, the Company established a EUR 249,707.73 provision for this amount relating to a probable amount of default interest to be refunded.
2.2. For the delay in the implementation of works under the construction agreement No SUT-325-13 of 11 November 2013 on the construction works of 400 kV voltage electricity transmission overhead line from Alytus to the Lithuanian-Polish border, the Company performed set-offs on 11 January 2016 and 25 January 2016 for the total amount of EUR 1,136,885.99 against the amounts payable to the contractor A.Žilinskio ir Ko UAB. The dispute is highly probable, therefore the Company established a provision for the overall amount.

Disputes related to public service obligations (PSO):
1. In view of the amendments to the Procedure for the Administration of Public Service Obligations in the Electricity Sector that were approved by Resolution No 1002 of 16 September 2015 of the Government, with effect from 1 October 2015 the Company is no longer engaged in the collection of PSO funds from entities connected to the transmission network. The latter function was taken over by the PSO funds administrator BALTPOOL UAB. Subject to the above-mentioned legislative amendments under the claim transfer agreements the Company transferred the claim rights to PSO funds debtors (Achema AB, ORLEN Lietuva AB, Lifosa AB and Dirbtinis Pluoštas UAB) on 23 December 2015. The Company filed claims against these debtors in four civil cases within the scope of the requirements presented in these cases. Other claim rights obtained by the Company in connection with PSO funds collection activity performed until 1 October 2015 are also expected to be transferred to the PSO funds administrator. The outcome of these cases will not affect the Company's financial performance, as the Company acted only as an agent and PSP funds are recorded in the line items of amounts receivable and amounts payable.
2. The Company is a defendant in a civil case in which Achema AB requests recognising the contractual provisions relating to the obligation to pay PSO funds as null and void and application of the restitution (EUR 889,619.56). The court's hearing in this case is scheduled on 15 April 2016, 13.00 pm. Following the court's ruling in this case the case investigated by Kaunas County Court will be renewed (it is currently suspended) in which the Company filed the claim against Achema AB with the request to award the PSO funds owed amounting to EUR 657,758.53 for the period between April and May 2011. The outcome of these cases will not affect the Company's financial performance, as the Company acted only as an agent and PSP funds are recorded in the line items of amounts receivable and amounts payable.

Disputes with the independent suppliers:
Currently, four bankruptcy proceedings were instituted in respect of the independent electricity suppliers that have amounts payable to the Company:
1. ECO Energy Systems UAB (the Company's financial claim approved by the court amounts to EUR 783,937.40; the amount recovered during the bankruptcy proceedings equals EUR 2012,961.65);
2. Elektra Visiems UAB (the Company's financial claim approved by the court amounts to EUR 3,733,593.36); 3. Elektros Energijos Prekyba UAB (the Company's financial claim approved by the court amounts to EUR 368,673.20);
4. Saurama UAB (the Company's financial claim approved by the court amounts to EUR 3,101,890.21).
It is unlikely that the Company's claims will be satisfied to a larger extent in the bankruptcy proceedings instituted in respect of the former independent electricity suppliers.

Regulatory disputes:
The Company continues to challenge the decisions passed by the National Control Commission for Energy and Prices by which the prices of the regulated electricity transmission services were set and announced. With regard to these disputes the Company holds the opinion that the National Control Commission for Energy and Prices incorrectly established the price caps of the electricity transmission service tariffs for 2015 and also on the ground of these price limits illegitimately announced the electricity transmission service prices applicable to the Company. It should be noted that the Company withdrew its claim filed to the court regarding the establishment of the price caps for electricity transmission service for 2016 after the National Control Commission for Energy and Prices recalculated for the benefit of the Company and approved new price caps for electricity transmission service for 2016.
The Company has also brought a lawsuit requesting to annul the decision of the National Control Commission for Energy and Prices under which an economic sanction of EUR 100 thousand was imposed on the Company for violations relating to the regulated activity that were allegedly made during the regulatory period of 2011-2013. Based on the Company's request the court suspended the investigation of this case until the resolution of another administrative case related to the electricity transmission service price caps for 2015 applicable to the Company.

Disputes in the field of public procurement:
In 2015, two lawsuits were brought against the Company in the field of public procurement based on the claims of the claimant Kauno Energetikos Remontas UAB. No potential losses are expected to be incurred in relation to these claims.

35. Events after the end of the reporting period

Pursuant to the decision passed during the extraordinary general meeting of the shareholders of LITGRID AB held on 28 January 2016, the Company and EPSO-G UAB signed the agreement on the purchase and sale of shares on 5 February 2016. Under this agreement the Company transferred to EPSO-G UAB 478,800 ordinary registered intangible shares of BALTPOOL UAB representing 67% of the total share capital of BALTPOOL UAB. The agreement stipulates that the right of ownership is transferred to EPSO-G UAB from 1 March 2016. Shares of BALTPOOL UAB were sold for the market share price established by the independent property valuer amounting to EUR 387,828.

According to paragraph 16^1 of the Procedure for the Administration of Public Service Obligations in the Electricity Sector, with effect from 1 October 2015 BALTPOOL UAB started to collect PSO funds from persons whose electricity generation and/or consumption equipment is connected to the transmission network. Until 30 September 2015, funds from these persons were collected via the company LITGRID AB. As a result of these changes BALTPOOL UAB gradually takes over from LITGRID AB all amounts receivable related to the collection of PSO funds and their transfer to the PSO budget. On 8 January 2016, the agreements were signed on the transfer of claim rights to PSO funds receivable from Achema AB (the amount of EUR 374,551.62), Lifosa AB (the amount of EUR 104,102.44), ORLEN Lietuva AB (the amount of EUR 105,348.51) and Dirbtinis Pluoštas UAB (the amount of 167,949.12).

On 27 January 2016, the tender for the purchase of financial services was completed at TETAS UAB. The lowest price for the services of the credit limit (EUR 2 million), provision of guarantees (EUR 4.3 million) and factoring (EUR 1.5 million) was offered by SEB Bankas AB. The amendment to the agreement will be signed in March 2016.

*****

(all amounts in EUR thousands unless otherwise stated)

CONSOLIDATED ANNUAL REPORT OF AB LITGRID AND ITS SUBSIDIARIES FOR THE YEAR 2015

I. General information about the group of companies

The consolidated interim report was prepared for the twelve months of 2015.

The Issuer and its contact details:

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

Litgrid's operations

Litgrid, Lithuania's electricity transmission system operator (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 to ensure energy independence while creating public value.

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

Lithuanian electricity transmission grid is strong and well connected, ensuring reliable provision of electricity according to the consumer demands. Since the end of 2015, the Lithuanian electricity transmission grid has been connected to Sweden and Poland via three asynchronous power link (LitPol Link is a double-circuit power link) and to the electricity grids of Latvia as well as the neighbouring Eastern states via 12 synchronous power links. Power links NordBalt (with Sweden) and LitPol Link (with Poland) have, for the first time, connected the Lithuanian electricity system to electricity grids of the Northern and Western Europe. The electricity transmission grid operated and maintained by Litgrid enables trade in electricity between different power systems, provides access to electricity markets rich in diverse energy resources. Optimal investment into the country's grid ensure the integration of new electricity generators, the safe transmission of electricity, and the reliability of the system's operations.

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 (EU) support while contributing to increasing the country's economic competitiveness and improving consumer welfare.

The most important activities of the twelve month of 2015 in implementing strategic projects and other electricity sector projects

LitPol Link inter-system power link project implementation

Construction of LitPol Link power link was completed in 2015, and its trial operations were launched on 9 December. Current converter station is the key and most complex unit of the new power link. The station converts voltage from alternating to direct and back to alternating, enabling electricity transmission between asynchronous Lithuanian and Polish power systems.

EUR 109 million were invested in LitPol Link project in Lithuania. In July 2015, the European Commission approved the EUR 27 million funding for the LitPol Link project. The total of EUR 31 million invested into LitPol Link were funded by the EU.

NordBalt inter-system power link project implementation

Construction of NordBalt power link was completed and system tests were launched in 2015. In August to November 2015, sub-system tests were conducted to test the valves, DC equipment, AC equipment, transformers, auxiliary, cooling and other systems. On 14 November 2015, voltage at the station of the NordBalt power link in Klaipėda district was switched on and system tests of the NordBalt power link were launched. Trial operations of the power link were launched on 18 February 2016.

EUR 223 million were invested into the NordBalt power link in Lithuania, of which EUR 65 million were funded by the EU.

Power link tests

One of the main differences between system tests and trial operations of the power link is that during system tests, electricity flowing between the neighbouring systems does not necessarily follow the market principles, i.e. it may flow in the direction required by a system operator rather than the direction of higher electricity market price. After the power links have been put into trial operation, all electricity exchange between the countries take place via the actual exchange.

Trial operations is different from the regular operations of power link in that the former may involve shutdowns of the interconnection and inconsistent schedule of operations. After the interconnection is put into actual operation, all market stakeholders will be notified in advance on its planned shutdowns. There is also a recognized possibility for emergency, i.e. unplanned shutdowns, which are very characteristic of submarine cable interconnections.

Transmission grid development and reconstruction projects

Reconstruction of nineteen transformer substations was completed during 2015 in total. Reconstruction of a transformer substation usually takes 3 years on average. 5-8 substation reconstruction projects are launched and completed annually on average. All transformer substation reconstruction projects by Litgrid have been partially funded (up to 40 % of the reconstruction value) by the European Regional Development Fund.

The reconstruction projects of overhead power lines are currently underway. During 2015, 332 reinforced pylons of the high voltage electricity transmission grid have been replaced, accounting for 38 % of the pylons to be replaced during the period of 2015-2016, 76,655 km of cable and 103 km of lightning protection cable have been replaced.

In September 2015, a contract on design and construction of new 110 kV electricity transmission line Kretinga to Benaičiai was signed. The public procurement on design and contract works has been awarded to JSC Tetas. Contract value – EUR 1.9 million, all works are to be completed by the end of 2017. In December 2015, an agreement on co-funding the project from EU funds was signed, EUR 973 thousand were allocated for the project. The new line will provide possibilities for optimisation of power flows in the Western Lithuanian electricity transmission grid and serve for integration of the regional wind turbines into the transmission grid.

In September 2015, a contract on construction of 330 kV electricity transmission line from Alytus to Kruonis was signed with public tender winner Zilinskio ir Ko. Contract value - EUR 18.6 million. In December 2015, the project was allocated EUR 9.2 million of funding from EU structural funds. The power line is an important part of LitPol Link project. Together with further developments of the grid in North-east Poland, this power line will ensure the maximum use of LitPol Link capacities.

Together with its partners, Litgrid conducts research aimed at classifying the causes of short-circuits in the overhead lines and developing the system for identification of such causes by the obtained power grid parameter measurements. In 2015, theoretical works necessary to prepare for practical monitoring and measurements were conducted, special test and measurement equipment was installed at several transmission grid facilities. In 2016-2017, following practical measurements and analysis of the collected details, identification of short-circuit causes will be performed and measures for reduction of the short-circuit causes, duration for failure repair, and improvement of transmission grid reliability and assurance of reliable electricity transmission to consumers will ideally be identified.

Integration of new power generators into the grid

In 2015, three new wind farms (73.5 MW, 24 MW and 45 MW power) were connected to the high voltage electricity transmission grid. The total installed capacity of wind power plants connected to the national grid by the end of 2015 was 433 MW, i.e. one third more than the total installed capacity in the previous year.

Electricity market integration of Baltic and Nordic countries

Aiming to create a common Baltic and Nordic reserve, regulation, and balancing market, Litgrid and other Baltic electricity transmission system operators have agreed on the principles and implementation plan of the common Baltic regulation and balancing market to be implemented by the end of 2017. In 2015, the first step towards the common integration of Baltic balancing markets – imbalance netting of the Baltic countries – has been made. Since 1 January, the three operators have been collectively accounting for the differences between planned and actually consumed electricity in the Lithuanian, Latvian and Estonian electricity systems for more efficient control of the regulation and balancing costs of the electricity systems. This decision is not only the first step in coordinating the balance between electricity generation and consumption needs of the Baltic electricity systems, but has also saved EUR 2.3 million of the balancing electricity costs in 2015. Integration of the regulation and balancing markets of the Baltic and Nordic countries is planned for 2018-2020.

