

**Amber  
Grid**



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**CONFIRMATION OF RESPONSIBLE PERSONS**

27 March 2014 No *5-401-4*

Following Art. 21 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, 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 Financial Statements for the Year Ended 31 December 2013 Prepared According to International Financial Reporting Standards as Adopted by the European Union, Presented together with Independent Auditor's Report presents a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Amber Grid Company, and AB Amber Grid Annual Report 2013 presents a true and fair review of the business development and business activities, the Company's status including the description of the key risks and uncertainties.

General Manager

Saulius Bilys

Financial Director

Rimantas Šukys

# AB AMBER GRID

FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2013 PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION PRESENTED  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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Juridinio asmens kodas 110878442  
PVM mokėtojo kodas LT108784411  
Juridinių asmenų registras

Code of legal entity 110878442  
VAT payer code LT108784411  
Register of Legal Entities

## Independent auditor's report to the shareholders of AB Amber Grid

### Report on Financial Statements

We have audited the accompanying financial statements of Amber Grid AB, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Company"), which comprise the statement of financial position as of 31 December 2013, the statement of income, comprehensive income, changes in equity and cash flows for the 5 months period then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Basis for Qualified Opinion*

According to the Company's accounting policy (Note 2.5) property, plant and equipment, which comprise LTL 1,582 million as of 31 December 2013, is stated at cost less accumulated depreciation and accumulated impairment losses. The Company estimates the recoverable value of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. As described in Note 2.20 to the financial statements, the impairment test prepared by management did not identify any need for impairment of property, plant and equipment. We believe that impairment indications and impairment exist as of 31 December 2013, however we were not able to quantify its impact on the property, plant and equipment balance due to significant assumptions involved related to the changes in the gas sector and Regulatory environment in coming years.

### *Qualified Opinion*

In our opinion, except for the possible effect of the matter described in section *Basis for Qualified Opinion* above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2013, and its financial performance and cash flows for the 5 months period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



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Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2013 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

UAB ERNST & YOUNG BALTIC  
Audit company's license No. 001335

A handwritten signature in blue ink, appearing to read 'Asta Štreimikienė', with a horizontal line extending to the right.

Asta Štreimikienė  
Auditor's licence  
No. 000382

The audit was completed on 5 March 2014.

**AB AMBER GRID, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania**  
**FINANCIAL STATEMENTS**  
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(all amounts are in LTL thousand unless otherwise stated)

**Statement of financial position**

	Notes	As at 31 December 2013	As at 31 July 2013
<b>ASSETS</b>			
<b>A. Non-current assets</b>		<b>1,583,740</b>	<b>1,576,673</b>
I. Intangible assets	4	1,679	1,529
II. Property, plant and equipment	5	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		20,598	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		10,331	107,486
III. Non-current financial assets		479	472
III.1. Investment into joint venture	1	479	472
<b>B. Current assets</b>		<b>165,187</b>	<b>119,123</b>
I. Inventories and prepayments		26,862	26,995
I.1. Inventories	6	26,714	26,829
I.1.1. Raw materials, spare parts and other inventories		4,541	5,744
I.1.2. Natural gas		22,173	21,085
I.2. Prepayments		148	166
II. Accounts receivable	7	73,302	52,684
II.1. Trade receivables		16,169	8,302
II.2. Other receivables		57,133	44,382
III. Prepaid income tax			
IV. Other current assets	8	45,305	27,302
V. Cash and cash equivalents	9	19,718	12,142
<b>Total assets</b>		<b>1,748,927</b>	<b>1,695,796</b>

*(cont'd on the next page)*

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

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**Statement of financial position (cont'd)**

		Notes	As at 31 December 2013	As at 31 July 2013
<b>EQUITY AND LIABILITIES</b>				
<b>C.</b>	<b>Equity</b>		<b>1,208,560</b>	<b>1,203,489</b>
I.	Share capital	1	178,382	178,382
II.	Reserves	10	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	9,996
<b>D.</b>	<b>Liabilities</b>		<b>540,367</b>	<b>492,307</b>
I.	Non-current liabilities		374,872	392,271
I.1.	Non-current borrowings	11	135,118	157,500
I.2.	Grants (deferred revenue)	12	131,072	122,053
I.3.	Non-current employee benefits	13	1,131	1,133
I.4.	Deferred income tax liability	18	107,551	111,585
II.	Current liabilities		165,495	100,036
II.1.	Current portion of non-current borrowings	11	45,083	23,572
II.2.	Current portion of employee benefits	13	260	-
II.3.	Trade payables	14	12,673	8,528
II.4.	Income tax payable		1,388	-
II.5.	Payroll related liabilities		2,224	1,129
II.6.	Other payables and current liabilities	15	103,867	66,807
<b>Total equity and liabilities</b>			<b>1,748,927</b>	<b>1,695,796</b>

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

General Manager	Saulius Bilys		5 March 2014
Chief Accountant	Dzintra Tamulienė		5 March 2014

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**Income statement**

		Notes	Period of 5 months ended on 31 December 2013
<b>I.</b>	<b>Revenue</b>	16	<b>74,101</b>
<b>II.</b>	<b>Expenses</b>		<b>(70,574)</b>
II.1.	Cost of natural gas		(8,012)
II.2.	Depreciation and amortization	4, 5	(32,221)
II.3.	Payroll and related social security tax expenses		(10,314)
II.4.	Repair and technical maintenance expenses		(14,860)
II.5.	Taxes, other than income tax		(1,959)
II.6.	Other expenses		(3,208)
<b>III.</b>	<b>Profit from operations</b>		<b>3,527</b>
<b>IV.</b>	<b>Financial activity</b>	17	<b>(1,102)</b>
IV.1.	Income		63
IV.2.	Expense		(1,165)
<b>V.</b>	<b>Profit before tax</b>		<b>2,425</b>
<b>VI.</b>	<b>Income tax</b>	18	<b>2,646</b>
VI.1.	Current period income tax		(1,388)
VI.2.	Deferred income tax		4,034
<b>VII.</b>	<b>Net profit</b>		<b>5,071</b>
	Basic and diluted earnings per share (LTL)	19	0.03

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

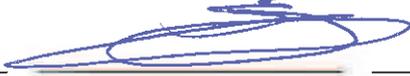
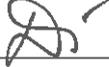
General Manager	Saulius Bilys		5 March 2014
Chief Accountant	Dzintra Tamulienė		5 March 2014

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Statement of comprehensive income

	<u>Period of 5 months ended on 31 December 2013</u>
I. Net profit	<u>5,071</u>
II. Total comprehensive income	<u>5,071</u>

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

General Manager	Saulius Bilys		5 March 2014
Chief Accountant	Dzintra Tamulienė		5 March 2014

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Statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
As at 31 July 2013	178,382	17,838	997,273	9,996	1,203,489
Total comprehensive income	-	-	-	5,071	5,071
Net profit for the year	-	-	-	5,071	5,071
As at 31 December 2013	178,382	17,838	997,273	15,067	1,208,560

The accompanying notes are an integral part of these financial statements

General Manager	Saulius Bilys		5 March 2014
Chief Accountant	Dzintra Tamulienė		5 March 2014

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**Statement of cash flows**

	Notes	Period of 5 months ended on 31 December 2013
<b>I. Cash flows from (to) operating activities</b>		
I.1. Net profit		5,071
<b>Adjustments of non-cash items and other corrections:</b>		
I.2. Depreciation and amortisation	4, 5	32,221
I.3. Loss on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal		1
I.4. Impairment losses for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories		(59)
I.5. Income tax (benefit)	18	(2,646)
I.6. Interest (income)	17	(12)
I.7. Interest expenses	17	1,172
I.8. (Amortisation) of the grants (deferred revenue)		(1, 428)
I.9. Elimination of other non-cash items		223
		<b>34,543</b>
<b>Changes in working capital:</b>		
I.10. Decrease in inventories	6	243
I.11. (Increase) in trade accounts receivable	7	(7,792)
I.12. (Increase) in other accounts receivable and prepayments		(17,930)
I.13. Increase in trade accounts payable		4,004
I.14. Increase in other accounts payable and other current liabilities		38,155
I.15. (Increase) in other financial assets		(18,002)
<b>Total changes in working capital</b>		<b>(1,322)</b>
<b>Net cash flows from operating activities</b>		<b>33,221</b>
<b>II. Cash flows from (to) investing activities</b>		
II.1. (Acquisition) of property, plant and equipment and intangible assets	4, 5, 20	(39,038)
II.2. Interest received		12
<b>Net cash flows (to) investing activities</b>		<b>(39,026)</b>

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

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Statement of cash flows (cont'd)

	Notes	Period of 5 months ended on 31 December 2013
<b>III. Cash flows from (to) financing activities</b>		
III.1. Loans (repaid)	11	(1,072)
III.2. Grants received	12, 20	15,625
III.3. Interest (paid)		(1,172)
<b>Net cash flows from (to) financing activities</b>		<b>13,381</b>
<b>IV. Net increase (decrease) in cash and cash equivalents</b>		<b>7,576</b>
<b>V. Cash and cash equivalents at the beginning of the year</b>		<b>12,142</b>
<b>VI. Cash and cash equivalents at the end of the year</b>		<b>19,718</b>

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

General Manager	Saulius Bilys		5 March 2014
Chief Accountant	Dzintra Tamulienė		5 March 2014

## **Notes to the financial statements**

### **1 General information**

AB Amber Grid (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Savanoriai ave. 28,  
LT – 03116, Vilnius,  
Lithuania.

AB Amber Grid was incorporated by a decision of the General Meeting of Shareholders of AB Lietuvos Dujos on 11 June 2013 following the requirements of the legal acts of the Republic of Lithuania to unbundle natural gas transmission activities. The unbundling conditions of AB Lietuvos Dujos were approved and it was decided to unbundle natural gas transmission activities with the assets, rights and obligations attributed thereto from AB Lietuvos Dujos, which continue operations.

The Company was registered on 25 June 2013. Based on a statement of transfer and acceptance, the Company was transferred the balances of assets, rights and obligations attributable to natural gas transmission activities as of 31 July 2013. As the unbundling is treated as a transaction under common control and the Company's operation is a continuation of the same activities while still within AB Lietuvos Dujos, all assets and liabilities so transferred were initially recognised by the Company at the carrying amounts accounted for by the transferor (i.e. AB Lietuvos Dujos) at the time of transfer. To the extent events and transactions occurred before the incorporation of the Company, "the Company", when used in relation to such events and transactions also refers to acts of the transferor.

Following the incorporation of AB Amber Grid, the legal, organizational and functional natural gas transmission unbundling was implemented. In order to fully comply with the Republic of Lithuania Law of Natural Gas requirements in section 8, AB Amber Grid control unbundling must be implemented till 31 October 2014. Decisions regarding control unbundling implementation will be made by shareholders.

Natural gas transmission is a licensed activity. The National Commission for Energy Control and Prices (hereinafter, NCC) granted a license to the Company to engage in natural gas transmission activities from 1 August 2013. The prices for transmission and distribution of natural gas are regulated. The price caps are set by NCC.

The Company actually operates since 1 August 2013. The financial statements reflects the 5 months period ending 31 December 2013. Any activity prior to 1 August 2013 was insignificant.

In connection with the performance of the activities of natural gas transmission system operator, the Company provides the following services to the customers, other operators and gas market participants:

- natural gas transmission and transit via trunk gas pipelines;
- balancing natural gas transmission system;
- administration of the funds for the compensation of liquefied natural gas (hereinafter, LNG) terminal, its infrastructure and connector installation and operation costs.

Clients of the Company are large (electricity, central heating, industrial) and medium Lithuanian business enterprises, natural gas supply companies that are provided with natural gas transmission services.

## 1 General information (cont'd)

As at 31 December 2013 the shareholders of the Company were as follows:

	Number of shares held	Percentage of ownership (%)
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	11,277,796	6.3
	178,382,514	100.0

The share capital of the Company is LTL 178,382,514. All the shares of the Company are ordinary registered shares with a par value of LTL 1 each and were fully paid as at 31 December 2013. The Company did not hold its own shares. Starting from 1 August 2013 the Company's shares are traded at the stock exchange and are listed on the secondary list of NASDAQ OMX Vilnius Stock Exchange.

The Company's investment into the company UAB GET Baltic jointly controlled with AB Lietuvos Dujos and the Finnish gas company Gasum Oy is stated using the equity method in the Company's financial statements. The financial statements of UAB GET Baltic for the year ended 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU). During the 2013 the performance of joint venture was insignificant and was included in financial activities.

UAB GET Baltic data as at 31 December 2013:

Company	Address of registered office	Part of shares controlled by the Company (%)	Share capital	Current year (loss) attributable to the Company	Equity	Main activity
UAB GET Baltic	Aguonų g. 24, Vilnius	32	2,000	(161)	1,422	Licensed natural gas market operator – arranges trading on the Natural Gas Exchange

The average number of employees of the Company was 347 in 2013.

The management of the Company approved these financial statements on 5 March 2014. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared.

## 2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for the year 2013 are as follows:

### 2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

These financial statements are prepared based on a historical cost basis.

Numbers in tables may not add up due to rounding of individual amounts. Such rounding errors are insignificant in these financial statements.

## 2 Accounting principles (cont'd)

### 2.1. Basis of preparation (cont'd)

#### Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

This financial year, the Company has adopted the following amendments to IFRS:

- Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance because the Company has no OCI element.
- Amendment to IAS 19 Employee Benefits. There are numerous amendments to IAS 19; they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The change of employee benefits balance has no significant influence on the financial statements of the Company.
- Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. This amendment did not impact the financial statements of the Company, because the Company does not have netting arrangements.
- IFRS 13 *Fair Value Measurement*. The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. This implementation did not have a material impact on the figures presented in the Company's financial statements, but based on its requirements additional information was disclosed (Note 2.19).
- IFRIC 20 — Stripping Costs in the Production Phase of a Surface Mine. This interpretation applies to stripping costs incurred during the production phase of the mine surface mining (production stripping costs). This interpretation had no impact on the Company's financial statements, as the Company is not involved in mining activity.

#### Standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but are not yet effective:

**Amendment to IAS 19 *Employee Benefits*** (effective for financial years beginning on or after 1 July 2014).

The amendment address the accounting treatment for employee contributions to defined benefit plans. The implementation of this amendment will not have any impact on the financial statements of the Company.

**Amendment to IAS 27 *Separate Financial Statements*** (effective for financial years beginning on or after 1 January 2014).

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The implementation of this amendment will not have any impact on the financial statements of the Company.

**Amendment to IAS 28 *Investments in Associates and Joint Ventures*** (effective for financial years beginning on or after 1 January 2014)

## 2 Accounting principles (cont'd)

### 2.1. Basis of preparation (cont'd)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Company.

#### **Amendment to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*** (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company has not yet evaluated the impact of the implementation of this standard.

#### **IAS 36 — Impairment of Assets** (effective for financial years beginning on or after 1 January 2014)

The amendment requires additional disclosures about fair value assessment when recoverable amount is determined based on the fair value less costs to sell, and removes inadvertent consequences arising from IFRS 13 to IAS 36 disclosures. This amendment will have no impact on the Company's financial position or results, however, may result in additional disclosures.

#### **IAS 39 *Financial Instruments. Recognition and Measurement*** (effective for financial years beginning on or after 1 January 2014)

The amendment allows to continue hedge accounting when the change of derivative financial instruments for hedging meets the criteria. This amendment will not have impact on the Company's financial position or results of the Company as a hedge accounting is not applied in the Company.

#### **IFRS 9 *Financial Instruments*** (currently no effective date, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The Company has not yet evaluated the impact of the implementation of this standard.

#### **IFRS 10 *Consolidated Financial Statements*** (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* related to consolidated financial statements and replaces SIC 12 *Consolidation — Special Purpose Entities*. This amendment will not have impact on the Company's financial position or results as the Company has no controlled entities.

#### **IFRS 11 *Joint Arrangements*** (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The Company has not yet evaluated the impact of the implementation of this standard.

## 2 Accounting principles (cont'd)

### 2.1. Basis of preparation (cont'd)

#### **IFRS 12 Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2014)**

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Company has not yet evaluated the impact of the implementation of this standard.

#### **IFRS 14 Regulatory deferred accounts (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)**

This is an interim standard that provides for first-time adopters the opportunity to leave the regulative assets and liabilities in the balance sheet until the IASB finalizes detailed assets and liabilities accounting project. Application of this standard will have no impact on the Company.

#### **Amendments to IFRS 10 and IAS 27 - Investment Entities (effective for financial years beginning on or after 1 January 2014)**

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Company.

#### **Improvements to IFRSs (Effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)**

Effective for financial years beginning on or after 1 July 2014, once endorsed by the EU:

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:

- IFRS 1 First-time adoption of IFRS;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets;
- IAS 40 Investment property.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

#### **IFRIC Interpretation 21 Levies (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)**

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Company has not yet evaluated the impact of the implementation of this interpretation.

The Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

## **2 Accounting principles (cont'd)**

### **2.2. Measurement and presentation currency**

The amounts shown in these financial statements are measured and presented in the local currency of the Republic of Lithuania, Litas (LTL).

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 LTL for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

### **2.3. Investment in a joint venture**

The Company has an interest in a joint venture UAB GET Baltic, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company recognizes its interest in the joint venture using the equity method. Applying the equity method an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the jointly controlled entity. The profit or loss of the Company includes the Company's share of the profit or loss of the jointly controlled entity. The unrealized Company's gain or loss which originate due to transactions between the Company and joint venture is eliminated.

### **2.4. Intangible assets**

Intangible assets of the Company are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives (4 years). The useful lives, residual values and amortisation method are reviewed annually to ensure they are consistent with the expected pattern of economic benefits from items of non-current intangible assets. Intangible assets mainly consist of software and licenses used in main activities of the Company.

The Company does not have any intangible assets with indefinite useful live.

