



CONFIRMATION OF RESPONSIBLE PERSONS

August 28, 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 six months period ended 30 June 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, the Consolidated Interim Report for the first half 2014 includes a fair review of the development and performance of the business.

Daivis Virbickas

Chief Executive Officer

Rimantas Busila

Director of Finance Department

Svetlana Sokolskytė

Chief Financier

Company code
VAT number
Address
Phone
Fax
E-mail
Site
Register of legal entities
administered by the state enterprise

302564383
LT 100005748413
A. Juozapavičiaus str. 13, LT-09311, Vilnius, Lithuania
+370 5 278 2777
+370 5 272 3986
info@litgrid.eu
www.litgrid.eu
Registru Centras



LITGRID AB

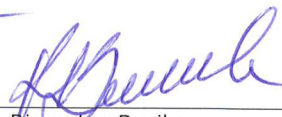
CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM
FINANCIAL INFORMATION FOR A SIX-MONTH PERIOD
ENDED 30 JUNE 2014, PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS
ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER
WITH CONSOLIDATED INTERIM REPORT

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The condensed interim financial information was signed on 28 August 2014.



Daivis Virbickas
Chief executive officer



Rimantas Busila
Director of the Finance Department



Svetlana Sokolskytė
Chief Financier

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014

(All amounts in LTL thousands unless otherwise stated)

	Note	Group As at 30 June 2014	Company As at 30 June 2014	Group As at 31 December 2013	Company As at 31 December 2013
ASSETS					
Non-current assets:		(unaudited)	(unaudited)		
Intangible assets		2,680	2,558	2,365	2,176
Property, plant and equipment	4	1,959,696	1,956,883	1,975,211	1,972,208
Prepayments for property, plant, equipment		218,411	218,411	184,443	184,438
Investments in subsidiaries	5	-	15,778	-	15,494
Investments in associates and jointly controlled entities	5	16,023	15,320	15,922	15,320
Deferred income tax assets		323	-	324	-
Other amounts receivable		330	330	-	-
Available-for-sale financial assets		7,723	7,723	7,723	7,723
Total non-current assets		2 205 186	2 217 003	2,185,988	2,197,359
Current assets:					
Inventories		10,127	3,414	8,844	3,522
Prepayments		1,708	1,563	591	455
Trade receivables		58,891	45,312	65,447	53,296
Other accounts receivable		90,385	42,019	114,155	36,607
Other financial assets		37,671	5,994	21,262	4,835
Time deposits	6	40,000	40,000	-	-
Held-to-maturity investments	7	55,000	55,000	70,000	70,000
Cash and cash equivalents		49,892	49,063	81,562	80,751
Total current assets		343,674	242,365	361,861	249,466
TOTAL ASSETS		2,548,860	2,459,368	2,547,849	2,446,825
EQUITY AND LIABILITIES					
Capital and reserves :					
Share capital		504,331	504,331	504,331	504,331
Share premium		29,621	29,621	29,621	29,621
Revaluation reserve		216,736	216,392	226,173	225,811
Legal reserve		50,441	50,433	50,467	50,433
Other reserves		591,654	591,654	654,654	654,654
Retained earnings		(6,354)	3,202	43,034	50,755
Equity attributable to the shareholders of the parent company		1,386,429	1,395,633	1,508,280	1,515,605
Non-controlling interest		206	-	259	-
Total equity		1,386,635	1,395,633	1,508,539	1,515,605
Non-current liabilities :					
Grants	8	475,551	475,551	423,955	423,955
Non-current borrowings	9	251,018	251,018	165,044	165,044
Deferred income		12,747	12,747	13,274	13,274
Other non-current accounts payable and liabilities		4,740	4,625	717	602
Deferred income tax liabilities		143,605	143,605	150,828	150,828
Total non-current liabilities		887,661	887,546	753,818	753,703
Current liabilities :					
Current portion of non-current borrowings and other current borrowings	9	57,396	49,030	56,479	49,030
Trade payables		93,301	87,492	78,616	75,422
Advance amounts received		7,380	5,245	4,889	4,116
Income tax payable		2,402	2,402	8,368	8,368
Other accounts payable		114,085	32,020	137,140	40,581
Total current liabilities		274,564	176,189	285,492	177,517
Total liabilities		1,162,225	1,063,735	1,039,310	931,220
TOTAL EQUITY AND LIABILITIES		2,548,860	2,459,368	2,547,849	2,446,825

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2014

(All amounts in LTL thousands unless otherwise stated)

	Notes	Group January- June 2014	Company January- June 2014	Group January- June 2013	Company January- June 2013
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue					
Sales of electricity and related services	10	181,996	181,705	223,884	223,634
Other revenue		35,547	2,929	33,767	3,372
Total revenue		217,543	184,634	257,651	227,006
Operating expenses					
Purchase of electricity and related services		(86 031)	(86,031)	(96,955)	(97,013)
Depreciation and amortisation	4	(71,779)	(71,128)	(65,671)	(64,967)
Wages and salaries and related expenses		(19,210)	(9,326)	(17,818)	(8,679)
Repair and maintenance expenses		(8,076)	(10,639)	(5,197)	(8,830)
Telecommunications and IT systems expenses		(6,283)	(5,964)	(7,110)	(6,776)
Write-off of property, plant and equipment		(1,115)	(1,114)	(3,945)	(3,945)
Other expenses		(33,844)	(7,205)	(33,229)	(6,532)
Total operating expenses		(226,338)	(191,407)	(229,925)	(196,742)
OPERATING PROFIT (LOSS)	10	(8,795)	(6,773)	27,726	30,264
Gain from sale of an associate	5	-	-	2,403	3,293
Finance income		1,017	1,014	101	96
Finance costs		(1,533)	(1,454)	(55)	(6)
Finance income, net		(516)	(440)	2,449	3,383
Share of profit/(loss) of associates and jointly controlled entities		101	-	675	-
PROFIT (LOSS) BEFORE INCOME TAX		(9,210)	(7,213)	30,850	33,647
Current year income tax expense		(7,163)	(7,163)	(11,538)	(11,517)
Deferred tax income (expense)		7,220	7,222	7,149	6,779
		57	59	(4,389)	(4,738)
NET PROFIT (LOSS) FOR THE YEAR		(9,153)	(7,154)	26,461	28,909
Other comprehensive income		-	-	-	-
Other comprehensive income, net of deferred income tax		-	-	-	-
COMPREHENSIVE INCOME (LOSS)		(9,153)	(7,154)	26,461	28,909
NET PROFIT (LOSS) ATTRIBUTABLE TO :					
Owners of the Company		(9,033)	(7,154)	26,589	28,909
Non-controlling interest		(120)	-	(128)	-
		(9,153)	(7,154)	26,461	28,909
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owners of the Company		(9,033)	(7,154)	26,589	28,909
Non-controlling interest		(120)	-	(128)	-
		(9,153)	(7,154)	26,461	28,909
Basic and diluted earnings (deficit) per share (in LTL)	12	-0.018	-	0.053	-

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR A THREE-MONTH PERIOD ENDED 30 JUNE 2014

(All amounts in LTL thousands unless otherwise stated)

Notes	Group April-June 2014 (unaudited)	Company April -June 2014 (unaudited)	Group April -June 2013 (unaudited)	Company April -June 2013 (unaudited)
Revenue				
Sales of electricity and related services	85,504	85,360	119,016	109,415
Other revenue	21,339	1,339	17,896	1,640
Total revenue	106,843	86,699	136,912	111,055
Operating expenses				
Purchase of electricity and related services	(45,984)	(45,984)	(61,222)	(51,794)
Depreciation and amortisation	(34,673)	(34,351)	(32,793)	(32,443)
Wages and salaries and related expenses	(9,987)	(4,545)	(9,169)	(4,301)
Repair and maintenance expenses	(5,431)	(7,048)	(2,962)	(4,698)
Telecommunications and IT systems expenses	(3,226)	(3,058)	(3,438)	(3,277)
Write-off of property, plant and equipment	(3)	(3)	(3,200)	(3,200)
Other expenses	(19,611)	(3,602)	(17,181)	(3,382)
Total operating expenses	(118,915)	(98,591)	(129,965)	(103,095)
OPERATING PROFIT (LOSS)	(12,072)	(11,892)	6,947	7,960
Gain from sale of an associate	-	-	(890)	-
Finance income	756	754	14	10
Finance costs	(819)	(774)	(30)	(3)
Finance income, net	(63)	(20)	(16)	7
Share of profit/(loss) of associates and jointly controlled entities	(77)	-	425	-
PROFIT (LOSS) BEFORE INCOME TAX	(12,212)	(11,912)	6,466	7,967
Current year income tax expense	(2,433)	(2,433)	(4,832)	(4,832)
Deferred tax income (expense)	3,281	3,283	3,904	3,534
	848	850	(928)	(1,298)
NET PROFIT (LOSS) FOR THE YEAR	(11,364)	(11,062)	5,538	6,669
Other comprehensive income	-	-	-	-
Other comprehensive income, net of deferred income tax	-	-	-	-
COMPREHENSIVE INCOME (LOSS)	(11,364)	(11,062)	5,538	6,669
NET PROFIT (LOSS) ATTRIBUTABLE TO :				
Owners of the Company	(11,299)	(11,062)	5,597	6,669
Non-controlling interest	(65)	-	(59)	-
	(11,364)	(11,062)	5,538	6,669
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	(11,299)	(11,062)	5,597	6,669
Non-controlling interest	(65)	-	(59)	-
	(11,364)	(11,062)	5,538	6,669
Basic and diluted earnings (deficit) per share (in LTL)	12	-0.023	-	0.011
		-	0.011	-

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 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		
Balance at 1 January 2013		504,331	29,621	246,582	5,464	654,738	44,742	1,530,478	4,390	1,534,868
Comprehensive income										
Net profit (loss)		-	-	-	-	-	26,589	26,589	(128)	26,461
Depreciation of revaluation reserve and amounts written off		-	-	(10,426)	-	-	10,426	-	-	-
Total comprehensive income (loss)		-	-	(10,426)	-	-	37,015	26,589	(128)	26,461
Transfers to retained earnings		-	-	-	-	(126)	126	-	-	-
Transfers to reserves		-	-	-	3	42	(45)	-	-	-
Dividends		-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Change in ownership interest in subsidiary		-	-	154	-	-	(3,022)	(2,868)	(3,884)	(6,752)
Balance at 30 June 2013 (unaudited)		504,331	29,621	236,310	50,467	654,654	33,816	1 509,199	378	1,509,577
Balance at 1 January 2014		504,331	29,621	226,173	50,467	654,654	43,034	1 508,280	259	1,508,539
Comprehensive income										
Net profit (loss)		-	-	-	-	-	(9,033)	(9,033)	(120)	(9,153)
Depreciation of revaluation reserve and amounts written off		-	-	(9,437)	-	-	9,437	-	-	-
Total comprehensive income (loss) for the year		-	-	(9,437)	-	-	404	(9,033)	(120)	(9,153)
Transfers to retained earnings		-	-	-	(26)	(63,000)	63,026	-	-	-
Dividends		-	-	-	-	-	(112,818)	(112,818)	-	(112,818)
Change in ownership interest in subsidiary		-	-	-	-	-	-	-	67	67
Balance at 30 June 2014 (unaudited)		504,331	29,621	216,736	50,441	591,654	(6,354)	1 386,429	206	1,386,635