In 2015, the average electricity price in the Lithuanian bidding area on the Nord Pool power exchange was 42 Eur/MWh, or 16 % lower than the average market price in 2014. Around 66 % of the consumed electricity was imported.

In June 2015, electricity transmission system operators of the Baltic countries Litgrid, Augstsprieguma tīkls, Elering, and the Finnish TSO Fingrid representing the Nordic countries have signed the agreement on technical provisions of the developed balancing electricity market. According to the agreement, the common Baltic balancing electricity market is to be created by the end of 2017. This will be a significant step towards integration of the Baltic-Nordic balancing electricity markets planned for 2018-2020.

As of 1 January 2016, Baltic Rules for the calculation and allocation of cross-border capacities signed by the Baltic electricity transmission system operators Litgrid, Augstsprieguma tīkls and Elering have come into effect to ensure maximum market access of the international power links.

In 2015, Baltic market study was conducted to identify the effect of the identified measures, e.g. fee on use of international power links during trade in electricity with the third parties on the electricity markets of the Baltic countries. Such measures have been found to reduce the wholesale electricity prices in the Baltic countries, while their benefit for the electricity consumers in Baltic countries would reach EUR 8.6 million annually. Findings of the study were presented at the general meeting of CEOs of the Baltic TSOs. Using the study findings and estimations as the basis, the National Commission for Energy Control and Prices has fixed the price for using the power links at 5.27 EUR/MWh for the year 2016.

Power systems of the Baltic countries operate synchronously with the Russian and Belarusian power systems, which are not governed by the EU Network Codes requirements. This, in turn, means that the trade on the electricity market of the Baltic countries is not coordinated or connected to the trade on electricity markets of the third countries. As a result, it is impossible to account for the influence of distribution of power generation in the third countries in market price calculations. At the same time, the capacity of international power links allocated to the day-ahead and intraday markets of the Baltic countries is affected strongly by the physical power flows created by the third countries. For these reasons, introduction of flow-based capacity calculation is a complicated task. In order to assess technical possibilities of introduction of flow-based method, its reliable functioning and the provided social benefits in the Baltic countries and compare these criteria with the benefits of the method of coordinated net transmission capacity effective at present, the Baltic TSOs have decided to conduct a feasibility study. Findings of the study will be used as the basis for formulation of the rules on cross-border capacity to be applied to the international power links between the Baltic countries and Sweden, Poland, Finland, Russia, and Belarus since 2017.

Power trade through LitPol Link and NordBalt connections

On September 22, Lithuanian and Polish electricity transmission system operators Litgrid and PSE, and the electricity exchanges operating in Poland (TGE) and Lithuania (Nord Pool Spot) harmonized the LitPol Link market operation agreement. In September, the agreement was reached also on the NordBalt market operation, to be signed by Lithuanian and Swedish electricity transmission system operators Litgrid and Svenska kraftnät and the electricity exchange operator Nord Pool Spot. On 20 January 2016, the largest power exchange of the Northern Europe has changed its name to Nord Pool.

The market operation agreements were prepared based on the Commission Regulation (EU) 2015/1222 dated 24 July 2015 stating general guidelines for the distribution of capacities and congestion management. The agreements state that the transmission system operators shall provide and guarantee the cross-border capacity, while the electricity exchanges shall distribute it for trading in the implicit auction. The day-ahead and the intraday trading will be performed from the first day of the NordBalt operation. Through the LitPol Link, the day-ahead trading will be performed only, and the intraday trading will be introduced in 2016.

Power system's reorientation to synchronous operation with the continental Europe networks

In 2012, the Parliament of the Republic of Lithuania established the law on the Lithuania's power system's integration into the European electricity system thus confirming its strategic objective to reorient power system of Lithuania to synchronous operation with the continental Europe networks. The full-fledged Lithuania's power system's integration into the European electricity infrastructure and common market, thus ensuring independent system control, is one of strategic Litgrid's objectives. Its implementation requires complete understanding, acknowledgement, and coordination of national and international interests.

Out of all feasibility studies on connecting the electricity systems of the Baltic countries and the continental Europe performed in 1998-2013, in 2014 the scenario of synchronisation via infrastructure links laid down through the territories of the EU states was chosen. The value of this complex project is from EUR 435 to 1,071 million, depending on detailed scenarios.

In 2014, connecting the electricity systems of the Baltic countries with the continental Europe for synchronous operation was listed among the projects of common interest by the European Commission, and in 2015, the European Council highlighted that all dimensions of the European energy union are important for the energy security of the region. The following projects have been listed under the Projects of Common Interest (PCI) by the European Commission in 2015:

- 330 kV electricity transmission line Kruonis pumped storage plant – Alytus.
- HVDC converter in Alytus (stage 2 of the LitPol Link project). Decision on implementation of this project will be adopted upon detailed analysis of the scope of use of the operating power link between Lithuania and Poland and its effect on the regional electricity market prices.

- 330 kV electricity transmission line Kruonis pumped storage plant – Visaginas. Investment into this project would be approved only after decisions on construction of the nuclear power plant in Lithuania are adopted.
- New electricity transmission line from the new transformer substation to the Lithuanian-Polish border. The line is necessary for synchronisation of the Lithuanian electricity system with the European Continental Networks.

In 2015, study for identifying the route of the new electricity transmission line from the new transformer substation in the Lithuanian electricity transmission grid to the Lithuanian-Polish border was conducted. In coordination of actions with the Polish electricity transmission system operator PSE, the crossing point on the Lithuanian-Polish border, feasibility of the power link construction have been discussed.

Litgrid initiated a study of "Technical specifications and cost identification of high power source integration into the Baltic electricity system while working synchronously with the continental European grids" in 2014 (hereinafter – the Study). The objective of the study was to examine the opportunities of a high-power generator integration into the Lithuanian electricity transmission grid, to identify the appropriate grid-building and security measures to ensure a reliable and stable work of a generation source and a power system, to provide provisional deadline for implementation of planned measures, to evaluate the associated investments, to analyse the international requirements and standards applied for the integration of a power generating source into a system and to take into account the European Union codes. A high power 1400 MW generator that could be provided by Hitachi or other nuclear reactor manufacturer was analysed for research purposes.

The calculations have demonstrated that reliable operation of the electricity system under normal and service mode during synchronous operation of the Baltic power system with the ECN and high power generator could be ensured by strengthening the electricity transmission grid with a new 330 kV electricity transmission line from Visaginas to Kruonis pumped storage plant (KPSP).

Results of the stability analysis have shown that, in order to prevent a generator from disconnecting from the grid and for it to continue operating synchronously with the system after the high power generator is connected to the system, additional measures ensuring stability of the generator must be assumed. One of the measures is reduction of time on failure repair by installing additional circuit breakers in series in the 330 kV switch-yard. This would ensure that the reserve safety functions operation time is equal to the time of actuation of the main safety functions. Breaking resistor installed in series is another measure that would help maintain stable operation of the generator at the installed power in case of a short-circuit in the grid, and the generator would only need to be discharged under the summer lowest load mode. According to the calculations, the new 330 kV electricity transmission line from Visaginas to the KPSP would help the generator and the electricity system maintain stability during synchronous operation of the Baltic countries with the ECN.

The study findings have demonstrated that in case of synchronous operation of the Baltic countries with the ECN in preparation for connection of the high power generator to the Lithuanian electricity system, the transmission grid must be strengthened with a new 330 kV electricity transmission line. It is also recommended to install special measures for the improvement of a dynamic stability of a system and to ensure the necessary reserves for the frequency control. Implementation of these measures would take around eight years and the price would be approximately EUR 60 million. Consultations with Latvian, Estonian and Polish transmission system operators were carried out during the study. The study was partly financed by the European Union via Connecting Europe Facility.

Litgrid membership in international organisations

International awareness and support 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 (European Network of Transmission System Operators for Electricity) 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 organisation'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 (Central Europe Energy Partners) 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 delivers the information and organises the information and the education seminars on the subject of electric energy for public and associated business structures in Lithuania and abroad. In January-September of 2015, the company conducted the explicit presentations to the experts of the electricity market on such subjects as the electricity markets, electricity system re-orientation to synchronous work with the networks of the continental Europe, electricity transmission network development, and the introduction of new energy resources into the network in the international conferences in Czech Republic, Poland, and Sweden, regional conference by NATO Energy Security Centre in Vilnius, the meetings with the members of the Invest Lithuania and the Lithuanian Confederation of Industrialists.

Litgrid – centre of excellence of the Baltic Sea region

By the end of 2015, Litgrid implemented two simultaneous large-scale strategic projects in the electricity sector, proving its competence and ability to manage large and complex projects that are important for the entire Baltic Sea region and the European Union. LitPol Link power link project has been recognized as the best common Lithuanian-Polish project in 2015 at the Polish Business Awards 2015 held by the Embassy of the Republic of Poland in Lithuania.

In 2015, managers and specialists at Litgrid held lectures and shared their knowledge and insights at conferences and workshops on power system management, connection and development of electricity markets, development of market mechanisms and their use for creation of maximum value for consumers in Lithuania and other countries. Litgrid experts and specialists are regularly quoted by national and international media, publications and news portals specializing in electricity markets and energy, such as Platts, Montel, Argus Media, ICIS, etc.

Litgrid has been invited to hold presentations on electricity market development at international conferences in Prague and Warsaw for the second year in a row. In 2015, CEO of Litgrid presented the changing situation of the Lithuanian and entire region of the Baltic countries and opening possibilities for business at the traditional conference Swedish Energy Days.

Litgrid specialists work intensively in several working groups of ENTSO-E, in charge of drafting and enforcement of new EU Network Codes. Their opinion is often considered in formation of future rules of conduct of the electricity sector stakeholders. The Baltic Regional System Control Initiative (RSCI) is aimed at establishing and performing coordinated decision making in relation to security issues of electricity systems of the Baltic countries, and Mr Giedrius Radvila, Director of the Litgrid System Control Department, has been appointed as the regional manager for implementation of the initiative.

(all amounts in EUR thousands unless otherwise stated)

Litgrid subsidiaries and the nature of their operations

As at 31 December 2015, the Litgrid group of companies consisted of AB Litgrid, UAB Baltpool, UAB Tetas, and UAB Tinklo priežiūros centras.

Name	UAB BALTPOOL	UAB TETAS	UAB Tinklo priežiūros centras
Legal form	UAB (private company limited by shares)	UAB (private company limited by shares)	UAB (private company limited by shares)
Registration date and location	2009-12-10, Register of Legal Entities of the Republic of Lithuania	2005-12-08, Register of Legal Entities of the Republic of Lithuania	2014-02-24, Register of Legal Entities of the Republic of Lithuania
Country where company was established	Republic of Lithuania	Republic of Lithuania	Republic of Lithuania
Company code	302464881	300513148	303249180
Headquarters address	A. Juozapavičiaus g.9-3, LT-09311, Vilnius	Senamiesčio g. 102B, LT-35116, Panevėžys	A. Juozapavičiaus g.13, LT-09311, Vilnius
Telephone	+370 5 278 2762	+370 45 504 670	+370 5 278 2766
Fax	+370 5 278 2707	+370 45 504 684	+370 5 272 3986
Type of operations	Energy resource market operator	Specialised design, installation, technical maintenance, repair, and testing services for transformer substations and distribution stations	Preparation for installation, management, and operation of high voltage direct current electricity links with the electricity systems of Poland and Sweden
Country of operations	Lithuania	Lithuania	Lithuania
Share ownership by Litgrid	67%	100%	100%

On 5 February 2016 m. Litgrid sold the shares of UAB Baltpool to company EPSO-G.