### **2.5. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major repair is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised as profit or loss as incurred.

When assets are sold or retired, their cost, accumulated depreciation and impairment losses are eliminated from the accounting, and any gain or loss resulting from their disposal is included in the income statement.

## 2 Accounting principles (cont'd)

### 2.5. Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	25 - 60 years;
Transmission networks and related installations	55 years;
Distribution networks and related installations	55 years;
Machinery and equipment	5 - 20 years;
Other buildings and structures	15 - 19 years;
Vehicles	6 years;
Other equipment, tools and devices	4 - 9 years;
Other property, plant and equipment	4 - 9 years.

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The Company has land as property plant and equipment with unlimited useful life; therefore it is not depreciated.

Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and put into operation.

The Company estimates the value of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. An impairment loss is recognised in the income statement, whenever estimated.

### 2.6. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Company's financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus (except for the financial assets at fair value through profit or loss) transaction costs.

#### Financial assets at fair value through profit or loss

The category financial assets at fair value through profit or loss include financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

#### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

## 2 Accounting principles (cont'd)

### 2.6. Financial assets (cont'd)

#### Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivables are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts and accounts receivable are derecognised (written-off) when they are assessed as uncollectible.

#### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale which are not classified in any of these three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

### 2.7. Derecognition of financial assets and liabilities

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## **2 Accounting principles (cont'd)**

### **2.8. Inventories**

Inventories of the Company, consisting of natural gas in pipelines and storage at the year-end and other inventories, are valued at the lower of cost or net realisable value. Cost of natural gas is determined on the basis of weighted average cost, and the cost of the remaining inventories is determined on the basis of the first-in, first-out (FIFO) method. Inventories that cannot be realised are written off.

### **2.9. Cash and cash equivalents**

Cash includes cash banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

### **2.10. Borrowings**

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings.

### **2.11. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Based on the decision of the Company specific borrowings do not become general borrowings after the construction/acquisition of the qualifying assets financed from the specific borrowing is completed and therefore related borrowing costs are not capitalised further.

### **2.12. Grants (deferred revenue)**

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant and is included under the caption of income in the income statement.

Payments received from customers for the connection to the Company's gas systems are accounted for as deferred revenue and recognised as income over the expected useful life of the related capitalised assets.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

The balance of unutilised grants is shown under caption of "Grants (deferred revenue)" in the statement of financial position.

## **2 Accounting principles (cont'd)**

### **2.13. Non-current employee benefits**

#### Defined benefit plan – post employment benefits

According to the collective agreement, each employee leaving the Company at the retirement age is entitled to a one-time payment. Employment benefits are recognised in the statement of financial position and reflect the present value of future payments at the date of the statement of financial position. The above mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. The actuarial gains and losses are recognized in other comprehensive income in the period when incurred. They will not be reclassified to profit or loss in future periods.

The past service costs are recognized in the income statement immediately.

#### Other long-term employee benefits

The Company is paying benefits to its employees for the long work experience in the Company. Non-current obligation for employment benefit is recognised in the statement of financial position as the present value of defined benefit obligation at the date of the statement of financial position. Present value of defined benefit obligation is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and the similar maturity as the employment benefits.

### **2.14. Income tax**

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

15 % income tax rate has been established starting from 1 January 2010 for companies operating in Republic of Lithuania.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax asset and liability is measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax asset have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

## **2 Accounting principles (cont'd)**

### **2.15. Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### Financial lease

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease. The Company recognises financial leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate implicit in the financial lease agreement, when it is possible to determine it, in other cases, Company's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over a period longer than lease term, unless the Company, according to the lease contract, obtains ownership at the end of the lease term.

#### Operating lease

Leases where the lessor retains all significant risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### **2.16. Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenues from customers for the natural gas transmission service are recognised twice a month based on the data presented by the Distribution System Operator on the natural gas quantities distributed to the system users connected to the distribution system and on the statements of transmitted natural gas signed by the Company with system users who are directly connected to the transmission system.

### **2.17. Foreign currencies**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the income statement. Such balances are translated at period-end exchange rates.

## 2 Accounting principles (cont'd)

### 2.18. Impairment of assets

#### Financial assets

Financial assets are reviewed for impairment at each date of the statements of financial position.

For financial assets carried at amortised cost, whenever, based on events that have occurred, it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement in the same caption, where the impairment losses have been recognised. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

#### Other assets

Other assets of the Company are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted in the same caption of the income statement as the impairment loss.

### 2.19. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, other than quoted market prices included within Level 1.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 2.20. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management of the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation and impairment evaluation of property, plant and equipment (Note 2.5 and Note 5) and deferred income tax asset (Note 2.14 and Note 18). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

## **2 Accounting principles (cont'd)**

### **2.20. Use of estimates in the preparation of financial statements (cont'd)**

If indications of impairment of property, plant and equipment exist, the non-current asset's value based on the discounted cash flows of the Company is performed. Assessing the discounted cash flows using a discount rate, the presumption is broadly in line with the NCC price regulation applicable to the assessment rate of return assumptions. Mostly, the change of discount rate and volume of transferable gas quantity affect the change of the Company's recoverable value of fixed assets.

The Company performed an impairment test based on value in use method which did not result in any impairment charge. However, there are significant uncertainties in the assumptions used in preparing a relevant forecast of cash flows. Uncertainties are associated with expected changes in the gas markets after implementation of major infrastructure projects in the gas system and after starting the LNG terminal in Klaipeda, and the expected changes in the regulatory environment.

### **2.21. Contingencies**

Contingent liabilities are not recognised in the financial statements. They are disclosed in financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

### **2.22. Subsequent events**

Post-balance sheet events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

### **2.23. Offsetting**

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except in those cases where certain IFRS specifically permit or require such set-off.

### **2.24. Administration of the funds of the liquefied natural gas terminal**

On 12 June 2012 the Seimas of the Republic of Lithuania adopted the Law on the Liquefied Natural Gas Terminal (hereinafter, LNGT), which set forth that LNGT, its infrastructure and connector installation and operation may be financed by including its expenses in the price for the natural gas transmission service. Accordingly, on 9 October 2012 National Commission for Energy Control and Prices ((hereinafter, NCC) passed a Resolution No O3-294 on the Approval of the Procedure for the Administration of the Funds Allocated to the Installation and Operation Expenses of the Liquefied Natural Gas Terminal, its infrastructure and connector, which set forth the procedure for the administration of the above expenses. With its Resolution No O3-275 of 28 September 2012 Amending the Resolution No O3-106 of 8 August 2008 of the NCC on the Approval of the Methodology for the Calculation of Price Caps on Natural Gas Transmission and Distribution, NCC set forth that funds allocated for the compensation of the expenses or a part thereof from natural gas terminal, its infrastructure and connector installation may be established as a secondary and integral component of the natural gas transmission price cap – LNGT supplement. With its Resolution No O3-330 of 26 October 2012 NCC approved the LNGT supplement – 37.53 LTL/1000 m<sup>3</sup>, whereas with the Resolution of 11 October 2013, instead of the LNGT supplement, it approved a secondary gas supply security component of 39.36 LTL/1000 m<sup>3</sup> for the period of 3–31 December 2014.

## 2 Accounting principles (cont'd)

### 2.24. Administration of the funds of the liquefied natural gas terminal (cont'd)

Following the requirements of the above legal acts, the Company collects and administrates LNGT funds. In the collection and administration of the LNGT funds, the Company acts as an intermediary on behalf of the state, and this activity does not generate operating income/profit for the Company, except for the share of the LNGT funds allocated to cover the administration expenses of LNGT funds, which is considered as the Company's income (16 Note). LNGT funds collected from the payers of LNGT funds and transferred to the recipients of LNGT funds (LNGT project implementing company or LNGT operator) are not considered as the Company's income/expenses, but are accounted for as other receivables/other payables and other financial assets.

## 3 Segment information

The Company is engaged in the natural gas transmission activity. It operates as one segment.

All the Company's non-current assets are located in Lithuania where the Company performs its operations.

In 2013 the Company generated over 72.19% of its revenue from the Lithuanian customers, 27.81% - revenues from transit services, i.e. transported gas to the Kaliningrad region of the Russian Federation.

During the period of 5 months, ended on 31 Decemeber 2013, there were four customers each of which generated revenues exceeding 10 % of total Company's revenues and in total amounted to LTL 47,385 thousand. They are as follows:

Customer A- LTL 20,166 thousand;  
Customer B- LTL 9,661 thousand;  
Customer C- LTL 9,314 thousand;  
Customer D- LTL 8,244 thousand.

## 4 Intangible assets

Movement of intangible assets for the current periods:

	Patents, licenses	Software	Other intangible assets	Total
<b>Cost:</b>				
As at 31 July 2013	1,087	1,451	145	2,683
Additions during the period of 5 months ended on 31 December 2013	9	351		360
As at 31 December 2013	1,096	1,802	145	3,043
<b>Accumulated amortisation:</b>				
As at 31 July 2013	232	804	118	1,154
Charge for period of 5 months ended on 31 December 2013	109	86	15	210
AS at 31 December 2013	341	890	133	1,364
<b>Net book value as at 31 July 2013</b>	<b>855</b>	<b>647</b>	<b>27</b>	<b>1,529</b>
<b>Net book value as at 31 December 2013</b>	<b>755</b>	<b>912</b>	<b>12</b>	<b>1,679</b>

Part of intangible assets with the acquisition value of LTL 793 thousand as at 31 December 2013 was fully amortised, but still in use.

**AB AMBER GRID**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(all amounts are in LTL thousand unless otherwise stated)

**5 Property, plant and equipment**

Movement of property, plant and equipment for the current and prior periods:

	Land	Buildings	Transmission networks and related installations	Distribution networks and related installations	Other buildings and structures	Machinery and equipment	Vehicles	Other equipment, tools and devices	Other property, plant and equipment	Construction in progress	Total
<b>Cost:</b>											
<b>As at 31 July 2013</b>	387	34,312	1,572,534	412	27,526	316,639	16,018	51,822	1,435	107,486	2,128,571
Additions during the period of 5 months ended on 31 December 2013	-	-	-	-	21	9	865	397	266	37,461	39,020
Reclassification during the period of 5 months ended on 31 December 2013	-	1,173	116,775	-	624	11,968	-	3,977	-	(134,517)	-
<b>AS at 31 December 2013</b>	<b>387</b>	<b>35,485</b>	<b>1,689,309</b>	<b>412</b>	<b>28,171</b>	<b>328,616</b>	<b>16,884</b>	<b>56,196</b>	<b>1,701</b>	<b>10,430</b>	<b>2,167,591</b>
<b>Accumulated depreciation:</b>											
<b>As at 31 July 2013</b>	-	7,110	396,826	29	6,957	90,757	11,022	40,463	735	-	553,899
Charge for period of 5 months ended on 31 December 2013	-	467	20,814	4	626	7,442	690	1,888	80	-	32,011
Reclassification during the period of 5 months ended on 31 December 2013	-	10	-	-	(10)	-	-	-	-	-	-
<b>AS at 31 December 2013</b>	<b>-</b>	<b>7,587</b>	<b>417,640</b>	<b>33</b>	<b>7,573</b>	<b>98,199</b>	<b>11,712</b>	<b>42,351</b>	<b>815</b>	<b>-</b>	<b>585,910</b>
<b>Impairment:</b>											
Balance as at 31 July 2013	-	-	-	-	-	-	-	-	-	-	-
Impairment formed during 5 months period ended on 31 December 2013	-	-	-	-	-	-	-	-	-	99	99
<b>Net book value as at 31 July 2013</b>	<b>387</b>	<b>27,202</b>	<b>1,175,708</b>	<b>383</b>	<b>20,569</b>	<b>225,882</b>	<b>4,996</b>	<b>11,359</b>	<b>700</b>	<b>107,486</b>	<b>1,574,672</b>
<b>Net book value as at 31 December 2013</b>	<b>387</b>	<b>27,898</b>	<b>1,271,669</b>	<b>379</b>	<b>20,598</b>	<b>230,417</b>	<b>5,172</b>	<b>13,845</b>	<b>886</b>	<b>10,331</b>	<b>1,581,582</b>

Part of property, plant and equipment with historical cost of LTL 37,125 thousand as at 31 December 2013 was fully depreciated, but still in use.

As at 31 December 2013 the Company had property, plant and equipment (office equipment) of value LTL 243 thousand, which is acquired under financial lease agreements.

The Company did not have any borrowing costs in 2013 related to qualifying assets.

## 5 Property, plant and equipment (cont'd)

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

Object	31 December 2013	31 July 2013
<b>Construction of gas transmission pipeline Jurbarkas–Klaipėda:</b>	-	<b>98,984</b>
<i>Construction of gas transmission pipeline from the branch to gas distribution station (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
Reconstruction of GDS containers	-	3,988
Construction of gas transmission pipeline to Alytus GDS, acquisition of intelligent pig launcher and receiver chambers and replacement works of line block valves with bypasses No. 2; 3	1,742	-
Construction of gas transmission pipeline to Marijampolė GDS, acquisition of intelligent pig launcher and receiver chambers and replacement works of line block valves with bypass No. 3	1,598	-
Acquisition of pollution reduction equipment	1,395	-
Replacement works of line block valves in gas transmission pipelines to Pajiešmeniai and Biržai GDS and integration into SCADA system	941	-
Acquisition of intelligent pig launcher chambers for Panevėžys–Šiauliai–Klaipėda gas transmission pipeline	762	-
Reconstruction of odorant warehouse	967	-
Other	2,926	4,514
	<b>10,331</b>	<b>107,486</b>

## 6 Inventories

	31 December 2013	31 July 2013
Raw materials, spare parts and other inventories	4,559	5,890
Natural gas	22,173	21,085
Inventories, gross	26,732	26,975
Less: allowance for inventories	(18)	(146)
	<b>26,714</b>	<b>26,829</b>

The Company's cost of inventories accounted for at net realisable value amounted to LTL 4,541 thousand as at 31 December 2013. Changes in the allowance for inventories were included into other expenses.

## 7 Accounts receivable

	31 December 2013	31 July 2013
Receivables for transmission and distribution of natural gas from customers	16,225	8,441
Other trade receivables	8	-
Less: allowance for accounts receivable	(64)	(139)
Total trade accounts receivable	16,169	8,302
Administrated LNGT receivables (Note 2.24)	56,500	38,657
Other accounts receivable	633	5,725
	<b>73,302</b>	<b>52,684</b>

As at 31 December 2013 other accounts receivable decreased due to finished construction of gas transmission pipeline Jurbarkas–Klaipėda project in November 2013 which was financed by European Union structural funds.

Trade receivables are non-interest bearing and are generally due in 15 calendar days. The majority of these overdue receivables were paid off in the beginning of January 2014.

Movements in the allowance for impairment of the Company's receivables were as follows:

	Individually impaired
<b>Balance as of 31 July 2013</b>	<b>139</b>
Utilised during the period of 5 months ended on 31 December 2013	(45)
Unused amounts reversed during the period of 5 months ended on 31 December 2013	(30)
<b>Balance as at 31 December 2013</b>	<b>64</b>

Changes in the allowance for accounts receivable were included into other expenses.

The ageing analysis of the Company's trade and other accounts receivable as at 31 July 2013 and as at 31 December 2013 is as follows:

	Trade and other receivables neither past due nor impaired	Trade and other receivables past due but not impaired					Total
		Less than 30 days	31 – 90 days	91 – 180 days	181 – 360 days	More than 360 days	
<b>31 July 2013</b>	16,828	5,480	10,843	16,814	2,730	-	52,684
<b>31 December 2013</b>	26,251	3,149	5,523	5,347	33,032*	-	73,302

\*Administrated LNGT receivables from Achema AB (Note 22)

## 8 Other financial assets

As at 31 December 2013 the Company's other financial assets consisted of cash to be paid to LNGT fund receivers and are kept in line with requirements of legal acts in a selected and opened separate bank account of LNGT funds (Note 2.24).

## 9 Cash and cash equivalents

	31 December 2013	31 July 2013
Cash at bank	19,718	12,142
	<b>19,718</b>	<b>12,142</b>

Cash at banks is invested into shortest-term (overnight) deposits. Overnight deposits are with floating or fixed interest rate. Floating rate depends upon VILIBOR interbank interest rate announced by the Bank of Lithuania. During the period of 5 months, ended on 31 December 2013, the Company had not invested into other term deposits.

## 10 Reserves

### Legal reserve

A legal reserve is a compulsory reserve under legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital.

The Company's legal reserve consists of LTL 17,838 thousand and it comprises 10% of the share capital.

### Other reserves

Other reserves are formed based on the decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can only be used for the purposes approved by the General Shareholders' Meeting for the corporate business development.

## 11 Borrowing

According to a long term loan agreement signed between the Company and the bank AB Swedbank on 22 October 2012 the amount of loan as of 31 December 2013 was LTL 180 million (is denominated in Euros which amount to 52.1 million). The loan is taken to meet Company's working capital needs.

	31 December 2013	31 July 2013
<b>Non-current borrowings</b>		
Borrowings from Lithuanian credit institutions	135,000	157,500
Lease	118	-
<b>Current borrowings</b>		
Current portion of non-current borrowings	45,000	23,572
Lease	83	-
	<b>180,201</b>	<b>181,072</b>

The terms of repayment of non-current borrowings are as follows:

	31 December 2013	31 July 2013	31 December 2013	31 July 2013
	Fixed interest bearing loan	Fixed interest bearing loan	Non-fixed interest bearing loan	Non-fixed interest bearing loan
2013	-	1,072	-	-
2014	-	-	45,000	45,000
2015	-	-	45,000	45,000
2016	-	-	45,000	45,000
2017	-	-	45,000	45,000
	-	<b>1,072</b>	<b>180,000</b>	<b>180,000</b>

## 11 Borrowing (cont'd)

Current interest rates are close to effective interest rates. As at 31 December 2013 the annual interest rate of the Company's borrowings outstanding was 1.513 % (Interest rate applied is 3 months EURIBOR + 1.29 %).

