

**Amber
Grid**



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CONFIRMATION OF RESPONSIBLE PERSONS

28 February 2014 No *5-401-2*

Following Art. 22 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and the Submission of Periodic and Additional Information approved by the Board of the Bank of Lithuania of 28 February 2013, we, Saulius Bilys, General Manager and Rimantas Šukys, Financial Director of AB Amber Grid, hereby confirm that to the best of our knowledge, the attached AB Amber Grid Company's Condensed Financial Statements as of 31 December 2013 prepared according to the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Amber Grid.

General Manager

Saulius Bilys

Financial Director

Rimantas Šukys

AB AMBER GRID
CONDENSED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

Statements of financial position

		Notes	As of 31 December 2013 (unaudited)	As of 31 July 2013 (unaudited)
ASSETS				
A.	Non-current assets		1,583,740	1,576,673
I.	Intangible assets		1,679	1,529
II.	Property, plant and equipment		1,581,582	1,574,672
II.1.	Land		387	387
II.2.	Buildings and structures		1,320,544	1,223,862
II.2.1.	Buildings		27,898	27,202
II.2.2.	Transmission networks and related installations		1,271,669	1,175,708
II.2.3.	Distribution networks and related installations		379	383
II.2.4.	Other buildings and structures		20598	20,569
II.3.	Machinery and equipment		230,417	225,882
II.4.	Vehicles		5,172	4,996
II.5.	Other equipment, tools and devices		13,845	11,359
II.6.	Other property, plant and equipment		886	700
II.7.	Construction in progress	3	10,331	107,486
III.	Non-current financial assets		479	472
III.1.	Investment into subsidiary		-	-
III.2.	Investment into joint venture	1	479	472
III.3.	Non-current accounts receivable		-	-
B.	Current assets		165,187	119,123
I.	Inventories and prepayments		26,862	26,995
I.1.	Inventories		26,714	26,829
I.1.1.	Raw materials, spare parts and other		4,541	5,744
I.1.2.	Natural gas		22,173	21,085
I.2.	Prepayments		148	166
II.	Accounts receivable		73,302	52,684
II.1.	Trade receivables	4	16,169	8,302
II.2.	Other receivables	5	57,133	44,382
III.	Prepaid income tax		-	-
IV.	Other financial assets	6	45,305	27,302
V.	Other current assets		-	-
VI.	Cash and cash equivalents		19,718	12,142
Total assets			1,748,927	1,695,796



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

Statements of financial position (cont'd)

		Notes	As of 31 December 2013 (unaudited)	As of 31 July 2013 (unaudited)
EQUITY AND LIABILITIES				
C.	Equity		1,208,560	1,203,383
I.	Share capital		178,382	178,382
II.	Reserves		1,015,111	1,015,111
II.1.	Legal reserve		17,838	17,838
II.2.	Other reserves		997,273	997,273
III.	Retained earnings		15,067	9,890
D.	Liabilities		540,367	492,413
I.	Non-current liabilities		374,872	392,271
I.1.	Non-current borrowings	7	135,118	157,500
I.2.	Grants (deferred revenue)		131,072	122,053
I.3.	Non-current employee benefits		1,131	1,133
I.4.	Deferred tax liability		107,551	111,585
II.	Current liabilities		165,495	100,142
II.1.	Current portion of non-current borrowings	7	45,083	23,572
II.2.	Current portion of non-current employee benefits		260	-
II.3.	Trade payables	9	12,673	8,528
II.4.	Advance received		-	-
II.5.	Income tax payable		1,388	-
II.6.	Payroll related liabilities		2,224	1,129
II.7.	Other payables and current liabilities	10	103,867	66,913
Total equity and liabilities			1,748,927	1,695,796

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



General Manager	Saulius Bilys		28 February 2014
Chief Accountant	Dzintra Tamulienė		28 February 2014

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COMPANY'S CONDENSED FINANCIAL STATEMENTS
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(all amounts are in LTL thousand unless stated otherwise)

Income statements

		Notes	Oct - Dec 2013	Five month period ended 31 December 2013
			(unaudited)	(unaudited)
I.	Revenue	11	47,728	74,101
II.	Expenses		(41,877)	(70,574)
II.1.	Cost of natural gas		(4,542)	(8,012)
II.2.	Deprecation and amortization		(19,449)	(32,221)
II.3.	Other expenses		(17,886)	(30,341)
III.	Profit from operations		5,851	3,527
IV.	Financial activity		(622)	(1,102)
IV.1.	Income		34	63
IV.2.	Expenses		(656)	(1,165)
V.	Profit before tax		5,229	2,425
VI.	Income tax	8	1,004	2,646
VI.1.	Current period income tax		(1,130)	(1,388)
VI.2.	Deferred income tax		2,134	4,034
VII.	Net profit		6,233	5,071