On 31 December 2015, Litgrid Group also had shares in the following companies:

Name	LitPol Link Sp.z.o.o	UAB Duomenų logistikos centras	UAB Technologijų ir inovacijų centras	Nord Pool Spot AS
Country where company was established	Republic of Poland	Republic of Lithuania	Republic of Lithuania	Kingdom of Norway
Headquarters address	ul. Wojciecha Gorskiego 9, 00-33 Warszawa, Poland	Žvejų 14, LT-09310 Vilnius	A. Juozapavičiaus 13, LT-09311, Vilnius	PO Box 121, NO-1325 Lysaker, Norway
Country of operations	Lithuania and Poland	Lithuania	Lithuania	Norway, Sweden, Finland, Denmark, Lithuania, Latvia, Estonia
Share ownership by Litgrid	50 % of shares and voting rights	20.36 % of shares and voting rights	0.01 % of shares and voting rights	2 % 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 the following PSO services:

- Preparation and implementation of strategic projects related to increasing energy security (the Lithuania–Sweden and Lithuania–Poland interconnections and integration of the Lithuanian power 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

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 power transmission grid, and transfers them to the PSO fund administrator.

Electricity grid technical maintenance and repair

In order to maintain high reliability indicators of the transmission network and properly plan and implement use and maintenance of the grid equipment, the emergency reserve formation methodology has been updated, new emergency reserve lists have been approved, inventory of the emergency reserve equipment and spare parts has been taken, and plan of acquisition of emergency reserve equipment has been formed.

Litgrid subsidiary 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

TETAS operations comply with 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 24 February 2014, Litgrid established the subsidiary Tinklo priežiūros centras as a highly qualified specialised engineering competency centre for the management and operation of high voltage direct current links. High voltage direct current (HVDC) technology is required for electricity transmission in high volumes between distinct electricity systems. The company is managed as an internal unit of Litgrid.

The main objective of Tinklo priežiūros centras in 2015 was adequate preparation for HVDC power links management and accumulate the required competence for their use and maintenance. The programme of integration of the HVDC converters has been implemented by 100 %.

LitPol Link equipment and spare parts for NordBalt submarine cable have been taken over. LitPol Link use and maintenance agreement has been signed and the model of the power link use and maintenance has been agreed on with the Polish electricity transmission system operator PSE. The model of NordBalt power link use and maintenance has been agreed on with the Swedish electricity transmission system operator Svenska kraftnät, necessary contracts on use and maintenance of the HVDC equipment have also been concluded with external contractors.

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:

- ESO, distribution grid operator (before 31 December 2015 – Lesto)
- 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.

(all amounts in EUR thousands unless otherwise stated)

Employees

As at 31 December 2015, Litgrid Group had 659 employees: Litgrid – 235 employees, Tetas – 391 employee, Baltpool – 10 employees, Tinklo priežiūros centras – 23 employees.

Litgrid's wage bill for the reporting period was EUR 5,073 thousand.

	Number of employees as of 31 December 2015	Average monthly salary, Eur
Professionals	229	1 675
Management	6	5 875
Total	235	1 784

Litgrid group's wage bill for the reporting period was EUR 10,090 thousand.

	Number of employees at 31 December 2015	Average monthly salary, Eur
Labourers	219	748
Professionals	425	1 459
Management	15	4 056
Total	659	1 274

Litgrid employees are energy specialists of the highest level. Three-fourths of them have a university degree 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.

The company periodically performs employee engagement studies aiming to analyse the level of employee satisfaction and engagement, identifies possibilities of deeper and more efficient employee engagement in work processes. The 2015 study results revealed that in a year employee engagement has increased by 6% and reached 52%.

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 young people who are talented, educated, ambitious and ready to take responsibility, Litgrid collaborates with educational institutions and youth organisations.

Remuneration policy and performance appraisal

The goal of Litgrid's remuneration policy is to contribute to realising 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 package consists of financial and non-financial elements: base salary, variable remuneration, 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 work content 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

Collective bargaining agreement

In 2015, 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 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. In 2015, the company implemented new initiative of internal communication the Circle of Ideas, which stimulates its employees not only to suggest new internal communication projects, but also to actively participate in their organisation.

Litgrid collaborates with higher education institutions 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. 24 tours at the Litgrid System Control Centre, construction sites of the power links with Sweden and Poland were held in 2015 in total.

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.

Litgrid annually briefs the residents on the risks present under the high voltage lines. In 2015, information posters providing safety rules for people living and working near electricity transmission lines have been disseminated across municipalities, elderships, forest enterprises, and Litgrid contractors: safe distance under the lines, actions in case of a torn electricity cable, safe distance for fishing in a water reservoir under the cables, actions in case of cables falling onto a vehicle, etc. Such posters have reached more than 360 addressees, including the regional authorities often visited by the residents: territorial labour exchange, units of the State Social Insurance Fund, offices of the State Tax Inspectorate, branches of the Centre of Registers.

Information on safe behaviour under high voltage lines was published in regional newspapers *Kalvotoji Žemaitija, Švyturys, Šilalės artojas, Elektrėnų žinios, Švenčionių kraštas* in June and July, reaching the audience of about 800 thousand of readers, listeners and viewers. The information was spread by the Lithuanian Radio during radio shows *Ryto garsai* and *112*. Special coverage was shown during the Lithuanian Radio and Television (LRT) show *Lietuvos diena*.

In 2015, Litgrid was recognised as the most socially responsible enterprise at the Business Responsibility Awards. Litgrid was recognized as the most community-oriented enterprise at the National Responsible Business Awards by the Ministry of Social Security and Labour of the Republic of Lithuania.

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. For example, reconstructing the substations, recently used oil units are being replaced by modern gas equipment. They are less risky to the environment in case of an accident and need less maintenance. 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. Purchasing the services, the contractors are required to have the Environmental management standard LST EN ISO 14001 installed. Accepting the works performed, the contractors are checked for the fulfilment of the requirements, due waste management, the presence of confirmatory documents.

In cooperation with Lithuanian Ornithological Society, Litgrid implements the project “Safety of Birds in Electricity Transmission Lines”. The objective of this project is to reduce deaths of migratory birds, improve breeding conditions of kestrels in Lithuania, monitor bird death cases on high voltage electricity transmission lines, and deliver recommendations for their protection. Electricity transmission lines are made more visible equipping them with bird-diverting devices in places of the most intensive bird migration. In pre-migratory areas of white storks, specific protection devices are installed aiming to protect them from the short circuit. Special nesting-boxes are installed for kestrels.

Power line markers, stork safety measures, additional insulators, part of nesting-boxes were installed in 2015. Works for EUR 164 thousand were implemented in total. This project is partially funded under the EU LIFE+ financial instrument for the environment.

Research and development activities at Litgrid Group

Each year Litgrid 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.

After the agreement of Lithuanian, Latvian and Estonian electricity transmission system operators, the regional study as the overview of renewable energy generators in the Baltic countries was launched under the leadership of Litgrid.

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 competences

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 Technologijų ir inovacijų centras. In the beginning 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 assisting services in the market to ensure uninterrupted operation of ITT systems in vital processes of corporate operations.

Litgrid's ITT Centre concentrates expert knowledge in the automation of energy system management, ensuring the continuity of IT solutions at Litgrid as well as security control and operational transparency.

One of the stages of creating ITT competence centre was successfully completed in 2015: the entire IT system management was successfully transferred from an external company to a data managed centre of Litgrid. IT systems maintenance services were purchased in the market through 19 contracts with service providers, as well as through the use of internal resources and competence of the ITT centre. Getting back the IT competences, creation of the ITT centre in the company and the purchase of IT services in the market will allow Litgrid to optimise costs and ensure safety and reliability requirements.

II. Financial information

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

	2015		2014		2013	
	Group	Company	Group	Company	Group	Company
Financial indicators (amounts in EUR thousands)						
Revenues related to electricity	83 480	83 480	104 238	104 238	156 565	156 414
Other operating income	17 043	2.085	15 465	1 759	14 055	2 085
EBITDA*	27 035	27 148	33 861	33 829	46 755	47 196
Profit (loss) before taxes	2 141	4 172	-130 686	-132 167	8 636	9 446
Net profit (loss)	1 835	3 791	-111 599	-112 849	7 344	8 129
Cash flow from operating activity	43 810	41 514	15 120	15 585	35 880	36 632
Ratios						
EBITDA margin (%)	26,9	31,7	28,3	31,9	27,4	29,8
Operating margin (%)	2,7	5,5	-109,0	-124,5	4,5	5,3
Return on equity (%)	0,8	1,6	-46,6	-47,0	1,7	1,9
Return on assets (%)	0,3	0,7	-19,8	-21,3	1,0	1,2
Shareholder's equity / assets (%)	43,6	47,9	42,5	45,5	62,4	65,9
Financial liabilities / equity (%)	84,2	82,8	54,0	49,4	14,7	14,1
Liquidity ratio	0,49	0,29	1,00	0,99	1,26	1,43
TSO performance indicators						
Transmitted quantity of electricity, million kWh		9 220		9 344		9 300
Transmission grid process costs (%)		1,96		1,92		2,11
END (electricity not delivered due to disconnections), MWh **		4,54		5,35		6,72
AIT (average interruption time), min. **		0,23		0,25		0,31

* 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.

Revenue

Litgrid Group's revenue in 2015 was EUR 100.5 million, a decrease of 16% compared to 2014.

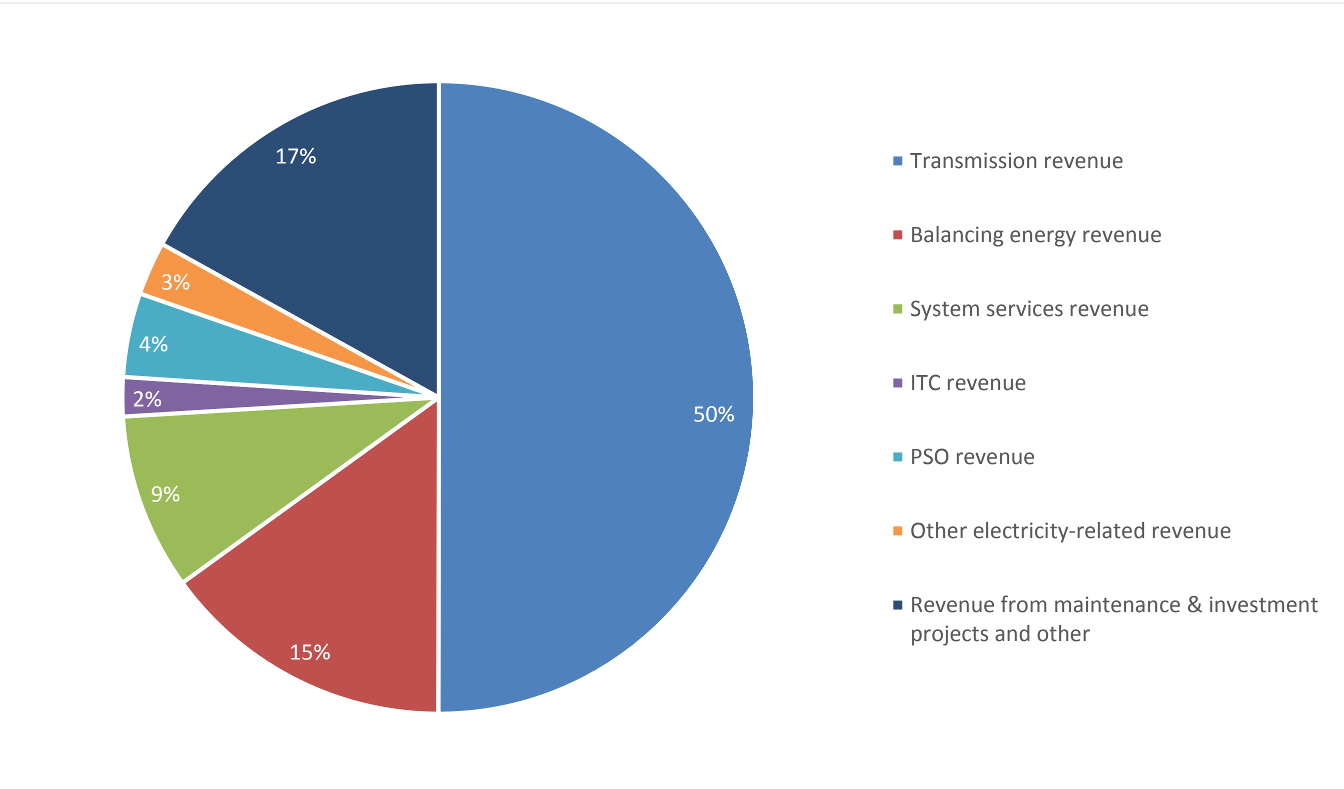
Revenue for electricity transmission decreased 17%, to EUR 50.4 million compared to 2014. Revenue from electricity transmission made up 50% of Group's revenue. The decrease in revenue was caused by the decision of the National Commission for Energy Control and Prices to reduce electricity transmission tariff by 19% since 1 January 2015. In 2015, Litgrid's high voltage electricity transmission grid transmitted 9 220 million kilowatt-hours (kWh) of electricity for the country needs, or 1,2% less compared to 2014.