Borrowings as at 31 July 2013 and as at 31 December 2013 in national and foreign currencies expressed in LTL were as follows:

Borrowings denominated in:	31 December 2013	31 July 2013
EUR	180,000	181,072
	180,000	181,072

None of the Company's loans are secured by pledging assets owned by the Company or by third parties guarantees.

## 12 Grants (deferred revenue)

	2013		
	Deferred revenue	Grants	Total
<b>Balance as at 31 July 2013</b>	<b>5,705</b>	<b>116,348</b>	<b>122,053</b>
Received during the period of 5 months ended on 31 December 2013	-	10,446	10,446
Amortisation during the period of 5 months ended on 31 December 2013	(49)	(1,378)	(1,427)
<b>Balance at the end of the period 31 December 2013</b>	<b>5,656</b>	<b>125,416</b>	<b>131,072</b>

Increase in grants (deferred revenue) in 2013 was influenced by non-current asset grants, out of which LTL 10,063 thousand comprised construction of gas transmission pipeline Jurbarkas-Klaipėda financed by EU structural funds.

Average period which the grants are expected to be amortized is 18,5 years.

## 13 Non-current employee benefits

As at 31 December 2013 the Company's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age were equal to LTL 1,106 thousand (LTL 846 thousand as at 31 July 2013), other non-current employee benefits resulting from bonuses for long work experience in the Company were equal to LTL 285 thousand (LTL 285 thousand as at 31 July 2013).

The major assumptions made when estimating the Company's liabilities of non-current employee benefits are the following:

	31 December 2013
Discount rate	5.66 %
Annual employee turnover rate	2 %
Annual salary increase	2 %
Average time to retirement (years)	19,72

The Company have no plan assets designated for settlement with employee benefit obligations.

**AB AMBER GRID**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(all amounts are in LTL thousand unless otherwise stated)

**14 Trade payables**

	<b>31 December</b>	<b>31 July</b>
	<b>2013</b>	<b>2013</b>
Suppliers according to construction programme	31	6,788
Suppliers according to reconstruction programme	7,949	1,051
Service suppliers	1,244	188
Suppliers of maintenance of non-current assets	1,688	-
Other	1,761	501
	<b>12,673</b>	<b>8,528</b>

The above mentioned trade payables are non-interest bearing and majority of them are normally settled on 30 days terms.

**15 Other payables and current liabilities**

	<b>31 December</b>	<b>31 July</b>
	<b>2013</b>	<b>2013</b>
Administrated LNGT payables (Note 2.24)	45,270	27,302
Accrued administrated LNGT funds* (Note 2.24)	54,644	37,625
Real estate tax (RET) payable	1,838	-
Value added tax (VAT) payable	1,452	-
Other payables	663	1,880
	<b>103,867</b>	<b>66,807</b>

\*Accrued administrated LNGT funds are accounted under caption LNGT payables only when users of natural gas transmission system pay it to the Company.

Other payables and current liabilities of the Company as of 31 December 2013 were significantly increased due to payables and administrated LNGT funds accrued during the period.

**16 Income**

The Company's income consists of the following:

	<b>Period of 5 months ended on 31 December 2013</b>
Natural gas transmission and transit	70,006
Sales of natural gas	2,508
Grants recognized as income	1,428
LNGT administration income	126
Other income	33
	<b>74,101</b>

**AB AMBER GRID**  
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**17 Financial activity**

	<b>Period of 5 months ended on 31 December 2013</b>
Interest income	13
Fines and penalties income	50
<b>Total income from financial activities</b>	<b>63</b>
Interest expenses on borrowings	1,165
<b>Total expenses from financial activities</b>	<b>1,165</b>
<b>Result from financial activities, net</b>	<b>1,102</b>

**18 Income tax**

	<b>Period of 5 months ended on 31 December 2013</b>
<b>Income tax:</b>	
Profit before tax	2,425
Changes in temporary differences	15,810
Permanent differences	277
<b>Taxable income for the year</b>	<b>18,512</b>
Current year income tax	2,766
Current year income tax incentive	(1,388)
<b>Current year income tax after applying income tax incentive</b>	<b>1,388</b>
Change in deferred income tax during the year	(4,034)
<b>Income tax expense (income) charged to the income statement</b>	<b>(2,646)</b>

According to the provisions of the Law on Corporate Income Tax (hereinafter – the Law), which came into effect starting 1 January 2009, the income tax incentive may be used for investments into qualifying property, plant and equipment. When calculating current income tax for the year 2013 the Company used the benefit of the above mentioned incentive and reduced income tax expenses for the year 2013 by a total amount of LTL 1,388 thousand.

**18 Income tax (cont'd)**

	<u>31 December 2013</u>	<u>31 July 2013</u>
<b>Deferred tax asset:</b>		
Vacation accrual	160	147
Accrual for non-current employee benefit	208	170
Unused income tax incentive	4,271	2,625
<b>Deferred tax asset before valuation allowance</b>	<b>4,639</b>	<b>2,942</b>
Less: valuation allowance	-	-
Less: deferred tax asset netted with deferred tax liability	(4,639)	(2,942)
<b>Deferred tax asset, net</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liability:</b>		
Difference in tax base of property, plant and equipment	(112,190)	(114,527)
<b>Deferred tax liability, net</b>	<b>(107,551)</b>	<b>(111,585)</b>

Valuation allowance was made for part of the deferred tax asset that, in the opinion of the management, is not to be realised probable in the foreseeable future. Deferred income tax asset and deferred income tax liability are netted off in the statement of financial position of the Company, as they both are related to the same tax authority.

While assessing deferred income tax asset and liability components in 2013 the Company has used income tax rate of 15%.

The reported amount of income tax expense for the year can be reconciled to the amount of income tax expense that would result from applying the statutory income tax rate of 15 %:

	<u>Period of 5 months ended on 31 December 2013</u>
Profit before tax	2,425
Tax (expense) at the applicable standard tax rate	(364)
Non-deductible items	(42)
Income tax incentive	3,034
Other	18
<b>Income tax gain (expense)</b>	<b>2,646</b>

## 19 Earnings per share

Basic earnings per share reflect the Company's net income, divided by the weighted average number of shares. There are no diluting instruments, therefore basic and diluted earnings per share are equal. Calculations of the basic earnings per share are presented below:

	<b>31 December 2013</b>
Net profit attributable to the shareholders (in LTL thousand)	5,071
Weighted average number of shares (in thousands)	178,383
Basic earnings per share (in LTL)	0.03

There were no changes in the share capital of the Company during 2013, therefore the weighted average number of shares equals to the total number of shares at the end of the year.

## 20 Cash flows from investing and financing activities

When calculating cash flows from investing activities in 2013, the change in accounts payable for non-current assets of the Company of LTL 141 thousand and assets leased for LTL 201 thousand was taken into account.

When determining the grants received in cash flows from financing activities of 2013 the change in grants received by the Company of LTL 5,179 thousand was evaluated.

## 21 Financial assets and liabilities and risk management

### Liquidity risk

The Company's policy is to maintain sufficient amount of cash and cash equivalents or have available funding to meet their commitments. Liquidity risk is managed by constantly forecasting the current and non-current cash flows of the Company. According to forecast, if necessary, the Company adopts decisions to ensure its solvency.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2013 based on contractual undiscounted payments (scheduled payments including interest).

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Interest bearing loans and borrowings	-	1,797	24,468	161,669	-	187,934
Other current liabilities	27,302*	82	-	-	-	27,384
Trade payables	-	8,528	-	-	-	8,528
<b>Balance as at 31 July 2013</b>	<b>27,302</b>	<b>10,407</b>	<b>24,468</b>	<b>161,669</b>	<b>-</b>	<b>223,846</b>
Interest bearing loans and borrowings	-	703	46,840	138,352	-	185,895
Other current liabilities	45,270*	346	-	-	-	45,616
Trade payables	-	12,673	-	-	-	12,673
<b>Balance as at 31 December 2013</b>	<b>45,270</b>	<b>13,722</b>	<b>46,840</b>	<b>138,352</b>	<b>-</b>	<b>244,184</b>

\*LNGT funds

## 21 Financial assets and liabilities and risk management (cont'd)

### Credit risk

The maximum credit risk is equal to the trade receivables, other receivables, cash and short term investments less impairment losses. Large amount of overdue receivables may disturb the Company's everyday activity, and may cause it to look for additional financial resources. Credit risk is managed through regular monitoring procedures (individual debtors' supervision, monitoring and analysis of customers, seeking to anticipate the potential solvency problems in the future, etc.). The Company has approved the Regulation of customer debt management, which includes specific actions, deadlines, which must be followed in order to reduce customer liabilities.

The Company faces the risk when keeping the funds in bank accounts or investing it in short term instruments. The level of risk faced depends upon the reliability of the selected bank. To manage this risk the Company has approved the cash investment regulations. These regulations set (1) the reliability limits of the banks selected for cooperation (2) the limits of diversification for depositing or investing cash to investment products of banks or their subsidiaries, other securities etc. The reliability level is assessed based on the publicly available information regarding partners selection.

The Company does not guarantee obligations of other parties.

### Interest rate risk

As at 31 December 2013 the Company had one loan with fixed interest rate. The Company's loan subject to variable interest rate is related to EURIBOR and creates interest rate risk. Concerning the situation in the market of bank interest rates during reporting period of 2013, the Company did not enter into any transaction on financial instruments used for the management of interest rate risk.

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in EURIBOR interest rates, with all other variables held constant. There is no impact on the Company's equity, other than that on current year profit.

	<b>EURIBOR increase in basis points</b>	<b>Effect on the profit before the income tax</b>
31 December 2013	+100	(1,800)

### Gas import price fluctuation risk

Natural gas import price depends on heavy fuel oil and gasoline prices in international market, the USD and EUR ratio fixed by the European Central Bank and actual natural gas calorific value. In 2013 the Company did not take any action to reduce the risk of natural gas price fluctuation.

### Concentration risk

The Company is subject to a significant credit risk concentration, as credit risk is distributed among the Company's 10 major customers whose liabilities constitute more than 85 percent of the total trade receivables of the Company as at 31 December 2013. However, if customers were lost and the volume of transmitted gas decreases, the gas transportation service prices would increase as regulated by the State Regulated Pricing Methodology for the Natural Gas Sector approved by NCC.

## 21 Financial assets and liabilities and risk management (cont'd)

### Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

The following methods and assumptions are used by the Company to estimate the fair value of each class of financial instruments:

- (a) The carrying amount of current trade and other accounts receivable, current accounts payable and short-term borrowings approximates fair value;
- (b) The fair value of non-current borrowings is based on the current rates available for borrowing with the same maturity profile similar credit risk. The Company determined that the fair value of non-current borrowing with fixed interest rates approximates its carrying amounts (level 2).

## 22 Commitments and contingencies

### Legal disputes

Pursuant to the Republic of Lithuania Law on Liquefied Gas Terminal and resolutions made by NCC, users of natural gas system, which transport natural gas by the transmission system paying for transmission services of natural gas must pay an inseparable gas transmission price component – LNGT extra (funds). Based on the provisions of legal acts, LNGT funds are administrated by natural gas transmission system operator. Until 31 July 2013 the function of LNGT funds' administrator was performed by AB Lietuvos Dujos. NCC made a decision on the abolishment of natural gas transmission licence issued to AB Lietuvos Dujos and on the issuance of terminated licence to the Company. Since 1 August 2013 the Company collects LNGT funds from natural gas system users and applies LNGT extra established by NCC. Concerning the systematic non-payment of LNGT extra by AB Achema as user of transmission system, AB Lietuvos Dujos being LNGT funds' administrator on 12 April 2013 applied to Kaunas Regional Court concerning the payment of LNGT extra, awarding of penalties and liability to implement the agreement. On 1 August 2013 AB Lietuvos Dujos has passed the above mentioned case to AB Amber Grid under Statement of transfer and acceptance. On 17 August 2013 AB Amber Grid has specified the amount of the action. On 12 December 2013 the Court of First Instance with its ruling upheld the action of AB Amber Grid in part – awarded all required debt and procedural interest, but the awarded penalties were reduced from 0.04 per cent to 0.02 per cent. AB Achema appealed the ruling of the court, and AB Amber Grid appealed for the award of penalties. According to opinion of the Management, the outcome of this legal case shall not have any financial effect on the Company as after the Court will uphold the action of AB Amber Grid the awarded amount shall be transferred to LNGT extra (funds) receiver.

On 19 November 2012 AB Achema applied to Vilnius Regional Administrative Court asking to abolish paragraphs 3.1 and 4 of Regulation No 03-317 of 19 October 2012 On the Determination of Funds for the Installation of Liquefied Natural Gas Terminal, its Infrastructure and Link, and for the Compensation of Utilisation Expenses or Part of it for 2013, and to abolish paragraph 2 of Resolution No O3-330 of NCC of 26 October 2012 On Correction of Price Ceiling of AB Lietuvos Dujos Natural Gas Transmission and Distribution and on the Establishment of Additional and Inseparable Price Component to Natural Gas Transmission Price Ceiling (LNGT extra) for 2013. On 29 January 2013 with the courts ruling AB Lietuvos Dujos was included in the legal dispute with the third interested party. On 1 August 2013 AB Lietuvos Dujos has passed the above mentioned case to AB Amber Grid under Statement of transfer and acceptance. The case is being heard at the court of first instance. The management believes that the outcome of the case is unclear and can not be reasonably estimated.

## 22 Commitments and contingencies (cont'd)

On 10 July 2013 AB Lietuvos Dujos received a letter from Panevėžys City District Court, which stated that on 3 July 2013 the court ruling was adopted stating on the decision to apply to Specific judicial panel on the conflict of jurisdiction asking to answer the question on whether the action brought in line with the action of claimant Prosecutor of Division of the Protection of Public Interest of Panevėžys Regional Prosecutor's Office, to defendants the Ministry of Economy of the Republic of Lithuania, AB Lietuvos Dujos, third parties, the Lithuanian Road Administration under the Ministry of Transport and Communications of the Republic of Lithuania, SE Panevėžio Regiono Keliai in the part on the abolishment of orders by the Minister for Economy on the renaming of roads of state importance, and application of restitution, is to be attributed to courts of general competence or to administrative court. On 1 August 2013 AB Lietuvos Dujos has passed the above mentioned case to AB Amber Grid under Statement of transfer and acceptance. A part of road owned by AB Amber Grid to Panevėžys gas compressor station falls under a road section Piniava-Paliūniškis of state importance. As roads of state importance may only be owned by the state the Prosecutor requests to abolish orders of the Minister for economy and statements of transfer, by which this road was registered as the ownership of AB Lietuvos Dujos, and now of AB Amber Grid. The action was subject to several revisions as the Prosecutor specified requisitions. The case is heard at the court of first instance. The finalisation of the case may have financial influence to the Company as the Company seeks to be awarded a compensation if the court abolished AB Amber Grid's right of ownership to at least part of the road (6.534 sq. m). The management believes that the outcome of the case is unclear and can not be reasonably estimated.

### Commitments for non-current assets acquisition

On 31 December 2013 the Company had agreements for the acquisition of non-current assets, which is not recognised for the purpose of these financial statements, for a total value of LTL 10,400 thousand.

## 23 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 at 31 December 2013 were as follows:

- OAO Gazprom (one of the major shareholders of the Company);
- UAB GET Baltic (joint venture, the member of which is the Company);
- AB Lietuvos Dujos (the same shareholders);
- AS Latvijas Gaze (the same shareholders).

The table below represents the Company's transactions and outstanding balances with related parties on 31 December 2013.

2013	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	-	20,166	9,320	-
AB Lietuvos Dujos	5,590	14,137	1,523	1
Of which the LNGT funds	-	4,822	1,379	-
UAB GET Baltic	232	221	-	280
AS Latvijas Gaze	26	-	-	-
	5,848	34,524	10,843	281

## 23 Related party transactions (cont'd)

On 1 August 2013 the Company took over all rights and responsibilities regarding matters of natural gas transmission, which were concluded in agreement signed on 16 December 1999 No. 1Г Ли-2000 between Open Joint Stock Company Gazprom and Public Limited Liability Company Lietuvos Dujos for the natural gas supply into Republic of Lithuania quantities and terms in 2000-2015. The object of the agreement is import of part of natural gas into Republic of Lithuania and natural gas transit service through the Republic of Lithuania to the Russian Federation Kaliningrad Region. Natural gas import price depends on heavy fuel oil and gasoline prices in the international market, US dollar and EUR exchange rate set by the European Central Bank and actual natural gas calorific value. The agreement defines the natural gas quantities provided to the Company until 2016. The agreement is valid until 31 December 2015.

The Company does not treat the Government controlled companies as one client because there is no significant economic integration between these companies. The Company supply gas to the Government controlled companies; the transactions with them are concluded on the arm's length principle.

Outstanding balances at the year-end are unsecured, interest free and settlement occurred in cash in 15 days term in 2013. There have been no guarantees provided or received for any related party receivable or payable and no allowance has been made for the receivables from related parties by the Company.

### Management remuneration

During the period of 5 months, ended on 31 December 2013, payments to the management of the Company amounted to LTL 441 thousand. The Management consists of administrative executive and deputy administrative executive, and chief accountant. During the period of 5 months, ended on 31 December 2013, the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

## 24 Capital management

The Company is obliged to upkeep its equity ratio of not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2013 the Company was in compliance with this requirement. There were no other internally or externally imposed capital requirements on the Company.