Company	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2013		504,331	29,621	246,339	50,433	654,654	47,160	1,532,538
Comprehensive income								
Net profit (loss)		-	-	-	-	-	28,909	28,909
Depreciation of revaluation reserve and amounts written off		-	-	(10,408)	-	-	10,408	-
Total comprehensive income (loss)		-	-	(10,408)	-	-	39,317	28,909
Dividends		-	-	-	-	-	(45,000)	(45,000)
Balance at 30 June 2013 (unaudited)		504,331	29,621	235,931	50,433	654,654	41,477	1,516,447
Balance at 1 January 2014		504,331	29,621	225,811	50,433	654,654	50,755	1,515,605
Comprehensive income								
Net profit (loss)		-	-	-	-	-	(7,154)	(7,154)
Depreciation of revaluation reserve and amounts written off		-	-	(9,419)	-	-	9,419	-
Total comprehensive income (loss)		-	-	(9,419)	-	-	2,265	(7,154)
Transfers to retained earnings		-	-	-	-	(63,000)	63,000	-
Dividends		-	-	-	-	-	(112,818)	(112,818)
Balance at 30 June 2014 (unaudited)		504,331	29,621	216,392	50,433	591,654	3,202	1,395,633

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2014
(All amounts in LTL thousands unless otherwise stated)

	Note	Group	Company	Group	Company
		January-June 2014	January-June 2014	January-June 2013	January-June 2013
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities					
Net profit (loss)		(9,153)	(7,154)	26,461	28,909
Reversal of non-monetary expenses (income) and other adjustments					
Depreciation and amortization expense	4	73,343	72,691	66,525	65,821
Impairment of property, plant and equipment		-	-	28	28
Share of profit/(loss) of associates and jointly controlled entities		(101)	-	(675)	-
(Gain) on disposal of associate	5	-	-	(2,405)	(3,294)
Income tax expense/(income)		(57)	(59)	4,389	4,738
Loss on write-off of property, plant and equipment	4	1,115	1,114	4,249	4,249
Amortization of grants	8	(1,564)	(1,564)	(854)	(854)
Interest income		(373)	(371)	(788)	(786)
Finance costs		890	811	996	952
Changes in working capital					
(Increase) decrease in trade receivables and other receivables		25,315	(2,438)	5,429	61,674
(Increase) decrease in inventories and prepayments		(2,317)	(918)	2,799	(1,066)
Increase (decrease) in accounts payable, grants and advance amounts received		(9,290)	1,907	(24,219)	(117,121)
Change in other financial assets		(16,409)	(1,159)	13,102	54,633
Cash flows from operations		61,399	62,860	95,037	97,883
Income tax paid		(8,557)	(8,557)	(2,930)	(2,768)
Net cash generated from operating activities		52,842	54,303	92,107	95,115
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(84,325)	(84,613)	(66,864)	(66,376)
Grants received	8	51,113	51,113	58,695	58,695
Interest received		481	479	1,013	1,011
Investments in time deposits	6	(40,000)	(40,000)	-	-
(Purchase)/Disposal of held-to-maturity investments	7	15,000	15,000	(70,000)	(70,000)
Disposal (purchase) of subsidiary(associate)	5	-	(284)	1,273	1,273
Dividends received		517	517	-	-
Other		94	98	-	-
Net cash used in investing activities		(57,120)	(57 690)	(75,883)	(75,397)
Cash flows from financing activities					
Received loans		110,489	110,489	-	-
(Repayment) of loans		(24,515)	(24,515)	(20,717)	(20,717)
Overdraft		917	-	3,357	-
Interest paid		(1,502)	(1,427)	(996)	(952)
Dividends paid		(112,781)	(112,848)	(45,040)	(45,040)
Net cash (used in)/generated from financing activities		(27,392)	(28,301)	(63,396)	(66,709)
Net increase/(decrease) in cash and cash equivalents		(31,670)	(31,688)	(47,172)	(46,991)
Cash and cash equivalents at the beginning of the period		81,562	80,751	127,387	126,097
Cash and cash equivalents at the end of the period		49,892	49,063	80,215	79,106

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
 FOR A THREE-MONTH PERIOD ENDED 30 JUNE 2014
 (All amounts in LTL thousands unless otherwise stated)

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 30 June 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 30 June 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
Total	504,331,380	100

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 30 June 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2014 and 31 December 2013 was as follows:

Company	Address of the company's registered office	The Group's shareholding at 30 June 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 30 June 2014, the Group had 686 employees (31 December 2013: 670 employees), whereas at 30 June 2014 the Company had 220 employees (31 December 2013: 222 employees).

2. Basis of preparation

This Company's and consolidated Group's condensed interim financial information as of 30 June 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 30 June 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
Net book amount at 31 December 2012							
Opening net book amount	1,961	34,726	1,773,601	1,182	42,243	124,665	1,978,378
Additions	-	-	-	22	627	46,904	47,553
Write-offs	-	(15)	(4,232)	-	(2)	-	(4,249)
Reclassification to intangible assets	-	-	-	-	-	(28)	(28)
Reclassification between categories	-	17	5,827	-	1,331	(7,175)	-
Depreciation charge	-	(1,106)	(61,295)	(249)	(3,623)	8	(66,265)
Net book amount at 30 June 2013	1,961	33,622	1,713,901	955	40,576	164,374	1,955,389
Net book amount at 31 December 2013							
Opening net book amount	1,961	32,721	1,696,898	709	40,923	201,999	1,975,211
Additions	-	-	410	58	395	57,821	58,684
Write-offs	-	-	(1,195)	-	(3)	-	(1,198)
Reclassification to intangible assets	-	-	-	-	(19)	-	(19)
Reclassification from inventories	-	-	-	-	-	140	140
Disposals	-	-	(5)	-	-	-	(5)
Reclassification between categories	-	2,087	45,524	-	(7,080)	(40,531)	-
Depreciation charge	-	(1,699)	(67,833)	(239)	(3,355)	9	(73,117)
Net book amount at 30 June 2014	1,961	33,109	1,673,799	528	30,861	219,438	1,959,696

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
Net book amount at 31 December 2012						
Opening net book amount	1,961	33,513	1,773,053	40,660	125,594	1,974,781
Additions	-	-	-	545	46,702	47,247
Write-offs	-	(15)	(4,232)	(2)	-	(4,249)
Reclassification to intangible assets	-	-	-	-	(28)	(28)
Reclassification between categories	-	17	5,827	1,331	(7,175)	-
Depreciation charge	-	(1,049)	(61,249)	(3,336)	-	(65,634)
Net book amount at 30 June 2013	1,961	32,466	1 713 399	39,198	165,093	1,952,117
Net book amount at 31 December 2013						
Opening net book amount	1,961	31,623	1,696,439	39,778	202,407	1,972,208
Additions	-	-	-	25	58,267	58,292
Write-offs	-	-	(1,195)	(1)	-	(1,196)
Reclassification to intangible assets	-	-	-	(19)	-	(19)
Reclassification from inventories	-	-	-	-	140	140
Disposals	-	-	(5)	-	-	(5)
Reclassification between categories	-	2,087	45,524	(7,080)	(40,531)	-
Depreciation charge	-	(1,642)	(67,795)	(3,100)	-	(72,537)
Net book amount at 30 June 2014	1,961	32,068	1,672,968	29,603	220,283	1,956,883

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 energijos gamyba, AB (former name - Lietuvos Energija AB). The fair value of property, plant and equipment, depending on the type of asset, of Lietuvos energijos gamyba 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 energijos gamyba 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 energijos gamyba AB reduced the carrying amount of property, plant and equipment. Lietuvos energijos gamyba 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 30 June 2014 and 31 December 2013, the Group/Company had significant contractual commitments to purchase property, plant and equipment to be fulfilled in later periods.

	At 30 June 2014	At 31 December 2013
Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT)	505,757	539,785
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink)	304,947	306,254
Reconstruction of 110/330 kV transformer substations	66,415	98,023
Construction of 330 kV overhead transmission line Klaipėda -Telšiai	3,061	12,223
Other	4,752	4,157
Total	379,175	960,442

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 30 June 2014 and 31 December 2013, the Company had direct control over the following subsidiaries:

Subsidiary At 30 June 2014	Investment cost	Ownership interest (%)	Impairment	Carrying amount
UAB „TETAS“	15,042	100	-	15,042
BALTPOOL UAB	586	67	-	586
UAB Tinklo priežiūros centras	150	100	-	150
Total	15,778		-	15,778

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

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:

	Group January-June 2014	Company January-June 2014	Group January- December 2013	Company January- December 2013
Opening balance	15,922	15,320	16,052	16,601
Share of profit/(loss) of associates and jointly controlled entities	101	-	1,151	-
Impairment of investments	-	-	(1,281)	(1,281)
Closing balance	16,023	15,320	15,922	15,320

6. Time deposit

	Group at 30 June 2014	Company at 30 June 2014	Group at 31 December 2013	Company at 31 December 2013
Time deposit (contract currency the euro), maturity – November 2014	40,000	40,000	-	-
Total	40,000	40,000	-	-

As at 31 December 2013, the Group and the Company had no time deposits.

7. Held-to-maturity investments

	Group at 30 June 2014	Company at 30 June 2014	Group at 31 December 2013	Company at 31 December 2013
Swedbank AB bonds in LTL, maturity as of 7 March 2014	-	-	70 000	70 000
Swedbank AB bonds in LTL, maturity as of 22 January 2015	55 000	55 000	-	-
Total	55 000	55 000	70 000	70 000

As at 30 June 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 30 June 2014 and 30 June 2013 were as follows:

	Group	Company
Balance at 31 December 2012	304,971	304,971
Grants received	61,678	61,678
<i>out of which – grants receivable</i>	2,983	2,983
Recognised as income during the period	(854)	(854)
Balance at 30 June 2013	365,795	365,795
Balance at 31 December 2013	423,955	423,955
Grants received	53,160	53,160
<i>out of which – grants receivable</i>	2,047	2,047
Recognised as income during the period	(1,564)	(1,564)
Balance at 30 June 2014	475,551	475,551

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8. Grants (continued)

Grants received during three month period ended 30 June 2014 included:

- amounts received from the EU Structural Funds for financing reconstruction of the Company's property, plant and equipment LTL 12,922 thousand (during six months of 2013: LTL 19,037 thousand);
- funds from International Ignalina Decommissioning Support Fund for the preparation works and implementation of interconnection Lithuania-Poland (LitPolLink) project – 238 thousand LTL (during six months of 2013: 141 thousand LTL);
- funds from public service obligations for the preparation works and implementation of interconnection Lithuania-Sweden (NordBalt) project – 40,000 thousand LTL (2013: 42,500 thousand LTL).

In the statement of comprehensive income for the six month period ended 30 June 2014, depreciation and amortisation charges were reduced by income of grants of LTL 1,564 thousand (2013:LTL 854 thousand).