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

General Manager	Saulius Bilys		28 February 2014
Chief Accountant	Dzintra Tamulienė		28 February 2014

Statements of comprehensive income

	Oct - Dec 2013	Five month period ended 31 December 2013
	(unaudited)	(unaudited)
I. Net profit/losses	6,233	5,071
II. Total comprehensive income	<u>6,233</u>	<u>5,071</u>

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

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Statements of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 July 2013 (unaudited)	178,382	17,838	997,273	9,890*	1,203,383
Total comprehensive income	-	-	-	5,177	5,177
<i>Net profit for the year</i>	-	-	-	5,177	5,177
Balance as of 31 December 2013 (unaudited)	178,382	17,838	997,273	15,067	1,208,560

*The figure includes a loss of LTL 106 thousand incurred in June and July of 2013.

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

General Manager	Saulius Bilys		28 February 2014
Chief Accountant	Dzintra Tamulienė		28 February 2014

COMPANY'S CONDENSED FINANCIAL STATEMENTS

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Statements of cash flows



	Five month period ended 31 December 2013 (unaudited)
I. Cash flows from (to) operating activities	
I.1. Net profit	5,071
Adjustments of non-cash items and other corrections:	
I.2. Depreciation and amortization	32,221
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	1
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	(59)
I.5. Income tax expenses	(2,646)
I.6. Interest (income)	(12)
I.7. Interest expenses	1,172
I.8. (Amortization) of the grants (deferred revenue)	(1,170)
I.9. Elimination of the other investing activity results	-
I.10. Elimination of other non-cash items	10,102
	44,680
Changes in working capital:	
I.11. Decrease (increase) in inventories	242
I.12. Decrease (increase) in trade accounts receivable	(7,837)
I.13. Decrease (increase) in other accounts receivable and prepayments	(17,911)
I.14. Increase (decrease) in trade accounts payable	4,004
I.15. Increase (decrease) in other accounts payable and other current liabilities	28,069
I.16. (Increase) decrease of other financial assets	(18,002)
I.17. Income tax (paid)	-
Total changes in working capital	(11,435)
Net cash flows from operating activities	33,245
II. Cash flows from (to) investing activities	
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(39,045)
II.2. Proceeds from sales of property, plant and equipment	-
II.3. Decrease (increase) in term deposits	-
II.4. Interest received	12
II.5. Disposal (acquisitions) of other short term investments	-
Net cash flows (to) investing activities	(39,033)

The accompanying notes are an integral part of these financial statements.
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Statements of cash flows (cont'd)

	<u>Five month period ended 31 December 2013 (unaudited)</u>
III. Cash flows from (to) financing activities	
III.1. Loan repayment	(1,072)
III.2. Grants received	15,625
III.3. Interest (paid)	(1,189)
Net cash flows from (to) financing activities	<u>13,364</u>
IV. Net increase (decrease) in cash and cash equivalents	7,576
V. Cash and cash equivalents at the beginning of the period	<u>12,142</u>
VI. Cash and cash equivalents at the end of the period	<u><u>19,718</u></u>

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

General Manager	Saulius Bilys		28 February 2014
Chief Accountant	Dzintra Tamulienė		28 February 2014

Notes to the financial statements

1 General information

AB Amber Grid (hereinafter – the Company) was incorporated on 25 June 2013 through a spin-off from AB Lietuvos Dujos of the natural gas transmission activity. On 18 July 2013, the National Control Commission for Prices and Energy (hereinafter – the NCCPE) issued in respect of the Company an interim natural gas transmission operator's licence effective from 1 August 2013. On 2 August 2013, AB Lietuvos Dujos by a Transfer and Acceptance Deed transferred to AB Amber Grid the assets rights and obligations attributed to the gas transmission activity as of 31 July 2013.

As of 31 December 2013, the Company's shareholders were as follows:

	<u>Number of shares held</u>	<u>Ownership share (percent)</u>
E.ON Ruhrgas International GmbH	69,416,233	38.9
OAQ Gazprom	66,112,761	37.1
Ministry of Energy of the Republic of Lithuania	31,575,724	17.7
Other shareholders	<u>11,277,796</u>	<u>6.3</u>
	<u>178,382,514</u>	<u>100.0</u>

The Company's share capital amounts to LTL 178,382,514, divided into 178,382,514 ordinary registered shares with par value of one LTL each.