## 25 Subsequent events

On 12 February 2014 the Government of the Republic of Lithuania adopted a resolution laying down that in connection with the increase of the share capital of UAB EPSO-G (owned by the Government of the Republic of Lithuania ), 31,575,724 ordinary non-certified shares of Amber Grid that have the nominal value of one litas each, give 17.7% of votes in the general meeting of shareholders and that are held by the state by the right of property shall be transferred to UAB EPSO-G as additional contribution.

On 21 February 2014 UAB EPSO-G acquired 31,575,724 ordinary registered non-certificated shares of the Company that gave 17.7% of votes in the general meeting of shareholders of the Company.

# AB AMBER GRID ANNUAL REPORT 2013

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## I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the report was drawn up - the Year 2013<sup>1</sup>.

### MAIN DATA

Name	AB Amber Grid
Legal form	Public company
Date and place of registration	25 June 2013, Register of Legal Entities
Company code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorized capital	LTL 178382514
Registered office	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 236 0855
Fax number	+370 5 236 0850
E-mail address	info@ambergrid.lt
Website	www.ambergrid.lt

As from 1 August 2013, AB Amber Grid (hereinafter - Amber Grid, the Company) has been the Lithuanian natural gas transmission system operator responsible for transmitting natural gas (transporting it via high-pressure pipelines) to system users, safe operation and efficient development of the natural gas transmission infrastructure, implementation of strategic natural gas transmission infrastructure projects.

On 18 July 2013, the National Control Commission for Prices and Energy (hereinafter referred to as the NCCPE) adopted the decision to revoke the natural gas transmission license issued to AB Lietuvos Dujos and issue a fixed-term Energy activity license to Amber Grid granting it the right to engage in natural gas transmission activity from 1 August 2013 till the effective date of the decision of the NCCPE on the appointment of the natural gas transmission system operator compliant with the requirements established in sections 4 and 8 of the Law on Natural Gas. The license grants the right to the Company to engage in the natural gas transmission activity in all regions of Lithuania.

Natural gas transmission system consists of 2 thousand km gas transmission pipelines, 66 gas distribution stations, 3 gas metering stations and 2 gas compressor stations. Customers of the Company are large (producers of electricity, central heating, industrial companies) and medium-sized businesses of Lithuania, natural gas supply companies, which are provided with natural gas transmission services. The Company employs employees with extensive gas system maintenance practice, necessary management knowledge and skills.

The Company was established by the decision of the General Meeting of Shareholders of AB Lietuvos Dujos of 11 June 2013, whereby, in the implementation of the requirements of laws of the Republic of Lithuania on unbundling the natural gas transmission activity, Terms and Conditions of the Spin-Off of AB Lietuvos Dujos were approved and it was decided to unbundle the natural gas transmission activity from AB Lietuvos Dujos, which continues its activities after the spin-off, along with the assets, rights and obligations assigned

<sup>1</sup>For a 5 month period ended on 31 December 2013;

Data on natural gas transmission and investments to the development of the transmission system provided for the entire year 2013.

to this activity. By establishing Amber Grid, legal, functional and organizational unbundling of the natural gas transmission activity has been implemented.

In order to fully meet the requirements set forth in paragraph 8 of the Law on Natural Gas, the unbundling of control of Amber Grid must be completed by 31 October 2014.

The unbundling of control of the transmission activity means that the same person or persons would not have the right to directly or indirectly control the company carrying out any of the gas production or supply functions, and to directly or indirectly control a transmission system operator or the transmission system, or have any rights with respect to a transmission system operator or the transmission system (and vice versa).

Shareholders of the Company will make decisions on the implementation of the unbundling of control.

Together with AB Lietuvos Dujos and the Finnish gas company Gasum Oy the Company controls UAB GET Baltic - a company organizing trade on natural gas exchange. Amber Grid owns 32% of shares of UAB GET Baltic.

## **BUSINESS ACTIVITY OF THE COMPANY**

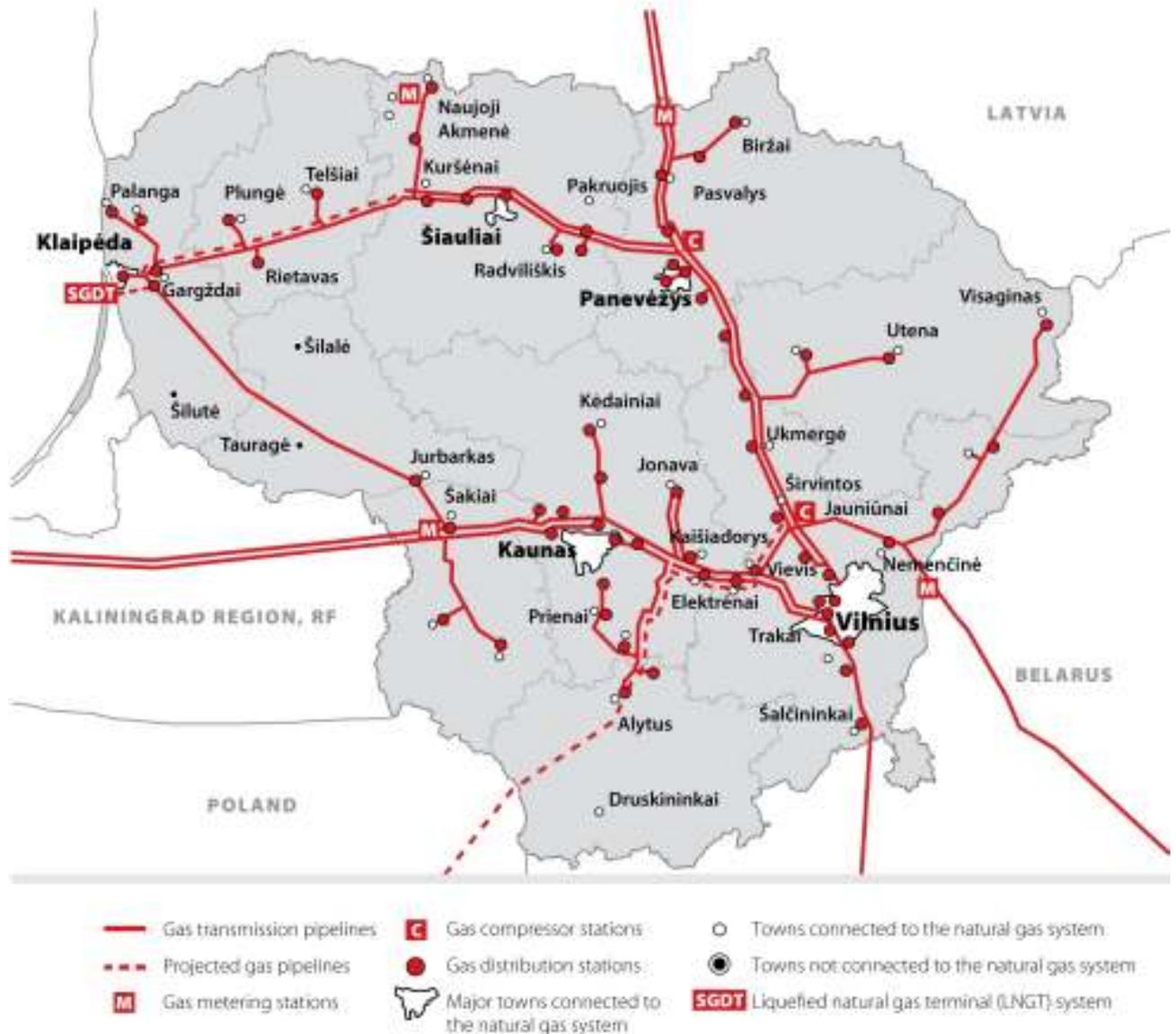
As a natural gas transmission system operator, the Company provides the following services to system users, other operators and gas market participants:

- Natural gas transmission and transit via gas transmission pipelines;
- Natural gas transmission system balancing;
- Administration of funds allocated to cover costs of the construction and operation of the Liquefied Natural Gas (hereinafter - the LNG) terminal, its infrastructure and connector.

### **Natural gas transportation via gas transmission pipelines**

#### **Transmission system and the development thereof**

The transmission system consists of gas transmission pipelines, gas compressor stations, distribution stations, gas metering stations, gas pipeline corrosion protection equipment, data transmission and communication systems and other assets attributed to the transmission system (Map 1). The Lithuanian gas transmission system is connected with the Kaliningrad Region of Russian Federation and gas transmission systems of Belarus and Latvia. The largest pipeline diameter is 1,220 mm.



Map 1: Natural gas transmission system

### Strategic infrastructure projects

In 2013, the following strategic gas transmission infrastructure projects were being carried out:

- Enhancement of the capacity of the Latvia-Lithuania gas interconnection,
- Construction of the Jurbarkas-Klaipėda gas transmission pipeline and the Klaipėda distribution station No. 2,
- Enhancement of the capacity of the Klaipėda-Kiemėnai pipeline (construction of the pipeline Klaipėda-Kuršėnai),
- The gas interconnection Poland-Lithuania.

On 14 October 2013, the European Commission (hereinafter - the EC) announced the first European Union (hereinafter - the EU) List of Projects of Common Interests, which, among 248 energy projects, also includes 3 gas sector projects, in the implementation of which Amber Grid is involved. These are the projects of the

Poland-Lithuania gas interconnection, enhancement of the capacity of the pipeline Klaipėda–Kiemėnai and enhancement of the capacity of the Latvia-Lithuania gas interconnection.

The list comprises energy projects important for the creation of the EU's single internal market, thus for the faster implementation thereof procedures of planning and permit issuance are speeded up and the right to apply for financial assistance under the Connecting Europe Facility is granted.

### **Enhancement of the capacity of the Latvia-Lithuania gas interconnection**

In the beginning of 2013, the implementation of the project for the enhancement of the capacity of the Latvia-Lithuania gas interconnection carried out together with AS Latvijas Gāze was completed. Capacity of reverse interconnection was enhanced to more than 6 MCM per day. EU financial assistance was used for the implementation of the project.

### **Construction of the Jurbarkas–Klaipėda Gas Transmission Pipeline and the Klaipėda Distribution Station No. 2**

On 15 November 2013, the construction of gas pipeline Jurbarkas–Klaipėda provided for in the National Energy Strategy was completed. Until August 2013, the project had been carried out by AB Lietuvos Dujos. A total of LTL 154 million (of which LTL 64 million in 2013 and LTL 81.7 million - in 2012) was invested in the construction of the gas transmission pipeline Jurbarkas–Klaipėda and Klaipėda distribution station No. 2 throughout the entire period of the construction thereof, of which LTL 68.9 million was the assistance from the EU Structural Funds.

By the implementation of the project, the “ring system” of the natural gas transmission was completed, reliability and safety of natural gas transmission system of the region of the Western Lithuania was enhanced and conditions for connecting the LNG terminal in Klaipėda to the Lithuanian transmission system were created.

### **Enhancement of the Capacity of the Klaipėda–Kiemėnai Pipeline (construction of the gas pipeline Klaipėda–Kuršėnai) (hereinafter – the KKP)**

In June 2013, the Board of Directors of Amber Grid adopted a decision on the preparation of the special plan and technical project for the construction of the second link of the gas transmission pipeline Klaipėda–Kuršėnai. A feasibility study was conducted. A business plan and cost-benefit analysis was drawn-up and a proposal for cross-border cost allocation of the project was prepared in Q3 2013. Environmental impact assessment (hereinafter - the EIA) programme was agreed upon and approved, EIA report was being prepared, assessment of the location of the gas transmission pipeline route and its local alternatives was carried out and information on the prepared concept of the special plan and report on the strategic environmental impact assessment (SEIA) was published.

In October 2013, the Company submitted to the Lithuanian, Latvian and Estonian regulatory authorities a request for investment along with the KKP business plan, cost-benefit analysis and a proposal for cross-border cost allocation of the project with the aim to receive the EU financial assistance under the Connecting Europe Facility for the project.

In December 2013, the KKP project was declared to be an economic project of national importance by the resolution of the Government of the Republic of Lithuania. KKP is important for the implementation of the Lithuanian national and EU energy policy objectives related to the diversification of natural gas supply and assurance of the safety thereof as well as promotion of competition in gas market. Upon the implementation of the project it will be possible to fully utilize the capacities of the LNG terminal when supplying gas for the needs of Lithuania and other Baltic countries.

The length of the KKP pipeline is 110 km, diameter - 800 mm, planned commissioning date - the end of 2015.

### **The Gas interconnection Poland-Lithuania (hereinafter - GIPL)**

In July 2013, the EC was introduced with the GIPL feasibility study, in August procedures for the performance of EIA works were started.

In October 2013, Amber Grid and GAZ-SYSTEM S.A. submitted to the Polish, Lithuanian, Latvian and Estonian regulatory authorities a joint request for investments along with a business plan, cost-benefit analysis and proposal for cross-border cost allocation of the project. The plan is that the EU assistance will account for up to 75% of the value of eligible expenses.

The goal of the GIPL is to integrate the isolated Baltic gas markets into a single EU gas market and diversify gas supply sources. The length of the GIPL pipeline will be about 534 km (357 km – in the territory of Poland, 177 km – in the territory of Lithuania), the planned diameter is 700 mm, planned commissioning date - the end of 2018. Upon the construction of the GIPL, a possibility to import to the Baltic countries up to 2.6 BCM of natural gas per year would be created (with a possibility to increase this capacity up to 4.4 BCM per year having built additional compressor capacities).

### **Enhancement of the capacity of the Latvia-Lithuania gas interconnection**

In the view of the implementation of projects diversifying gas flows carried out in the Baltic countries and their impact on gas flows between Latvia and Lithuania and changes in gas markets of the region, the project of the enhancement of capacities of the Lithuania - Latvia gas interconnection to up to 12 MCM per day, included into the EU list of projects of common interests, will be implemented.

### **Investment plans**

Taking into account consumer needs and national strategic documents, in 2013 the Company prepared and approved with the NCCPE a ten-year network development plan of the natural gas transmission system operator for 2013 - 2022, including therein the above-mentioned projects.

Strategic infrastructure projects implemented by Amber Grid have been included into the ten-year network development plan 2013-2022 of the European Network of Transmission Operators (ENTSO) and into the Gas Regional Investment Plan 2014 -2023 of the transmission system operators from the BEMIP region.

In 2013 the Company continued the reconstruction and modernization of the natural gas transmission system:

- Intelligent pig launcher and receiver in the Pabradė–Visaginas pipeline were installed;
- 7 line block valve remote control systems (SCADA) were installed and 8 line block valve units were replaced;
- In 2013, the reconstruction of Maišiagala, Gegužinė and Taujėnai metering and regulation stations were completed (currently, 63 of 66 operated stations are new or substantially renovated);
- Reconstruction works of 11 cathodic protection system equipments were completed.

## **Maintenance of the transmission system**

Maintenance of the transmission systems is governed by rules, regulations and carried out in strict compliance with requirements established therein. In order to ensure the reliability and safety of the transmission system, maintenance and repair works are constantly being carried out.

One of the most informative measures for assessing the condition of gas pipelines is applying intelligent pigging procedures for gas transmission pipelines. In 2013, intelligent pigging procedures for a gas pipeline to Utena distribution station (59.4 km section) were started, while the total length of gas pipelines examined that way increased to 402 km.

Assessment of technical condition applying external methods was carried out for sections to Gargždai, Palanga, Kretinga, Plungė, Telšiai, N. Akmenė and Papilė distribution stations (total length 106 km) of the gas transmission pipeline Panevėžys-Šiauliai-Klaipėda. In the view of the findings, repair works of these sections of the pipeline will be carried out.

Works for the elimination of defects detected during the intelligent pigging procedures were continued in the Minsk-Vilnius (67 km section), Kaunas-Kaliningrad (84 km section), Vilnius-Kaliningrad (81 km section) and Vilnius-Panevėžys-Riga (170 km section) gas transmission pipelines.

In 2013, repair works of the gas pipeline Vilnius-Kaunas were carried out, during which worn out line block valves were replaced and the pipeline was prepared for intelligent piping procedures.

In 2013, repairs of separate pipeline sections of the gas transmission pipeline Ivacevičiai-Vilnius-Riga, started back in 2011, were completed. 18.2 km - long section of the said pipeline was repaired - damaged pipeline protective coating was repaired, the necessary depth, hydraulic tests in sections were carried out.

Defects in sections to Girininkai, Alytus distribution stations in the gas pipeline Vilnius-Kaunas detected in 2012 having flown around the gas pipeline track using laser gas leak detection equipment were eliminated.

## **Natural gas distribution volumes**

In 2013, the Company and AB Lietuvos Dujos transported 2,667.1 MCM of natural gas to the Lithuanian consumers via its natural gas transmission system. Upon the decrease of demand for natural gas for the production of fertilizers, average annual temperature greater by +1.2°C, increased use of alternative fuel and decreased gas consumption in the production of heat and electricity, natural gas transmission volumes, compared with 2012, dropped by 18.4%.

In 2013, the greatest daily volume of gas transported from Belarus to Lithuania was 24 MCM, the greatest daily volume supplied to the Kaliningrad Region of the Russian Federation by transit through Lithuania amounted to 8.9 MCM and the greatest daily gas volume transmitted to users of Lithuania was 14.5 MCM.

In 2013, transit to the Kaliningrad Region of the Russian Federation amounted to 2,152 MCM of gas, in 2012 it was 2,167 MCM.

At the end of 2013, the Company had entered into 87 gas transmission service agreements with natural gas transmission system users (natural gas users, natural gas distribution system operator, natural gas supply companies, which supply gas up to consumer systems). As for natural gas supply companies, which trade natural gas, but do not transport it via transmission systems, with such companies the Company had entered into 6 natural gas balancing agreements.

Structure of transmitted natural gas volumes by transmission system users is illustrated in Chart 1.

