

## CONFIRMATION OF RESPONSIBLE PERSONS

May 30, 2014 Vilnius


Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, the undersigned Daivis Virbickas, Chief Executive Officer, Rimantas Busila, Director of Finance Department and Svetlana Sokolskytė, Chief Financier-Accounting Division Manager of LITGRID AB, hereby confirm that, to the best of our knowledge, the attached unaudited interim consolidated financial information of LITGRID AB for the three months period ended 31 March 2014 is prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, profit (losses) and cash flows for the relevant period.

Daivis Virbickas



Chief Executive Officer

Rimantas Busila



Director of Finance Department

Svetlana Sokolskytė



Chief Financier

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## LITGRID AB

CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM  
FINANCIAL INFORMATION FOR A THREE-MONTH PERIOD  
ENDED 31 MARCH 2014, PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS,  
AS ADOPTED BY THE EUROPEAN UNION

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The condensed interim financial information was signed on 30 May 2014.



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Daivis Virbickas  
Chief executive officer



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Rimantas Busila  
Director of the Finance Department



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Svetlana Sokolskytė  
Chief Financier

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2014

(All amounts in LTL thousands unless otherwise stated)

ASSETS	Note	Group As at 31 March 2014	Company As at 31 March 2014	Group As at 31 December 2013	Company As at 31 December 2013
<b>Non-current assets:</b>		(unaudited)	(unaudited)		
Intangible assets		2,475	2,322	2,365	2,176
Property, plant and equipment	4	1,955,034	1,952,362	1,975,211	1,972,208
Prepayments for property, plant, equipment		184,497	184,497	184,443	184,438
Investments in subsidiaries	5	-	15,644	-	15,494
Investments in associates and jointly controlled entities	5	16,100	15,320	15,922	15,320
Deferred income tax assets		324	-	324	-
Other amounts receivable		486	486	-	-
Available-for-sale financial assets		7,723	7,723	7,723	7,723
<b>Total non-current assets</b>		<b>2,166,639</b>	<b>2,178,354</b>	<b>2,185,988</b>	<b>2,197,359</b>
<b>Current assets:</b>					
Inventories		10,953	3,532	8,844	3,522
Prepayments		1,836	1,598	591	455
Trade receivables		47,510	38,109	65,447	53,296
Other accounts receivable		88,879	35,123	114,155	36,607
Other financial assets		13,241	4,670	21,262	4,835
Time deposits	6	40,000	40,000	-	-
Held-to-maturity investments	7	-	-	70,000	70,000
Cash and cash equivalents		150,002	149,119	81,562	80,751
<b>Total current assets</b>		<b>352,421</b>	<b>272,151</b>	<b>361,861</b>	<b>249,466</b>
<b>TOTAL ASSETS</b>		<b>2,519,060</b>	<b>2,450,505</b>	<b>2,547,849</b>	<b>2,446,825</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves :</b>					
Share capital		504,331	504,331	504,331	504,331
Share premium		29,621	29,621	29,621	29,621
Revaluation reserve		221,378	221,016	226,173	225,811
Legal reserve		50,467	50,433	50,467	50,433
Other reserves		654,654	654,654	654,654	654,654
Retained earnings		50,095	59,458	43,034	50,755
<b>Equity attributable to the shareholders of the parent company</b>		<b>1,510,546</b>	<b>1,519,513</b>	<b>1,508,280</b>	<b>1,515,605</b>
<b>Non-controlling interest</b>		<b>204</b>	<b>-</b>	<b>259</b>	<b>-</b>
<b>Total equity</b>		<b>1,510,750</b>	<b>1,519,513</b>	<b>1,508,539</b>	<b>1,515,605</b>
<b>Non-current liabilities :</b>					
Grants	8	448,465	448,465	423,955	423,955
Non-current borrowings	9	161,246	161,246	165,044	165,044
Deferred income		12,441	12,441	13,274	13,274
Other non-current accounts payable and liabilities		4,740	4,625	717	602
Deferred income tax liabilities		146,889	146,889	150,828	150,828
<b>Total non-current liabilities</b>		<b>773,781</b>	<b>773,666</b>	<b>753,818</b>	<b>753,703</b>
<b>Current liabilities :</b>					
Current portion of non-current borrowings and other current borrowings	9	57,025	49,030	56,479	49,030
Trade payables		63,609	59,722	78,616	75,422
Advance amounts received		6,311	4,476	4,889	4,116
Income tax payable		11,097	11,097	8,368	8,368
Other accounts payable		96,487	33,001	137,140	40,581
<b>Total current liabilities</b>		<b>234,529</b>	<b>157,326</b>	<b>285,492</b>	<b>177,517</b>
<b>Total liabilities</b>		<b>1,008,310</b>	<b>930,992</b>	<b>1,039,310</b>	<b>931,220</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,519,060</b>	<b>2,450,505</b>	<b>2,547,849</b>	<b>2,446,825</b>

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



CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME  
FOR A THREE-MONTH PERIOD ENDED 31 MARCH 2014  
(All amounts in LTL thousands unless otherwise stated)