8 413 million kWh were delivered to ESO, the distribution grid operator, or 0.1% more than last year, while 806 million kWh were delivered to other users, or 13.1% less than in 2014.

Revenue for balancing and regulating electricity decreased 27% to EUR 14.6 million. Common balancing energy market for Baltic countries operating since 1st January 2015 allowed TSO to decrease the prices of balancing electricity by 30%, which led to decrease of such revenue.

Revenue from system services decreased 25% to EUR 9.4 million. The decrease in revenue was caused by the decision of the National Commission for Energy Control and Prices to reduce electricity transmission rate by 24% since 1 January 2015. 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 EUR 2.1 million. Public service obligation (PSO) revenue was EUR 4.3 million. Other revenue related to electricity totalled EUR 2.7 million, including reactive energy, transit, and new user connections.

Revenue structure



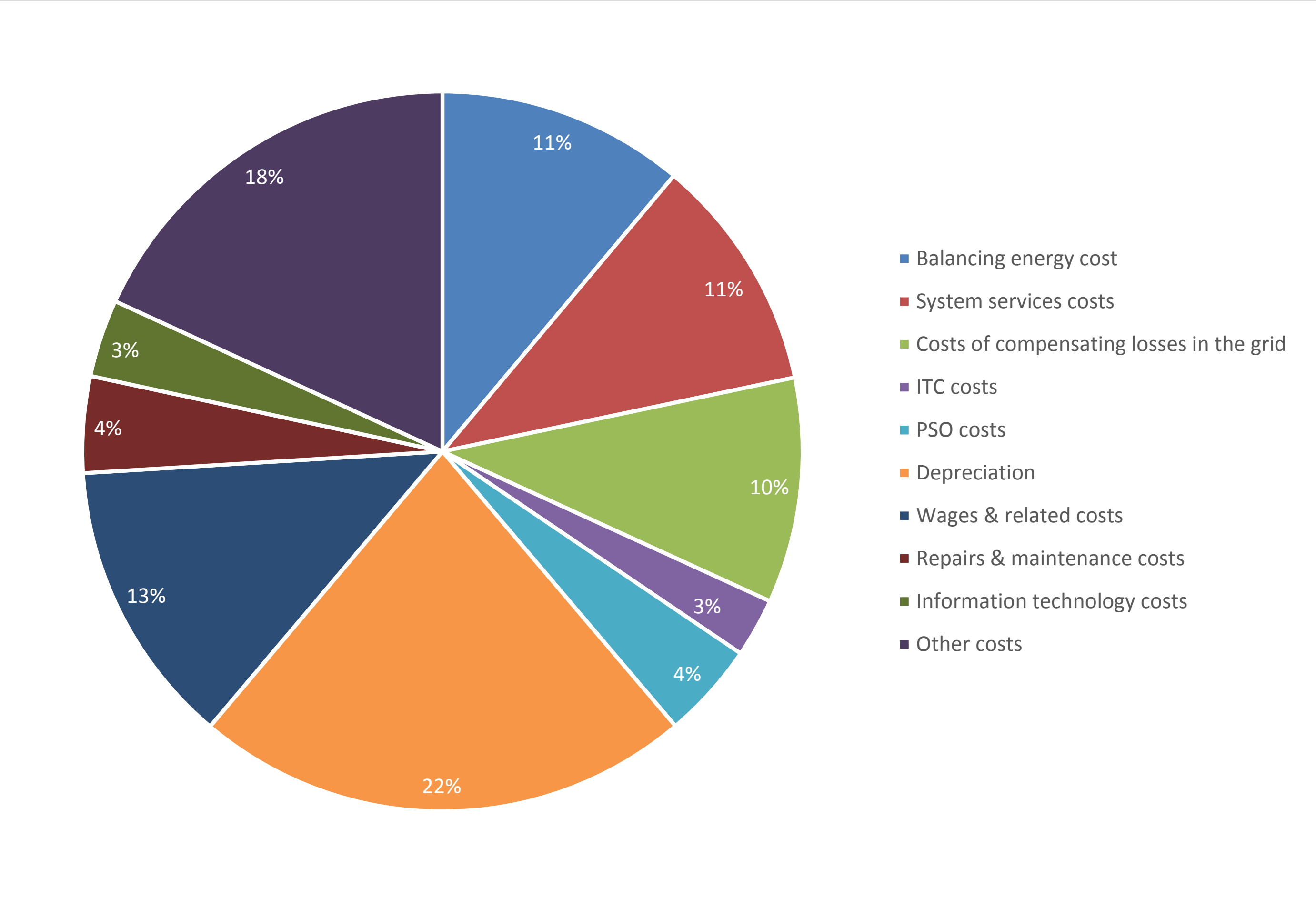
Costs

In 2015, Group costs totalled to EUR 97.8 million, or decreased by 23%, compared to 2014 (excluding the results of the last year's revaluation of tangible fixed assets).

Purchases of electricity and related services accounted for the largest part of Group costs, i.e. EUR 37.8 million or 39%. In comparison to 2014, the costs decreased 25%. The costs for energy balancing and regulating decreased 25% (to EUR 10.8 million), there was a 30% decrease in system services costs (to EUR 10.3 million), and a 17% decrease in the cost of compensating for technical losses of electricity in the grid (to EUR 9.9 million). Costs of transit (participation in the Inter-TSO Compensation mechanism) were EUR 2.6 million, while PSO provision costs were EUR 4.2 million.

Depreciation and amortization costs decreased 44% to EUR 21.8 million. The main reason for the decrease – a revaluation of Company's tangible assets at the end of 2014. Other operating costs increased by 1% to EUR 38.3 million compared to 2014.

Cost structure



Profit

Group's profit before taxes amounted to EUR 2.1 million in 2015. In 2014 Group losses excluding taxes were EUR 7.5 million (excluding the results of the last year's revaluation of tangible fixed assets). The profit increase was mainly due to lower depreciation costs which resulted from the decline in the value of assets after the evaluation of a long-term tangible asset in the end of 2014.

The Group's profit in 2015 comprised of: transmission segment profit EUR 1.8 million (EUR 10.2 million loss in 2014), system services losses EUR 1.3 million (2014: EUR 2.2 million loss), balancing and regulating electricity segment profit EUR 4.2 million (2014: 3.7 million profit), other activities loss EUR 2 million (2014: EUR 1.4 million profit).

In 2015 Group's EBITDA was EUR 27 million. It decreased by 20% compared to 2014. EBITDA margin increased to 26.9% (in 2014 it was 28.3%).

Balance sheet and cash flows

As at 31 December 2015, assets of the Group amounted to EUR 554.4 million. Fixed assets accounted for 84.8% of total assets of the Group. Shareholders' equity was equal to 43.6% of total assets.

The Group's financial obligations to credit institutions as at 31 December 2015 totalled EUR 203.4 million, which is equivalent 84.2% of equity. The non-current portion of long-term debt (payable after at least one year) accounted for 57.2% of all financial debts. Cash and cash equivalents were EUR 0.8 million.

Group net cash flows from operations in 2015 amounted to EUR 43.8 million, while payments for fixed tangible and intangible assets were EUR 212.8 million.

The 2015 Group net cash flows excluding cash flows from financial activity and cash flows to term deposits and held-to-maturity investments, totalled EUR -134.6 million (excluding discontinued activity EUR -121.3 million).

Investments in fixed assets

In 2015 the investments of the transmission system operator Litgrid amounted to EUR 208 million. 89% percent of these investments were designated to the implementation of strategic projects, 11% of the investments were designated to the reconstruction and development of the country's power transmission grid.

Eighteen electricity transmission grid's investment projects, implemented by transmission system operator Litgrid, were allocated EUR 29.7 million from the European Structural Funds of 2007-2013 assigned for Lithuania. By 31 December 2014, the company had received EUR 22.4 million and during 2015 it received EUR 6.9 million. All these projects were finalised by 30 September 2015. In addition, the implementation of the NordBalt project was allocated EUR 65.5 million from the European energy programme for recovery. By 31 December 2014 the company had received EUR 12.2 million and in 2015 it received EUR 7.5 million. On 14 July 2015, European Commission and the EU member states approved EUR 27.4 million financial support for the power link with Poland LitPol Link under the Connecting Europe Facility (CEF), an instrument for funding European infrastructure networks development. EUR 11 million were received in 2015.

TSO performance 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 — energy not delivered due to disconnections, and AIT — average interruption time. Litgrid's actually reached indicators in 2015: energy not delivered, END – 4.54 MWh, average interruption time, AIT, – 0.23 min.

References and explanations for information in the Consolidated Financial Statements

Detailed explanations of financial information are provided in the Explanatory Notes of consolidated financial information for 2015.

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.

Risk factors and their management

Political, regulatory and compliance 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. In order to reduce the impact of the risk on the performance results, the Company's representatives actively participate in discussions, inform about the decisions that have to be taken and / or submit proposals to institutions that prepare legislations. The company also responds immediately to the questions posed by public or control authorities regarding the Company's activities.

Prices for electricity are regulated with the price ceilings set by the National Commission for Energy Control and Prices. The operating results of Litgrid are directly dependent on these decisions. These controller solutions directly affect not only Litgrid performance results but also funds that the Company allocate for the necessary performance tasks, investments that maintain a reliability of the transmission grid, as well as opportunities to finance strategic projects from the Company's own or borrowed funds. In order to reduce the impact of regulatory risks on performance results, the Company is actively cooperating with the Commission, participate in discussions regarding legislative revisions, grounding its proposals by focusing on future decision-effects and long-term strategic objectives of the Company.

While reducing a risk of compliance, the Company's legal team carefully supervises processes of decision-making, internal legislation and contractual obligations for the management.

Operational / performance risk

One of the main functions and responsibilities of the Company's performance is ensuring the reliability of electricity transmission and preventing disruptions of energy supply. Main operational / performance risks that could affect the reliability of the transmission are caused by external environmental factors: natural disasters, performance disruptions of main contractors, criminal acts of third parties, as well as internal factors – disruptions in information systems. The Company has implemented solutions which meet the requirements of physical and information technology security which are applied for enterprises that have strategic or important role for national security and modern information systems are installed.

Emergency management plans that ensure business continuity are prepared and kept up to date.
In order to avoid potential delays of grid reconstruction and development projects, Litgrid uses the project management system. Up-to-date and highly selective requirements for qualifications of contractors ensure that they are able to implement complex projects.

The company focuses on the attraction and retention of highly competent employees that are able to implement objectives of ambitious operational and complex strategic plans. For that purpose, educational and substitutability plans are being developed, a policy of remuneration and motivation is updated.

Financial risk

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. The Company has a significant concentration of credit risk. The Company requires the clients / third parties to provide adequate measures to ensure the execution of contracts (measures are applied according to the client's / third party's risk level) for credit risk management).