9. Borrowings

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

	Group at 30 June 2014	Company at 30 June 2014	Group at 31 December 2013	Company at 31 December 2013
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.)	216,835	216,835	127,063	127,063
Amounts payable in one year	57,396	49,030	56,479	49,030
Total	308,414	300,048	221,523	214,074

On 16 July 2012, the Company's subsidiary Tetas UAB signed an overdraft agreement with SEB Bankas AB. On 30 May 2014, the amendment to this agreement (No. 6) was signed and the credit limit was increased to LTL 10,000 thousand. The agreement expires on 31 January 2015. As of 30 June 2014, the withdrawn amount of the overdraft amounted LTL 8,366 thousand (as of 31 December 2013: LTL 7,449).

On 5 October 2012, the Company signed a loan agreement with Pohjola Bank Plc. The loan amount is EUR 58,000 thousand. As of 30 June 2014, EUR 24,000 thousand were repaid back.

On 7 April 2014, the Company signed a loan agreement with Pohjola Bank Plc. The total loan amount is EUR 40,000 thousand. As of 30 June 2014, EUR 32,000 thousand were received.

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 30 June 2014, EUR 1,100 thousand were repaid back.

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 BALTPPOOL 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). BALTPPOOL 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 30 June 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 / PSO fund administrator	Repair and maintenance activities	Other inter-segment eliminations	
Revenue	117,939	40,354	21,330	5,011	291	36,251		
Inter-segment revenue						(3,005)	(628)	(3,633)
Revenue after elimination of intercompany revenue within the Group	117,939	40,354	21,330	5,011	291	33,246	(628)	217,543
*Operating profit (loss)	(10,975)	9,065	(4,863)		(366)	(1,219)	(437)	(8,795)
Finance income (costs), net	(440)				3	(79)		(516)
Share of result of associates and jointly controlled entities	101							101
Profit (loss) before income tax	(11,314)	9,065	(4,863)		(363)	(1,298)	(437)	(9,210)
*Income tax	59					(2)		57
Net profit (loss) for the year	(11,255)	9,065	(4,863)		(363)	(1,300)	(437)	(9,153)
Depreciation and amortisation expense	71,128				61	599	(9)	71,779
Write-off of property, plant and equipment	1,115							1,115

*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 30 June 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 / PSO fund administrator	Repair and maintenance activities	Other inter-segment eliminations	
Revenue	126,671	48,826	46,760	4,653	404	34,103		261,417
Inter-segment revenue					(58)	(3,910)	202	(3,766)
Revenue after elimination of intercompany revenue within the Group	126,671	48,826	46,760	4,653	346	30,193	202	257,651
Operating profit (loss)	(3,377)	12,700	20,903		(355)	(2,355)	210	27,726
Finance income (costs), net	2,493				2	(46)		2,449
Share of result of associates and jointly controlled entities	675							675
Profit (loss) before income tax	(209)	12,700	20,903		(353)	(2,401)	210	30,850
*Income tax	(4,738)				1	348		(4,389)
Net profit (loss) for the year	(4,947)	12,700	20,903		(352)	(2,053)	210	26,461
Depreciation and amortisation expense	64,967				57	655	(8)	65,671
Write-off of property, plant and equipment	3,945							3,945

*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-June 2014	Company January-June 2014	Group January-June 2013	Company January-June 2013
Lithuania	214,859	181,950	253,717	223,072
Russia	639	639	1,065	1,065
Estonia	705	705	591	591
Latvia	1,338	1,338	2,278	2,278
Norway	2	2	-	-
Total	217,543	184,634	257,651	227,006

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

During six month period ended 30 June 2014, the Group's revenue from its major external customer AB LESTO amounted to LTL 112,619 thousand (30 June 2013: LTL 163,349 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 six month period ended 30 June 2013 and the balances arising on these transactions as at 30 June 2014 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Associates	377	1,140	529	2,703
The Group's parent company (UAB EPSO-G)	-	-	-	-
Total	377	1,140	529	2,703

The Company's transactions with related parties during six month period ended 30 June 2014 and the balances arising on these transactions as at 30 June 2014 are presented below:

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Subsidiaries	17,157	8,042	51,301	46,668
Associates	377	1,140	529	2,701
The Group's parent company (UAB EPSO-G)	-	-	-	-
Total	17,534	9,182	51,830*	49,369**

*Whereof: LTL 32,972 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 46,152 thousand PSO service fees received from related parties, including LTL 1,140 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 six month period ended 30 June 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	6,774	3,083
The Group's parent company (UAB EPSO-G)	12	-	-	-
Total	2,545	616	6,774	3,083

The Company's transactions with related parties during six month period ended 30 June 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	62,993	49,538
Associates	2,405	616	6,428	3,069
The Group's parent company (UAB EPSO-G)	12	-	-	-
Total	19,894	9,861	69,421*	52,607**

*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-June 2014	Company January-June 2014	Group January-June 2013	Company January-June 2013
Employment-related payments, whereof:	1,031	593	1,387	948
- Termination benefits	-	-	79	79
Average number of the key management personnel	14	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-June 2014	January-June 2013
Net profit (loss) attributable to the Company's shareholders (thousand LTL)	(9,033)	26,589
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings per share (in LTL)	-0.018	0.053

13. Contingent liabilities

Litigations

Civil case according to a claim filed by the Company against A. Blyskys, B. Černauskienė and A. Černauskas (hereinafter – the defendants) and AB SEB Bankas regarding the establishment of servitude necessary for the construction and maintenance of the 330 kV Klaipėda-Telšiai overhead transmission line. Not agreeing with the amount of compensation proposed for the establishment of servitude by AB Litgrid, which was calculated according to the procedure established by law, the defendants filed a counterclaim against the Company, demanding that they be awarded LTL 700,000 in damages for the establishment of servitude. The case was heard in a first instance court. The Company was ordered to pay the land owners LTL 650,548. Not agreeing with the decision of the court, the Company filed an appeal. The hearing of the Court of Appeal of Lithuania took place on 18 July 2014. The appellate court repealed the decision of the first instance court by which the specified amount was awarded to the land owners from the Company. There is a possibility that the land owners will file a cassation complaint. In 2013 the Company made a provision of LTL 650,548 for the potential award of damages which was booked under other payables, and increased the value of the unfinished construction accordingly.

Civil case according to a claim filed by the Company against AB Achema regarding the recovery of debt and interest thereon. The Company filed a lawsuit against AB Achema for the recovery of debt in the amount of LTL 2,271,108.65 as well as interest in the amount of 20,918.25 in accordance with the Electricity Transmission Agreement (hereinafter – the Agreement) signed between the Company and AB Achema for PSO for the period from April to June 2011. This case was suspended by the 14 June 2012 decision of the Kaunas District Court, and will remain so until another case according to a claim made by AB Achema to recognize a part of the Agreement as being in conflict with imperative legal norms and to apply restitution has been heard (i.e. to claim return of 3,071,678.40 LTL PSO, paid for January-March 2011). Investigation of the restitution lawsuit filed by Achema has also been suspended on 27 February 2013 until a final resolution is made on a pending administrative case at the Supreme Administrative Court of Lithuania (SACL) regarding a claim (request) made by a group of members of the Seimas of the Republic of Lithuania on 2 March 2011 regarding the non-compliance of secondary legal acts with the Law on Electricity (hereinafter – the Seimas Claim Case). By a decision adopted on 30 January 2012, the aforementioned Seimas Claim Case has been suspended until a case initiated by a group of 33 members of the Seimas on 14 June 2011 to establish whether Paragraph 41 of Article 2 of the Law on Electricity is in breach of the Constitution of the Republic of Lithuania has been heard. As at 30 June 2014, AB Achema's overdue debt amounted to LTL 10,247. The outcome of the case will have no impact on the net profit (loss) of the Company or the Group, since the Company acts as an agent and PSO fees are only recorded as accounts receivable/payable.

Administrative case according to a claim filed by AB Achema for compensation of damages caused by the illegitimate actions of state institutions. AB Achema claims that state institutions acted illegitimately and exceeded their competence in adopting the Law on Electricity, which is in breach of the Constitution and European Union legislation, as well as secondary regulations which are in breach of primary legislation. As a result of the alleged illegal actions of state authorities, AB Achema claims to have incurred LTL 3,127,402.11 in damages. The Vilnius Regional Administrative Court issued a decision on 7 December 2011 by which it suspended this administrative case until a final resolution is made on the pending Seimas Claim Case at the SACL, which, as previously mentioned, has been suspended until a decision is adopted by the Constitutional Court. The outcome of the case will have no impact on Litgrid's net profit (loss), since Litgrid acts as an agent and PSO fees are only recorded as accounts receivable/payable. The management does not believe that this litigation will have a negative impact on the net profit (loss) of the Group/Company.

Civil case according to a claim filed by the Company against AB Achema regarding the payment of debt and interest for January 2013 as well as the obligation to conclude a PSO fee collecting agreement. The Company presented a claim to AB Achema in the amount of LTL 1,304,306.51 to cover outstanding PSO fees for January 2013, including interest. The case has been suspended 29 November 2013 until the decision of the 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 adopted and takes effect and also until the request of the Vilnius Regional Administrative Court to investigate compliance of the PSO supply procedure description with the provisions of the Constitution as well as the request submitted by a group of members of the Seimas to investigate the constitutionality of individual provisions of the Law on Electricity are investigated by the Constitutional Court. It should be noted that since 2013, the Company has only been carrying out the function of PSO fee collector. According to the agreement with PSO fee administrator UAB Baltpool, which is one of the Group's companies, if the Company's customers do not pay PSO fees for three months in a row, the Company has the right to reduce the fee amounts transferred to UAB Baltpool (which acts as an agent and only records PSO fees as accounts receivable/payable) in the amount which the Company has not collected from its customers. In view of this, the decision of the court, regardless of whether it is in favour of the Company or not, will not have a negative impact on the net profit (loss) of the Group/Company.

13. Contingent liabilities (continued)

Civil case according to a claim filed by the Company against AB Lifosa regarding the payment of debt and interest for January 2013 as well as the obligation to conclude a PSO fee collecting agreement. The Company presented a claim to AB Lifosa in the amount of LTL 362,517.60 to cover outstanding PSO fees for January 2013, including interest. The case has currently been suspended until the decision of the Vilnius Regional Administrative Court in administrative case No. I-2075-365/2013 concerning the resolution of the National Commission for Energy Control and Prices on the establishment of PSO fees and prices for 2013 is adopted and takes effect and also until the request of the Vilnius Regional Administrative Court to investigate compliance of the PSO supply procedure description with the provisions of the Constitution as well as the request submitted by a group of members of the Seimas to investigate the constitutionality of individual provisions of the Law on Electricity are investigated by the Constitutional Court. The decision of the court regarding suspension of the case is under appeal. It should be noted that since 2013, the Company has only been carrying out the function of PSO fee collector. According to the agreement with PSO fee administrator UAB Baltpool, which is one of the Group's companies, if the Company's customers do not pay PSO fees for three months in a row, the Company has the right to reduce the fee amounts transferred to UAB Baltpool (which acts as an agent and only records PSO fees as accounts receivable/payable) in the amount which the Company has not collected from its customers. In view of this, the decision of the court, regardless of whether it is in favour of the Company or not, will not have a negative impact on the net profit (loss) of the Group/Company.