	Notes	Group January- March 2014 (unaudited)	Company January- March 2014 (unaudited)	Group January- March 2013 (unaudited)	Company January- March 2013 (unaudited)
<b>Revenue</b>					
Sales of electricity and related services	10	96,492	96,345	114,345	114,219
Other revenue		14,208	1,590	15,871	1,732
<b>Total revenue</b>		<b>110,700</b>	<b>97,935</b>	<b>130,216</b>	<b>115,951</b>
<b>Operating expenses</b>					
Purchase of electricity and related services		(40,047)	(40,047)	(45,210)	(45,219)
Depreciation and amortisation	4	(37,106)	(36,777)	(32,878)	(32,524)
Wages and salaries and related expenses		(9,223)	(4,781)	(8,649)	(4,378)
Repair and maintenance expenses		(2,645)	(3,591)	(2,235)	(4,132)
Telecommunications and IT systems expenses		(3,057)	(2,906)	(3,672)	(3,499)
Write-off of property, plant and equipment		(1,112)	(1,111)	(745)	(745)
Other expenses		(14,233)	(3,603)	(16,048)	(3,150)
<b>Total operating expenses</b>		<b>(107,423)</b>	<b>(92,816)</b>	<b>(109,437)</b>	<b>(93,647)</b>
<b>OPERATING PROFIT (LOSS)</b>	10	<b>3,277</b>	<b>5,119</b>	<b>20,779</b>	<b>22,304</b>
Gain from sale of an associate	5	-	-	2,403	3,293
Finance income		261	260	87	86
Finance costs		(714)	(680)	(25)	(3)
<b>Finance income, net</b>		<b>(453)</b>	<b>(420)</b>	<b>2,465</b>	<b>3,376</b>
Share of profit/(loss) of associates and jointly controlled entities		178	-	250	-
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>3,002</b>	<b>4,699</b>	<b>23,494</b>	<b>25,680</b>
Current year income tax expense		(4,730)	(4,730)	(6,706)	(6,685)
Deferred tax income (expense)		3,939	3,939	3,245	3,245
		(791)	(791)	(3,461)	(3,440)
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>2,211</b>	<b>3,908</b>	<b>20,033</b>	<b>22,240</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Other comprehensive income, net of deferred income tax</b>		-	-	-	-
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>2,211</b>	<b>3,908</b>	<b>20,033</b>	<b>22,240</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO :</b>					
Owners of the Company		2,266	3,908	20,102	22,240
Non-controlling interest		(55)	-	(69)	-
		<b>2,211</b>	<b>3,908</b>	<b>20,033</b>	<b>22,240</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Owners of the Company		2,266	3,908	20,102	22,240
Non-controlling interest		(55)	-	(69)	-
		<b>2,211</b>	<b>3,908</b>	<b>20,033</b>	<b>22,240</b>
<b>Basic and diluted earnings (deficit) per share (in LTL)</b>	12	<b>0.004</b>	-	<b>0.04</b>	-

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR A THREE-MONTH PERIOD ENDED 31 MARCH 2014  
(All amounts in LTL thousands unless otherwise stated)

Group	Note	Equity attributable to owners of the Company						Non-controlling interest	Total equity	
		Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings			Total
<b>Balance at 1 January 2013</b>		<b>504,331</b>	<b>29,621</b>	<b>246,582</b>	<b>5,464</b>	<b>654,738</b>	<b>44,742</b>	<b>1,530,478</b>	<b>4,390</b>	<b>1,534,868</b>
<b>Comprehensive income</b>										
Net profit (loss)		-	-	-	-	-	20,102	20,102	(69)	20,033
Depreciation of revaluation reserve and amounts written off		-	-	(5,288)	-	-	5,288	-	-	-
<b>Total comprehensive income (loss)</b>		-	-	<b>(5,288)</b>	-	-	<b>25,390</b>	<b>20,102</b>	<b>(69)</b>	<b>20,033</b>
Change in ownership interest in subsidiary		-	-	154	-	-	(3,022)	(2,869)	(3,884)	(6,752)
<b>Balance at 31 March 2013 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>241,448</b>	<b>50,464</b>	<b>654,738</b>	<b>67,110</b>	<b>1,547,712</b>	<b>437</b>	<b>1,548,149</b>
<b>Balance at 1 January 2014</b>		<b>504,331</b>	<b>29,621</b>	<b>226,173</b>	<b>50,467</b>	<b>654,654</b>	<b>43,034</b>	<b>1,508,280</b>	<b>259</b>	<b>1,508,539</b>
<b>Comprehensive income</b>										
Net profit (loss)		-	-	-	-	-	2,266	2,266	(55)	2,211
Depreciation of revaluation reserve and amounts written off		-	-	(4,795)	-	-	4,795	-	-	-
<b>Total comprehensive income (loss) for the year</b>		-	-	<b>(4,795)</b>	-	-	<b>7,061</b>	<b>2,266</b>	<b>(55)</b>	<b>2,211</b>
<b>Balance at 31 March 2014 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>221,378</b>	<b>50,467</b>	<b>654,654</b>	<b>50,095</b>	<b>1,510,546</b>	<b>204</b>	<b>1,510,750</b>

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

Company	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2013</b>		<b>504,331</b>	<b>29,621</b>	<b>246,339</b>	<b>50,433</b>	<b>654,654</b>	<b>47,160</b>	<b>1,532,538</b>
<b>Comprehensive income</b>								
Net profit (loss)		-	-	-	-	-	22,240	22,240
Depreciation of revaluation reserve and amounts written off		-	-	(5,288)	-	-	5,288	-
<b>Total comprehensive income (loss)</b>		-	-	<b>(5,288)</b>	-	-	<b>27,528</b>	<b>22,240</b>
<b>Balance at 31 March 2013 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>241,051</b>	<b>50,433</b>	<b>654,654</b>	<b>74,688</b>	<b>1,554,778</b>
<b>Balance at 1 January 2014</b>		<b>504,331</b>	<b>29,621</b>	<b>225,811</b>	<b>50,433</b>	<b>654,654</b>	<b>50,755</b>	<b>1,515,605</b>
<b>Comprehensive income</b>								
Net profit (loss)		-	-	-	-	-	3,908	3,908
Depreciation of revaluation reserve and amounts written off		-	-	(4,795)	-	-	4,795	-
<b>Total comprehensive income (loss)</b>		-	-	<b>(4,795)</b>	-	-	<b>8,703</b>	<b>3,908</b>
<b>Balance at 31 March 2014 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>221,016</b>	<b>50,433</b>	<b>654,654</b>	<b>59,458</b>	<b>1,519,513</b>

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS  
FOR A THREE-MONTH PERIOD ENDED 31 MARCH 2014  
(All amounts in LTL thousands unless otherwise stated)