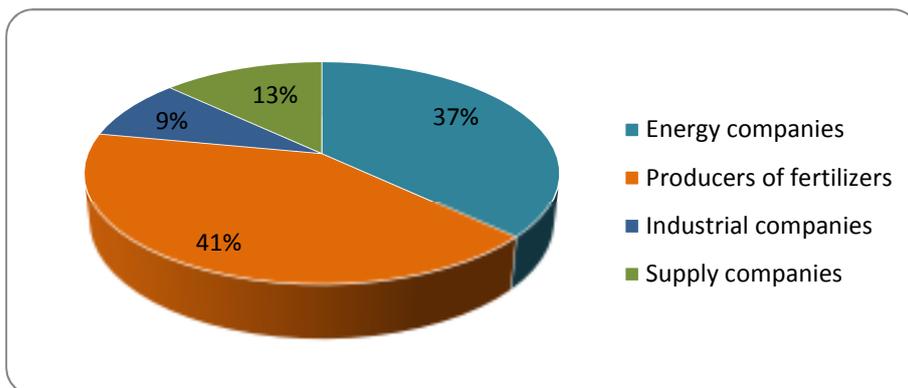


Chart 1: Structure of transmitted natural gas volumes by natural gas transmission system users in Lithuania, 2013

### **Natural gas tariffs regulation**

Natural gas transmission service prices are subject to regulation.

In October 2013, the NCCPE determined the natural gas transmission price cap for a new 5 year regulatory period (from 1 January 2014 to 31 December 2018), which can be annually adjusted by the decision of the NCCPE in the procedure prescribed in the Methodology for the Determination of the Prices Regulated by the Government in the Natural Gas Sector.

On 30 October 2013, the Board of Directors of the Company approved specific natural gas transmission service tariffs for 2014. In November 2013, the NCCPE unilaterally determined the Company's natural gas transmission service tariffs 0.5% lower than the price cap set by the NCCPE effective as from 1 January 2014 according to the forecast of transmission volumes for 2014 used in calculations of the price cap rather than based on revised data of system users.

### **Natural gas transmission system balancing**

Amber Grid ensures the balance in the natural gas transmission system. The Company purchases balancing gas for a price determined by the NCCPE from a gas market participant, if the market participant has caused excess gas in the transmission system, and sells balancing gas to a market participant if the latter caused lack of gas in the transmission system.

In 2013, transmission system users and other gas market participants taking part in the transmission system balancing balanced gas flows delivered to the transmission system and taken from the transmission system, thus gas was not purchased or sold because of the imbalance.

Besides the balancing of flows of system users and other gas market participants, gas reserves in the Company's transmission system pipelines also range due to technological transmission system features as well as technical reasons caused by gas flow deviations.

### **Administration of funds allocated for the construction and operation of the LNG terminal, its infrastructure and connector**

In the implementation of the requirements of the Law on the LNG terminal of the Republic of Lithuania and its implementing legislation, the Company collects and administers funds allocated for the construction and operation of the LNG terminal, its infrastructure and connector.

In accordance with the procedure established by the NCCPE, when paying for the natural gas transmission services, natural gas system users who transported natural gas via the transmission system in 2013 paid an extra component of the natural gas transmission tariff the LNG terminal surcharge.

The Company collects LNG terminal funds, administers and pays them out to a company implementing the LNG terminal project or to an LNG terminal operator in the procedure prescribed by laws. By the decision of the NCCPE, a part of the funds is allocated for covering administration expenses incurred by the Company.

## **RESEARCH AND DEVELOPMENT ACTIVITIES**

Natural gas is measured in units of volume (cubic meters m<sup>3</sup>) in the Lithuanian gas system, which has been absolutely sufficient up until now.

However, with increasing diversity of alternative sources of gas supply and upon the launch of the LNG terminal in Klaipėda, gas of more diverse composition and calorific value in line with quality requirements approved in October 2013 by the order of the Ministry of Energy will be supplied to Lithuania. The accounting thereof will also have to be carried out in units of energy - kilowatt-hours (kWh).

In order to accurately account the energy content of supplied and transported gas, a concept for the reorganization of gas metering systems and the plan for the implementation thereof compliant with the Description of Natural Gas Metering Procedure approved by the Order of the Ministry of Energy in December 2013 was drawn up during the previous year.

The implementation of the plan has been started - all the necessary measuring instruments for determining the composition of natural gas and calculating the calorific value thereof are expected to be installed by 1 November 2014.

In 2013, a study was conducted together with natural gas transmission system operators from Latvia, Estonia and Finland on interaction of investment projects included into the EU list of projects of common interest throughout the region. The study analyses the impact of the development of gas transmission infrastructure for the ensurance of gas supply safety and reliability in the region, examines various gas supply flow scenarios in the natural gas sectors of the countries of the Eastern Baltic Region.

In 2013, a study was conducted together with the natural gas transmission system operators from Latvia, Estonia and Finland on interaction of investment projects included into the EU list of projects of common interest throughout the region. The study analyses the impact of the development of gas transmission infrastructure for the ensurance of gas supply safety and reliability in the region, examines various gas supply flow scenarios in the natural gas sectors of the countries of the Eastern Baltic Region.

## **EMPLOYEES**

As of 31 December 2013, the Company employed 356 employees, of which 32 (9%) were in management positions, 190 (53.4%) were specialists and 134 (37.6%) - workers (Chart 2).

Employee rotation from the day of the establishment of the Company accounted for 2%.

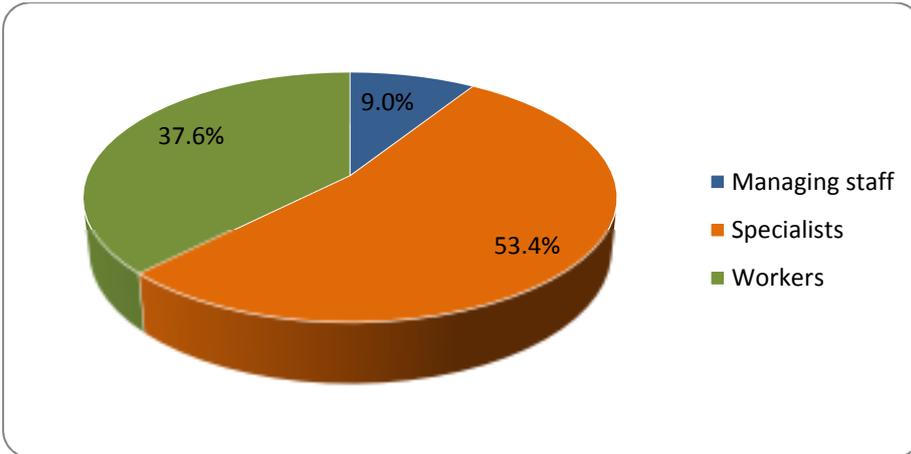


Chart 2: Employee distribution by groups, 2013.

The average age of the Company's employees was 43.8 years old (Chart 3), the average term of service - 12.5 years (Chart 4). 50.8% of the Company's employees hold higher education degrees (Chart 5). Males accounted for 82.3% and females for 17.7% of the Company's employees. Since Amber Grid was established having unbundled it from AB Lietuvos Dujos, 337 employees were transferred to the Company. The accrual of seniority of all transferred employees was continued.

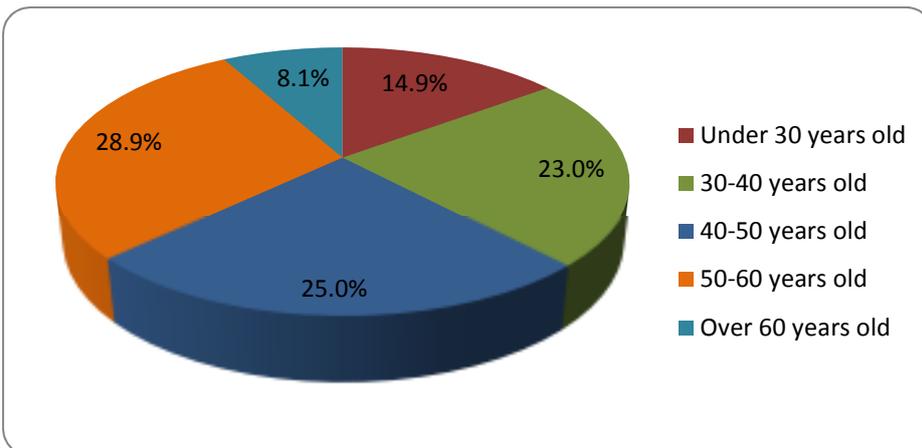


Chart 3: Employee distribution by age groups, 2013.

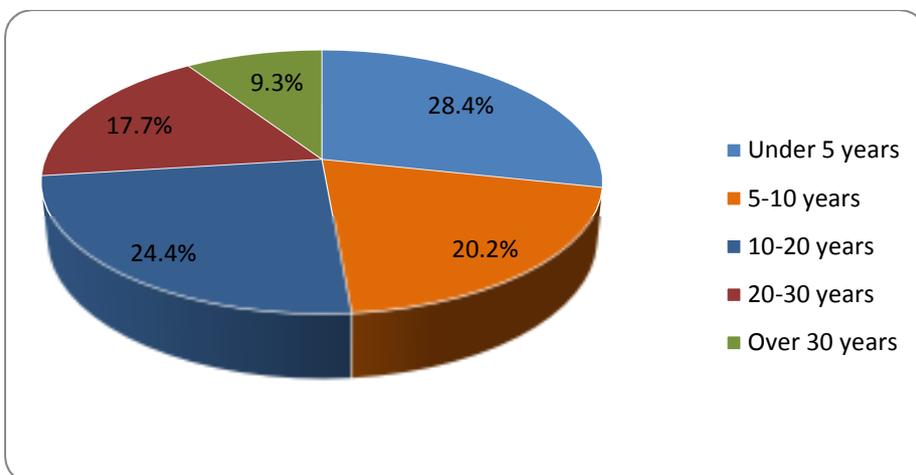


Chart 4: Employee distribution by term of service, 2013.

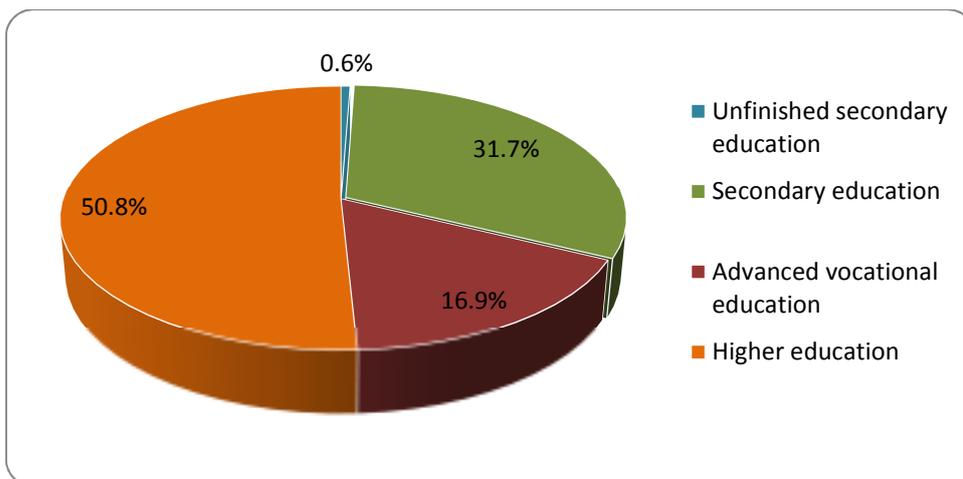


Chart 5: Employee distribution by education, 2013.

Average monthly salary in the Company by employee groups, LTL

Employees	Average number of employees as of 31 December 2013	Average monthly salary (gross, LTL)
Managing staff	32	8,795
Specialists	190	4,026
Workers	134	3,166
<b>Total:</b>	<b>356</b>	<b>4,141</b>

Table 1: Average monthly salary by employee groups, 2013.

### Collective Bargaining Agreement

Collective Bargaining Agreement effective until 31 December 2014 is applied in the Company. Rights and obligations of the Company's employees applied in general practice are provided for in employment agreements and the Collective Bargaining Agreement.

### Trainings and apprenticeship opportunities

The Company devotes great attention to trainings and acquisition of skills and upholding them. In 2013, 124 employees attended general trainings, 130 employees took part in professional trainings. A total of 254, or 71.3% of all employees, attended trainings from the start of the Company's operations.

In accordance with the cooperation agreement on practical trainings with AB Lietuvos Dujos Training Centre, 11 people from energy sector companies were admitted for apprenticeship according to trainings programs related to the operation of the gas transmission pipeline.

### ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

The Company's production activities have an impact on the environment. During the execution of gas system repair works, in case of an accident or improper operation of the system, gas can get into the atmosphere. This risk is minimized by the application of an integrated maintenance system.

The Company is implementing innovative accident, malfunction, gas loss, pollution prevention measures, carries out the reconstruction of polluting objects and other necessary actions. In 2013, there were no

accidents during which large volume of gas was emitted into the atmosphere causing damage to the environment.

In September 2013, the Company approved the Environmental Policy.

Environmental management system in accordance with ISO 14000 standard requirements is planned to be implemented in 2014. Amber Grid is a socially responsible company, which seeks to actively participate in social life.

## **SPONSORSHIP PROGRAMMES**

In 2013, the Company participated in various sponsorship programs. It rendered support to more than 10 institutions, organizations and their projects - Vilnius University Hospital Santariškės Clinic, Order of Malta Relief Organization, students of Vilnius Gija youth school, sports club for residents of Vilnius with physical disabilities, day care centre Feniksas, Vilnius Jonas Laužikas General Education Centre, etc.

## **INTERNATIONAL COOPERATION**

The Company is an associate partner of the European Network of Transmission System Operators for Gas (hereinafter referred to as ENTSOG) ([www.entsog.eu](http://www.entsog.eu)).

ENTSOG was established pursuant to Regulation (EC) No. 715/2009 of the European Parliament and Council as an organization aimed at the cooperation of gas transmission system operators at the EC level. ENTSOG is engaged in preparing the European gas network codes, approving a ten-year gas network development plan of the European Community, general measures for network operation and carrying out other functions.

The status of an associate partner grants the Company the right to take part in preparation of long-term natural gas system development plans, allows for closer cooperation with other European gas transmission system operators. The Company provides recommendations in the preparation of the European natural gas network codes.

In 2013, the preparation of the Gas Regional Investment Plan 2014-2023 of the transmission system operators from the BEMIP region – Gasum Oy (Finland), AS EG Võrguteenus (Estonia), AS Latvijas Gāze (Latvia), GAZ-SYSTEM S.A. (Poland), Energinet.dk (Denmark), Swedegas AB (Sweden) and Amber Grid (Lithuania) - was started. The Company is the coordinator of the preparation of this plan.

In 2009-2013, an investment project was being carried out together with AS Latvijas Gāze, upon the completion of which capacities of cross-border gas interconnector between Latvia and Lithuania were enhanced.

The GIPL project is being implemented in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A.

## II. FINANCIAL PERFORMANCE

### MAIN INDICATORS OF THE TRANSMISSION SYSTEM

	2013
<b>Volume of transported natural gas</b>	
Volume of transmitted natural gas (out of which the Company), MCM	2,667.1 (934.4)
Volume of gas transported by transit (out of which the Company), MCM	2,152.4 (934.7)
Number of system users, at the end of the period	87
<b>Operated system</b>	
Length of gas transmission pipelines, km	2,007
Number of gas distribution stations and gas metering stations, pcs.	69
<b>Employees</b>	
Number of employees, at the end of the period	356

Table 2: Company's performance indicators

### COMPANY'S KEY FINANCIAL INDICATORS<sup>2</sup>

	2013
<b>Financial results (thousand LTL)</b>	
Sales revenues	74,101
EBITDA	35,755
EBIT	3,534
Profit before tax	2,425
Net profit	5,071
Net cash flows from operating activities	33,221
Investments	39,381
Net financial debt	160,483
<b>Profitability ratios (%)</b>	
EBITDA margin	48.25
EBIT margin	4.77
Profit before tax margin	3.27
Net profit margin	6.84
Return on assets (ROA)	0.31
Return on equity (ROE)	0.42
Return on capital employed (ROCE)	0.25
<b>Liquidity</b>	
Current ratio	1.00
Quick ratio	0.58
<b>Leverage (%)</b>	
Equity to total asset ratio	73.37

<sup>2</sup> Financial indicators reflect a 5-month period ended on 31 December 2013.

Financial debt to equity ratio	14.91
Net financial debt to equity ratio	13.28
<b>Market value ratios</b>	
Price-earnings ratio (P/E), times	83.90
Basic earnings per share, LTL	0.03

Table 3: Company's financial indicators

The Company's financial ratios were calculated disregarding the assets and liabilities generated by the LNG Terminal markup funds.

The financial statements for 2013 of the Company also include the financial results of UAB GET Baltic - a joint venture controlled jointly with AB Lietuvos Dujos and the Finnish gas company Gasum Oy, which have been accounted for under the equity method.

### Revenues

In 2013, the revenues of the Company were LTL 74,101 thousand, of which 94.5% were revenues from the transmission of natural gas via gas transmission pipelines to system users and transit to the Kaliningrad Region of the Russian Federation.

The remaining part was revenues for the natural gas sold in the execution of transmission system reserves management and balancing, and revenues for the administration of funds of the LNG terminal; also, a share of previously received grants, with the help of which fixed assets of the Company were created, corresponding to the useful life of those assets was recognized as revenues (Chart 6).