Civil case according to a claim filed by the Company against AB Orlen Lietuva regarding the payment of debt and interest for January 2013 as well as the obligation to conclude a PSO fee collecting agreement. The Company presented a claim to AB Orlen Lietuva in the amount of LTL 366,856.42 to cover outstanding PSO fees for January 2013, including interest. By the 12 February 2014 decision of the Šiauliai District Court, the case has been suspended until the decision of the Vilnius Regional Administrative Court in the pending administrative case No. I-2267-426/2013 concerning the resolution of the National Commission for Energy Control and Prices on the establishment of PSO fees and prices for 2013 is adopted and takes effect, and also until the request of the Vilnius Regional Administrative Court to investigate compliance of the PSO supply procedure description with the provisions of the Constitution as well as the request submitted by a group of members of the Seimas to investigate the constitutionality of individual provisions of the Law on Electricity are investigated by the Constitutional Court. Preparations are currently underway to examine the merits of the case (court hearings are taking place). It should be noted that since 2013, the Company has only been carrying out the function of PSO fee collector. According to the agreement with PSO fee administrator UAB Baltpool, which is one of the Group's companies, if the Company's customers do not pay PSO fees for three months in a row, the Company has the right to reduce the fee amounts transferred to UAB Baltpool (which acts as an agent and only records PSO fees as accounts receivable/payable) in the amount which the Company has not collected from its customers. In view of this, the decision of the court, regardless of whether it is in favour of the Company or not, will not have a negative impact on the net profit (loss) of the Group/Company.

Civil case according to a claim filed by UAB A. Žilinskio ir Ko concerning recognition of the one-sided set-off as invalid, payment for contract work, and payment of late fees. According to the Contractor Agreement of 2 July 2010, UAB A. Žilinskio ir Ko was under obligation to carry out construction of the 110 kV Nemunas-Murava cable line by 18 November 2011; however, this was only completed on 30 January 2013. AB Litgrid calculated LTL 880,187.45 in penalties for the contractor for the extended construction period, which it subtracted from the amount payable to the contractor as a one-sided set-off and recognised an income of LTL 880,187.45 in penalties in 2012 (upon new circumstances coming to light, the amount was later reduced to LTL 861,738.84, after returning LTL 18,448.61 to the contractor). The contractor appealed to the Vilnius Regional Court regarding recognition of the set-off as invalid, return of the amount that had been deducted in penalties, and payment of penalties for late payment. On 16 October 2013 the claim made by the plaintiff, UAB A. Žilinskio ir Ko, was denied in full by decision of the court. On 14 November 2013 the plaintiff appealed the court decision at the Court of Appeal of Lithuania. On 30 June 2014 the Court of Appeal of Lithuania ruled that only LTL 50,000 in penalties were substantiated, and awarded the remaining amount, late fees, 6 per cent annual interest from the moment the case was raised and legal costs to the contractor, the third party UAB Energetikos Tinklų Institutas, and the state. AB Litgrid has appealed the court decision at the court of cassation. The Company has made a provision for the amount of potential refundable penalties and late fees.

Civil case according to a claim filed by UAB Neiluva concerning recognition of the one-sided set-off as invalid, payment for contract work, and payment of late fees. According to the Contractor Agreement of 16 June 2011, UAB Neiluva was under an obligation to carry out reconstruction of the protective relay at the Prienai 110/35/10 kV transformer substation by 8 February 2012; however, this was only completed on 31 May 2013. AB Litgrid calculated LTL 118,200 in penalties for the contractor for the extended period, which it subtracted from the amount payable to the contractor as a one-sided set-off. The contractor appealed to the Vilnius City District Court regarding recognition of the set-off as invalid, return of the amount that had been deducted in penalties, and payment of penalties for late payment. On 13 June 2014 the claim made by the plaintiff, UAB Neiluva, was denied in full by decision of the court. On 7 July 2014 UAB Neiluva appealed the court decision at the Vilnius Regional Court.

13. Contingent liabilities (continued)

Civil cases according to claims filed by AB Litgrid against balancing energy suppliers to recover debts for acquired balancing energy:

- The 28 January 2014 decision of the Vilnius Regional Court regarding the opening of insolvency proceedings against UAB ECO Energy Systems; AB Litgrid filed creditor claims against the insolvency administrator appointed by the court for the amount of LTL 2,7066,779.07. The court approved the creditor claims;
 - On 10 December 2013 AB Litgrid filed a claim with the Vilnius Court of Commercial Arbitration regarding the Agreement on the Purchase and Sale of Balancing Energy between AB Litgrid and UAB Elektra Visiems in the amount of LTL 7,754,569.26. On 6 March 2014 the Court of Appeal of Lithuania satisfied AB Litgrid's claim and resolved to apply provisional measures to ensure settlement, i.e. to arrest assets owned by UAB Elektra Visiems in the amount of LTL 3,462,372.25. The Vilnius Court of Commercial Arbitration satisfied AB Litgrid's claim in full and awarded LTL 11,587,206.85 in debt, LTL 233,822.65 in late penalties, 6 per cent interest on the sum awarded, LTL 125,108.86 in arbitration fees and LTL 20,175.21 in litigation costs. On 25 August 2014 UAB Elektra Visiems appealed the decision of the Vilnius Court of Commercial Arbitration at the Court of Appeal of Lithuania. Upon becoming acquainted with the claim that was filed, AB Litgrid will submit a response to the Court of Appeal of Lithuania. The hearing date for this appeal has not yet been set;
 - On 20 December 2013 AB Litgrid filed a claim with the Vilnius Court of Commercial Arbitration regarding the Agreement on the Purchase and Sale of Balancing Energy between AB Litgrid and UAB Sky Energy Group (now UAB Saurama) in the amount of LTL 14,348,302.54. At the request of AB Litgrid, the Vilnius District Court prescribed provisional security measures and arrested assets owned by UAB Sky Energy Group for the amount specified in the claim. The claim filed by AB Litgrid was examined in June 2014; a decision will be announced in early September 2014.
- The Company has made a provision of LTL 21,163,655.94 for doubtful debts related to the abovementioned amounts due from balancing energy suppliers.

Civil case according to a claim filed by UAB Energijos Kodas concerning compensation of LTL 5,621,835 in damages and the claim filed by a group of other independent energy suppliers against AB Litgrid related to potential losses incurred by independent suppliers due to AB Litgrid's agreement with the Latvian and Estonian electricity transmission system operators which allegedly triggered a rise in wholesale electricity prices on the market. UAB Energijos Kodas and a group of other independent energy suppliers claim that they sustained losses due to an illegitimate agreement (violating the competition law) between AB Litgrid and the Latvian and Estonian electricity transmission system operators. In their opinion, this agreement conditioned a restriction of competition on the wholesale energy supply market, and wholesale electricity prices increased on the market as a result thereof. Despite the increase in wholesale electricity prices, UAB Energijos Kodas and the other independent energy suppliers who filed the claim purchased electricity at the market price, but supplied it to the end-users at lower, fixed prices. UAB Energijos Kodas claims to have incurred LTL 5,621,835 in losses due to this price difference, and filed a claim for compensation thereof. AB Litgrid does not agree with the claim and the arguments put forth therein. Pleadings are currently being exchanged in the case. The independent energy suppliers that submitted claims against AB Litgrid also indicated that they have incurred losses and intend to apply to the court for compensation of damages. In response to these claims, AB Litgrid informed the independent suppliers that it does not agree with the claims submitted and the arguments put forth therein regarding the alleged losses. In the opinion of the management of the Company, upon evaluating the entirety of circumstances and facts, these claims are not substantiated and the demands that have been made are not based on solid evidence and arguments; furthermore, there are no objective opportunities to appraise, in a sufficiently accurate manner, the overall amount of claims that may emerge due to this uncertainty. This was confirmed by the results of the investigation carried out by the Commission. Therefore, no provisions related to this uncertainty were recorded in financial statements.

On 6 March 2014 the Company received a detailed claim from AB ABB regarding additional payment for increased shunt reactor capacity in fulfilment of the 15 February 2013 Agreement No. SUT-40-13 on the Design and Construction of the Alytus High-Voltage Direct Current Back-to-Back Station and 400kV Switchyard (these works are one of the stages of implementation of the LitPol Link with Poland). According to AB ABB, this increase in the capacity of the shunt reactors was not provided for in the agreement, so according to AB ABB's calculations, AB Litgrid should pay an additional LTL 3,005,000 (EUR 870,000) for the work. In the opinion of AB Litgrid, the claim is not founded, as the required capacity increase was within the scope of the agreement, and the contractor should have taken this into account during the procurement procedures. Hence, the Company will contest the claim made by AB ABB, and therefore no provisions were accounted for in these financial statements in connection with this uncertainty.

14. Commitments

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

15. Significant events after the balance sheet date

On 6 August 2014, the Company and Nordic Investment Bank (NIB) signed an agreement on 50 million euro loan for a period of ten years.

On 17 July 2014, the share capital of UAB Duomenų logistikos centras was decreased in order to repay funds to the shareholders. Prior that decrease of capital the number of shares, owned by the Company amounted to 11,995,748. After cancelling of 9,163,806 shares owned by the Company, 9,163,806 LTL where repaid to the Company on 22 August 2014.



CONSOLIDATED REPORT OF LITGRID AB AND ITS SUBSIDIARIES FOR THE FIRST SIX MONTHS OF 2014

I. General Information about the Group

This consolidated annual report has been prepared for the first six months of 2014.

The Issuer and its contact details:

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

Litgrid's operations

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

The mission of Litgrid is to ensure the reliable electricity transmission and enable competition in the open market for electricity.

Litgrid's vision is the full integration of Lithuania's electricity system into Europe's electricity infrastructure and the common market for electricity.

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

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

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

Litgrid's operating plans and forecasts

„Litgrid works actively and responsibly in the following key directions:

Integration of the country's electricity system into the European system

Once Lithuania becomes a full-fledged participant of the European electricity system, the 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 States' synchronous operation in the continental European grids.

Common European market for electricity

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

Integration of the transmission grid into Europe's electricity infrastructure

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

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

Litgrid's operations are based on modern management and social responsibility principles. While implementing large-scale energy projects that are strategically significant to the national economy, the company develops the following essential competencies: system management and reliable transmission of electricity, maintaining the country's electricity balance, infrastructure maintenance, HVDC link operation, maintenance and control, and project management. In planning the development of the transmission grid, electricity market and energy system, Litgrid's people – highly competent specialists and managers focus on innovation that further the smart grid development, formulate the transmission grid's technical policies, collaborate with Lithuanian higher educational establishments, and participate in the activities of international organisations that are responsible for the electricity infrastructure, markets and system planning.

In implementing strategic projects that contribute to the country's energy independence and working in a strictly regulated environment, Litgrid puts forth efforts to rationally and effectively use the available financial resources and the European Union assistance thus contributing to the increased competitiveness of the country's economy and improving consumer welfare.

The most important activities of 2013 in implementing strategic projects and other electricity sector

The LitPol Link electricity interconnector project implementation activities

In January 2014, construction of the 400 kV overhead power transmission line from the Alytus transformer substation to the Lithuanian – Polish border was started: foundations for the metal towers are being installed and the pylons are assembled. The works proceed according to the schedule; about 20% of the works were completed by July 2014. The works are planned to be completed by July 2015.

In June 2014, construction of the Alytus back-to-back converter with a 400 kV switchyard was started and preparatory earthworks were completed. Production and factory tests of the back-to-back converter valves, some of the main components of the converter, were successfully completed. The works proceed according to the schedule; the estimated completion is December 2015.