	Note	Group	Company	Group	Company
		January-March 2014	January-March 2014	January-March 2013	January-March 2013
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>					
Net profit (loss)		2,211	3,908	20,033	22,240
<b>Reversal of non-monetary expenses (income) and other adjustments</b>					
Depreciation and amortisation expense	4	37,685	37,357	33,305	32,951
Impairment of property, plant and equipment		-	-	28	28
Share of profit/(loss) of associates and jointly controlled entities		(178)	-	(250)	-
(Gain) on disposal of associate	5	-	-	(2,405)	(3,294)
Income tax expense/(income)		791	791	3,461	3,440
Loss on write-off of property, plant and equipment	4	1,112	1,111	872	872
Amortisation of grants	8	(580)	(580)	(427)	(427)
Interest income		(189)	(191)	(986)	(985)
Finance costs		650	616	496	474
<b>Changes in working capital</b>					
(Increase) decrease in trade receivables and other receivables		42,485	15,944	(3,903)	59,931
(Increase) decrease in inventories and prepayments		(3,272)	(1,072)	1,176	(798)
Increase (decrease) in accounts payable, grants and advance amounts received		(44,476)	(13,108)	(14,662)	(123,603)
Change in other financial assets		8,021	165	8,647	54,272
<b>Cash flows from operations</b>		<b>44,260</b>	<b>44,941</b>	<b>45,386</b>	<b>45,101</b>
Income tax paid		(2,000)	(2,000)	(81)	-
<b>Net cash generated from operating activities</b>		<b>42,260</b>	<b>42,941</b>	<b>45,305</b>	<b>45,101</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment and intangible assets		(24,683)	(24,775)	(28,438)	(28,035)
Grants received	8	24,371	24,371	30,740	30,740
Interest received		430	432	1,225	1,224
Investments in time deposits	6	(40,000)	(40,000)	-	-
Purchase of held-to-maturity investments	7	70,000	70,000	-	-
Disposal (purchase) of subsidiary(associate)	5	-	(150)	1,273	1,273
Other		57	59	-	-
<b>Net cash used in investing activities</b>		<b>30,175</b>	<b>29,937</b>	<b>4,799</b>	<b>5,202</b>
<b>Cash flows from financing activities</b>					
Repayment of loans		(3,798)	(3,798)	-	-
Overdraft		546	-	335	-
Interest paid		(713)	(682)	(469)	(474)
Dividends paid		(30)	(30)	(40)	(40)
<b>Net cash (used in)/generated from financing activities</b>		<b>(3,995)</b>	<b>(4,510)</b>	<b>(181)</b>	<b>(514)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>68,440</b>	<b>68,368</b>	<b>49,923</b>	<b>49,789</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>81,562</b>	<b>80,751</b>	<b>127,387</b>	<b>126,097</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>150,002</b>	<b>149,119</b>	<b>177,310</b>	<b>175,886</b>

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



## 1. General information

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

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

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

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

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

As at 31 March 2014 and 31 December 2013, the authorised share capital of the Company amounted to LTL 504,331,380 and was divided into 504,331,380 ordinary registered shares with par value of LTL 1 each. All shares are fully paid.

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

	Ownership interest (in LTL)	Number of shares held (%)
UAB „EPSO-G“	491,736,153	97.5 %
Other shareholders	12,595,227	2.5 %
<b>Total</b>	<b>504,331,380</b>	<b>100 %</b>

The ultimate controlling party of UAB „EPSO-G“ is the Ministry of Energy of the Republic of Lithuania.

The shares of the Company are listed on the NASDAQ OMX Vilnius Stock Exchange.

As of the date of these financial information the Group included LITGRID and its directly controlled subsidiaries, which are listed below.

Company	Address of the company's registered office	The Group's shareholding at 31 March 2014	The Group's shareholding at 31 December 2013	Profile of activities
BALTPPOOL 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, distribution station design, construction, repair and maintenance services
UAB „Tinklo priežiūros centras“	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100%	100%	Management and operation of power links



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A THREE-MONTH PERIOD ENDED 31 MARCH 2014  
(All amounts in LTL thousands unless otherwise stated)

## 1. General information (continued)

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

Company	Address of the company's registered office	The Group's shareholding at 31 March 2014	The Group's shareholding at 31 December 2013	Profile of activities
UAB "Duomenų logistikos centras"	Žvejų g. 14, Vilnius, Lietuva	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 March 2014, the Group had 668 employees (31 December 2013: 670 employees), whereas at 31 March 2014 the Company had 230 employees (31 December 2013: 222 employees).

## 2. Basis of preparation

This Company's and consolidated Group's condensed interim financial information as of 31 March 2014 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

This condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS as adopted by the EU.

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.

These financial statements for the period ended 31 March 2014 are not audited.

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

## 3. Accounting policies

The accounting policies and calculation methods applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2013.

### 3.1. New standards, amendments and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Company and the Group with effect from 2014, and that have a significant impact on the Company's and the Group's financial information.

### 3.2. Critical accounting estimates and uncertainties

The preparation of interim financial information in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The main areas where accounting estimates were used are described below:

#### Impairment of property, plant and equipment

According to the IAS 36, the recoverable value of the asset is the higher from the fair value (less cost to sell) and the value-in-use. It is important to note, that there is no possibility to estimate the fair value for the vast majority of the Company's infrastructural asset units. According to the IAS 36, in such case, the recoverable value of the asset is estimated by calculating its value-in-use. The latter is calculated by discounting the future cash flows that would be generated by the asset. The price regulation mechanism for the Company's services that is legally determined by the Commission has a very huge influence for the assessment of the indicators of possible infrastructural assets impairment.

It is important to note that the reliable value-in-use may be calculated as long the regulation is stable and predictable. However, in recent years, the price cap calculation principles were changed frequently (until 2010, the price caps of transmission services were determined according to the value of the assets that is used in the service provider's operations and is set according to the service provider's financial statements; from 2010 the determination of the price caps for electricity transmission services is to include the value of assets used in licensed activities of the service provider, which is equal to the net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of capital expenditures implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated in the Lithuanian Law on Corporate Income Tax. On 12 April 2012 the Commission initiated the development of LRAIC (Long Run Average Incremental Costs) method for the determination of the price caps of transmission services. This method shall be used for the determination of the price caps of transmission services from the beginning of the next regulatory period (2015).