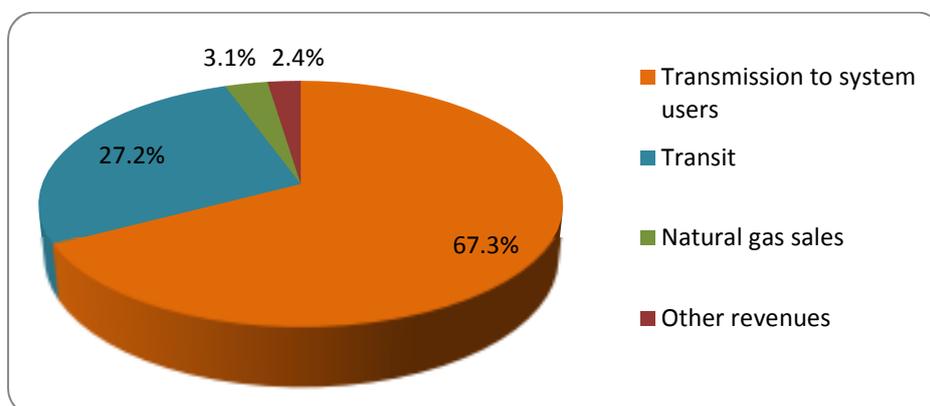


Chart 6: Revenue structure, 2013.

Natural gas transmission revenues received from system users are divided into revenues for acquired transmission capacity and revenues for transmitted natural gas volume (Chart 7).

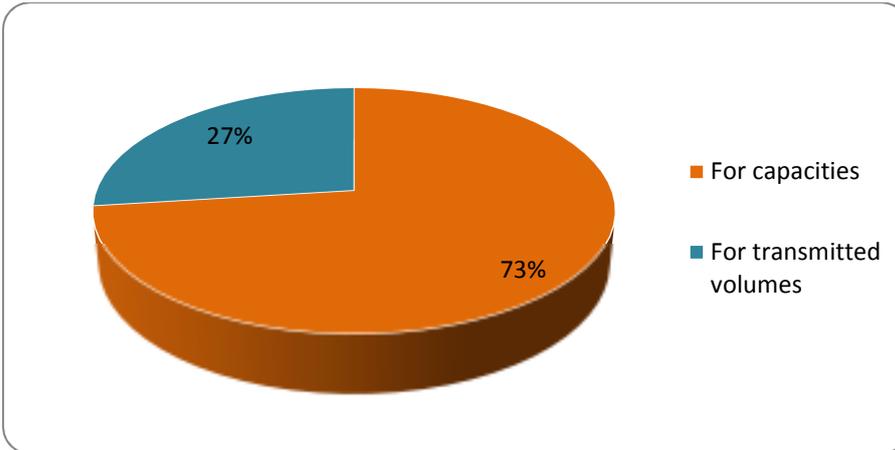


Chart 7: Structure of transmission revenues, 2013.

Revenues for the transmission of natural gas were received managing the natural gas reserve volumes contained in the natural gas transmission system. Their constant fluctuations are affected by technological features of the transmission system and gas flow deviations (imbalances) determined by technical reasons and actions of system users and other gas market participants taking part in the transmission system balancing. Decreasing natural gas reserves in the transmission system means that gas needs to be sold, while increasing reserves means that it has to be purchased. In 2013, due to the imbalance caused by gas market participants, natural gas was not bought or sold.

The Company is obliged under requirements of laws to administer funds of the LNG terminal. For more information and disclosures about the accounting of funds of the LNG terminal, see the financial statements of the Company for 2013.

### Expenses

The Company's expenses amounted to LTL 70,574 thousand in 2013.

The largest expenses of the Company were incurred due to the depreciation of fixed assets - LTL 32,221 thousand (or 45.7% of all expenses), repairs and maintenance - LTL 14,860 thousand (21.1%), payroll and related social security expenses - LTL 10,314 thousand (14.6%) and expenses of natural gas - LTL 8,012 thousand (11.4%) (Chart 8).

The Company purchased natural gas for technological needs and for the change in natural gas reserves.

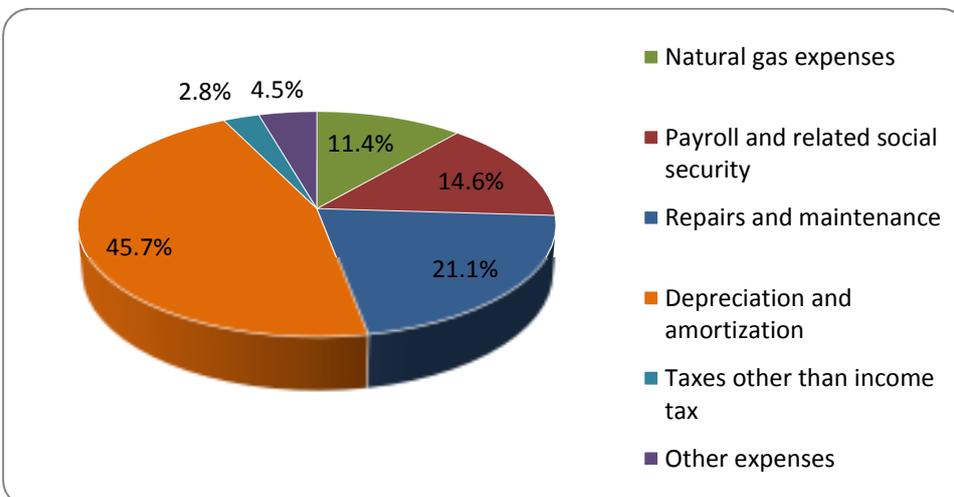


Chart 8: Structure of expenses, 2013.

## Activity results

In 2013, profit before tax amounted to LTL 2,425 thousand, while profit before tax, interest, depreciation and amortization (EBITDA) accounted for LTL 35,755 thousand (Chart 9).

Since the establishment of the Company, Amber Grid earned LTL 5,071 thousand net profit during 2013 and this profit was LTL 2,646 thousand greater than profit before tax. The Company took advantage of investment incentive provided for in the Law on Profit Tax and formed deferred profit tax assets, which amounted to LTL 4,034 thousand.

The Company's gas transmission activity is subject to regulation, thus the main reason for low profitability of the Company is the fact that depreciation and amortization expenses in financial statements are much greater than those recognized by the NCCPE when setting the natural gas transmission price cap. Chart 10 illustrates profitability ratios.

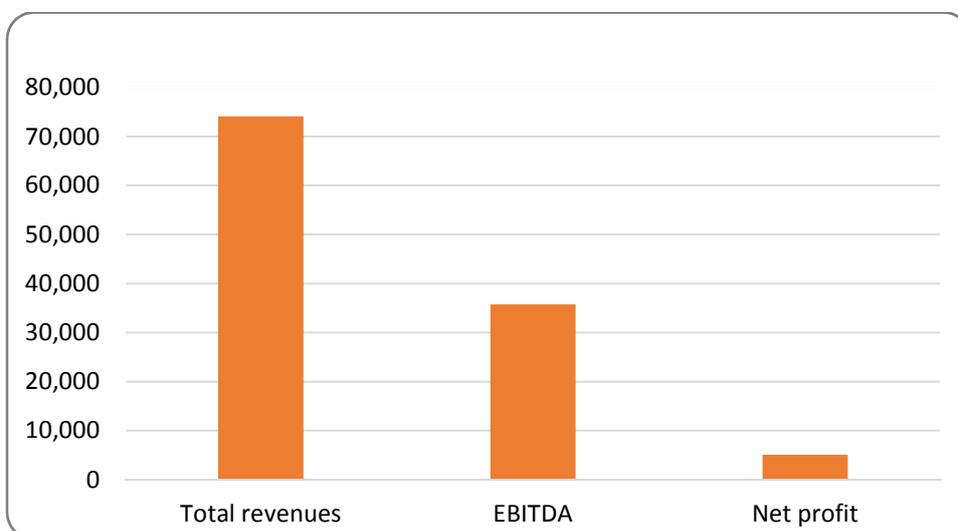


Chart 9: Financial results, thousand LTL

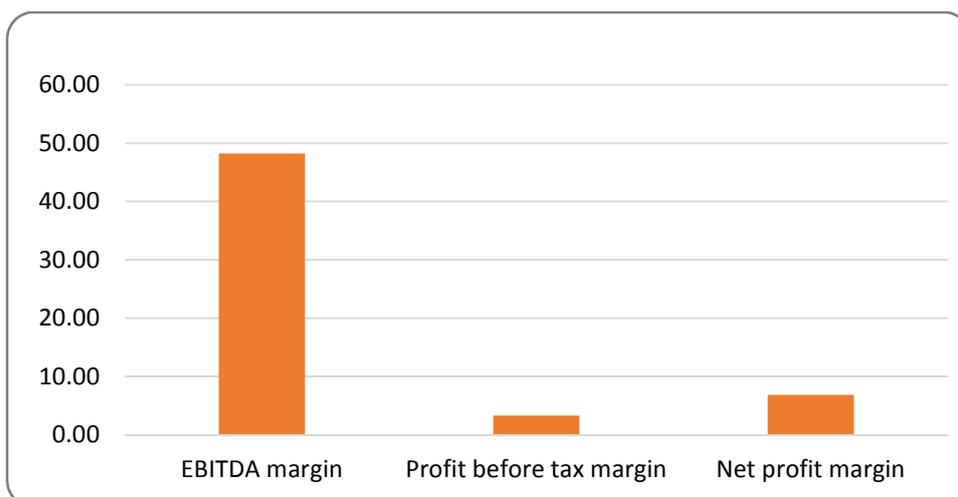


Chart 10: Profitability, per cent

## Investments

During 2013, LTL 91,840 thousand (during 2012 - LTL 110,740 thousand) was invested into the development and modernization of the transmission system (from the beginning of 2013 till 31 July 2013 - by AB Lietuvos Dujos, from 1 August 2013 till the end of 2013 - by Amber Grid). In 2013, 70% of funds was invested into new gas system construction objects, 30% was allocated for investments into gas system reconstruction and modernization.

49% of investments into the transmission system were financed from the EU financial assistance funds. During 2013, assistance in the amount of LTL 45,108 thousand (in 2012 - LTL 23,778 thousand) was received.

Amber Grid investments amounted to LTL 39,381 thousand since the establishment of the Company in 2013 (Chart 11). The Company took over and continued investment projects planned and started by AB Lietuvos Dujos.

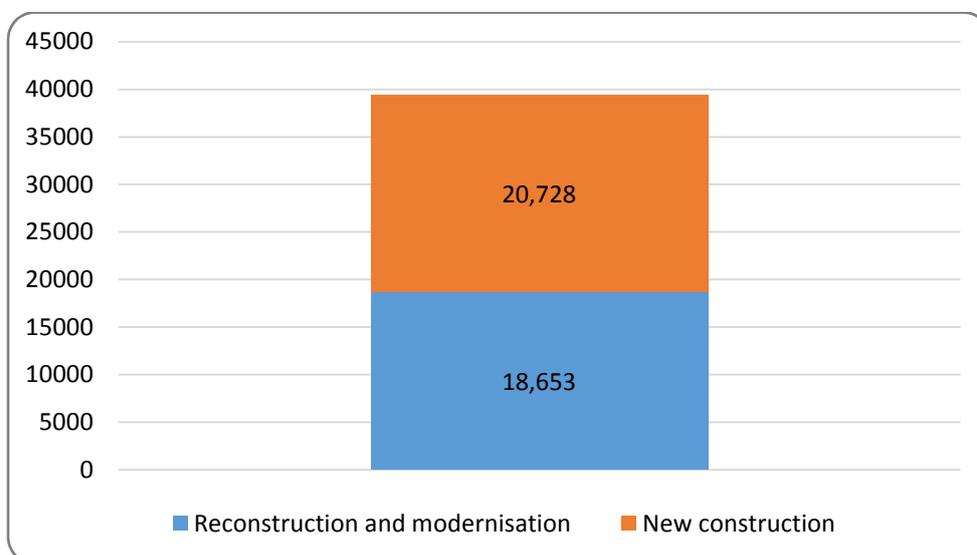


Chart 11: Investment structure, thousand LTL.

## Assets

The value of assets amounted to LTL 1,748,927 thousand at the end of 2013. As of the end of 2013, the non-current assets accounted for 90.6% and the current assets - for 9.4% of the total assets of the Company.

During the period from August to December 2013, the value of non-current assets increased by 0.5%, or LTL 7,067 thousand, mostly due to investments into gas transmission pipelines and installations thereof. The value of current assets increased by 38.7% (LTL 46,064 thousand). Amounts receivable from buyers increased due to the seasonal nature - more gas is transported in winter time than during warm season. Other amounts receivable and other financial assets increased mainly due to debts and funds of the LNG terminal already received but not yet paid out.

## Equity and liabilities

The Company's equity increased by 0.42% (LTL 5,071 thousand) during August - December 2013 and at the end of the year amounted to LTL 1,208,560 thousand. Equity at the end of the reporting period accounted for 69.1% of the total assets of the Company.

Amounts payable and liabilities increased by 9.74% (LTL 47,954 thousand) during August - December 2013 and at the end of the year amounted to LTL 540,367 thousand. Amounts payable increased mainly due to accumulated and not yet paid LNG terminal funds. The increase in trade debts was mainly determined by amounts payable to the Company's contractors.

Financial debt of the Company as of the end of 2013 accounted for LTL 180,201 thousand and during August - December 2013 remained essentially unchanged (Chart 12).

Retained earnings, including the profit received from the transmission activity of AB Lietuvos Dujos in January-July 2013 and transferred to the Company under the Terms and Conditions of the Spin-Off (LTL 9,996 thousand), amounted to LTL 15,067 thousand.

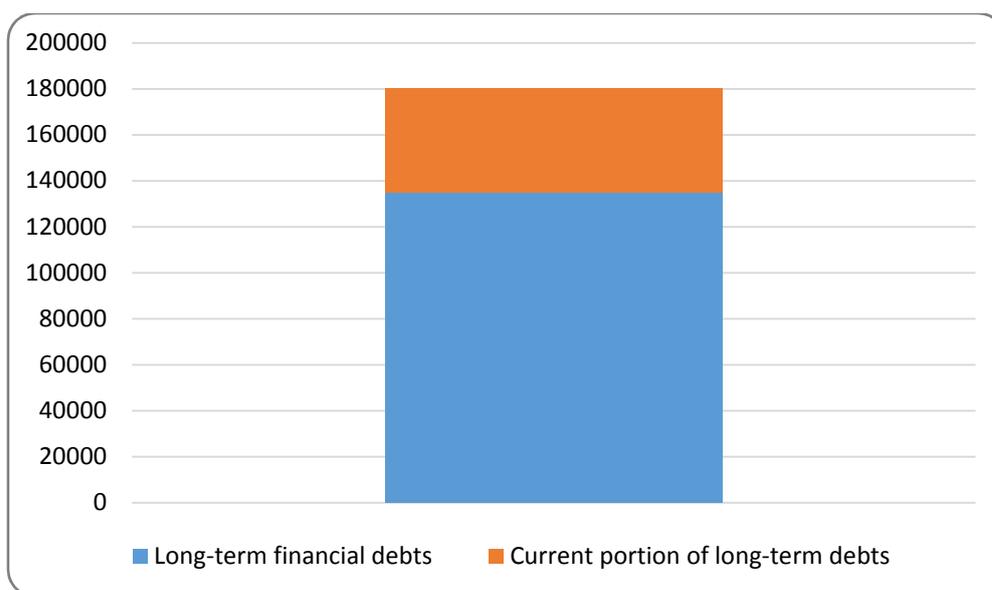


Chart 12: Financial debt structure, thousand LTL.

### Cash flows

The Company's cash flows from its operating activities were positive in 2013 and amounted to LTL 33,221 thousand. Investment activities required investments in the amount of LTL 39,026 thousand, however, a part of these investments was funded from the EU assistance funds. Annual cash flow of the Company was positive and this allowed maintaining unchanged level of financial debts.

For more information on the financial results of the Company, see the Company's financial statements for 2013.

### References and additional notes on the data provided in the annual financial statements

Other information is presented in the notes of audited annual financial statements of Amber Grid for 2013.

### BUSINESS PLANS AND FORECASTS

Strategic infrastructure and other projects aimed at the enhancement of the efficiency of the Company's activities and cost optimization will be implemented in 2014. In 2014, actions will be undertaken in order to receive financial assistance for the implementation of GIPL and KKP projects under the EU's Connecting Europe Facility. Completion of the KKP project is planned by the end of 2015 and of the GIPL project - by the end of 2018.

The forecast is that in 2014 the Company will transport via its transmission system about 2.5 BCM of natural gas to consumers of Lithuania.

## **RISK MANAGEMENT**

The Company faces the following main risks in the performance of its activities: regulation-related risk, competition-related risk, natural gas purchase/ sale price fluctuation risk, credit risk, technology-related risk and macroeconomic factors-related risk.

Information on gas purchase price fluctuation risk, credit risk and other financial risks is presented in financial reports of the Company for 2013.

### **The macroeconomic factors-related risk**

Lithuania's economic situation and economic development trends, price of natural gas as a product to the end-user have an impact on gas transmission volumes and investments into the development of gas transmission pipelines. Natural gas transmission volumes that have been decreasing during the previous years in Lithuania have a negative effect on the Company's financial results. However, the Company's activity is subject to regulation, thus it, under the supervision of the NCCPE, is undertaking various measures necessary for the ensurance of the stability, sustainability and development of its activities.

### **The regulation-related risk**

The regulation-related risk is closely related to changes in the legal environment and decisions taken by regulatory authorities. Natural gas transmission tariffs and investments into the natural gas transmission systems are subject to state regulation. The Company directly cooperates with regulatory authorities and takes an active part in the legal acts drafting process.

### **The competition-related risk**

The Company's activity results are affected by competition in the fuel market. Increasing consumption of alternative fuel types replacing natural gas leads to decreasing demand for natural gas. High natural gas prices also have an impact in decision-making with regard to the selection of alternative fuel types.

### **The technology-related risk**

One of the main objectives of the Company is to ensure safe, reliable and efficient operation of the natural gas transmission system. Quite a number of pipelines operated by the Company are 30 - 50 years old, thus proper maintenance of the transmission system requires special attention. The Company has prepared a strategy for the ensurance of safety and reliability of the transmission system and the activity plan for the implementation thereof.