Technical risk

Lithuania's energy system has 12 interconnections with neighbouring energy systems. The available means for power and energy balance control are limited, and the power and energy balance control process is complex. See the section about lack of availability of risk management in balancing measures *Baltic and Nordic electricity market integration* (page 18).

More than 52% of high-voltage electricity transmission grid equipment is older than 45 years. Malfunction or failure of the most important technological equipment can have a negative impact on Litgrid's operation and financial results. In order to avoid disruption of power supply, Litgrid monitors the condition of transmission grid, creates monitoring plans and schedules new investments in the grid respectively. Investment in equipment and materials has a direct impact on financial results. The Company ranks investments in the grid, taking into account objective criteria and specific evaluation methodology so they can optimize and ensure a smooth investment.

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.

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

III. Information regarding authorised share capital and shareholders

Litgrid has not acquired any of its shares, nor has made any acquisitions or disposals of own shares during the reporting period. Subsidiaries of the Company have not acquired shares of the Company either.

Since 22 December 2010, Litgrid's shares are included on the Baltic Secondary List at the NASDAQ OMX Vilnius exchange, issue ISIN code LT0000128415.

Litgrid authorised share capital is EUR 146,256,100.2, divided into 504,331,380 ordinary registered shares. Value per share is EUR 0.29. The number of shares for the voting right – 504,331,380 pieces.

On 22 January 2016, the company had 5,572 (five thousand five hundred seventy two) shareholders. 97.50% of Litgrid shares are owned by EPSO-G (A. Juozapavičiaus 13, LT-09310 Vilnius, company code 302826889), 100% of which are owned by the Ministry of Energy. 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.

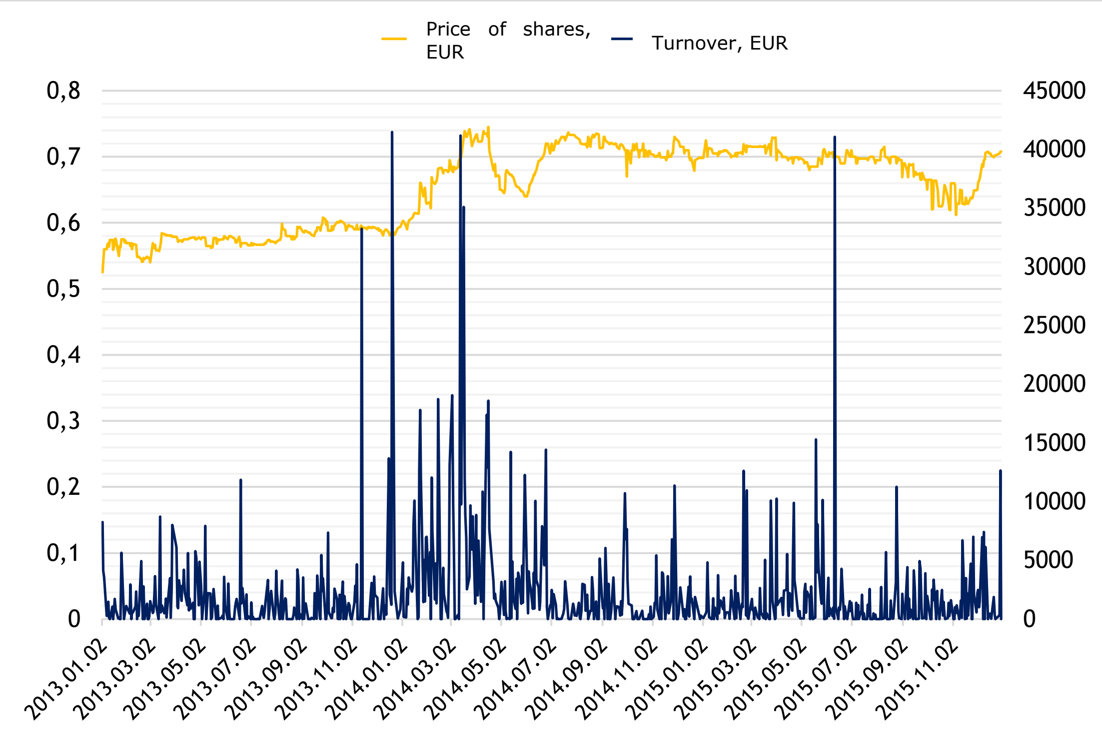
Services on accounting for the Litgrid's securities and the related services from 1 February 2016 to 31 January 2019 are provided by Swedbank AB.

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

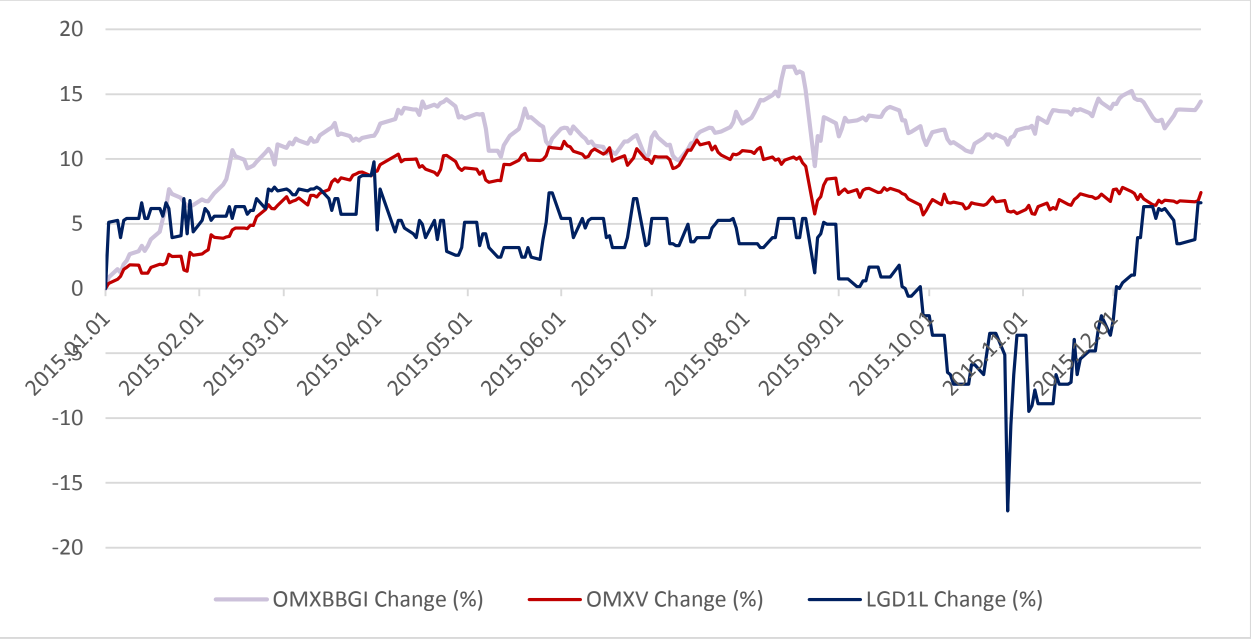
Trading in Litgrid securities in regulated markets:

Indicator	2013	2014	2015
Opening price, EUR	0.523	0.593	0.698
Highest price, EUR	0.608	0.750	0.740
Lowest price, EUR	0.520	0.582	0.550
Closing price, EUR	0.592	0.664	0.708
Turnover, pcs	726,551	1,176,548	656,613
Turnover, EUR m	0.42 EUR	0.80 EUR	0.45 EUR
Capitalisation, EUR m	298.56 EUR	334.88 EUR	357.07 EUR

Turnover and price of Litgrid shares during the reporting period, EUR:



Comparison of the price of Litgrid shares (LGD1L) with the OMX Baltic Benchmark GI (OMXBBGI) and OMX Vilnius (OMXV) indexes during the reporting period:



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 Board

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

The Supervisory Board reports to the general meeting of shareholders.

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

The Supervisory Board has three members including the chairperson. Independent members can also be elected to the Supervisory Board. Independence of a member of the Supervisory Board (or its committee) is determined according to the procedure established by the laws, and if such procedures do not exist, the Supervisory Board of the Company decides on the independence of the member of the Supervisory Board (or its committee). The Supervisory Board is elected for a term of office of four years. The Supervisory Board or its members start their activities after the end of the general meeting of shareholders that has elected the supervisory board/its members.

The shareholder (or his representative) that puts up a candidate for the position of member of the Supervisory Board must submit to the general meeting of shareholders a written statement about the candidate's qualifications, experience in managing positions, and fitness for the position of member of the Supervisory 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.

Areas of activities of the Supervisory Board

The Supervisory Board 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.

Audit Committee

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

The Audit Committee analysed corporate risk management, internal auditing plans, IT security, and the process for auditing the financial statements. Duration of the Audit Committee term of office is the same as for the Supervisory Board which approved the composition of the Audit 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 Board 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 Board 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 (2,8962 million EUR) in value. The Board also adopts decisions on other matters as stated in the Articles of Association.

(all amounts in EUR thousands unless otherwise stated)

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 Board, Audit Committee and the Board, CEO, and Chief Financial Officer of Litgrid:

Position	Name, surname	Start date	End date	Number of shares held by the issuer
Supervisory Board				
Chairperson	Aleksandras Spruogis	2013 04 24		-
Member	Audrius Misevičius	2013 04 24		-
Independent member	Mindaugas Vaičiulis	2014 04 07	2015 04 24	-
Member	Rolandas Zukas	2015 04 24		-
Audit Committee				
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		-
Chief Executive Officer	Daivis Virbickas	2013 09 10		-
Chief Financier	Svetlana Sokolskytė	2012 07 02	2015 06 30	-
Chief Financier at Interim	Raimonda Duobuvienė	2015 07 01	2015 10 18	-
Chief Financier	Jūratė Vyšniauskienė	2015 10 19		-

Members of the Supervisory Board of Litgrid

Dr. Aleksandras Spruogis, Chairman of the Supervisory Board
Born in 1963. Civil engineer qualifications (diploma cum laude): Faculty of Construction, Vilnius Civil Engineering Institute, 1980 - 1985. Master of Environmental Engineering: Faculty of Environmental Engineering, Vilnius Gediminas Technical University, 1991 - 1992. Doctor of Technical Sciences in Environmental Engineering, Vilnius Gediminas 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 Gediminas Technical University),1990–1997. Senior Adviser to the Parliament Environmental Protection Committee and Chairman of the Parliament 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 Board
Born in 1959. Economist qualification, Vilnius University, 1982. Doctor of Social Sciences, St Petersburg Institute of Finances and Economics. Associate Professor, Vilnius University, 1993. Work experience: 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 Board of VĮ Indėlių ir Investicijų Draudimas and Curator of UAB Lietuvos Monetų Kalykla, 1998–2013.

Rolandas Zukas, Member of the Supervisory Board
Born in 1974. Transport Engineering Economics and Management qualification, worked at AB Klaipedos Nafta as a Director of liquefied natural gas terminal (LNG), as member of the Board and CEO at Energijos tiekimas UAB. R. Zukas is a Managing Director of UAB EPSO-G, the company which owns 97.5% of Litgrid shares.

Members of the Board of Litgrid

Daivis Virbickas, Chairman of the Board
Born in 1978. Responsible for strategic management and power system control. 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: Director of Commerce at Alpiq Energija Lietuva representing Alpiq AG, a Swiss holding company, in the Baltic States. Until 2011: Technical Director at Litgrid.

Mr Virbickas holds a master degree in Energy systems management from Kaunas University of Technology (KTU) (graduated in 2002), bachelor degree in Business management from KTU and Corporate governance sertificate (2008) from Baltic Management Institute and IMD Business School (Switzerland).

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

Mr Sankovski holds a master degree in Environmental science from Aix-Marseille University (graduated in 2008) and bachelor degree in law from Mykolas Romeris University (2007).

Vidmantas Grušas, Member of the Board
Born in 1962. Responsible for management of electricity transmission grid. Has experience of many years in the operation of high voltage electricity transmission grid equipment, development of grid facilities and power system control.