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**3.2. Critical accounting estimates and uncertainties (continued)**

It should be noted that determining the value-in-use of the assets is mostly influenced by the assumptions of transmission service tariffs in the future periods. In case the Company valued the assets assuming that the price cap determination process will remain the same, it is possible that estimated value-in-use of the assets might significantly differ from the carrying amount of the assets. The Company intends to perform value in use calculation and potential estimation of impairment of property, plant and equipment by the end of 2014, because currently too high uncertainties exist in respect of planned implementation of the new method (LRAIC).

**4. Property, plant and equipment**

The structure of the Group's property, plant and equipment is as follows:

Group	Land	Buildings	Plant and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
<b>Net book amount at 31 December 2012</b>							
Opening net book amount	1,961	34,726	1,773,601	1,182	42,243	124,665	1,978,378
Additions	-	-	-	-	417	19,445	19,862
Write-offs	-	(15)	(855)	-	(2)	-	(872)
Reclassification to intangible assets	-	-	-	-	(28)	-	(28)
Reclassification between categories	-	17	2,737	-	(258)	(2,496)	-
Depreciation charge	-	(554)	(30,671)	(124)	(1,818)	-	(33,167)
<b>Net book amount at 31 March 2013</b>	<b>1,961</b>	<b>34,174</b>	<b>1,744,812</b>	<b>1,058</b>	<b>40,582</b>	<b>141,586</b>	<b>1,964,173</b>
<b>Net book amount at 31 December 2013</b>							
Opening net book amount	1,961	32,721	1,696,898	709	40,923	201,999	1,975,211
Additions	-	-	-	48	50	18,510	18,608
Write-offs	-	-	(1,192)	-	(2)	-	(1,194)
Reclassification to intangible assets	-	-	-	-	(19)	-	(19)
Reclassification between categories	-	1,724	34,427	-	(7,880)	(28,271)	-
Depreciation charge	-	(906)	(34,875)	(117)	(1,674)	-	(37,572)
<b>Net book amount at 31 March 2014</b>	<b>1,961</b>	<b>33,539</b>	<b>1,695,258</b>	<b>640</b>	<b>31,398</b>	<b>192,238</b>	<b>1,955,034</b>

The structure of the Company's property, plant and equipment is as follows:

Company	Land	Buildings	Plant and machinery	Other PP&E	Construction in progress	Total
<b>Net book amount at 31 December 2012</b>						
Opening net book amount	1,961	33,513	1,773,053	40,660	125,594	1,974,781
Additions	-	-	-	393	19,260	19,653
Write-offs	-	(15)	(855)	(2)	-	(872)
Reclassification to intangible assets	-	-	-	-	(28)	(28)
Reclassification between categories	-	17	2,737	(258)	(2,496)	-
Depreciation charge	-	(525)	(30,648)	(1,676)	-	(32,849)
<b>Net book amount at 31 March 2013</b>	<b>1,961</b>	<b>32,990</b>	<b>1,744,287</b>	<b>39,117</b>	<b>142,330</b>	<b>1,960,685</b>
<b>Net book amount at 31 December 2013</b>						
Opening net book amount	1,961	31,623	1,696,439	39,778	202,407	1,972,208
Additions	-	-	-	19	18,626	18,645
Write-offs	-	-	(1,192)	-	-	(1,192)
Reclassification to intangible assets	-	-	-	(19)	-	(19)
Reclassification between categories	-	1,724	34,427	(7,880)	(28,271)	-
Depreciation charge	-	(878)	(34,855)	(1,547)	-	(37,280)
<b>Net book amount at 31 March 2014</b>	<b>1,961</b>	<b>32,469</b>	<b>1,694,819</b>	<b>30,351</b>	<b>192,762</b>	<b>1,952,362</b>

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



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**4. Property, plant and equipment (continued)**

During the unbundling process that took place in 2010, the Company took over property, plant and equipment from Lietuvos Energija AB. The fair value of property, plant and equipment, depending on the type of asset, of Lietuvos Energija AB as at 31 December 2008 was determined by independent valuers who used either method of comparative prices, or depreciated replacement value, or discounted cash flows methods to determine the fair value of the assets.

Lietuvos Energija AB revised the carrying amounts of property, plant and equipment when preparing 2009 financial statements. Having assessed the fall in construction cost indices during the 11 months of 2009 of the relevant categories of assets as published by the Lithuanian Statistics Department, Lietuvos Energija AB reduced the carrying amount of property, plant and equipment. Lietuvos Energija AB applied a 12.27 per cent statistical index in respect of the category of buildings and a 9.68 per cent index in respect of other categories of property, plant and equipment that at 31 December 2008 were revalued based on the depreciated replacement cost method.

According to the Company's accounting policy, periodical revaluation must be performed at least once in a 5-year period. The Company intends to perform the revaluation of property, plant and equipment by the end of 2014, when more information in the regulating environment is available (Note 3.2).

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

	<b>At 31 March 2014</b>	<b>At 31 December 2013</b>
Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT)	539,785	539,785
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink)	305,879	306,254
Transformer substations	87,748	98,023
Construction of 330 kV overhead transmission line Klaipėda -Telšiai	7,427	12,223
Other	4,103	4,157
<b>Total</b>	<b>944,942</b>	<b>960,442</b>

**5. Investments in subsidiaries (for the Company) and investments in associates and jointly controlled entities (for the Company and the Group)**

Investments in subsidiaries in the Company's financial statements

As at 31 March 2014 and 31 December 2013, the Company had direct control over the following subsidiaries:

<b>Subsidiary At 31 March 2014</b>	<b>Investment cost</b>	<b>Ownership interest (%)</b>	<b>Impairment</b>	<b>Carrying amount</b>
UAB „TETAS“	15,042	100	-	15,042
BALTPOOL UAB	452	67	-	452
UAB Tinklo priežiūros centras	150	100	-	150
<b>Total</b>	<b>15,644</b>		<b>-</b>	<b>15,644</b>