Since 1 August 2013, the Company's ordinary registered shares have been listed on the Secondary trading list of NASDAQ OMX Vilnius.

The Company's investment into UAB GET Baltic, a joint venture co-owned with AB Lietuvos Dujos and the Finnish gas company Gasum Oy, in the Company's financial statements as of 31 December 2013 was accounted for using the equity method. The condensed financial statements as of 31 December 2013, prepared by UAB GET Baltic in accordance with International Financial Reporting Standards (IFRS), were not audited.

2 Accounting principles

The Company's condensed financial statements as of 31 December 2013 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

On 12 June 2012, the Seimas of the Republic of Lithuania passed the Law on the Liquefied Natural Gas Terminal (hereinafter referred to as "the LNGT"), setting forth that the installation and operation of the LNGT, including the infrastructure and the connector, may be co-financed with a mark-up imposed on the natural gas transmission tariff. Accordingly, on 9 October 2012, the NCCPE adopted Resolution No. O3-294 "On the Adoption of Procedure for the Administration of Funds to Finance in Part or in Full the Costs Related to the Installation and Operation of the Liquefied Natural Gas Terminal, Including Infrastructure and Connector thereof", setting forth a procedure for the administration of the aforesaid funds. On 28 September 2012, the NCCPE by its Resolution No. O3-275 "On Amending the National Control Commission for Prices and Energy Resolution No. O3-106 on the Natural Gas Transmission and Distribution Price Cap Calculation Methodology as of 8 August 2008" set forth that funds required to compensate in full or in part for the costs incurred in relation to the installation of the LNGT, including the infrastructure and connector thereof, by a special NCCPE decision to that effect may be imposed as a complementary and integral component of the natural gas transmission price cap – an LNGT mark-up. By its Resolution No. O3-330 as of 26 October 2012 the NCCPE set the LNGT mark-up amount for the year 2013: LTL 37.53 per thousand cubic meters.

Since 1 January 2013, the Company, in implementation of the aforesaid legal provisions, have been collecting and administering the aforesaid LNGT funds. In the collection and administration of the LNGT funds, the Company act only as intermediaries that are performing this function for and on behalf of the State and this activity does not generate any revenue / profit in the process of the ordinary activities of the Company. The LNGT funds, which are collected from the payers and transferred to the beneficiaries (to the company that is implementing the LNGT project or the LNGT operator) are not considered to be either the Company's revenue / expense items, and are accounted for as other receivables / other payables. The LNGT funds amount allocated to cover the LNGT fund administration costs are considered to be the Company's revenue and are accounted for as a gas transmission activity item.

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3 Construction in progress

Major objects of construction in progress of the Company as of 31 December 2013 and 31 July 2013 were as follows:

Object

	31 December 2013 (unaudited)	31 July 2013 (unaudited)
Construction of the Jurbarkas – Klaipėda gas transmission pipeline:		98,984
<i>Construction of gas transmission pipeline from the branch to gas distribution station (hereinafter – GDS) in Tauragė to the branch to GDS in Šilutė</i>		54,152
<i>Construction of gas transmission pipeline from the branch to GDS in Šilutė to the branch to GDS-2 in Klaipėda, the branch to GDS-2 in Klaipėda and GDS-2 in Klaipėda</i>		44,832
Acquisition of container-type GDS		3,988
The gas transmission pipeline to the Alytus GDS: installation of an intelligent pig launcher and an intelligent pig receiver and replacement of line block valves No.2 and No. 3	1,742	
The gas transmission pipeline to the Marijampolė GDS: installation of an intelligent pig launcher and an intelligent pig receiver and replacement of line block valve No.3	1,598	
Procurement of environmental pollution equipment	1,395	
The gas transmission pipeline branches leading to the Pajiešmeniai GDS and Biržai GDS: replacement of line block valves and connection to the SCADA system	941	
The Panevėžys – Šiauliai-Klaipėda gas transmission pipeline: procurement of an intelligent pig launcher	762	
Reconstruction of the odorant storage	967	
Other	2,926	4,514
	10,331	107,486

November 2013 saw the completion of the implementation of the Project for the Construction of the Jurbarkas – Klaipėda Gas Transmission Pipeline and the asset was accepted (commissioned and put into operation).