Reconstruction of the Alytus transformer substation's 330 kV switchyard is continued in 2014: construction of the control building has been completed and installation of the switchyard equipment (Phase I) is nearing completion. Approx. 50% of works have been performed according to schedule by July 2014; the estimated completion is May 2015.

Implementation of NordBalt inter-system power link project

More than two thirds of the subsea cable for the NordBalt link was manufactured by July 2014. On 11 April, a designated vessel Topaz Installer approached the Curonian Lagoon from the Baltic Sea and the cable laying works were started. 150 meters of the cable were installed on the sea bed (the total length is 400 km). The inland part of the cable is laid in the territories of the Klaipėda city and the Klaipėda district municipalities.

In May 2014, the works of construction of a back-to-back converter substation in the Klaipėda transformer substation were started. By July 2014, earthworks and drilling of the foundation poles were completed.

In 2014, reconstruction of the Klaipėda transformer substation and the 330 kV Klaipėda–Telšiai electricity transmission line continued. Construction of the line is planned to be completed in August 2014.

Lithuanian electricity market development

On 10 December 2013, an additional instrument of electricity trading was put into operation in the Lithuanian bidding area of Nord Pool Spot: the Elbas intraday market, which enables trading in electricity an hour prior to its delivery. The intraday market allows market participants to more effectively manage the wholesale electricity trading risks and to balance the trading in electricity produced from renewable energy sources. The Lithuanian electricity market participants are actively using this instrument: Lithuania accounts for approx. 40% of all electricity traded in the Elbas market of the Baltic States.

Since January 2014, Litgrid has been furnishing market participants with the wind farm electricity generation forecasts for the exchange trading purposes. Based on these forecasts, the market participants place their electricity sale bids in the Lithuania bidding area of Nord Pool Spot.

The Estonian-Finnish power link Estlink-2, which was put into operation in December 2013 and officially opened in February 2014, is of great significance for the Baltic States' electricity market. The intensified electricity trade between Finland and Estonia normally reduce prices in the Estonian bidding area of Nord Pool Spot. However, due to limited Estonian-Latvian interconnection capacities cheaper electricity does not always reach the Lithuanian market. The electricity prices in the Lithuanian electricity exchange in the first six months of 2014 were the same as in the same period of 2013, however, they were 30% higher than in Estonia. Whereas the prices on the Estonian electricity exchange were 23% lower in the first six months of 2014 compared with the same period of 2013.

Significant price fluctuations in the Lithuanian bidding area of the Nord Pool Spot electricity exchange in the first six months of 2014 were determined by a number of factors: repairs of the electricity lines between Russia and Estonia, Estonia and Latvia, and Finland and Estonia, limited and costly local generation capacities, and limited imports from third countries. The new power links with Sweden and Poland will enhance the integration of the Lithuanian electricity market into the Nordic market for electricity, whereas the prices will become closer to the Nordic prices in the future.

The opening of the intraday market of the Nord Pool Spot exchange, which operates in all of the Baltic States, in Lithuania is a part of the Baltic Energy Market Interconnection Plan (BEMIP) initiated by the European Commission. A common market for electricity, operating on the basis of identical principles, ensures transparent wholesale electricity prices and trading, the opportunity to buy cheaper electricity produced in other countries, and equal trading conditions for all market participants

Litgrid's membership in international organisations

Litgrid is a member of the Central European Energy Partners (CEEP). CEEP's main objective is to support the integration of the energy sector of the new European Union member states (Central and Eastern Europe) in the common EU energy and energy security policy context.

Litgrid is a member of ENTSO-E (European Network of Transmission System Operators for Electricity). Established in 2008, the organisation unites electricity transmission system operators from 34 European states. ENTSO-E addresses, within the scope of its competence, issues related to the transmission grids' management and development and the electricity market, makes proposals to the European Commission for the draft legal acts, draws up a ten-year plan on the development of the European transmission grid (TYNDP), develops the pan-European grid codes and relevant methodologies, promotes TSOs collaboration on European and regional levels (data exchange, coordination of activities, research etc. within the scope of TSOs competence), and engages in lobbying activities. Litgrid takes an active part in the activities of the association's committees and working groups in resolving the regional issues of system management and designing and implementing Lithuanian electricity infrastructure development projects and electricity market interconnection and electricity transmission system integration plans.

Litgrid's subsidiaries and their operations

As of 30 June 2013, the Litgrid group of companies ('the Group') consisted of Litgrid AB, BALTPPOOL UAB ('Baltpool'), Tetas UAB and Tinklo Priežiūros Centras UAB.

Name	BALTPPOOL UAB
Legal form	Private company
Registration date and place	11-12-2009, Register of Legal Entities of the Republic of Lithuania
Business ID	302464881
Registered office address	A. Juozapavičiaus g.13, LT-09311, Vilnius
Telephone	+370 5 278 2260
Fax	+370 5 278 2707
E-mail	info@baltpool.lt ; www.baltpool.lt
Type of operations	Energy resource market operator
Shares controlled by Litgrid	67 %

Name	UAB Tetas
Legal form	Private company
Registration date and place	08-12-2005, Register of Legal Entities of the Republic of Lithuania
Business ID	300513148
Registered office address	Senamiesčio g. 102B, LT-35116, Panevėžys
Telephone	+370 45 504 618
Fax	+370 45 504 684
Type of operations	Specialised transformer substations' and distribution stations' maintenance, repair, and installation services; tests and trials; designing of energy facilities
Shares controlled by Litgrid	100 %

Name	UAB Tinklo priežiūros centras
Legal form	Private company
Registration date and place	24-02-20014, Register of Legal Entities of the Republic of Lithuania
Business ID	303249180
Registered office address	A. Juozapavičiaus g.13, LT-09311, Vilnius
Telephone	+370 5 278 2777
Fax	+370 5 272 3986
Type of operations	Preparations for the installation, control and operation of the high-voltage direct current power links with the Polish and Swedish electricity systems
Shares controlled by Litgrid	100 %

As of 30 June 2014, Litgrid Group had shareholdings also in these companies:

LitPol Link Sp.z.o.o (Poland)	50 % of shares and voting rights
Duomenų Logistikos Centras UAB	20.36 % of shares and voting rights
Technologijų ir Inovacijų Centras UAB	0.01 % of shares and voting rights
NT Valdos, UAB	0.35 % of shares and voting rights
Nord Pool Spot AS	2.04 % of shares and voting rights and a board member on rotation

Services provided by Litgrid Group

Litgrid as the electricity transmission system operator provides the following services:

- Electricity transmission;
- Systemic services (power reserve);
- Trading in balancing and regulation electricity;
- Public service obligation services (PSO);
- Maintenance and repairs of the electricity grid.
- HVDC power links' maintenance, operation and repairs.

Transmission of electricity

Electricity transmission services are the transmission of electricity over high voltage (330–110 kilovolts, kV) equipment. The transmission system operator sends electricity from producers to customers that are connected to the transmission grid and to distribution grid operators. Electricity transmission is a regulated activity.

Core operations of TSO consists in the management of the high voltage electricity transmission grid and ensuring a reliable, efficient, high-quality, transparent, and safe electricity transmission.

System (power reserve) services

In order to maintain a reliable operation of the system, Litgrid purchases from energy generating companies the services of securing power reserve in the electricity generation equipment, reactive power and voltage control, and emergency and disruption prevention and response, and offers its customers system (power reserve) services. A power reserve is needed in cases of a sudden unscheduled fall in electricity generation or an increase in its consumption.

Trading in balancing and regulation electricity

Litgrid ensures the country's electricity generation and consumption balance. Balancing electricity is electricity that is consumed or produced beyond the established electricity consumption/generation schedules. Litgrid organises trading in balancing electricity and buys and sells balancing electricity that is necessary to ensure the national electricity generation and consumption balance.

Regulation electricity is electricity bought and/or sold on TSO's instruction for the purpose of performing the country's electricity consumption and generation balancing function. Litgrid organises trading in regulation electricity at an auction. Participants in the auction include the regulation energy suppliers and other countries' transmission system operators that have technical means to quickly change electricity generation and consumption conditions and have concluded the relevant contracts with Litgrid.

Public service obligation (PSO)

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

PSO provided by Litgrid:

- preparation and implementation of strategic projects related to increasing the energy security (the cross-border power links Lithuania–Sweden and Lithuania–Poland and the integration of the Lithuanian electricity system into continental European grids;
- connection of electricity generation equipment that uses wind, biomass, solar or hydro energy to the transmission grid and transmission grid optimization, development, and/or reconstruction related to the reception and transmission of electricity generated by producers using renewable energy sources;
- balancing of electricity produced using renewable energy sources.

By Resolution of the Government of the Republic of Lithuania No. 1338 of 7 November 2012, Baltpool UAB was appointed a PSO funds' administrator effective 1 January 2013.

The PSO provision procedures are established in the *Procedure for the Provision of Public Service Obligation* approved by Resolution of the Government of the Republic of Lithuania No. 916 of 18 July 2012. The PSO funds' administration procedures are established by the *Procedure for the Public Service Obligation Funds' Administration* approved by Resolution of the Government of the Republic of Lithuania No. 1157 of 19 September 2012. The PSO provision procedure states that the PSO funds are collected and transferred to the PSO funds' administrator under the terms and conditions established in the *Procedure for the Public Service Obligation Funds' Administration*. As the transmission system operator, Litgrid collects PSO funds from grid users whose electricity production and/or consumption equipment is connected to the electricity transmission grid and transfers them to the PSO funds' administrator.

Electric grid maintenance and repairs

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

- carries out electricity grid electrical equipment's maintenance and repairs;
- provides new energy facilities' construction and existing energy facilities' reconstruction services;
- provides the services of designing electrical equipment.

Tetas UAB operates in accordance with ISO 9001:2008 and ISO 14001:2004. The quality management and environmental management system, introduced in 2007, is applied in operating electrical equipment up to 400 kilovolts and in the design and construction of extraordinary structures.

Maintenance, operation and control of HVDC power links

On 14 February 2014, the Board of Litgrid passed a decision to form a subsidiary under the name Tinklo Priežiūros Centras (Grid Maintenance Centre) as a competence centre for high qualifications and specific engineering areas for the control and operation of the high voltage direct current (HVDC) power links (HVDC – a technology for a high-capacity electricity transmission between two different energy systems). The company was registered on 24 February 2014 and is managed as an internal division of Litgrid.

Environmental protection

For electricity transmission lines and transformer substations planned to be constructed, environmental impact assessment or screening procedures are carried out, the conclusions of which are taken into account in preparing technical designs. Environmental protection requirements are set for the design of new or reconstruction of the existing structures of the electricity transmission infrastructure. In all cases, efforts are made to select equipment that is less harmful to the environment. In the procurement of services, there is a requirement for the contractors must have implemented the environmental management systems according to the LST EN ISO 14001, and contractors are obligated to clean up waste generated during construction and submit documents confirming this.