<b>Subsidiary At 31 December 2013</b>	<b>Investment cost</b>	<b>Ownership interest (%)</b>	<b>Impairment</b>	<b>Carrying amount</b>
UAB „TETAS“	15,042	100	-	15,042
BALTPOOL UAB	452	67	-	452
<b>Total</b>	<b>15,494</b>		<b>-</b>	<b>15,494</b>

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

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



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

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

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

	<b>Group January-March 2014</b>	<b>Company January-March 2014</b>	<b>Group January- December 2013</b>	<b>Company January- December 2013</b>
Opening balance	15,922	15,320	16,052	16,601
Share of profit/(loss) of associates and jointly controlled entities	178	-	1,151	-
Impairment of investments	-	-	(1,281)	(1,281)
<b>Closing balance</b>	<b>16,100</b>	<b>15,320</b>	<b>15,922</b>	<b>15,320</b>

**6. Time deposit**

	<b>Group at 31 March 2014</b>	<b>Company at 31 March 2014</b>	<b>Group at 31 December 2013</b>	<b>Company at 31 December 2013</b>
Time deposit (contract currency the euro), maturity – November 2014	40,000	40,000	-	-
<b>Total</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>

As at 31 December 2013, the Group and the Company had no time deposits. As at 31 March 2014, the interest rate on time deposits of the Group and the Company was 0.572%.

**7. Held-to-maturity investments**

	<b>Group at 31 March 2014</b>	<b>Company at 31 March 2014</b>	<b>Group at 31 December 2013</b>	<b>Company at 31 December 2013</b>
Swedbank AB bonds in LTL, maturity as of 7 March 2014	-	-	70,000	70,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>70,000</b>	<b>70,000</b>

As at 31 March 2014, the Group and the Company had no held-to-maturity investments.

**8. Grants**

The balance of grants consists of grants related to the financing of assets acquisition. Movements in grants during three month period ended 31 March 2014 and 31 March 2013 were as follows:

	<b>Group</b>	<b>Company</b>
<b>Balance at 31 December 2012</b>	<b>304,971</b>	<b>304,971</b>
Grants received	30,740	30,740
Recognised as income during the period	(427)	(427)
<b>Balance at 31 March 2013</b>	<b>335,284</b>	<b>335,284</b>
<b>Balance at 31 December 2013</b>	<b>423,955</b>	<b>423,955</b>
Grants received	25,090	25,090
<i>out of which – grants receivable</i>	719	719
Recognised as income during the period	(580)	(580)
<b>Balance at 31 March 2014</b>	<b>448,465</b>	<b>448,465</b>

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## 8. Grants (continued)

Grants received during three month period ended 31 March 2014 included:

- amounts received from the EU Structural Funds for financing reconstruction of the Company's property, plant and equipment LTL 4,852 thousand (during three months of 2013: LTL 9,358 thousand);
- funds from International Ignalina Decommissioning Support Fund for the preparation works and implementation of interconnection Lithuania-Poland (LitPolLink) project – 238 thousand LTL (during three months of 2013: 132 thousand LTL);
- funds from public service obligations for the preparation works and implementation of interconnection Lithuania-Sweden (NordBalt) project – 20,000 thousand LTL (2013: 21,250 thousand LTL).

In the statement of comprehensive income for the three month period ended 31 March 2014, depreciation and amortisation charges were reduced by income of grants of LTL 580 thousand (2013:LTL 427 thousand).

## 9. Borrowings

Loans of the Group/Company according to the repayment terms were as follows:

	<b>Group at 31 March 2014</b>	<b>Company at 31 March 2014</b>	<b>Group at 31 December 2013</b>	<b>Company at 31 December 2013</b>
Amounts payable after five years (up to 10 y.)	34,183	34,183	37,981	37,981
Amounts payable after one year (up to 5 y.)	127,063	127,063	127,063	127,063
Amounts payable in one year	57,025	49,030	56,479	49,030
<b>Total</b>	<b>218,271</b>	<b>210,276</b>	<b>221,523</b>	<b>214,074</b>

On 16 July 2012, the Company's subsidiary Tetas UAB signed an overdraft agreement with SEB Bankas AB. Credit limit is LTL 5,200 thousand. On 5 June 2013, the amendment to this agreement (No. 4) was signed and the credit limit was increased to LTL 10,000 thousand. The agreement expires on 31 May 2014. The overdraft is subject to a variable interest rate which is established based on the overnight Vilnius Interbank Offered Rate (VILIBOR) plus 1.10% lender's borrowing risk margin and profit margin. As of 31 March 2014, the withdrawn amount of the overdraft amounted LTL 7,995 thousand (as of 31 December 2013: LTL 7,449).

On 5 October 2012, the Company signed a loan agreement with Pahjola Bank Plc. The loan amount is EUR 58,000 thousand. As of 31 March 2014, EUR 18,000 thousand were repaid back. The loan is subject to the interest rate being 1-month EURIBOR + 0.94% margin.

On 12 September 2013, the Company signed a loan agreement with Nordic Investment Bank. The total amount of the loan is EUR 22,000 thousand. As of 31 March 2014, EUR 1,100 thousand were repaid back. The loan is subject to the interest rate being 6-month EURIBOR + 1.15% margin.

## 10. Segment information

The Group/Company analyses operations by geographical areas and types of services provided.

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 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.



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**10. Segment information (continued)**

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 with the help of interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to ENTSO-E continental Europe networks;
- connection of power generation facilities, which use wind, biomass, solar energy or hydroenergy in the process of electricity generation, to transmission networks, optimisation, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electricity from producers that use the renewable energy resources;
- balancing of electricity generated using the renewable energy resources;

Since 2013, the Company's subsidiary BALTPool UAB carries out the activities of PSO fund administrator, natural gas, additional security against the fluctuations in electricity prices in power exchange market and biofuel market operator (until 2013, these activities were carried out by the Company). BALTPool UAB earns revenue mainly for PSO fund administration.

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.