4 Trade receivables

	31 December 2013 (unaudited)	31 July 2013 (unaudited)
Receivables from gas transmission system users	16,225	8,441
Other trade receivables	8	-
Less: allowance for trade receivables	(64)	(139)
	16,169	8,302

Receivables from gas transmission system users for gas transmission services as of 31 December 2013 increased due to the increase in gas volume transmission during the winter season.

5 Other receivables

	31 December 2013 (unaudited)	31 July 2013 (unaudited)
LNGT funds receivable (administered by the Company)	56,500	38,657
Other receivables	633	5,725
Less: allowance for other receivables	-	-
	57,133	44,382

6 Other financial assets

The Company's Other financial assets as of 31 December 2013 consisted of the cash payable to the LNGT beneficiaries that is kept in a separate LNGT funds bank account that was selected and opened in compliance with relevant legal provisions.

7 Loans

As at 31 December 2013, the loan amount granted to the Company according the long-term financial instrument agreement with Swedbank AB of 22 October 2012 stood at LTL 180 million (EUR 52.1 million).

	31 December 2013 (unaudited)	31 July 2013 (unaudited)
Long-term loans		
Loans from credit institutions of Lithuania	135,000	157.500
Leasing	118	
Short-term loans		
Current portion of long-term loans	45,000	23.572
Leasing	83	
	180,201	181.072

Company's long-term debt repayment terms:

	31 December 2013 (unaudited)	31 July 2013 (unaudited)	31 December 2013 (unaudited)	31 July 2013 (unaudited)
	Loans with a fixed interest rate	Loans with a fixed interest rate	Loans with floating interest rate	Loans with floating interest rate
2013	-	1,072	-	-
2014	-	-	45,000	45,000
2015	-	-	45,000	45,000
2016	-	-	45,000	45,000
2017	-	-	45,000	45,000
	-	1,072	180,000	180,000

The interest rate applicable to the loan is close to the effective interest rate. As of 31 December 2013, the weighted average of the Company's loan was 1.536 percent.

The Company's loan is denominated in euros. In the calculations we used the official currency exchange rate of the Bank of Lithuania as of 31 December 2013, LTL 3.4528 for EUR 1.

All the Company's loans are in euros.

There are no third-party guarantees and the Company's assets pledged as collateral for bank loans.

8 Income tax

The corporate income tax rate used to tax the Company's profits of 2013: 15 percent. The income tax expense for the period comprises current income tax and deferred tax.

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9 Trade payables

	31 December 2013 (unaudited)	31 July 2013 (unaudited)
Payables to suppliers in according to the Construction programme	31	6,788
Payables to suppliers according to the Reconstruction programme	7,949	1,051
Payables to suppliers for services	1,244	188
Payables to suppliers of non-current assets repairs	1,688	-
Other	1,761	501
	12,673	8,528

10 Other payables and current liabilities

	31 December 2013 (unaudited)	31 July 2013 (unaudited)
LNGT funds payable administered by the Company	45,270	27,302
Accrued LNGT funds administered by the Company *	54,644	37,625
Real state tax	1,838	-
VAT payable	1,452	-
Other payables	663	1,986
	103,867	66,913

The Company's Other payables and current liabilities as of 31 December 2013 saw a significant increase, which mainly came as a result of the LNGT funds payable administered by the Company, the accrued LNGT funds administered by the Company and the increase in the VAT payable and real state taxes.

* The accrued LNGT funds administered by the Company are attributed to the LNGT funds payable account only when the gas transmission system users pay them to the Company.

11 Revenue

The Company's revenue consists of:

	Oct – 31 Dec 2013 (unaudited)	Five month period ended 31 December 2013 (unaudited)
Transmission and transit of natural gas	45.895	70.006
Sales of natural gas	832	2.508
Grants recognized as revenue	904	1.428
Revenue of administration of the LNGT funds	76	126
Other revenues	21	33
	47.728	74.101