## **THE COMPANY'S INTERNAL CONTROL SYSTEM**

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

To ensure that the financial statements are prepared correctly, Amber Grid has adopted the Accounting Policies and Procedures Manual governing the principles, methods and rules of accounting and preparation and presentation of financial statements. Moreover, seeking to ensure that financial statements are

prepared in a timely manner, deadlines for presentation of accounting documents and preparation of reports are regulated by internal rules approved by the Company.

“Four-eye” principle is followed in the preparation of the financial statements. Accounting Department is in charge for overseeing the preparation of financial statements and final review thereof. Also, the Audit Committee monitors the process of the preparation of the financial statements.

On 11 December 2013, shareholders of Amber Grid made a decision to form an Audit Committee and approved the provisions on the formation of the Audit Committee and its activities. The composition of the Audit Committee is indicated in part III of this annual report *Management of the Company*.

The following are the main functions of the Audit Committee:

- Monitor the Company’s financial reporting process;
- Provide recommendations to the Board of Directors related to the selection of an independent audit company;
- Monitor the effectiveness of the Company’s internal control and risk management systems;
- Monitor how an independent auditor and audit company complies with the principles of independence and objectivity, oversee the Company’s audit processes.

The Company has an established position of an Internal Auditor. The aim of the Internal Auditor is to help implement the business goals of the Company by a systematic and comprehensive assessment of risk management and internal control.

### **III. MANAGEMENT OF THE COMPANY**

#### **Information on the observance of the Code of Governance**

The Company has disclosed the information regarding the observance of the provisions of the Code of Governance. All the information is available on the Company's website [www.ambergrid.lt](http://www.ambergrid.lt) and the Central Database of Regulated Information [www.crib.lt](http://www.crib.lt).

#### **Authorized share capital**

The authorized capital of the Company is LTL 178,382,514. It consists of 178,382,514 ordinary registered shares with par value of LTL 1 each. In 2013, the par value of shares did not change. All shares are fully paid.

During 2013, the value of the authorized capital and the structure of shareholders did not change.

#### **Shares and rights of shareholders**

The number of shares granting votes in the General Meeting of Shareholders coincides with the number of issued shares and amounts to 178,382,514 pieces. Shares of Amber Grid entitle to equal property and non-property rights and not a single shareholder of the Company holds any special rights of control. In accordance with the Bylaws of the Company, decisions on issuing new shares and on acquisition of own shares shall be adopted exclusively by a resolution of the General Meeting of Shareholders.

Amber Grid has not been informed of any mutual agreements between shareholders that may limit the transfer of securities and (or) voting rights. There are no restrictions of voting rights in the Company.

In 2013, the Company did not acquire its own shares and it did not conclude any transactions related either to acquisition or disposal of its own shares.

#### **Shareholders**

The Terms and Conditions of the Spin-off of AB Lietuvos Dujos established that the shares of the Company and AB Lietuvos Dujos continuing its activities after unbundling shall be distributed to all shareholders in proportion to their shares in the authorized capital of AB Lietuvos Dujos, while only those persons, who were shareholders on the day when Amber Grid was registered in the Register of Legal Entities, shall be entitled to receive the shares of Amber Grid. The Company and its Bylaws were registered on 25 June 2013.

According to data of 31 December 2013, Amber Grid was controlled by 2,699 natural and legal Lithuanian and foreign residents, 3 of them controlled share portfolios of the Company greater than 5%.

Shareholder	Office address/ company code	Number of shares held by the right of ownership, pcs.
E.ON Ruhrgas International GmbH (Germany)	Brüsseler Platz 1, 45131 Essen, Germany/ HRB 21974	69,416,233
OAo Gazprom (Russia)	16 Nametkina St., Moscow, Russian Federation/ 1027700070518	66,112,761
Ministry of Energy of the Republic of Lithuania	Gedimino pr. 38, Vilnius, Lithuania/ 302308327	31,575,724
Small shareholders		11,277,796
<b>Total:</b>		<b>178,382,514</b>

Table 4: Shareholders of the Company

The structure of shareholders of the Company is illustrated in Chart 13.

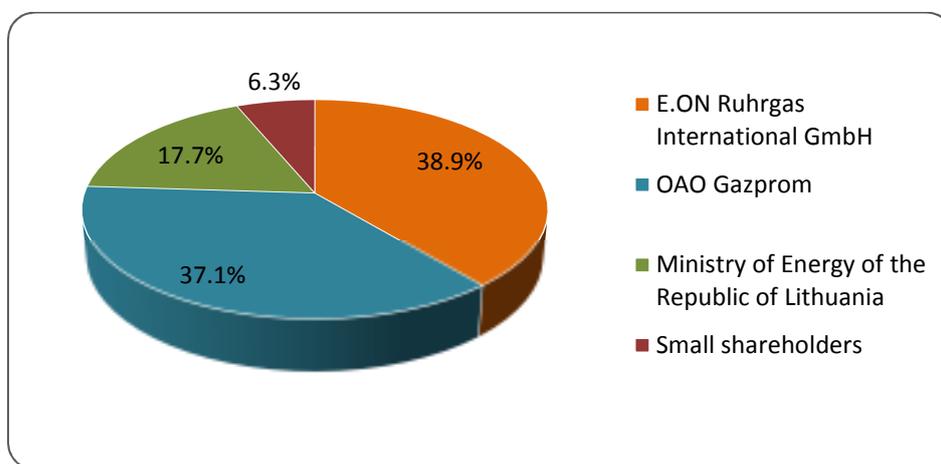


Chart 13: Structure of shareholders as of 31 December 2013.

E.ON Ruhrgas International GmbH is a holding company which is part of the E.ON Group. The E.ON Group is one of the world's largest energy companies. The activities of E.ON include, *inter alia*, energy generation from traditional and renewable energy sources as well as exploration, supply, storage, sales, distribution of natural gas and energy trading activities.

OAO Gazprom is a global energy company. Its activities include geological exploration, production, transportation, storage, processing and marketing of natural gas, also, production and sales of condensing gas and oil, gas as vehicle fuel, and trade in heat and electric energy.

The Ministry of Energy of the Republic of Lithuania is a state institution in charge of the energy sector public administration functions (delegated to it by laws and other legislation) and the implementation of state strategic goals and policies in the energy sector.

The Company's shareholders – E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania whose shares are held in trust by the Ministry of Energy of the Republic of Lithuania - jointly control 93.7% of the Company's shares and have a casting vote when making decisions at the General Meeting of Shareholders.

## Restructuring of the Company's control

In the implementation of the requirements of the EU's Third Energy Package and Law on Natural Gas of the Republic of Lithuania, natural gas transmission activity carried out by the Company will have to be unbundled from the natural gas production and supply activity by 31 October 2014, unbundling the ownership of the transmission system from natural gas companies engaged in production and supply activities.

Pursuant to these legal acts, members of management bodies of the Company are not entitled to be members of a management body or the representative body of companies engaged in production or supply activities or a sole manager of these companies.

Shareholders of the Company E.ON Ruhrgas International GmbH and OAO Gazprom are engaged in the natural gas production and supply activities, thus the reorganization of the Company's control shall be performed by 31 October 2014, as provided for by the Law on Natural Gas of the Republic of Lithuania and its implementing regulations.

## Data about trading in the Issuer's securities on the regulated markets

As from 1 August 2013, the Company's shares are traded on the regulated market; they are quoted on the Secondary List of the NASDAQ OMX Vilnius Stock Exchange.

Main data about Amber Grid shares	
ISIN code	LT0000128696
Symbol	AMG1L
Number of shares (pcs.)	178,382,514

Table 5: Main data about Amber Grid shares

In 2013, the turnover of the trading in the Company's shares amounted to LTL 1.6 million, 696,871 shares were disposed of through the concluded transactions.

In August-December 2013, OMX Baltic Benchmark PI and OMXV indices of the Stock Exchange NASDAQ OMX, reflecting stock price developments of securities of all companies listed on the Baltic States and Vilnius Stock Exchanges correspondingly decreased by 3.36% and increased by 2.5%. Meanwhile, the value of the Company's shares increased by 8.11% over the same period. The Company's share price dynamics is presented in Table 6.

Opening price, LTL 01-08-2013 <sup>3</sup>	Highest price per share, LTL 13-12-2013	Lowest price per share, LTL 02-09-2013	Weighted average price per share, LTL	Closing price, LTL 30-12-2013
2.341	2.517	2.141	2.366	2.517

Table 6: Share price dynamics at NASDAQ OMX Vilnius, August-December 2013

Amber Grid share capitalization as at the end of 2013 amounted to LTL 449.0 million. Data of the Company's share price and turnover (August - December 2013) are presented in Chart 14.

<sup>3</sup>Since the trading of Amber Grid shares was started on 1 August 2013, the table indicates the closing price of the first trading day.

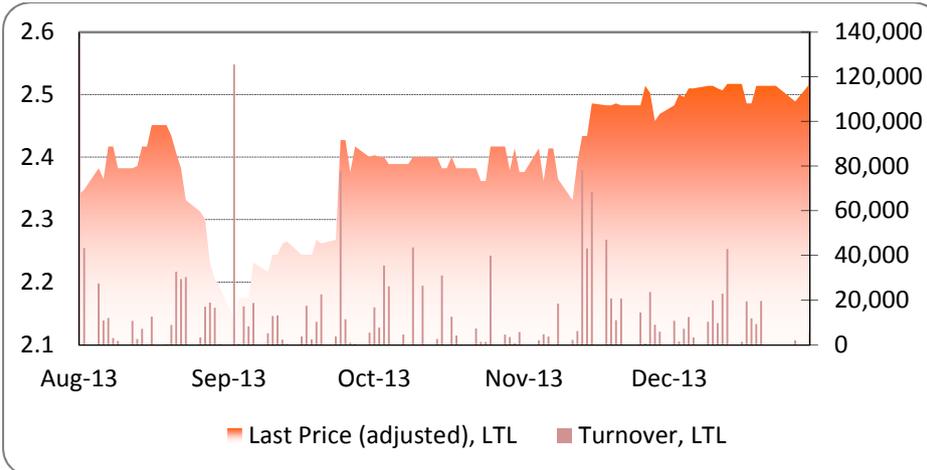


Chart 14: Amber Grid share price and turnover, August - December 2013

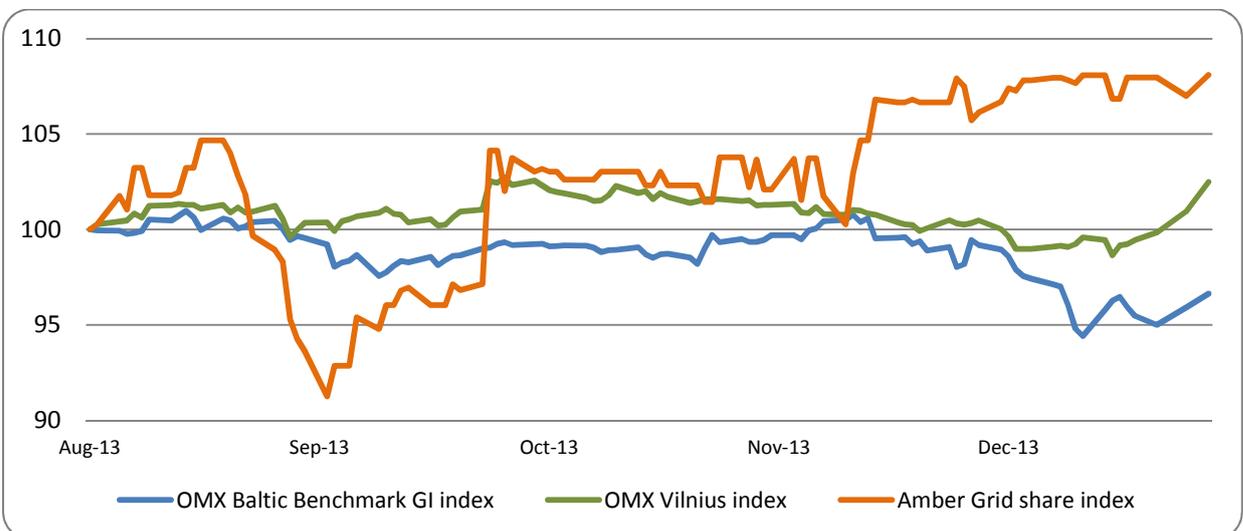


Chart 15: Fluctuations of Amber Grid share price, OMX Vilnius and OMX Baltic Benchmark PI Indices, August - December 2013

OMX Baltic Benchmark PI and OMXV indices are total return indices that include all shares listed on the Main and the Secondary lists of the stock exchanges. The indices do not include shares of those companies where one shareholder controls 90% or more of the issued shares. The indices reflect the current situation and developments on the Baltic States and Vilnius Stock Exchanges. Fluctuations of the Company's share price, OMX Vilnius and OMX Baltic Benchmark PI indices (August - December 2013) are illustrated in Chart 15.

### Dividends

The payment of dividends to the shareholders of the Company depends on the profitability, investment plans and the overall financial situation of the Company. Moreover, an obligation applied by banks by default to obtain a respective bank's approval prior to paying dividends to shareholders of the Company is established by a credit agreement.

The General Meeting of Shareholders has not adopted any decision on the Profit Appropriation 2013.

### Agreements with intermediaries of public trading in securities

On 26 June 2013, Amber Grid concluded an agreement with AB SEB bank regarding the accounting of securities issued by the Company and the provision of services related to securities accounts.

AB SEB bank details	
Company code	112021238
Registered office address	Gedimino pr. 12, Vilnius, Lithuania
Telephone number	+370 5 268 2800, short 1518
E-mail	info@seb.lt
Website	www.seb.lt

### Management structure

The Company's activities are governed by the Law on Companies, Law on Securities, the Bylaws of the Company as well as other applicable legal acts of the Republic of Lithuania. The competence of the General Meeting of Shareholders of the Company, rights of the shareholders and the implementation thereof are as prescribed in the Law on Companies of the Republic of Lithuania and the Bylaws of the Company.

The Bylaws of the Company provide for the fact that the Bylaws may be amended by a decision of the General Meeting of Shareholders taken by a majority vote that has to be no less than 2/3 of all the votes carried by the shares held by shareholders attending the General Meeting of Shareholders.

The Bylaws provide for the following governing bodies:

- The Board of Directors,
- The Chief Executive Officer of the Company - General Manager.

According to the Bylaws, the Board of Directors of the Company consists of 5 (five) members elected for a period of three years in accordance with the procedure provided for in the Law on Companies. Members of the Board of Directors elect the Chairman of the Board. The Chairman of the Board of Directors and his Deputy are elected for a period of two years by rotation. Members of the Board of Directors may be re-elected for another term of office. Powers of the members of the Board of Directors and the fields of activity of the Chief Executive Officer of the Company are as prescribed by the Law on Companies and the Bylaws of the Company, there are no exceptions with regard to any powers of the members of the Board of Directors or the Chief Executive Officer subject to additional notification.

The Company has no branches or representative offices.

Information about Amber Grid members of the Board of Directors, General Manager and Chief Accountant is presented in Table 7.

Position title	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Chairman of the Board of Directors	Dr. Rainer Link	June 2013	June 2016	-	-
Deputy Chairman of the Board of Directors	Dr. Aleksandr Frolov	June 2013	June 2016	-	-

Member of the Board of Directors	Mario Nullmeier	June 2013	June 2016	-	-
Member of the Board of Directors	Dr. Aleksandras Spruogis	June 2013	June 2016	-	-
Member of the Board of Directors	Nikolay Vasilyev	June 2013	June 2016	-	-
General Manager	Saulius Bilys	June 2013	June 2016	-	-
Chief Accountant	Dzintra Tamulienė	June 2013	-	-	-

Table 7: Information about members of the Board of Directors, General Manager and Chief Financial Officer

During the reporting period, no pay-outs were calculated for members of the Board of Directors.

Salaries calculated for the General Manager and Chief Accountant of the Company during the reporting period totalled LTL 209,032, averaging LTL 104,516 per person (General Manager and Chief Accountant).

Employment agreements of the General Manager of the Company and his Deputies establish agreements providing for compensation should they resign or be dismissed for no valid reason, or should their employment be terminated due to the reorganization of control of the Company.

Information about members of the Audit Committee is presented in Table 8.

Position title/ place of employments	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Independent member, UAB AV Auditas	Vaida Kačergienė	December 2013	June 2016	-	-
Member, Amber Grid	Valdemaras Bagdonas	December 2013	June 2016	0.00013	0.00013

Table 8: Information about the members of the Audit Committee

Information on the transactions between associated parties is presented in the financial statements of the Company for 2013.

The Company has not entered into any significant agreements, which are to take effect, change or terminate upon the change in the Company's control.

During the reporting period, the Company has not concluded any detrimental transactions (non-compliant with the Company's objectives, the existing normal market conditions, in breach of interests of the shareholders or other groups of persons, etc.) or transactions concluded in presence of the conflict of interest between the obligations to the Company of the executives, controlling shareholders or other related parties of the Company and (or) their private interest and (or) other obligations.

**Material events after the end of the financial year**

On 12 February 2014, the Government of the Republic of Lithuania adopted a resolution establishing that 31,575,724 non certified ordinary registered shares of AB Amber Grid owned by the state, with a par value of LTL 1 each, granting 17.7% of votes in the General Meeting of Shareholders of the Company are being transferred to UAB EPSO-G as the additional contribution to the share capital of UAB EPSO-G with the purpose to increase the share capital of UAB EPSO-G.

On 21 February 2014, UAB EPSO-G acquired 31,575,724 non certified ordinary registered shares of AB Amber Grid, granting 17.7% of votes in the General Meeting of Shareholders of the Company.