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

2014	Operating segments							Total
	Electricity transmission	Trade in balancing/regulating electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	
Revenue	65,639	18,089	11,588	2,619	147	13,739	-	111,821
Inter-segment revenue	-	-	-	-	-	(999)	(116)	(1,115)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>65,639</b>	<b>18,089</b>	<b>11,588</b>	<b>2,619</b>	<b>147</b>	<b>12,740</b>	<b>(116)</b>	<b>110,706</b>
<b>*Operating profit (loss)</b>	<b>1,284</b>	<b>4,561</b>	<b>(726)</b>	<b>-</b>	<b>(168)</b>	<b>(1,558)</b>	<b>(116)</b>	<b>3,277</b>
<b>Finance income (costs), net</b>	<b>(420)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(34)</b>	<b>-</b>	<b>(453)</b>
Share of result of associates and jointly controlled entities	178	-	-	-	-	-	-	178
<b>Profit (loss) before income tax</b>	<b>1,042</b>	<b>4,561</b>	<b>(726)</b>	<b>-</b>	<b>(167)</b>	<b>(1,592)</b>	<b>(116)</b>	<b>3,002</b>
<b>**Income tax</b>	<b>(791)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(791)</b>
<b>Net profit (loss) for the year</b>	<b>251</b>	<b>4,561</b>	<b>(726)</b>	<b>-</b>	<b>(167)</b>	<b>(1,592)</b>	<b>(116)</b>	<b>2,211</b>
Depreciation and amortisation expense	36,777	-	-	-	31	298	-	37,106
Write-off of property, plant and equipment	1,112	-	-	-	-	-	-	1,112

\* On 26 September 2013 the Commission has established the price cap for the transmission service via high voltage transmission networks for 2014. According to the decision of the Commission No. O3-139 of 25 September 2011 on Methodology for Setting the Price Cap of the Electricity Transmission Services (amended by the Commission's decision No. O3-255 of 21 September 2012), the calculation of Electricity transmission fee cap for the year 2014 included the consideration of amounts of extra profits earned for the years 2011-2012, including result from balancing/regulating electricity services activity. For the twelve-month period of the year 2013 balancing/regulating electricity services profit was LTL 4,561 thousand. Profit that was received in 2014 from balancing/regulating electricity services may reduce operating profit of the Group and the Company in year 2016.

\*\*Income tax is not allocated between Company's operating segments and is attributed to electricity transmission activity.



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**10. Segment information (continued)**

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

2013	Operating segments							Total
	Electricity transmission	Trade in balancing/regulating electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	
Revenue	67,659	22,219	24,237	1,791	180	16,049	-	132,135
Inter-segment revenue	-	-	-	-	(9)	(2,095)	185	(1,919)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>67,659</b>	<b>22,219</b>	<b>24,237</b>	<b>1,791</b>	<b>171</b>	<b>13,954</b>	<b>185</b>	<b>130,216</b>
<b>Operating profit (loss)</b>	<b>2,831</b>	<b>6,681</b>	<b>12,756</b>	<b>-</b>	<b>(173)</b>	<b>(1,501)</b>	<b>185</b>	<b>20,779</b>
<b>Finance income (costs), net</b>	<b>3,376</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(22)</b>	<b>-</b>	<b>3,355</b>
Share of result of associates and jointly controlled entities	256	-	-	-	-	-	-	256
<b>Profit (loss) before income tax</b>	<b>6,463</b>	<b>6,681</b>	<b>12,756</b>	<b>-</b>	<b>(172)</b>	<b>(1,523)</b>	<b>185</b>	<b>24,390</b>
<b>*Income tax</b>	<b>(3,440)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>-</b>	<b>(3,461)</b>
<b>Net profit (loss) for the year</b>	<b>3,023</b>	<b>6,681</b>	<b>12,756</b>	<b>-</b>	<b>(172)</b>	<b>(1,544)</b>	<b>185</b>	<b>20,929</b>
Depreciation and amortisation expense	32,524	-	-	-	28	326	-	32,878
Write-off of property, plant and equipment	745	-	-	-	-	-	-	745

\*Income tax is not allocated between Company's operating segments and is attributed to electricity transmission activity.

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

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

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

Country	Group January-March 2014	Company January-March 2014	Group January-March 2013	Company January-March 2013
Lithuania	109,200	96,429	119,382	114,594
Russia	423	423	408	408
Estonia	544	544	512	512
Latvia	539	539	437	437
<b>Total</b>	<b>110,706</b>	<b>97,935</b>	<b>120,739</b>	<b>115,951</b>

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

During three month period ended 31 March 2014, the Group's revenue from its major external customer AB LESTO amounted to LTL 61,149 thousand (31 March 2013: LTL 86,519 thousand).

**11. Related-party transactions**

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

- EPSO-G (the parent of the Company). EPSO-G is a wholly-owned by the Ministry of Energy of the Republic of Lithuania;
- Subsidiaries of the Company;
- Associates and jointly controlled entities of the Company;
- Management of the Company.

The Ministry of Energy of the Republic of Lithuania is the ultimate shareholder of the Company. The Group/Company does not treat state-owned companies as a single client as such companies do not pertain a considerable economic integration. The transactions with state-owned companies LESTO AB and Lietuvos energijos gamyba AB are regulated by legal acts, except for the share exchange agreement disclosed in Note 5.

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**11. Related-party transactions (continued)**

The Group's transactions with related parties during three month period ended 31 March 2013 and the balances arising on these transactions as at 31 March 2014 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates	598	540	243	1,311
The Group's parent company (UAB EPSO-G)	-	-	-	-
<b>Total</b>	<b>598</b>	<b>540</b>	<b>243</b>	<b>1,311</b>

The Company's transactions with related parties during three month period ended 31 March 2014 and the balances arising on these transactions as at 31 March 2014 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Subsidiaries	14,169	7,982	21,484	23,202
Associates	598	536	243	1,309
The Group's parent company (UAB EPSO-G)	-	-	-	-
<b>Total</b>	<b>14,767</b>	<b>8,518</b>	<b>21,727*</b>	<b>24,511**</b>

\*Whereof: LTL 15,509 thousand PSO service fees paid to related parties. The Company acts as an agent in this transaction. The Company does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

\*\*Whereof: LTL 23,189 thousand PSO service fees received from related parties, including LTL 570 thousand where Company acts as an agent. The Company does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