12 Commitments and contingencies

Legal disputes

According to the Republic of Lithuania Law on the Liquefied Natural Gas Terminal and applicable resolutions adopted by the NCCPE, all the natural gas system users that transport natural gas via the gas transmission system, when settling accounts for gas transmission services rendered to them must pay an additional tariff mark-up constituting an integral part of the overall natural gas transmission tariff – an LNGT mark-up (also referred to as the LNGT funds). In accordance with the statutory provisions, the LNGT funds shall be administered by the natural gas transmission system operator. Before 31 July 2013, the functions of the administrator of the LNGT funds were performed by AB Lietuvos Dujos. Following the NCCPE decision on the withdrawal of the AB Lietuvos Dujos natural gas transmission operator's license and on the issuance of a fixed-term gas transmission operator's license to AB Amber Grid. On 17 September 2013, AB Amber Grid adjusted the amount of the claim. By court ruling as of 12 December 2013, the Court of First Instance granted in part the aforesaid claim of AB Amber Grid, i.e. the Court ordered to pay all the requested debt amount and legal interest amount, but the interest awarded by the Court was reduced from 0.04 per cent to 0.02 percent. AB Achema lodged an appeal, and AB Amber Grid also lodged an appeal – it appealed against the part of the court ruling concerning the award of interest. The outcome of the case will have no financial impact on the Company, because should the aforesaid claim by AB Amber Grid be granted, the amount awarded by the Court would have to be transferred by AB Amber Grid to the final beneficiary of the LNGT-funds.

On 19 November 2012, AB Achema appealed to the Vilnius Regional Administrative Court requesting revocation of items 3.1 and 4 of Resolution No. 03-317 of 19 October 2012 "On fixing the fund amount to compensate, in full or in part, for the costs of the construction and operation of the Liquefied Natural Gas Terminal, its infrastructure and connector in the year 2013" and requesting repeal of item 2 of the NCCPE Resolution No. O3-330 of 26 October 2012 "On the adjustment of AB Lietuvos Dujos natural gas transmission and distribution price caps and introduction of a complementary and inseparable component of the natural gas transmission price cap (the LNGT mark-up) for the year 2013". On 29 January 2013, by a court order AB Lietuvos Dujos was involved into the judicial dispute as an interested third party. On 1 August 2013, by a Transfer-Acceptance Deed the aforesaid case was transferred by AB Lietuvos Dujos to AB Amber Grid. In the opinion of the Management, the outcome of the case is unclear and cannot be reasonably estimated.

On 10 July 2013, AB Lietuvos Dujos received a notification by the Panevėžys District Court that on 3 July 2013 the Court issued a ruling to apply to a Specialized Judicial Panel for Jurisdiction Disputes requesting opinion thereof whether the lawsuit of the plaintiff, a prosecutor of the Public Interest Defense Department of the Panevėžys District Prosecutor's Office against the defendants, the Ministry of Economy of the Republic of Lithuania, AB Lietuvos Dujos, the third parties – the Lithuanian Road Administration under the Ministry of Transport and Communications of the Republic of Lithuania, and VĮ Panevėžio Regiono Keliai – regarding the revocation of the Minister of Economy's orders in the part of the transfer of a road of national importance, application of restitution is attributable to the general competence courts or to the administrative court. On 1 August 2013, by a Transfer-Acceptance Deed AB Lietuvos Dujos transferred the aforesaid case to AB Amber Grid. One part of the road that is owned by AB Amber Grid and leads to the Panevėžys Gas Compressor Station coincides with a section of the Piniava-Paliūniškis Road, which has the status of a road of state importance. Since by law all roads of state importance shall be owned by the right of exclusive ownership exclusively by the State itself, the prosecutor seeks annulment of the orders issued by the Minister of Economy and the property transmission deeds in question, whereby this road was registered as assets of AB Lietuvos Dujos, now – the assets of AB Amber Grid. The action has been revised several times, as the prosecutor adjusted his claims. The case is pending before the Court. The outcome *could* have a financial impact on the Company, since the Company seeks to be awarded a compensation, should the Court annul AB Amber Grid's ownership rights to at least a part (6,534 sq. m.) of the road in question. In the opinion of the Company's Management, the outcome of the case is unclear and can not be reasonably estimated.

13 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The related parties of the Company, transaction amounts and debts as of 31 December 2013 were as follows:

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13 Related party transactions (cont'd)

- OAO Gazprom (one of the major shareholders of the Company);
- UAB GET Baltic (joint venture where the Company has an interest);
- AB Lietuvos Dujos (the same shareholders);
- AS Latvijas Gaze (the same shareholders).

The tables below present the Company's balances and transactions with related parties as of 31 December 2013.

As of 31 December 2013 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	-	20,166	9,320	-
AB Lietuvos Dujos	5,590	14,137	1,523	1
<i>of which the LNGT funds</i>	-	4,822	1,379	-
UAB GET Baltic	232	221	-	280
AS Latvijos Gaze	26	-	-	-
	5,848	34,524	10,843	281

There were no receivables from related parties and payables to them, for which any guarantees would be provided for or received. As at 30 December 2013, the Company had not accounted for any allowance for receivables from related parties.