In spring of 2014, Litgrid's specialists carried out measurements of the electromagnetic field strength at 30 locations at 110 and 330 kV electricity transmission lines. The strength of the electromagnetic field at various distances from the lines was assessed. The results have shown that the electromagnetic fields generated within the Lithuanian electricity transmission network always comply with the requirements established in the national hygiene standard, their values do not exceed the set limits and are often lower than those set in the norms. The measurement results, depicted graphically, are presented in Litgrid's website: <http://www.litgrid.eu/index.php/zemes-savininkams/elektromagnetiniai-laukai/elektromagnetiniu-lauku-matavimai/2413>.

The website also presents updated information on electromagnetic fields and the current standards relevant to them.

In collaboration with Litgrid, the Lithuanian Ornithologists Society conducted a study under the title 'Protection of Birds in 110-330 kV Electricity Transmission Lines'. The results of the study will form a basis for a project 'Implementation of Bird Protection Measures in High Voltage Electricity Transmission Lines in Lithuania, which is planned for 2014-2018 and 75% of which will be financed by the European Commission and the Ministry of Environment of the Republic of Lithuania. The project will involve various works in the transmission lines such as marking of the wires to increase their visibility for birds; special protection means in overhead lines under repairs preventing storks from perching on the towers above the insulators and protecting them against potential impact; installation of approx. 500 nesting boxes for the hatching of protected bird species (windhovers).

Customers of the transmission system operator

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

Transmission grid users include:

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

The balancing and regulation electricity suppliers are electricity producers and suppliers.

Employees

As of 30 June 2014, Litgrid Group employed 686 people: 220 Litgrid employees, 440 Tetas employees, 12 Baltpool employees, and 14 employees of Tinklo Priežiūros Centras.

The wage fund of Litgrid in the first six months of 2014 amounted to LTL 7,905,000.

	Number of employees as of 30 June 2014	Average monthly pay, LTL
Specialists	214	5 468
Managerial personnel	6	16 763
Total	220	5 764

The wage fund of Litgrid Group in the first six months of 2014 amounted to LTL 15,508,000.

	Number of employees as of 30 June 2014	Average pay, LTL
Workers	254	2 212
Specialists	417	4 532
Management	15	12 830
Total	686	3 871

Employees of Litgrid Group by education as of the end of the period:

	as of 30 June 2014
Number of employees	686
Employees with higher educational attainment	381
Employees with further educational attainment	138
Employees with secondary and vocational secondary educational attainment	167

During the reorganisation of the electricity sector companies in 2009-2010, based on the experiences of other countries' TSOs, decisions were made aimed at returning certain relay protection and automation, diagnostics, and technological network maintenance and control functions to the TSO as well as the ITT functions that are necessary for the core operations of the TSO. As part of implementation of these decisions, an ITT Centre was established in the company and the Grid Reconstruction Division in the Transmission Grid Department; specific engineering competences necessary for the critical TSO functions have been enhanced at the company.

In 2013, Litgrid and the trade union of the employees of the company concluded a collective agreement. It defines and secures a fair remuneration policy and governs social and economic relations between the employer and the employees.

Litgrid's social responsibility activities

Litgrid's operations are based on principles of social responsibility, sustainable development, transparency, and advanced environmental protection. The company's operations are a precondition for the successful functioning of the national economy, whereas its long-term strategic objectives and strategic electricity projects contribute to the achievement of the goal of ensuring the country's energy independence.

The scope and importance of the projects it is implementing encourage the company, its employees, and its management to adhere to the highest professional and ethical standards, accepting responsibility for the promoting and developing consciousness, responsibility, and the desire to actively participate in creating the country's welfare among members of the public and various social groups. In our social responsibility policy, we focus on the ensuring of fair and motivating working conditions, developing responsibility and civic attitude, and helping society, in which we operate, to grow and develop in all respects.

In order to further cooperation between individual divisions of Litgrid and to encourage the employees to get involved in the horizontal processes covering a number of divisions, various projects have been initiated aimed at involving the employees in activities unrelated to work, in addition to performing their direct work functions. Such activities promote organisational values, expand people's world outlook, encourage professional and individual development as well as the desire to contribute to the organization's results, increasing the prestige of energy- and engineering-related professions, and taking pride in the company and the projects of great significance that it carries out.

Litgrid collaborates with higher educational establishments in order to encourage youth and pupils in their last years of secondary school to study engineering; the company's specialists visit schools and deliver lectures and organise excursions of pupils and other groups at the company on a periodic basis.

We devote our energy and resources to contribute to the economic growth of the society in which we operate, to support communities with which we work, to create motivating conditions that encourage self-improvement for the people who work with us, and to protect nature, which provides us with resources. We implement strategic projects of high value and historic significance so we understand that important works mean great responsibility. Maintaining and encouraging a high quality dialogue with the members of the public for whom and among whom we work is a cornerstone of Litgrid's daily operations.

In 2014, Litgrid is constructing or plans to construct high-voltage electricity transmission lines in Alytus, Lazdijai, Klaipėda, Kretinga, Plungė, Telšiai, Neringa, Prienai, and Kaišiadorys districts. Meetings with Litgrid specialists and public figures are aimed at providing local residents with as much as possible information about the projects being implemented in their surroundings as much as possible and at creating a culture of dialogue. The topics of the meetings vary from public and private interest discussions and political news to informal activities that have helped to achieve significant results and make Lithuania's name known in the world. Such activities encourage community members to understand the value of living and working in Lithuania, the significance of promoting patriotism, and the use of maintaining full independence of Lithuania.

Information about research and development in the Group

Litgrid prepares the annual research and development programmes aimed at expanding the electricity system and enhancing the efficiency of the transmission grid. The reconstruction of energy facilities involves the replacement of old equipment and the implementation of modern relay protection, system automation, control, data capture and transmission systems. Ten-year plans for the construction and reconstruction of facilities are based on scientific research and studies and are updated on an annual basis.

As commissioned by Litgrid, the Lithuanian electricity transmission system operator, the Kaunas University of Technology completed a feasibility study on the connection of power plants generating electricity from renewable energy sources to the high voltage transmission grid by 2030. The purpose of the study is to determine the maximum number of the power plants generating electricity from renewable energy sources that could be connected to the existing transmission grid and which locations in Lithuania should be selected for the installation of wind farms and solar power, hydro power and biofuel-fired plants. The authors of the study have prepared several scenarios of development of the electricity generation sources, assessed the adequacy of the energy system reserves, and determined the condition of the electricity transmission grid in various modes. While the largest potential is seen in the development of biofuel-fired power plants, the study focuses on the analysis of wind farm development, having regard to the fact that electricity generation at such farms is most difficult to project and that it is most dependent on weather conditions.

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

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

Preparation of consolidated financial statements is governed by Litgrid's Accounting Policies and Procedures, which ensure that accounting practices are compliant with the International Financial Reporting Standards as adopted by the EU and the laws of the Republic of Lithuania. Descriptions of Litgrid's procedure cover the potential risks associated with accounting and financial statements, their management methods and principles, and employees responsible for risk management.

Development of ITT competences in the company

Effective IT solutions are critically important for smooth and uninterrupted operations of Litgrid; information technology has become an integral part of the electricity system planning and management, equipment control and servicing. In implementing the EU Third Energy Package, which requires separating of the electricity generation, transmission, and distribution operations, Litgrid has assessed the need to independently manage information technology and telecommunications operations.

Until June 2013, all IT services were provided to Litgrid by Technologiju ir Inovaciju Centras UAB. In 2013, an IT division was formed in the company, which took over part of the servicing of the main ITT systems: operational control, substations' tele-information capture and transmission, repairs, and operational control. Transparent procurement of auxiliary ITT services from external providers has been started in 2013 in order to satisfy the needs of business units.

At the beginning of 2014, a new division – the Centre for Information Technologies and Telecommunications was formed in the company. Its activities are focussed on the following areas:

- development, servicing and ensuring security of information systems designed for the control of the electricity system facilities;
- automation of the electricity transmission grid including strategic projects of the company;
- business IT systems' development and support, ensuring security and continuity of operations;
- provision of quality ITT services to the divisions and procurement of transparent auxiliary services from external providers, ensuring an uninterrupted ITT systems' operation in the critical processes.

Litgrid Centre for ITT employs 18 specialists. Apart from ITT competences, expert knowledge on automation of the energy system control are pooled at this division. This will ensure continuity of the ITT solutions, security control and transparency of operations at Litgrid.

II. Financial Information

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

	January-June 2014		January-June 2013		January-June 2012	
	Group	Company	Group	Company	Group	Company
Financial indicators ('000 LTL)						
Sales revenues related to electricity	181 996	181 705	223 884	223 634	209 895	209 710
Other operating income	35 547	2 929	33 767	3 372	24 949	3 692
EBITDA	63 180	64 454	96 782	98 563	76 770	75 896
Profit (loss) before tax	(9 210)	(7 213)	30 850	33 647	13 486	15 057
Net profit (loss)	(9 153)	(7 154)	26 461	28 909	11 254	12 836
Cash flow from operations	52 842	54 303	91 218	95 115	63 491	70 961
Ratios						
EBITDA margin (%)	29,0	34,9	37,6	43,2	32,7	35,6
Average return on equity (%)	-0,6	-0,5	1,7	1,7	1,2	1,5
Average return on assets (%)	-0,4	-0,3	1,0	1,1	0,9	1,0
Shareholders' equity / assets (%)	54,4	56,7	60,8	64,0	63,0	63,4
Liabilities / equity (%)	49,5	42,1	40,3	32,0	43,4	42,4
Financial liabilities / equity (%)	22,2	21,5	11,0	10,5	0,0	0,0
Free cash flows (FCF) / turnover (%)	9,53	11,71	33,1	39,5	31,9	38,8
Price-to-earnings ratio (P/E) (12 months)	-	-	18,74	-	-	-
TSO performance indicators						
Transmitted amount of electricity, m kWh		4 541		4 624		4 555
Process costs in transmission grid (%)		1,90		2,27		2,20
END (electricity not delivered due to disconnections), MWh *		0,21		5,25		1,00
AIT (average interruption time), min. *		0,01		0,24		0,05

* Only due to reasons the operator is responsible for and due to undetermined reasons.

Revenues

In the first six months of 2014, the Litgrid Group's revenues were LTL 217.5 million, a decrease of 15.6% compared to the same period of 2013.