The Group's transactions with related parties during three month period ended 31 March 2013 and the balances arising on these transactions as at 31 December 2013 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates	2,533	616	4,599	1,550
The Group's parent company (UAB EPSO-G)	12	-	-	-
<b>Total</b>	<b>2,545</b>	<b>616</b>	<b>4,599</b>	<b>1,550</b>

The Company's transactions with related parties during three month period ended 31 March 2013 and the balances arising on these transactions as at 31 December 2013 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Subsidiaries	17,477	9,245	58,952	23,122
Associates	2,405	616	4,452	1,536
The Group's parent company (UAB EPSO-G)	12	-	-	-
<b>Total</b>	<b>19,894</b>	<b>9,861</b>	<b>63,404*</b>	<b>24,658**</b>

\*Whereof: LTL 24,343 thousand PSO service fees paid to related parties. The Company acts as an agent in these transactions. The Company does not recognise revenue and expenses from administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

\*\*Whereof: LTL 23,051 thousand PSO service fees received from related parties, including LTL 1,107 thousand where Company acts as an agent. The Company does not recognise revenue and expenses from administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

**Payments to key management personnel**

	Group January-March 2014	Company January-March 2014	Group January-March 2013	Company January-March 2013
Employment-related payments, whereof:	506	290	666	463
- Termination benefits	-	-	79	79
Average number of the key management personnel	13	6	17	9

Key management of the Company consists of head of administration, members of the board and the chief financier. Key management of subsidiaries consists of heads of administration, directors of departments, and chief financiers.



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## 12. Basic and diluted earnings per share

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

	January-March 2014	January-March 2013
Net profit (loss) attributable to the Company's shareholders (thousand LTL)	2,266	20,102
Weighted average number of shares (units)	504,331,380	504,331,380
<b>Basic and diluted earnings per share (in LTL)</b>	<b>0.004</b>	<b>0.04</b>

## 13. Contingent liabilities

### Litigations

Legal claim is filed by the Company against A. Blyskys, B. Černauskiene, A. Černauskas (hereinafter – the defendants) and SEB bankas AB, regarding the application of servitude in relation with construction and maintenance of 330 kV overhead transmission line Klaipėda-Telšiai. The defendants filed a counterclaim demanding the compensation for the application of servitude in the amount of LTL 700 thousand instead of the amount offered by the Company. The case was solved in the court of first instance in favour of the defendants, LTL 650,548 was awarded to the defendants from the Company. The Company has filed an appeal to the Court of Appeal of Lithuania. The sitting is planned on 15 July 2014. It is quite possible that the Court of Appeal of Lithuania will uphold the decision of the court of first instance which orders the Company to pay the awarded amount. In 2013 Company has made a provision of LTL 650,548 for possible loss under other payable caption and increased the respectively the value of the construction in progress.

The civil case initiated by the Company against Achema AB for the claim of debt and related interest amount. The Company has submitted a lawsuit against Achema AB for the collection of debt in the amount of LTL 2,271,108.65 and related interest in the amount of LTL 20,918.25 in accordance with Electricity transmission agreement (hereinafter – the Agreement) signed between the Company and Achema AB for the respective PSO for the period from April to June 2011. The investigation of this case was suspended by the decision of 14 June 2012 of Kaunas County Court until the completion of investigation of the civil case initiated by the claim of Achema AB against LITGRID requesting the recognition of the transaction as null and void and payment of restitution compensation. The later civil case of Achema AB is also suspended until final resolution of the administrative case at the Supreme Administrative Court of Lithuania (SACL) initiated on the 2 March 2011 by the claim (request) of the group of the Lithuanian Parliament (Seimas) members regarding non-compliance of regulations of the Law on Electric Energy of the Republic of Lithuania. The latter case by the claim of the Seimas is also suspended since 30 January 2012 until the Constitutional Court of the Republic of Lithuania completes its investigation of the request submitted by 33 members of the Seimas on 14 June 2011 to investigate whether the Paragraph 41 of Article 2 of the Law on Electric Energy of the Republic of Lithuania is not in breach of the Constitution of the Republic of Lithuania. As at 31 March 2014, the outstanding overdue debt of Achema AB amounted to LTL 10,247 thousand. The outcome of the case will have no impact on the Company's or Group's net profit (loss) because the Company acts as an agent and PSO fees administered by it are recognised only under amounts receivable (payable) caption.

The administrative case was initiated on the basis of Achema AB claim for damages caused by illegitimate actions of the state institutions. Achema AB claims that state institutions acted illegitimately and beyond their competence when they adopted the Law on Electric Energy of the Republic of Lithuania, the provisions of which are in breach of the Constitution of the Republic of Lithuania and EU legal acts, and regulations that are in breach of legal acts bearing superior power. Achema AB claims that damages incurred by it as a result of allegedly illegitimate actions of state authorities amounted to LTL 3,127,402.11. on 7 December 2011 Vilnius County Administrative Court decided to suspend the investigation of this case until the SACL completes the investigation of the aforementioned case, which is until the Constitutional Court of the Republic of Lithuania completes its investigation of the request submitted by the members of the Seimas. The resolution of this case will not have an impact on the net profit (loss) of the Company because the Company acts as an agent and PSO fees administered by it are recognised only as amounts receivable (payable). The management does not believe that these litigations will have any negative impact on the Group's/Company's net profit (loss).

Legal claim filed by the Company against Achema AB regarding the debt and interests for the January 2013 services and obligation to sign the PSO fee collecting agreement. The Company demands from AB Achema to pay outstanding PSO fees for January 2013 in amount of LTL 1,304,306.51 (interest included). Currently, the case is suspended until the judgment of Vilnius Regional Administrative Court in administrative case No I-2498-365/2013 concerning the resolution of the National Commission for Energy Control and Prices on the establishment of PSO fees and prices for 2013, is made and takes effect. It should be noted that since 2013 the Company acts as a PSO fee collector only. According to the agreement with PSO fee administrator, BALTPPOOL UAB, in case the Company's customers do not pay PSO fees in 3 consecutive months, the Company has a right to reduce the funds transferrable to BALTPPOOL UAB (PSO fees administered by it are recognized only as amounts receivable (payable)) in the amount equal to the uncollected PSO fees. Taking this into consideration, Court's either favourable or unfavourable decision with respect to the Company, will not have any negative impact on the Group's/Company's net profit (loss).