#### IV. MATERIAL EVENTS IN THE ACTIVITIES OF THE COMPANY

In the performance of its obligations under the applicable laws governing the securities market, the Company publishes material events and other regulated information EU-wide. Information published by the Company can be found on the Company's website ([www.ambergrid.lt](http://www.ambergrid.lt)) and on the website of AB NASDAQ OMX Vilnius ([www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)).

In 2013, Amber Grid<sup>4</sup> published the following information on material events:

Date	Material event
31-01-2013	Regarding the Terms and Conditions of the Spin-off of AB Lietuvos Dujos prepared and submitted to the NCCPE for approval
28-02-2013	The Commission approved the Terms and Conditions of the Spin-off of the natural gas transmission activity of AB Lietuvos Dujos
07-03-2013	Regarding the publication of the Terms and Conditions of the Spin-off of AB Lietuvos Dujos
15-05-2013	On convening the first General Meeting of shareholders of AB Amber Grid
11-06-2013	Regarding the resolution adopted by the First Meeting of shareholders of AB Amber Grid
11-06-2013	Regarding resolutions of the Board of Directors of AB Lietuvos Dujos
19-06-2013	Regarding the consideration of information submitted in the documentation on the Spin-off of AB Lietuvos Dujos to be equivalent to the information of the prospectus of AB Amber Grid
26-06-2013	Regarding the registration of a new company AB Amber Grid established following the Spin-off of AB Lietuvos Dujos and its Bylaws
27-06-2013	Regarding the AB Lietuvos Dujos transmission price cap and specific natural gas transmission service tariffs effective to the new company AB Amber Grid
11-07-2013	Notice regarding changing the accounting records of AB Lietuvos Dujos shares
18-07-2013	Regarding the revocation of natural gas transmission license for AB Lietuvos Dujos and issuance of a fixed-term natural gas transmission license to AB Amber Grid
01-08-2013	Notice regarding the inclusion of AB Amber Grid shares in the Secondary List of NASDAQ OMX Vilnius
02-08-2013	Notification on the Spin-off of the assets, rights and obligations of AB Amber Grid from AB Lietuvos Dujos
21-08-2013	On the preparation of the final Spin-off Balance Sheet
11-10-2013	On the natural gas price cap for 2014
31-10-2013	Pre-audited results of AB Amber Grid for Q3 of 2013
31-10-2013	Regarding new Tariffs for natural gas transmission services
31-10-2013	On convening an extraordinary General Meeting of Shareholders of AB Amber Grid.
19-11-2013	New Tariffs set for natural gas transmission services
11-12-2013	Regarding resolution adopted by the Extraordinary General Meeting of shareholders of AB Amber Grid.

All public notices that are to be published in accordance with the procedure established by laws are posted in the electronic publication of the Administrator of the Register of Legal Persons. Notifications on convening a General Meeting of Shareholders of the Company as well as other material events are published in accordance with the procedure established by the Law on Securities of the Republic of

<sup>4</sup>During the period from 1 January 2013 till 31 July 2013 notices on material events related to natural gas transmission activities were published by AB Lietuvos Dujos

Lithuania on the Central Database of Regulated Information [www.crib.lt](http://www.crib.lt) and the Company's website [www.ambergrid.lt](http://www.ambergrid.lt). Where shareholders' holdings entitle them to at least 10% of the total voting rights, notices to such shareholders on convening a General Meeting of Shareholders are sent in accordance with the procedure established in the Bylaws of the Company.

## Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

Pursuant to Paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and Item 24.5 of the Listing Rules of NASDAQ OMX Vilnius, the public company AB Amber Grid discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius and with the specific provisions thereof. In case of instances of non-compliance with the Code or with certain specific provisions thereof it is indicated which specific provisions are not complied with and due to what reasons.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b></p>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The strategy of development and objectives of AB Amber Grid are set forth in a ten-year network development plan of the natural gas transmission system operator, which is made public on the Company's website. The Company updates its development plans depending on the market situation and the regulatory environment developments.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activities of the governing bodies of the Company are focused on the implementation of the strategic objectives provided for in the Company's development plan and the compliance with the regulatory environment.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the Board of Directors and the General Manager of the Company. A Supervisory Board is not formed at the Company, and the shareholders' interests are represented by the Board of Directors of the Company, during regularly convened meetings of which information is provided on the Company's operation.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company seeks to secure the interests of all the persons connected with the Company's activity. The publicity of the Company's activity forms for the interest holders conditions to participate in the governance of the Company in the manner prescribed by laws and in accordance with the Company's bylaws and internal regulations.
<p><b>Principle II: The corporate governance framework</b></p>		

<p><b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company’s management bodies, an appropriate balance and distribution of functions between the company’s bodies, protection of the shareholders’ interests.</b></p>		
<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	No	<p>The governing bodies of the Company are the Board of Directors and the General Manager. A Supervisory Board is not formed at the Company. The General Manager of the Company is accountable to the Board of Directors. The General Manager of the Company is not a member of the Board of Directors.</p> <p>The division of competencies and responsibilities among the governing bodies of the Company is set forth by the Company Bylaws, the regulations of the governing bodies of the Company and in the General Manager’s employment contract and in the Law on Companies of the Republic of Lithuania (hereinafter referred to as the ‘Law on Companies’).</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance.</p> <p>A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	<p>Yes</p> <p>No</p>	<p>The Board of Directors of the Company is responsible for strategic management of the Company and adopts key decisions with regard to Company management provided for by the Company Bylaws, appoints the General Manager of the Company, analyses and assesses the information on the Company’s operation. The competence of the Board of Directors is provided for in the Company Bylaws.</p> <p>A Supervisory Board is not formed at the Company. The General Manager of the Company is accountable to the Board of Directors of the Company, the members of which are not involved in day-to-day operation of the Company.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.</p>	No	<p>A Supervisory Board is not formed at the Company.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup></p>	No	<p>The procedure for setting up a collegial body elected by the General Shareholders’ Meeting of the Company ensures the representation of interests of minority shareholders of the Company, accountability of this body to the shareholders and objective supervision of the Company’s operation and its management bodies.</p> <p>The corporate governance framework ensures that a collegial body elected by the General Shareholders’</p>

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders’ meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company’s board and the chief executive officer and to represent the company’s shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (**e.g. formation of the committees**), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent

		<p>Meeting would function properly and effectively, and the rights conferred on this body should ensure effective supervision of the Company's management bodies and protection of interests of all the Company's shareholders.</p> <p>A Supervisory Board is not formed at the Company, and the provisions of Principles III and IV are better suited to cases where the General Meeting of Shareholders elects a Supervisory Board. Considering the size of the Company (the number of employees and the yearly turnover), a collegial management body of the Company is set up out of 5 members, therefore, the functions assigned to the Committees under the recommendations are performed by the collegial management body itself; an Audit Committee is also set up which is elected and the Regulations of which are approved by the General Meeting of Shareholders. The Audit Committee performs the functions provided for by the Law on Audit.</p> <p>Please also refer to the comment under Item 3.6.</p>
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	Yes	The Board of Directors of the Company comprises 5 members who are not involved in day-to-day operation of the Company.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The members of the Board of Directors of the Company are elected for a period of three years without imposing any restrictions on their re-election. The procedure of recall of the members of the Board of Directors of the Company does not differ from the one provided for by law.

it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The chairman of the Company's Board of Directors and the chief executive officer of the Company (General Manager) is not the same person, the chairman of the Board of Directors did not hold the position of the chief executive officer of the Company (General Manager) prior to appointing him on the position of the chairman.</p>
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**Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting**

**The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup>**

<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>In compliance with the Company Bylaws, the collegial governing body of the Company - the Board of Directors - is elected by the General Meeting of Shareholders. On 11 June 2013, the Board of Directors of the Company was elected from candidates nominated by three shareholders of the Company, each of which, separately, was not a controlling shareholder. The Board of Directors simultaneously performs the function of the objective and impartial monitoring of the General Manager's performance through the regular hearings of the information presented by the General Manager on key issues of the business activities of the Company.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes/No</p>	<p>The Company discloses the information in accordance with provisions of the Law on Companies.</p>

<sup>3</sup> Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>The Company makes public the information on the composition of the Board of Directors and the positions held by the members of the Board of Directors in the Company's annual report and on the Company's website. At the General Meeting of Shareholders, the candidates' positions held are specified.</p>
<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>All the members of the Board of Directors of the Company are practicing, competent and experienced managers, and four members of the Board of Directors hold management positions in leading companies of the sector.</p> <p>The members of the Audit Committee of the Company were appointed aiming to ensure that the Audit Committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>Please refer to the comment under Item 3.4.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>No</p>	<p>The members of the Board of Directors, on the date of election and subsequently, held positions at the shareholders' which nominated them. The shareholder OAO Gazprom and the Company have important business links – the Company transports gas to the Kaliningrad Region of the Russian Federation.</p>

<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

<sup>5</sup> It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> <li>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization</li> </ol>	<p>Not applicable</p>	<p>Please refer to comment under Item 3.6.</p>
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<p>receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 3.6.</p>
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 3.6.</p>

<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 3.6.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup>. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>Please refer to the comment under Item 3.6.</p>
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	<p>Yes</p>	<p>In accordance with the Company Bylaws, the Company's annual report is subject to approval by the Board of Directors of the Company. The Company's annual financial statements, the draft profit (loss) appropriation are subject to analysis and assessment by the Board of Directors of the Company. After the aforesaid procedures, the financial statements, the draft profit (loss) appropriation together with the approved annual report are submitted for approval to the General Meeting of shareholders. Quarterly reports on the results of the economic activity of the Company (presented by the Company's CEO) are subject to analysis and assessment by the Board of Directors of the Company.</p>

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>According to the information available to the Company, all the members of the Board of Directors act in good faith for the benefit and in the interests of the Company and are guided by the interests of the Company and not by their private interests or by interests of any third parties, and are seeking to maintain independence in decision-making.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	

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<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.



<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6. In accordance with Resolution No1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania 'On Requirements for Audit Committees', the Audit Committee is composed of two members. The Board of Directors of the Company comprises 5 members</p>

<sup>11</sup>The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state ).

<p>collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		<p>which are not involved in day-to-day operation of the Company.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6.</p>

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6.</p>
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>• Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> <li>• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> <li>• Make proposals to the collegial body on suitable forms of</li> </ul>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6.</p>

<p>contracts for executive directors and members of the management bodies;</p> <ul style="list-style-type: none"> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when).</p>	<p>Not applicable</p>	<p>Please refer to comments under Items 2.4 and 4.6. Pursuant to the Law on Audit and Resolution No1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania 'On Requirements for Audit Committees', an Audit Committee has been formed at the Company. Key functions of the Audit Committee: monitoring the efficiency of the internal control, internal audit and risk management systems, monitoring the process of execution of its functions by external audit and the observance of the principles of independence and objectivity by the audit company as well as other audit committee functions prescribed by applicable legal acts of the Republic of Lithuania.</p>
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<p>The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	The assessment of the Company's activities and ipso facto of the Board of Directors' activities is performed by the shareholders of the Company in accordance with the procedure prescribed by Law.
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>The activities of the board of directors are regulated by the Regulations of operation of the board of directors. The meetings of the board of directors are carried out under the guidance of the chairman of the board of directors. The CEO of the company helps to organize the activities of the board of directors. The Company provides all the resources necessary for proper organization of meetings of the Board of Directors.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month<sup>12</sup>.</p>	<p>Yes</p>	<p>To secure the uninterrupted resolution of the essential Company's governance issues, the meetings of the Board of Directors are convened at least once per quarter. Every year at the last meeting of the Board of Directors, the Board of Directors adopts the time-table of meetings of the Board of Directors for the next year.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>Regulations of operation of the Board of Directors provide for that the members of the Board of Directors receive information about the meeting being convened, the agenda of the meeting and all material relevant to the issues on the agenda no later than 10 working days prior to the meeting of the Board of Directors.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Not applicable</p>	<p>A Supervisory Board is not formed at the Company.</p>
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p>		

<sup>12</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

**The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorized capital consists of ordinary registered shares which grant to all the Company's shareholders the same rights.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. <sup>13</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The competence of the Company's General Meeting and Board of Directors is regulated by the Law on Companies of the RL and the Company's bylaws. In accordance with the Company's bylaws, decisions on entering into important transactions are adopted by the Board of Directors.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Procedures for convening and conducting the General Shareholder's Meeting are regulated by the Law on Companies of the RL and the Company's bylaws. Shareholders are provided with an equal opportunity to participate at the meeting and to exercise their property and non-property rights.

<sup>13</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The right of shareholders living abroad to access to information is ensured on the Company's website <a href="http://www.ambergrid.lt">www.ambergrid.lt</a> and through the informational system of the NASDAQ OMX Vilnius Stock Exchange, in Lithuanian and English, by publishing in advance the date and venue of the General Meeting, the record date of the meeting, the agenda of the meeting and draft resolutions. Upon the General Meeting, the resolutions adopted are published in the same manner.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The Company's shareholders may exercise their right to participate in the General Meeting both in person and in absentia provided that the proxy has the due power of attorney or provided that the proxy is a party to the agreement on the cession of the voting right. The Company also provides its shareholders with the right to vote in writing in advance.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>Not applicable</p>	<p>Given the Company's shareholders' structure and the valid Regulations for Organizing the General Meetings of Shareholders, there is no need to implement any additional expensive IT systems.</p>

**Principle VII: The avoidance of conflicts of interest and their disclosure**

**The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the Board of Directors follow the provisions indicated in this recommendation. The Company is not aware of events when the personal interests of the members of the Board of Directors would be in conflict with the Company's interests Prior to starting act as the member of the Board of Directors, each member of the Board of Directors entered in the confidentiality agreement.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The regulations of operation of the Board of Directors provide for that the member of the Board of Directors or his proxy should abstain from voting when decisions concerning his activity in the Board of Directors or his responsibility is voted at the meeting of the Board of Directors.
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company's remuneration policy is not published as this is not provided for by the laws of the Republic of Lithuania, moreover, it is the Company's internal and confidential document. The Company's remuneration policy is formed with due regard for the results of analysis of the situation in the labour market of the country. The remuneration of the members of the Company's management bodies is made public on the website of the Company.

<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	No	Please refer to comment under Item 8.1.
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>• An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>• Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• Sufficient information on the policy regarding termination payments;</li> <li>• Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>• Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>• Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>• Remuneration statement should not include commercially sensitive information.</li> </ul>	No	Please refer to comment under Item 8.1.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Please refer to comment under Item 8.1.

<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	<p>No</p>	<p>Please refer to comment under Item 8.1.</p>
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8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	At present, the Company's remuneration procedure does not provide for the payment of any variable remuneration components.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to comment under Item 8.6.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	Please refer to comment under Item 8.6.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	Please refer to comment under Item 8.6.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Please refer to comments under Items 4.6 and 8.1.
8.13. Shares should not vest for at least three years after their award.	Not applicable	The Company does not apply any schemes of remuneration in the Company's shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to comment under Item 8.13

8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Please refer to comment under Item 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Please refer to comment under Item 8.13.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	In accordance with the Bylaws of the Company, the director's remuneration amount setting issues are resolved by the Board of Directors.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Please refer to comment under Item 8.17.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	At present, the Company does not have such remuneration schemes.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ul>	Not applicable	The said issues were not discussed at the General Meeting of Shareholders, since such discussion is not provided for by the Bylaws of the Company.

8.21. Should national law or company’s Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders’ approval.	Not applicable	The said issues were not discussed at the General Meeting of Shareholders, it is not provided for by the Bylaws of the Company.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company’s employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders’ annual general meeting.	Not applicable	Please refer to comment under Item 8.6.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.	Not applicable	Please refer to comment under Item 8.19.
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b></p>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The compliance with this recommendation is ensured by the meticulous supervision and control of the Company’s business activities by the state regulatory authorities and the associated.

<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>		<p>consumer organizations. The publicity of the Company's business activities creates conditions for the stakeholder participation in the corporate governance in accordance with the procedure established by Law and the Company's Bylaws and Internal Regulations. The governing bodies consult the employees on the issues of corporate governance and other important issues; the participation of employees in the Company's share capital is not limited.</p>
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

**Principle X: Information disclosure and transparency**

**The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	<p>The information indicated in the recommendation is published on the Company’s website <a href="http://www.ambergrid.lt">www.ambergrid.lt</a>, through the informational system of the NASDAQ OMX Vilnius Stock Exchange and press releases.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company’s shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The Company discloses information through the information disclosure system applied by the NASDAQ OMX Vilnius Stock Exchange, in Lithuanian and English, in this way simultaneously providing all stakeholders. With access to information. Information that may affect the price of securities issued by Company is treated as confidential therefore it is kept as a secret information and is not disclosed unless it is published through the informational system in the manner prescribed by laws.</p>

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The Company simultaneously and in the same scope discloses all the information designated to shareholders and investors in Lithuanian and English through the informational system of the NASDAQ OMX Vilnius Stock Exchange, and all information is published on the Company's website <a href="http://www.ambergrid.lt">www.ambergrid.lt</a>, in this way ensuring unbiased and inexpensive prompt access to information.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The Company follows this recommendation and information has been placed on the Company's website <a href="http://www.ambergrid.lt">www.ambergrid.lt</a></p>
<p><b>Principle XI: The selection of the company's auditor</b></p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements</p>	<p>Yes</p>	<p>An independent Company of auditors conducts the audit of the Company and annual financial statements and assesses the conformity of the Annual Report with the financial statements.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>A candidate firm of auditors is proposed to the general shareholders' meeting by the Board of Directors.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes</p>	<p>The audit Company will receive from the Company remuneration for consultations on tax and business issues which do not contradict the independence requirements as set forth by the Law on Audit of the Republic of Lithuania and the normative acts of the Securities Commission of the Republic of Lithuania. On an annual basis the audit Company notifies the Audit Committee on any non-audit services rendered to the Company.</p>