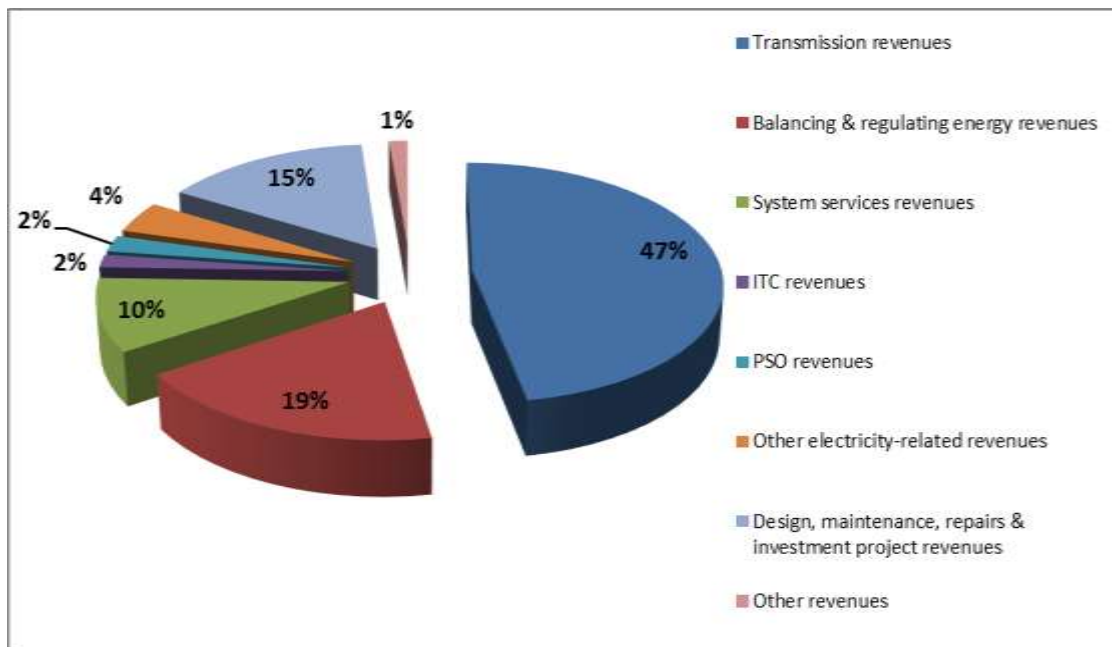
Revenues from electricity transmission decreased 9.8 % compared to 2013 to LTL 102.6 million, which accounts for 47% of the Group's revenue. In the first six months of 2014, Litgrid's high-voltage electricity transmission grid transmitted 4541 million kilowatt-hours (kWh) of electricity for the country's needs, or 1.8% less than transmitted in the first six months of 2013.

4128 million kWh were delivered to Lesto, the distribution grid operator, or 0.9 % less than last year, while 414 million kWh were delivered to other customers, or 10.2 % less than in 2013. This has largely resulted from the lowered electricity demand from Orlen Lietuva oil refinery.

Sales revenues from balancing and regulation electricity decreased 17.4 % to LTL 40.4 million. The decrease resulted from the fact that in 2014 the balancing electricity suppliers have been meeting the larger part of demand from their customers from sources other than the balancing electricity supplied by the TSO. Revenues from system (power reserve) services decreased 54.4 % to LTL 21.3 million due to the lower price of system services. The fee for electricity imported to/exported from countries other than the EU Member States. The ITC income (or income from participation in the European transmission system operator transit compensation mechanism, Inter TSO) was LTL 3.7 million. The PSO income was LTL 4.8 million. Other revenue related to electricity: reactive energy, transit, and new customer connection revenues totalled LTL 9.2 million.

Income from design, maintenance, repair works and investment projects increased 7.3 % to LTL 32.6 million, whereas other income fell 12.9 % to LTL 2.9 million.

Income structure



Costs

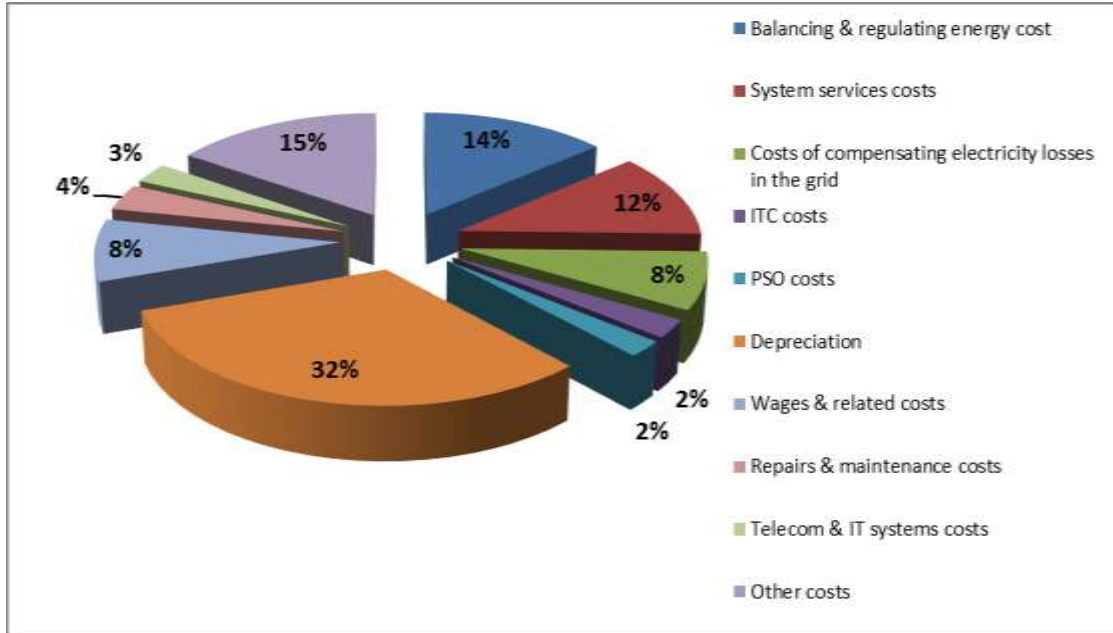
In the first six months of 2014, costs of the Group amounted to LTL 226.3 million, a 1.6 % decrease compared with the same period of 2013.

The costs of purchasing electricity and related services accounted for the largest part of the Group's costs, i.e. 38% or LTL 86 million, which is 11,3% less compared with the first six months of 2013, including a 13.4% decrease in balancing and regulation electricity costs (to LTL 31.3 million), a 1.3% increase in system service costs (up to LTL 26.2 million), and a 20.9% decrease in the cost of electricity purchases for compensating process loss in the grid (to LTL 17.8 million). Transit

costs (participation in the Inter TSO compensation mechanism, ITC)) were LTL 5.7 million and PSO provision costs were LTL 5 million.

Depreciation and amortisation costs increased 9.3 % up to LTL 71.8 million, wage costs and related costs increased 7.8% up to LTL 19.2 million, telecommunications and IT systems costs decreased 11.6% to LTL 6.3 million, other costs decreased 6% to LTL 35 million.

Cost structure



Profit

Loss before tax of the Group in the first six months of 2014 totalled LTL 9.2 million; in the same period of 2013 the Group had earned profit of LTL 30.8 million.

The Group's loss for the first six months of 2014 consisted of: loss on system services segment LTL 4, 9 million (first six months of 2013: profit of LTL 20.9 million), profit on balancing and regulation energy segment LTL 9.1 million (2013: profit LTL 12.7 million), loss on transmission operations segment LTL 11 million (2013: loss LTL 3.4 million), loss on other operations including financial LTL 2.4 million (2013: profit LTL 0.6 million).

Results of segment operations are determined by the specificity of regulated activities where the last year's result is determined at the same time with the setting of the prices for the regulated transmission and system services.

The negative result of the system services segment has been determined by the fact that, when setting the estimated system service price (income) for 2014, the National Commission for Energy Control and Prices assessed the costs for 2014 and deducted the difference between the actual and forecast result of the system service provision in 2012, which (profit) was LTL 8.1 million. Accordingly, when determining Litgrid's estimated revenues from system services in 2015, the difference between the actual and forecast result of the system service provision in 2013, which is profit of LTL 20.9, will be deducted.

A worse result of transmission segment was obtained because the National Commission for Energy Control and Prices, in determining the ceiling of the transmission price and the revenues for 2014, has assessed the results of the transmission and balancing-regulating activities in 2011-2012 and lowered the ceiling of the transmission price 5.2% compared with 2013. Due to this and due to the smaller amount of electricity sold, transmission income in the first six months of 2014 compared with the same period of 2013 was reduced by LTL 11.2 million.

In the first six months of 2014, the Group's EBITDA was LTL 63.2 million, a 34.7% decrease compared with the same period of 2013 (LTL 96.8 m). The EBITDA margin decreased to 34.9% (2013: 37.6%).

Balance sheet and cash flows

As of 30 June 2014, assets of the Group amounted to LTL 2 549 billion. Non-current assets accounted for 86.5% of total assets of the Group. Shareholders' equity accounted for 54.4% of total assets of the Group.

As of 30 June 2014., the Group's financial obligations to credit institutions amounted to LTL 308.4 million and the financial liabilities to equity ratio was 22.2%. The portion of the long-term financial debt repayable after one year accounted for 81.4% of all financial debts. Cash and cash equivalents totalled LTL 49.9 million including LTL 38.8 million reserved for the NordBalt power link project (PSO funds and EU assistance received). In addition, the Company had invested LTL 95 million reserved for the NordBalt project: LTL 55 million in bonds held to maturity (January 2015) and LTL 40 million as a term deposit (term: November 2014).

In the first six months of 2014, the Group's net cash flows from operations amounted to LTL 52.8 million (first six months of 2013: LTL 91.2 million), payments for non-current tangible and intangible assets amounted to LTL 84.3 million (2013: LTL 66.9 million). LTL 112.8 million were paid as dividend in 2014.

In the first six months of 2014, the Group's net cash flows excluding cash flows from financial activities and cash flows to term deposits and investments held to maturity totalled LTL 20.7 million (2013: LTL 85.3 million).

Indicators of the TSO operations

Based on the requirements for electricity transmission reliability and service quality approved by the National Commission for Energy Control and Prices, the following indicators are used to determine the electricity transmission reliability level: END – electricity not delivered due to disconnections and AIT – average interruption time. The following minimum indicator values were set by the Commission for 2014: END – 5 MWh (actual 0.21 MWh), AIT – 0.26 min. (actual 0.01 min.).

Investments in non-current assets

The largest amount was invested in the implementation of strategic projects: LTL 62.3 million. This accounted for 67% of all investments. Investments in the reconstruction and development of transmission network amounted to LTL 31.3 million (33% of total investments).

Risks

Political risks

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

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

Management of financial risks

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

Information about financial risk faced by the Group and its management is provided in Note 31 on the Consolidated Financial Statements of Litgrid, AB and Financial Statements of the Company for 2013.

Technical risks

Lithuania's energy system has a number of connecting lines with the neighbouring energy systems. The available power and energy balance control means are limited and the power and energy balance control process is complicated.

About 50% of equipment in the TSO transformer substations is older than 25 years. 35% of all 110 kV overhead lines and 24% of all 330 kV overhead lines are older than 45 years. Failures or faults in the main process equipment can have a negative impact on the Group's operations and financial results.

Environmental risks

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

References and explanations about data provided in the Consolidated Financial Statements

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

Dividend policy

The Government of the Republic of Lithuania, which controls 97.5% shares in Litgrid indirectly through EPSO-G UAB, has established the principles of allocation of dividend on the shares owned by the State by its resolution No 20 of 14 January 1997 (new version of the Resolution: No 359 of 4 April 2012). The general meeting of shareholders of Litgrid held on 7 April 2014 declared a dividend of LTL 0.2237 per share totalling LTL 112.8 million.