Legal claim filed by the Company against AB LIFOSA regarding the debt and interests for the January 2013 services and obligation to sign the PSO fee collecting agreement. The Company demands from AB LIFOSA to pay outstanding PSO fees for January 2013 in amount of LTL 362,517.60 (interest included). Currently, the claim is in the preparation for analysis stage using the documentary process. It is important noting that since 2013, the Company acts as a PSO fee collector only. According to the agreement with PSO fee administrator Group's company BALTPPOOL UAB, in case the Company's customers do not pay PSO fees in 3 consecutive months, the Company has the right to reduce the funds transferrable to BALTPPOOL UAB (which acts as an agent and PSO fees administered by it are recognized only as amounts receivable (payable)) in the amount equal to the uncollected PSO fees. Taking this into consideration, Court's either favourable or unfavourable decision with respect to the Company, will not have any impact on the Group's/Company's net profit (loss).



### 13. Contingent liabilities (continued)

Legal claim filed by the Company against AB ORLEN Lietuva regarding the debt and interests for the January 2013 services and obligation to sign the PSO fee collecting agreement. The Company demands from AB ORLEN Lietuva to pay outstanding PSO fees for January 2013 in amount of LTL 1,366,856.42 (interest included). Currently, the claim is in the preparation for analysis stage using the documentary process. It is important noting that since 2013, the Company acts as a PSO fee collector only. According to the agreement with PSO fee administrator Group's company BALTPPOOL UAB, in case the Company's customers do not pay PSO fees in 3 consecutive months, the Company has the right to reduce the funds transferrable to BALTPPOOL UAB (which acts as an agent and PSO fees administrated by it are recognized only as amounts receivable/payable) in the amount equal to the uncollected PSO fees. Taking this into consideration, Court's either favourable or unfavourable decision with respect to the Company, will not have any negative impact on the Group's/Company's net profit (loss).

Legal claim filed by A. Žilinskio ir Ko UAB against the Company demanding to declare the one-sided set-off invalid and also decide in favour of payment for construction works and related overdue interest fee. According to the contract signed on 2 July 2010, A. Žilinskio ir Ko UAB was obliged to complete the construction of the 110 kV transmission line Nemunas-Murava no later than 18 November 2011. However, the construction was ended only on 30 January 2013. LITGRID AB charged A. Žilinskio ir Ko UAB the forfeit in the amount of LTL 880,187.45 which the Company set-off with the amount payable to A. Žilinskio ir Ko UAB and recognised as overdue interest income in 2012 (as new circumstances became known this amount was decreased to LTL 861,738.84, amount of LTL 18,448.61 was returned to A. Žilinskio ir Ko UAB). A. Žilinskio ir Ko UAB was demanding to declare the set-off invalid, repay the set off amount and adjudge the overdue interest. On 16 October 2013 court took the decision to reject A. Žilinskio ir Ko UAB claim in full. On November 14, 2013 claimant appealed against court decision. The Company did not make any provision for possibly refundable amount of defaults and penalties as expected to win the case.

Civil cases involving the claims of LITGRID AB against the suppliers of balancing energy to recover debts for the supplied balancing energy:

- The 28 January 2014 decision of the Vilnius Regional Court regarding the opening of insolvency proceedings against ECO Energy Systems UAB; LITGRID AB intends to file a claim as a creditor against the insolvency administrator appointed by the court for the amount of LTL 1,738,520.97;
  - On 10 December 2013 LITGRID AB filed a claim with the Vilnius Court of Commercial Arbitration to recover a debt of LTL 7,754,569.26 under the Balancing Energy Purchase and Sale Agreement between LITGRID AB and Elektra Visiems UAB. The Court of Appeal of Lithuania decided 6 March 2014 to arrest assets Elektra Visiems UAB in amount of LTL 3,462,372.25. Vilnius District Court's sitting is planned in June 2014;
  - On 20 December 2013 LITGRID AB filed a claim with the Vilnius Court of Commercial Arbitration to recover a debt of LTL 14,348,302.54 under the Balancing Energy Purchase and Sale Agreement between LITGRID AB and Sky Energy Group UAB (currently Saurama UAB). At the request of LITGRID AB Vilnius District Court prescribed interim measures and imposed retention on Sky Energy Group UAB for the amount in the claim. Vilnius District Court's sitting is planned in June 2014.
- In 2013 the Company has made a provision for doubtful debts of LTL 21,163,655.94 related to the receivables from suppliers of balancing energy listed above.

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

Besides, on 6 March 2014 the Company received a detailed ABB AB claim regarding additional payment for the increased bypass reactor capacity in relation to the fulfilment of the agreement No SUT-40-13 of 15 February 2013 for the design and construction of Alytus high-voltage direct current insertion with 400kV switch-gear (the works are one of the Lit-Pol Link implementation stages). According to ABB AB, such increase in the bypass reactor capacity was not provided for in the agreement concluded; therefore, in accordance with the calculations of ABB AB, LITGRID AB should make an additional payment of LTL 3,005 thousand (EUR 870 thousand) for the works. In the opinion of LITGRID AB, the claim is groundless, the required capacity increase was within the scope of the agreement, and the contractor had to allow for that during the procurement procedures; thus, the Company will contest the claim of ABB AB; therefore, no provisions were accounted for in these financial statements in connection with this contingency.

LITGRID AB  
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

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#### **14. Commitments**

Property, plant and equipment purchase commitments are disclosed in Note 4.

#### **15. Significant events after the balance sheet date**

On 7 April 2014 the ordinary general shareholders meeting of the Company decided to pay dividends in the amount of LTL 112,818,930, paying LTL 0.2237 dividends per share.

The Company and Pohjola Bank plc Lithuanian branch on 17 April 2014 signed a two-year EUR 40 million credit line contract.

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