Mr Grušas holds a diploma in Managing Energy Business (2009) from Scandinavian International Management Institute in Denmark. He also graduated Riga University of Technology with energy engineering qualification in 1985.

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

Mr Busila graduated from Vilnius Gediminas Technical University in 1981 with engineer-economist qualification. In 1993 Mr Busila deepened his knowledge in Paris stock exchange (Basics of capital markets functioning. Financial instruments trading.), in 1996 studied in American association of lawyers and commercial law centre (Stock market legal regulation), in 1998 - in U.S. Securities and Exchange Commission (Financial regulation and supervision).

Dr Rolandas Masilevičius, Member of the Board
Born in 1972. Responsible for information technology and telecommunications, electrical transmission infrastructure cyber and physical security as well as administration of the Company's general affairs. R. Masilevičius has an extensive managerial experience in state institutions. Since January 2014 he is employed at Litgrid AB as a Director of information technology, telecommunications and Administration Department.

Mr Masilevičius has doctor's degree from Vilnius Gediminas Technical University (VGTU) (awarded in 2001), a master degree in Environment engineering (1997).

No payments were made to the CEO of the Company or the Members of the Board for their work on the Board. The independent member of the Supervisory Board of the Company received EUR 1,303.20. Members of the Audit Committee received EUR 4,952.45 for the work in the Committee during 2015.

Over the reporting period, the gross amount of pay to the CEO and Chief Financier of the Company amounted to EUR 144,864.63.

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 the Note 9 of the Financial Statements.

(all amounts in EUR thousands unless otherwise stated)

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.

Notices on material events published by Litgrid from 1 January 2015 till 22 February 2016:

Date	Notice
20/01/2015	Price cap for electricity transmission rate set
27/02/2015	Litgrid Group financial results for 2014 announced
04/03/2015	Information regarding notification of resignation
26/03/2015	Litgrid did not breach terms of regulated activities
31/03/2015	Convocation of Ordinary General Meeting of Litgrid Shareholders
03/04/2015	Litgrid AB Supervisory Board's Response and Suggestions to the Ordinary General Meeting of Shareholders
24/04/2015	Decisions adopted at the Ordinary General Shareholders Meeting of LITGRID AB, 24 April 2015
28/04/2015	Litgrid seeks partial European Union funding for electricity interconnection with Poland
28/04/2015	Consolidated Annual Report of Litgrid AB and its subsidiaries for 2014
30/04/2015	Regarding the sale of shares of NT Valdos, UAB
29/05/2015	Litgrid Group's results for the first quarter of 2015 announced
04/06/2015	Litgrid presentation at the event "CEO meets investor"
02/07/2015	Ten-year grid development plan: investments into integration and security of supply
08/07/2015	Litgrid plans to borrow
14/07/2015	LitPol Link to receive EUR 27 million of EU funding
28/08/2015	Litgrid Group's results for the first half of 2015 announced
14/09/2015	Planned changes in Litgrid corporate governance structure
16/09/2015	Intention to conclude long-term loan agreement
29/09/2015	Due to loan agreement
16/10/2015	Commission for Prices and Energy set the price cap for electricity transmission

(all amounts in EUR thousands unless otherwise stated)

30/10/2015	Electricity transmission rate for 2016 set
03/11/2015	Litgrid and INEA signed an agreement on partial LitPol Link funding
20/11/2015	Litgrid AB Investor's Calendar for 2016
25/11/2015	Litgrid Group’s results for the first nine months of 2015 announced
07/12/2015	Regarding announcement of Litgrid‘s interim reports
30/12/2015	Power link line service price determined by the National Commission for Energy Control and Prices
08/01/2016	Convocation of Extraordinary General Meeting of Litgrid Shareholders
08/01/2016	Decisions adopted at the Extraordinary General Shareholders Meeting of Litgrid AB, 28 January 2016
05/02/2016	Baltpool share sales agreement signed between Litgrid and EPSO-G
26/02/2016	Litgrid Group financial results for 12 months of 2015 announced

Detailed notices on the material events published in 2015 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.

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

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

PRINCIPLES/RECOMMENDATIONS	YES/NO	COMMENTS
Principle I: Main Provisions **The main purpose of the company should be the satisfaction of the shareholders' interests, at the same time ensuring constant increase in the value of shareholders' equity.**		
1.1. The company should formulate and publish the corporate development strategy and objectives, clearly stating how it plans to act in the interests of the shareholders and augment the shareholders' equity.	YES	The main development lines and strategies of the Company are published in the Company's website www.litgrid.eu and in the Annual Report and Interim Reports of the Company.
1.2. Activities of all corporate management bodies should be focussed on the achievement of strategic goals taking account of the need to augment the shareholders' equity.	YES	The Board of the Company adopts key strategic decisions leading to an increase in the shareholders' equity (optimisation of operating functions and structure of the Company, other actions increasing the operating efficiency and cutting costs). The CEO of the Company organises and implements the Company's business, commercial and financial activities.
1.3. Corporate supervision and management bodies should closely cooperate in order to maximise the benefits for the company and the shareholders.	YES	The Supervisory Council as a collegiate supervisory body is formed in the company. On 24 April 2013, the ordinary general meeting of shareholders has formed the Supervisory Council comprised of 3 members. The Board representing the shareholders' interests is formed in the company.
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 Supervisory Council as a collegiate supervisory body is formed in the company. The company has the Board and the Chief Executive Officer.
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.
2.3. hould the company decide to form only one collegiate body, it is recommended that this body is a supervisory one, i. e. the supervisory council. In this case, 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 Supervisory Council as a collegiate supervisory body has been formed in the Company. It should be noted that the Company carries out the electricity transmission activities, therefore, its operations are strictly governed by legal acts and supervised by the relevant authorities (State Commission on Control of Prices and Energy etc.). This ensures that transparent and effective decisions are taken and the principles of non-discrimination of customers, reduction of costs etc. are implemented.
2.5. The numbers of members of the corporate management body (executive directors) and supervision body (consulting directors) should be such that an individual or a small group of individuals is/are not able to dominate the decision-adoption process.	YES	The Supervisory Council of the Company consists of 3 (three) members and the Board of the Company consists of 5 (five) members. A meeting of the Supervisory Council is considered to be valid if at least 2 (two) members of the Supervisory Council are present. A meeting of the Board is considered to be valid and the Board may pass resolutions if at least 4 (four) members of the Board are present.
2.6. Consulting directors or members of the supervisory board should be appointed for a defined term, with the opportunity for individual re-election for a maximum term allowed by the Lithuanian legislation in order to ensure the growth in professional experience and sufficient re-approval of their status. In addition, dismissal should be provided for, however, this procedure should not be easier that the procedure for the dismissal of an executive director or a member of the board.	YES	The Supervisory Council is elected for the maximum term of office permitted by the Lithuanian law, i. e. 4 (four) years. The Board is elected for the term of office of 4 (four) years. This term is the maximum term permitted under the Republic of Lithuania Law on Companies. The general meeting of shareholders may recall the Supervisory Council and the Board in full or in part according to the procedure established by the law.

2.7. The chairman of a collegiate body elected by the general meeting of shareholders must be a person whose current or previous position is not an obstacle to independent and unbiased supervision. Where only the board and not the supervisory council 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	There are no independent supervisors in the Supervisory Council of the company, but 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 Republic of Lithuania Law on Companies.
3.2. Names, education information, qualifications, professional experience, information on current position, other important professional obligations and potential conflicts of interests of candidates to members of collegiate management bodies should be disclosed to the company’s shareholders prior to the general meeting so that the shareholders have enough time to decide on the voting on the candidates. In addition, any circumstances that may affect the candidate’s independence (a model list is provided in Recommendation 3.7) should be disclosed. The collegiate body should be informed about any subsequent changes in the information disclosed under this p. 3.2. The collegiate body should collect the disclosed information on members and include them in its annual report.	YES/ NO	Information about candidates for Members of the Supervisory Council is presented to the shareholders according to the procedure established by the Republic of Lithuania Law on Companies prior to the start of the general meeting of shareholders the agenda of which contains an item of election of Members of the Supervisory Council, and such information is not published in advance. According to the Articles of Association of the Company, each candidate to the position of the Member of the Supervisory Council must submit to the general meeting of shareholders a declaration of the candidate’s interests, stating therein any circumstances that could give rise to a conflict of interests between the candidate and the Company. In case if such circumstances arise, the Supervisory Council Member must immediately notify such new circumstances to the Supervisory Council in writing. Information about positions held by the Supervisory Council Members or their participation in other companies is collected on a regular basis and published in the Annual Report and the website of the Company.
3.3. Where a proposal is made for the election of a member of a collegiate management body, his competences necessary for the 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.	YES/ NO	Information about the candidates to the Members of the Supervisory Council is presented to the general meeting of shareholders according to the procedure established in the Republic of Lithuania Law on Companies (see Comment on Item 3.2). The information on candidates the

		Members of the Supervisory Council presented to the general meeting of shareholders includes work experience, positions held and other information on the candidate's competences. Information about positions held by the Supervisory Council Members or their participation in other companies is collected on a regular basis and published in the Annual Report and the website of the Company.
3.4. In order to maintain a proper balance of qualifications of members in a collegiate body, the composition of the body should be set in line with the structure and type of operations of the company and should be subjected to period review. The body should ensure that its members as a whole should possess comprehensive knowledge, views and experience for the proper performance of their tasks. Members of an audit committee as a whole should have latest knowledge and relevant experience in finance and accounting and/or audit of the listed companies. At least one of the members of payroll committee should have knowledge and experience in the wage setting policy.	NO YES NO	The Supervisory Council is elected and its members' qualifications is evaluated by the general meeting of shareholders. The Supervisory Council may not determine its own composition. No Remuneration Committee is formed in the Company.
3.5. An individual programme aimed at familiarisation with the duties and organisation and operations of the company should be offered to every new member of a collegiate body. The body should carry out annual checks to determine the areas in which its members should refresh their skills and knowledge.	YES/ NO	The newly elected Members of the Supervisory Council are granted an opportunity to meet with the Board Members and managers of the Company's structural divisions and to familiarise themselves with the Company's operations. It should be noted that the Supervisory Council Members are informed about the Company's operations on a regular basis – at the meetings of the Supervisory Council and individually as requested by the member. No annual checks of the Members of the Supervisory Council are made.
3.6. . In order to ensure proper resolution of any conflicts of interests of members of a collegiate body, the body should contain sufficient number of independent members.	NO	There are no independent supervisors in the Supervisory Council of the company, but the Articles of Association provide for such a possibility.
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	NO	There are no independent supervisors in the Supervisory Council of the company, but the Articles of Association provide for such a possibility.

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 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.	NO	There are no independent supervisors in the Supervisory Council of the company.
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	NO	There are no independent supervisors in the Supervisory Council of the company.