III. Information about Authorised Capital and Shareholders

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

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

As of 30 June 2014 the Company had about 5,700 (five thousand and seven hundred) shareholders. As of 30 June 2014 EPSO-G UAB (A. Juozapavičiaus g. 13, LT-09310 Vilnius, business ID 302826889) owned 491,736,153 ordinary registered shares in the company, i. e. 97.5 % of Litgrid's authorised capital

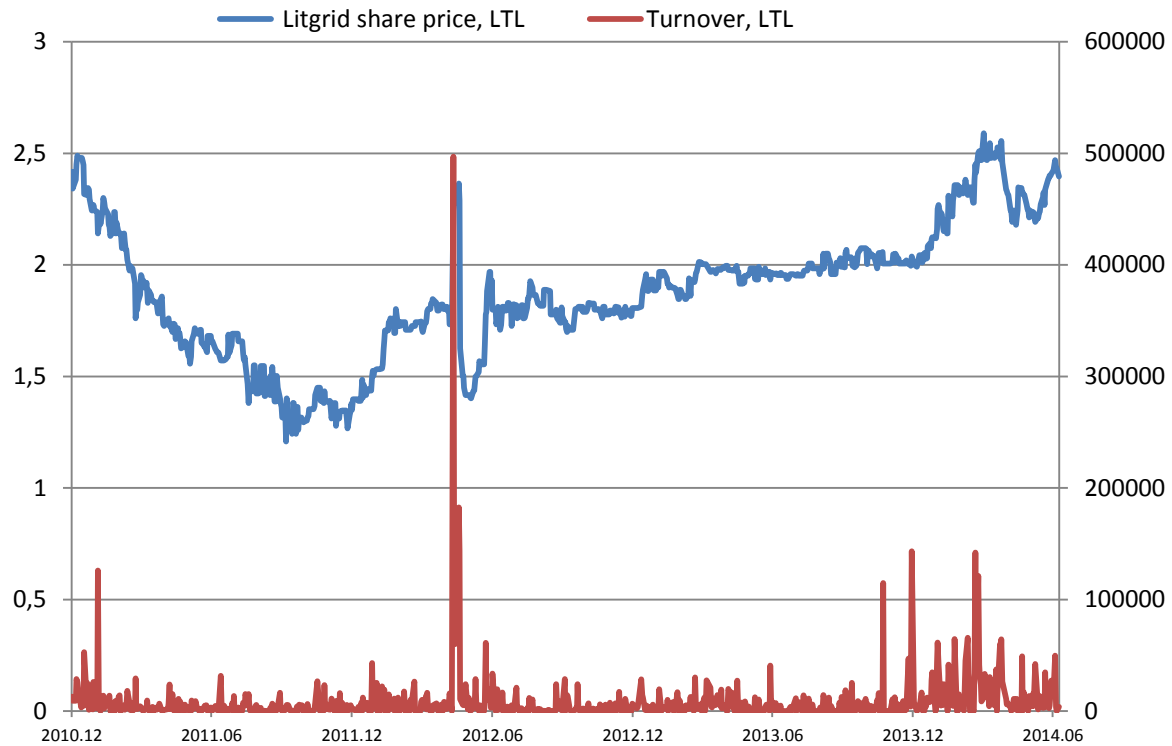
On 28 December 2012, Litgrid concluded an agreement with Swedbank, AB on accounting for the Company's securities and related services for the period from 1 February 2013 until 31 January 2016.

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

Trading in Litgrid securities in regulated markets:

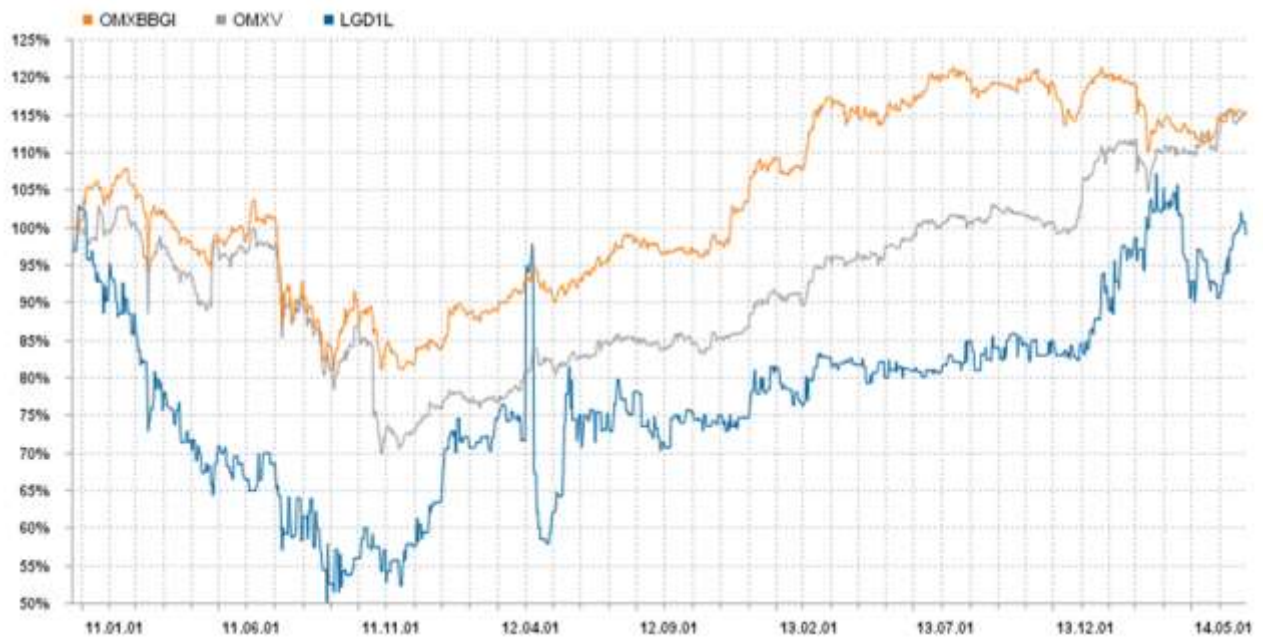
Indicator (January-June)	2012	2013	2014
Opening price, LTL	1.391	1.813	2.044
Highest price, LTL	2.365	2.013	2.590
Lowest price, LTL	1.391	1.813	2.010
Closing price, LTL	1.813	1.954	2.396
Average price, LTL	1.699	1.943	2.310
Turnover, pc	1,081,739	356,882	932,490
Turnover, LTL m	2.143	0.692	2.188
Capitalisation, LTL m	914.35	985.46	1,208.38

Turnover and price of Litgrid shares during the period from start of trading in Litgrid shares on 22 December 2010 until 30 June 2014:



Comparison of Litgrid (LGD1L) share price with OMX Baltic Benchmark GI (OMXBGGI) and OMX Vilnius (OMXV) indexes during the period from start of trading in Litgrid shares on 22 December 2010 until 30 June 2014:

Baltic market indexes



Articles of Association

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

The General Meeting of Shareholders

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

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

The Supervisory Council

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

The Supervisory Council reports to the general meeting of shareholders.

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

The Supervisory Council has three members including the chairperson. Independent members can also be elected to the Supervisory Council¹. The Supervisory Council is elected for a term of office of four years. The Supervisory Council or its members start their activities after the end of the general meeting of shareholders that has elected the supervisory council/its members.

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

Areas of activities of the Supervisory Council

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

Audit Committee

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

The term of office of the Audit Committee is the same as the term of office of the Supervisory Council that has approved the composition of the Audit Committee.

The Board

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

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

The Board elects the Chairperson from among its members.

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

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

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

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

Areas of activities of the Board

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

Areas of activities of the Chief Executive Officer

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

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

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

Position	Name	Start date	End date	Number of shares of the Issuer*
Supervisory Council				
Chairperson	Aleksandras Spruogis	2013-04-24	2014-04-07	-
Member	Audrius Misevičius	2013-04-24		-
Member	Violeta Greičiuvienė	2013-04-24		-
Independent member	Mindaugas Vaičiulis	2014-04-07		-
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		-
General Manager	Daivis Virbickas	2013-09-10		-
Chief Financier	Svetlana Sokolskytė	2012-07-02		-

*Information on the shares in the Issuer as of 6 June 2014.

Members of Supervisory Council of Litgrid

Mr Aleksandras Spruogis, Chairperson of the Supervisory Council

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

Mr Audrius Misevičius, Member of the Supervisory Council

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

Mr Mindaugas Vaičiulis, Independent Member of the Board

Born in 1974. 1996 – Bachelor’s Degree in Banking at Vilnius University. 1998 – Master’s Degree in Banking at Vilnius University. 2004 - Chartered Financial Analyst, CFA. 2013 - International Fixed Income and Derivatives Certificate (IFID). Work record: Experience of many years in commercial banks and commercial institutions, from 2012 – Head of the Banking Service and Deputy Chairman of the Board of the Bank of Lithuania; from 2013 – Member of the Board of UAB Lietuvos Monetų Kalykla. Professional activities: since 2003 – Member of the Board of the Association of Financial Analysts, 2011-2013 and 2004-2007 – President of the Association of Financial Analysts.

Members of the Board of Litgrid

Mr Daivis Virbickas, Chairperson of the Board

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

Mr Karolis Sankovski, Member of Member of the Board

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

Mr Vidmantas Grušas, Member of the Board

Born in 1962. Mr Vidmantas Grušas is responsible for the transmission grid management. Has experience of many years in the operation of high voltage transmission grid equipment, grid facilities development, and operational control.

Mr Rimantas Busila, Member of the Board

Born in 1958. Mr Rimantas Busila is responsible for financial management. Has experience of many years in financial, investment and securities management.

Mr Rolandas Masilevičius, Member of the Board

Born in 1972. Responsible for ICT policies and administration. Has experience of many years in administration and implementation of IT projects.

The Chief Executive Officer of the Company and the Board Members received no payments for their work in the Board of the Company. The gross pay to the independent Member of the Supervisory Council was LTL 5,100 (gross) for a 1st half of the year 2014. No payments for work in the Supervisory Council were made to other Supervisory Council Members. The gross pay to the members of the Audit Committee was LTL 4,793 (gross). During the accounting period, the amount of pay (gross) to the CEO and Chief Financier of the Company totalled LTL 187 038 and the average pay (gross) per person (i.e. the CEO / Chief Financier) was LTL 93 519.

Information on major related-party transactions, their amounts, type of related-party relationships and other information on the transactions which is necessary for the understanding of the Company’s financial position is provided in Note 11 of the Explanatory Notes to the Financial Statements.

Transparency

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

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

Notices of material events published by Litgrid from 1 January 2014 until 27 August 2014:

Date	News
2014.08.07	Litgrid will borrow part of the funds necessary for LitPol Link financing from the Nordic Investment Bank
2014.06.13	Decisions taken by the extraordinary general meeting of shareholders of Litgrid held on 12 June 2014
2014.05.30	Financial results of Litgrid Group for the first quarter of 2014 announced
2014.05.23	An extraordinary general meeting of shareholders of Litgrid convened
2014.04.15	Procedure for payment of Litgrid's dividends for 2013 announced
2014.04.08	Conclusion of a credit line agreement
2014.04.07	Litgrid consolidated annual financial statements for 2013
2014.04.07	Decisions taken by the extraordinary general meeting of shareholders of Litgrid held on 7 April 2014
2014.03.21	Notice of resignation of a Member of the Supervisory Council of Litgrid and additions to the agenda of the general meeting of shareholders
2014.03.14	A general meeting of shareholders of Litgrid is convened
2014.02.28	Interim financial results of Litgrid Group for 2013 published
2014.02.24	Audit Committee of Litgrid elected
2014.02.14	Litgrid will form a new company for the management of the new intersystem power links
2014.02.07	Concerning published information
2014.01.13	Concerning intention to borrow

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