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.		
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.	NO	There are no independent supervisors in the Supervisory Council of the company.
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.	NO	There are no independent supervisors in the Supervisory Council of the company.
Principle IV: Duties and responsibilities of a collegiate body elected by the general meeting of shareholders **The corporate governance system should ensure that the collegiate body elected by the general meeting of shareholders functions properly and effectively and the rights granted to the body should endure effective supervision over the corporate management bodies and protection of the shareholders' interests.**		
4.1. The collegiate body elected by the general meeting of shareholders ("the collegiate body") should ensure integrity and transparency if the financial accounting and control system of the company. The collegiate body should constantly make recommendations to the company's management bodies and supervise and control their activities in the area of management of the company.	YES	The Supervisory Council of the Company submits to the general meeting of shareholders its feedback and proposals for the Company's operating strategies, the annual financial statements, the profit allocation project, the Annual Report of the Company, and the work of the Company's CEO and makes proposals concerning a draft decision on declaring dividend for a period shorter than the financial year and the interim financial statements and the interim report prepared for this purpose.
4.2. Members of the collegiate body should act for the benefit and in the interests of the company and shareholders in good faith, carefully and responsibly, taking account of the employees' interests and public welfare. Independent members of a collegiate body should: a) maintain independence of their analyses, decision adoption and actions under any circumstances; b) do not seek and do not accept unjustified preferences that might compromise their independence; c) clearly express their objections in cases when, in their opinion, decision by the collegiate body may be harmful to the company. Where the collegiate body has adopted decisions with respect to which an independent member has serious doubts, in such a case the member should draw conclusions accordingly. In case of resignation of an independent member he should explain the reasons therefor in a letter to the collegiate body or audit committee and, if necessary, to a relevant external body (institution).	NO	There are no independent supervisors in the Supervisory Council of the company.
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	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

during the company's financial year, the shareholders should be notified thereof.		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 Lithuanian 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 management bodies or other natural or legal persons that may have influence over the company's management should be certified by a collegiate body. Decision on the approval of such transactions should be deemed to be adopted only if the majority of the independent members of the collegiate body vote for it.	YES / NO	Management bodies of the Company conclude and approve transactions according to provisions of the legal acts and Articles of Association of the Company. The general meeting of shareholders of the Company takes decisions on standard terms and conditions of agreements with the Supervisory Council Members and on payment of remuneration to the Supervisory Council Members. The Supervisory Council of the Company takes decisions on standard terms and conditions of agreements with the Board Members and on payment of remuneration to the Board Members.There are no independent supervisors in the Supervisory Council of the company, and decisions on conclusion of the transactions concerned are adopted by the majority of the members of the Supervisory Council. Other transactions are approved by the Company's CEO irrespective of counterparties of the transactions.
4.6. The collegiate body should be independent in adopting decisions that are significant for the company's activities and strategies. In addition, the collegiate body should be independent from management bodies of the company. Work and decisions by the collegiate body should not be influenced by the persons that elected it. The company should ensure that the collegiate body and its committees are provided with sufficient resources (including financial) necessary for the performance of their duties including the right to obtain – in particular from the employees of the company – all the requisite information and the right to approach external law, accounting or other professionals for advice on the matters falling within the scope of competence of the collegiate body and its committees.	NO YES NO	There are no independent supervisors in the Supervisory Council of the company. The Company ensures proper working conditions for the Supervisory Council and its Members and furnishes them with organisational resources necessary for work. The CEO of the Company appoints a secretary for the Supervisory Council who services its meetings. No Remuneration Committee has been formed by the Company.

The remuneration committee, while using the consultants'/experts' services in order to get information about market standards on setting of remuneration rates, must ensure that the same consultant would not provide consulting on personnel division or executive director or members of management bodies of a related company at the same time.		
4.7. Work of the collegiate body should be organised in such a way that independent members of the collegiate body would have significant influence in the most important areas with a high potential of conflicts of interest. Such areas include issues related to the appointment of directors, setting of remuneration to directors, and audit control over the company. Therefore, in the case where these issues fall within the scope of competence of a collegiate body, it is recommended that the collegiate body forms committees on appointment, remuneration and audit. The company should ensure that functions assigned to the appointments, remuneration and audit committees are performed, however, they may be combined and less than three committees may be formed. In such a case the company must provide a detailed explanation why an alternative approach was selected and how it complies with the objectives of the three individual committees. Where the collegiate body has a small number of members, the functions of the three committees may be performed by the collegiate body itself, provided that it meets the composition requirements set for the committees and the requisite 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.	NO YES	Independence of the members of the Supervisory Council is not subject to evaluation. No Appointments and Remuneration Committee is formed in the company. In the opinion of the Company, the work of the Supervisory Council is effective and well organised, therefore, the Supervisory Council can properly perform all the functions of the Appointments and Remuneration Committees.
4.8. The main purpose of the committees is to increase efficiency of work of the collegiate body to ensure that decisions are adopted upon proper consideration and to assist in the organisation of work so that conflicts of interest do not influence decisions adopted by the collegiate body. The committees should act in an independent manner and adhere to their principles and provide to the collegiate body recommendations on decision-adoption by the collegiate body, however, the final decision shall be adopted by the collegiate body itself. The recommendation on the formation of committees is not aimed at narrowing the scope of competence of the collegiate body or delegate it to the committees. The collegiate body remains fully responsible for the decisions adopted within the scope of its competence.	YES / NO	Audit Committee has been formed in the company. In its activities, the Committee follows its Rules for the Formation and Operation approved by the Supervisory Council. No Appointment and Remuneration Committee is formed in the company.
4.9. Committees formed by the collegiate body should normally consist of at least three members. In companies whose collegiate body has a small number of members a committee may be formed of two persons by way of exception. The majority of the members of any committees should consist of independent members of the collegiate body. In case if no supervisory council is formed in the company, the salaries committee and the audit committee should be formed exclusively of consulting directors. In deciding on the chairman and members of a committee, account should be taken of the fact that membership of committees should be renewed and excessive trust should not be placed on any person.	YES	The Audit Committee consists of three members, two of whom are independent members.
4.10. Authorisations of any committee should be established by the collegiate body. Committees should perform their duties within the scope of their authorisations and inform the collegiate body about its activities and results on a regular basis. Authorisations of each committee, with the roles, rights and responsibilities defined, should	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

be published at least once in a year (as part of the information that the company publishes on its management structure and practices every year). The annual report of the company should also include notices of published by the committees stating information about their composition, number of meetings and attendance by members during the past year as well as about main lines of activities. The audit committee should certify that is it satisfied with the independence of the audit process and briefly describe actions taken to arrive to this conclusion.		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	This possibility has been provided for the Rules for the Formation and Operation of the Audit Committee approved by the Supervisory Council.
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.
44.13. 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	NO	No Remuneration Committee has been formed in the Company.

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 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	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.

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.		
4.15. Every year the collegiate body should make a self-assessment, which should include an assessment of the structure, organisation of work, and ability to act as a team of/by the collegiate body, an assessment of competence and efficiency of each member and committee of the body, and an assessment whether the body has achieved its objectives. The collegiate body should publish, at least once in a year (as part of information published annually by the company on its management structures and practices), relevant information on its internal organisation and operating procedures, specifying any material changes resulting from the self-assessment.	NO	The Company does not perform assessments of the collegiate body and has no practice of publishing the relevant information.
Principle V: Working procedures of collegiate bodies of the company **The working procedures of the collegiate supervisory and management bodies should ensure effective operation and decision-adoption by these bodies and encourage active cooperation between corporate bodies.**		
5.1. Collegiate supervisory and management bodies of the company (for the purposes of this Principle, *collegiate bodies* include both supervisory and management 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	
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 in two weeks. The Board draws up a schedule of the Board's meetings at the beginning of the calendar year in accordance with the Regulations of the Board.
5.3. Members of a collegiate body should be notified of a meeting in advance so that they have enough time to prepare for the consideration of issues at the meeting and the discussions are fruitful and followed by adoption of proper decisions. A notice of the meeting to the members of the collegiate body should be accompanied by any	YES	According to the Regulations of the Supervisory Council, the Members of the Supervisory Council and the invited persons are given a 6 (six) working days' notice of the meeting, and are furnished

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.		with all the requisite information related to the agenda. According to the Regulations of the Board, the Board Members and the invited persons are given a 5 (five) working days' notice of the meeting, and are furnished with all the requisite information related to the agenda.
5.4. In order to coordinate work of collegiate bodies of the company and ensure an effective decision-adoption process, chairman of the collegiate supervisory and management bodies should agree on dates of meetings and agendas and cooperate closely in resolving other issues related to the company's management. Meetings of the supervisory council should be open to members of the board, in particular where issues related to recalling or liability of the latter or setting of remuneration for the latter are resolved.	YES	
Principle VI: Unbiased treatment of shareholders and shareholders' rights **The corporate governance system should ensure unbiased treatment of all shareholders including minority shareholders and foreign shareholders. The corporate management governance should protect the shareholders' rights.**		
6.1. It is recommended that the company's capital consists only of those shares that grant equal right in terms of voting, ownership, dividend etc. to their holders.	YES	The authorised capital of the Company consists of ordinary registered shares of LTL 1 par value. The shares grant equal property and non-property rights to their holders.
6.2. It is recommended that investors are afforded the opportunity of early (i. e. prior to purchase of shares) familiarisation with the rights attached to newly issued or existing shares.	YES	The rights attached to the shares are specified in the Articles of Association of the Company, which are published in the Company's website.
6.3. Transactions that are material to the company and its shareholders such as transfer of the company's assets, investments, mortgage or other encumbrance should be approved by the general meeting of shareholders in advance. All shareholders should be afforded equal opportunities for familiarisation with and participation in the adoption of decisions important for the company including approval of the said transactions.	YES	Clauses 70(1) and 72 of the Articles of Association of the Company establish the criteria for material transactions requiring approval of the general meeting of shareholders.
6.4. Procedures for the convening and holding of general meetings of shareholders should provide equal opportunities for the shareholders to take part in the meeting and should not infringe the shareholders' rights and interests. The selected place, date and 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 Republic of Lithuania Law on Companies.
6.5. In order to ensure the foreign shareholders' right to get conversant with the information, it is recommended that the documents prepared for the general meeting of shareholders, where possible, are published in advance in a publicly accessible website of the company in Lithuanian and English and/or other languages. The signed minutes of the meeting and/or decisions should also be published in a publicly accessible website of the company in Lithuanian and English and/or other languages. A document may be published on the company's website in a reduced scope if full publication could damage the company or trade secrets of the company would be disclosed.	YES	Pursuant to the Republic of Lithuania Law on Companies, the Company publishes draft decisions of the general meeting of shareholders in its website, in Lithuanian and English. Decisions taken by the general meeting of shareholders are published in the

		Company's website in Lithuanian and English. This information is also published, pursuant to the Articles of Association of the Company and other legal acts in the NASDAQ OMX Vilnius and the Centre of Registers' electronic newsletter.
6.6. The shareholders should be provided the opportunity to vote at the general meeting by attending or not attending the meeting in person. There should be no obstacles for the shareholders to vote in advance by completing the general ballot.	YES	The shareholders of the Company may exercise the right of attending the general meeting of shareholders either in person or through a proxy, provided that the latter holds a properly executed power of attorney or has signed an agreement on the transfer of the voting right. The Company enables the shareholders to vote by completing a ballot as provided for by the Republic of Lithuania Law on Companies.
6.7. In order to increase the shareholders' opportunities for participation in the general meetings, the companies should seek to more widely apply modern technologies and to enable the shareholders to attend and vote at the general meetings by means of electronic communications. In such cases security of the information transmission and the possibility of identification of the participants and voters must be ensured. Furthermore, companies should enable shareholders, in particular those residing abroad, to observe the general meetings by means of modern technologies.	NO	The Company has no practice of voting by means of electronic communications.
Principle VII: Avoiding and disclosing conflicts of interest **The corporate governance system should encourage members of the bodies to avoid conflicts of interests and ensure a transparent and effective mechanism of disclosing conflicts of interests of members of the bodies .**		
7.1. A member of a management or supervisory body of the company should avoid a situation where his personal interests conflict or may conflict with the company's interests. If such situation arises, the member should notify, within a reasonable time limit, other members of the same body or the body of the company that has elected him or the shareholders of the situation of conflict of interests, specifying the nature and, where possible, value of the interests.	YES	The duty has been set to members of the supervisory and management bodies of the company by Articles 34 and 57 of the Articles of Association.
7.2. A member of a management or supervisory body of the company may not mix the corporate assets the use of which has not been specifically considered with him with his personal assets or use the asset or the information that he receives as a member of a collegiate body for personal or third-party benefit unless the general meeting of shareholders or another body of the company authorised by the meeting gives its consent.	YES	The duty has been set in operation regulations of both the supervisory and the management bodies.
7.3. A member of a management or supervisory body of the company may conclude a transaction with the company having formed the relevant body. The shareholder must immediately notify the transaction (except for low value transactions or transactions concluded in the normal course of business of the company and on standard terms and conditions) to other members of the same body	YES	The supervisory and management body of the company concludes and approves a transaction pursuant to the requirements established by the legislation and the Articles of Association.

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 management 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 Articles of Association of the company, a Member of the Supervisory Council is not entitled to vote if there is a conflict of interest between the Member of the Supervisory Council and the Company. According to Article 35(6) of the Republic of Lithuania Law on Companies, a member of the Board is not entitled to vote if a matter related to his/her work in the Board or to his/her responsibility is being resolved. In addition, according to legal acts, members of management bodies of the Company must avoid situations when their personal interests contradict or can contradict the interests of the Company.
Principle VIII: Corporate remuneration policy **The remuneration policy and the procedure for approving, reviewing and publishing of remuneration for directors in place in the company should prevent potential conflicts of interest and abuse in setting remuneration for directors and should ensure publicity and transparency of the corporate remuneration policy and directors' remuneration.**		
8.1. The company should publish a report on its remuneration policy ("the remuneration report") which should be clear and understandable. The remuneration report should be published in the company's website and not only as part of the annual report.	NO	The Company has no practice of preparing a report on the remuneration policy and the approval, revision and publishing of salaries paid to the Company's directors. No such requirement is contained in the legal acts. General information on the Company's remuneration policy and average rates of pay for employee groups are published in the Annual Report of the Company. According to Article 25(5) of the Republic of Lithuania Law on Energy, the Company publishes the salaries set for Members of the Company's management as well as other payments to them related to their functions in the management bodies.
8.2. The remuneration report should be focussed on the directors' remuneration policy in next year and where applicable in subsequent financial years. It should also contain an overview of the implementation of the remuneration policy in previous financial years.	NO	The Annual Report does not contain information on the policy of remuneration to the Company's directors for next year and subsequent years. The Annual Report contains information on amounts calculated for the members of the Company's management bodies (salaries, other payments, tantiemes, other distributions from profit).
8.3. The remuneration report should contain at least this information:	NO	The Annual Report contains information on amounts calculated for the Members of

(all amounts in EUR thousands unless otherwise stated)

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.		the Company's management bodies (salaries, other payments, tantiemes, other distributions from profit), information on assets transferred and guarantees issued to the Members as well as other information related to the remuneration to the Members. Please see Comment on Item 8.1.
8.4. The remuneration report should also summarise and explain the company's policy for agreements concluded with executive directors and members of management bodies. This should include, *inter alia*, information on the terms of agreements with executive directors and members of management bodies and periods of notice of resignation as well as detailed information on severance pay and other benefits related to the early termination of agreements with executive directors and members of management bodies.	NO	The Company has no practice of publishing such information.
8.5. The full amounts of remuneration and other benefits received by individual directors in the relevant financial year should be detailed in the remuneration report. This document should contain at least information referred to in items 8.5.1–8.5.4 for each person that had occupied the position of a director in the company in any period of the financial year. 8.5.1. The following information related to remuneration and/or other service income should be provided: 1) total amount of remuneration paid or payable to the director for the services provided in the past financial year including, where applicable, participation fees set in the general meeting of shareholders; 2) remuneration and benefits received from any company of the same group; 3) remuneration paid as allocation from profit and/or bonuses and reasons for granting of such bonuses and/or allocations from profit; 4) if permitted by the laws, each type of material extra pay paid to directors for special services not included in normal functions of directors; 5) compensation payable or paid to each executive director or member of management bodies who has resigned in the previous financial year;	NO	The Company has no practice of publishing such information.

(all amounts in EUR thousands unless otherwise stated)

6) total value of the benefit which is treated as remuneration and which is given in a form other than cash, if such benefit is not covered by items 1 to 5. 8.5.2. The following information related to shares and/or rights to take part in share options and/or any other rights to take part in the share-based incentive systems should be provided: 1) number of share options offered or shares allocated previous financial year and the terms and conditions thereof; 2) number of share options exercised during previous financial year specifying the number and price of the shares in each option, or the value of participation in the share-based employee incentive system as of the end of previous year; 3) number of share options unrealised as of the end of financial year, their realisation price, realisation data and main terms of exercise of the rights; 4) any changes in the terms of share options in the next financial year. 8.5.3. The following information related to the additional pension schemes should be provided: 1) in case defined benefit schemes – changes in benefits accumulated for the directors in the relevant financial year; 2) in case of defined contribution schemes – detailed information on contributions paid or payable for the director by the company in the relevant financial year; 8.5.4. Amounts paid by the company or its subsidiary or any company included in the company's consolidated financial statements as a loan, prepayment or guarantee to any person who has occupied the position of a director in any period of the relevant financial year, including outstanding amounts and interest rates.		
8.6. Where the remuneration policy provides for variable components of remuneration, the company should set the limits of the variable components. The fixed component should be sufficient to allow the company not to pay the variable component in case if the performance criteria are not met.	YES	Remuneration policy of the company provides for the limits of the respective variable components of remuneration.
8.7. The payment of the variable component should depend on pre-set and measurable performance evaluation criteria.	YES	Annual targets are set both to the directors and to the employees.
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.	YES	According to Articles 40(2), 41(1) and 41(5) of the Law on Companies, the variable components of remuneration are paid to the employees following the approval by the Supervisory Council on fulfilment of the general annual goals of the board and the chairman of the board.
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.	YES	The provision is included into contracts with the board members.
8.10. Severance pay should not exceed a set amount or a set number of annual pay amounts and generally should not be higher than the sum of the fixed remuneration component for two years or an equivalent.	YES	
8.11. Severance pay should not be paid if employment contract is terminated on the grounds of poor performance.	YES	

8.12. Furthermore, information on the preparatory and decision-adoption processes whereby directors' remuneration policy is formulated should be disclosed. The information should include data, if applicable, on the powers and composition of the remuneration committee, names of external consultants whose services were used in the formulation of the remuneration policy, and the role of the annual general meeting of shareholders.	NO	The Company has no practice of publishing such information.
8.13. In cases where remuneration is share-based, the right to shares should not be granted during at least three years after allocation thereof.	YES	N/A
8.14. Share options or other rights to acquire shares or to receive remuneration based on share price fluctuations should not be exercised earlier than on expiry of three years after allocation. The granting of the right to the shares and the right to exercise share options or other rights to acquire shares or receive remuneration 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	N/A
8.17. Shareholders, in particular institutional shareholders, should be encouraged to take part in the annual meetings of shareholders and vote on the issue of setting remuneration for the directors.	YES	
8.18. Without diminishing the role of bodies responsible for the setting of remuneration, remuneration policy and any material change therein should be included in the agenda of the annual meeting of shareholders. The remuneration report should be submitted to the general meeting of shareholders for voting. The voting results may have mandatory or advisory effect.	YES	
8.19. Schemes under which remuneration to directors is paid in shares, share options or other rights to acquire shares or receive remuneration based on share price fluctuations should be approved in advance by a decision adopted by the general meeting of shareholders. The consent should be given to the scheme itself and shareholders should not decide on the benefit received by individual directors under that scheme. Any material amendments to the scheme proposed prior to the scheme introduction date should also be approved by the decision of a general meeting of shareholders. In such cases the shareholders should be informed in detail about the proposed amendments and the potential effects thereof.	NO	Such schemes are not applied and the Company does not publish such information.
8.20. Consent of the general meeting of shareholders should be obtained for the following matters: 1) remuneration to directors under share-based schemes including share options; 2) setting of the maximum number of shares and main terms and conditions of share allocation; 3) term within which share options must be exercised;	NO	Such schemes are not applied and the Company does not publish such information.

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.		
8.21. If permitted by the national law or the Articles of Association of the company, the shareholders' approval should also be required for each model of option permitting subscription for the shares at a price lower than market price valid as of the price-setting day or at an average market price valid several days prior to the setting of the exercise price.	NO	Such schemes are not applied and the Company does not publish such information.
8.22. Items 8.19 and 8.20 should not be applied to schemes which are offered, on similar terms and conditions, to employees of the company or of any subsidiary entitled to participate in the scheme and which were approved by the general meeting of shareholders.	NO	Such schemes are not applied and the Company does not publish such information.
8.23. Prior to the date of the general meeting of shareholders at which the decision referred to in Item 8.19 is to be considered, the shareholders should be afforded the opportunity to familiarise themselves with the draft decision and the related notice (the documents should be published on the company's website). The notice should contain the full text describing the share-based scheme or a description of the main terms and conditions thereof as well as names of participants in the scheme. The notice should also specify the relationship between the schemes and the overall directors' remuneration policy. The draft decision should contain a clear reference to the scheme itself or a summary of the main 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.	NO	Such schemes are not applied and the Company does not publish such information.
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

(all amounts in EUR thousands unless otherwise stated)

		changes, financial position of the Company etc. Stakeholders can take part in the corporate governance to the extent permitted by the laws.
9.3. Where stakeholders take part in the corporate governance process, they should be enabled to access requisite information.	YES	
Principle X: Disclosure of information **The corporate governance system must ensure that information on all material issues relevant to the company, including financial position, operations and management, is disclosed timely and accurately**		
10.1. The company should disclose information on: 1) operations and financial results of the company; 2) objectives of the company; 3) persons owning or controlling a block of shares of the company; 4) members of supervisory and management bodies of the company and the head of the company as well as their remuneration; 5) predictable key risks; 6) the company's transactions with related parties as well as transactions concluded in other way than the usual course of business; 7) main issues related to employees and other stakeholders; 8) management structure and strategies of the company. This list is a minimum list and companies are encouraged not to confine themselves to the disclosure of this information.	YES, except for the remuneration to the supervisory and management bodies of the company referred to under item (4).	Company information related to remuneration to the supervisory and management bodies is deemed confidential.
10.2. In disclosing the information referred to in (1) of Item 10.1, it is recommended that the controlling company discloses information on the consolidated results of the entire group of companies.	YES	
10.3. In disclosing the information referred to in (4) of Item 10.1, it is recommended to provide information on professional experience and qualifications of members of the company's supervisory and management bodies and the head of the company as well as potential conflicts of interests that could influence their decisions. It is also recommended to disclose remuneration and other income received by the said persons as detailed under Principle VIII.	NO	The Company has no practice of publishing such information.
10.4. In disclosing the information referred to in (7) of Item 10.1, it is recommended that information on relations between the 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 has no 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 Vilnius Securities Exchange and presents it simultaneously to all the markets in which the Company's securities are traded. The Company does not disclose information that may influence the price of its securities in any comments, interviews etc. before such information is published in the Vilnius Securities Exchange IS.
10.6. The methods of disclosing information should ensure unbiased, timely and inexpensive access to information to the information users including free access in cases established by the law. It is recommended that information technologies are used widely for the	YES	Apart from the method of disclosure stated in item 10.5, the Company uses various media (an electronic newsletter published by VĮ Registrų centras, news

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.		agencies, the Company's website which is publicly available) in order to ensure that the information reaches the largest circle of stakeholders possible. Information in the Company's website is published in Lithuanian and English.
10.7. It is recommended that the annual report, the financial statements and other period reports of the company are published on its website, together with the company's notices of material events and changes in the prices of the company's shares in securities exchange.	YES	See items 10.5 and 10.6
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	The duty has been set by Article 23.5 of the Articles of Association of the company.
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.	YES	The auditor of the company is selected through a public procurement procedure. According to Article 41.6 of the Articles of Association of the company, information on the completed public procurement of audit firm services is communicated to the Supervisory Council before the general meeting of shareholders is convened.
11.3. If the audit firm receives payment from the company for services other than audit services, the company should disclose this to its shareholders. This information should also be disclosed to the supervisory council, and if no supervisory council is formed – to the board for the purposes of selecting the auditor that it intends to propose to the general meeting of shareholders.	YES/ NO	The Company purchases from audit firm's services other than audit services only in exceptional cases and usually these are low-value transactions, therefore, the Company has no practice of disclosing such information to its shareholders or management bodies, except the Audit Committee, which supervises the process of auditing.