



AB Amber Grid
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CONFIRMATION OF RESPONSIBLE PERSONS

24 March 2015 No

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 Financial Statements for the Year Ended 31 December 2014 Prepared According to International Financial Reporting Standards as Adopted by the European Union, Presented together with Independent Auditor's Report present a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Amber Grid, and AB Amber Grid Annual Report 2014 presents a true and fair view of the business development and business activities, AB Amber Grid status including a description of the key risks and uncertainties.

General Manager

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Saulius Bilys

Financial Director

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Rimantas Šukys

AB AMBER GRID

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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 2014, the statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

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

On 5 March 2014 we expressed a modified opinion on the financial statements of the Company for the year 2013 due to the fact that we were not able to quantify impairment needed for property, plant and equipment due to significant assumptions involved related to changes in the gas sector and regulatory environment in coming years. The Company performed an assessment of recoverable value of its property plant and equipment as of 31 December 2014 and as a result accounted for an impairment charge of LTL 490 million in the income statement for the year 2014. The Company did not re-perform an impairment test of its property, plant and equipment for prior period. Therefore we were unable to assess what part of this impairment should be accounted for in the prior period and the possible impact on results and changes in equity for the year 2014 and the comparability of the figures of the current period and the year 2013.

Qualified Opinion

In our opinion, except for the effects 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 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2014 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2014.

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

Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 17 March 2015.

AB AMBER GRID, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Statement of financial position

	Notes	As at 31 December 2014	As at 31 December 2013
ASSETS			
A. Non-current assets		1,102,410	1,583,740
I. Intangible assets	5	2,253	1,679
II. Property, plant and equipment	6	1,099,733	1,581,582
II.1. Land		389	387
II.2. Buildings and structures		802,670	1,320,544
II.2.1. Buildings		23,045	27,898
II.2.2. Transmission networks and related installations		760,401	1,271,669
II.2.3. Distribution networks and related installations		370	379
II.2.4. Other buildings and structures		18,854	20,598
II.3. Machinery and equipment		218,961	230,417
II.4. Vehicles		4,713	5,172
II.5. Other equipment, tools and devices		12,945	13,845
II.6. Other property, plant and equipment		758	886
II.7. Construction in progress		59,297	10,331
III. Non-current financial assets		424	479
III.1. Investment into joint venture	1	424	479
B. Current assets		186,535	165,187
I. Inventories and prepayments		24,674	26,862
I.1. Inventories	7	24,434	26,714
I.1.1. Raw materials, spare parts and other inventories		4,469	4,541
I.1.2. Natural gas		19,947	22,173
I.1.3. Assets held for sale		18	-
I.2. Prepayments		240	148
II. Accounts receivable	8	105,475	73,302
II.1. Trade receivables		23,676	16,169
II.2. Other receivables		81,799	57,133
III. Prepaid income tax		-	-
IV. Other current assets	9	50,466	45,305
V. Cash and cash equivalents	10	5,920	19,718
Total assets		1,288,945	1,748,927

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

AB AMBER GRID, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Statement of financial position (cont'd)

		Notes	2014	As at 31 December 2013
EQUITY AND LIABILITIES				
C.	Equity		816,986	1,208,560
I.	Share capital	1	178,382	178,382
II.	Reserves	11	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		(376,507)	15,067
D.	Liabilities		471,959	540,367
I.	Non-current liabilities		268,126	374,872
I.1.	Non-current borrowings	12	90,035	135,118
I.2.	Grants (deferred revenue)	13	151,356	131,072
I.3.	Non-current employee benefits	14	1,572	1,131
I.4.	Deferred income tax liability	19	25,163	107,551
II.	Current liabilities		23,833	165,495
II.1.	Current financial liabilities	12	-	-
II.2.	Current portion of non-current borrowings	12	45,083	45,083
II.3.	Current portion of employee benefits	14	296	260
II.4.	Trade payables	15	40,020	12,673
II.5.	Income tax payable		3,566	1,388
II.6.	Payroll related liabilities		2,525	2,224
II.7.	Other payables and current liabilities	16	112,343	103,867
Total equity and liabilities			1,288,945	1,748,927

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

General Manager	Saulius Bilys	17 March 2015
Chief Accountant	Dzintra Tamulienė	17 March 2015

AB AMBER GRID, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Income statement

		Notes	2014	Period of 5 months ended on 31 December 2013
I.	Revenue	17	178,823	74,101
II.	Expenses		(646,365)	(70,574)
II.1.	Cost of natural gas		(22,189)	(8,012)
II.2.	Depreciation and amortization	5, 6	(75,914)	(32,221)
II.3.	Payroll and related social security tax expenses		(24,943)	(10,314)
II.4.	Repair and technical maintenance expenses		(21,573)	(14,860)
II.5.	Taxes, other than income tax		(5,047)	(1,959)
II.6.	Impairment of property, plant and equipment	4	(490,079)	-
II.7.	Other expenses		(6,620)	(3,208)
III.	Profit (loss) from operations		(467,542)	3,527
IV.	Financial activity	18	(2,051)	(1,102)
IV.1.	Income		168	63
IV.2.	Expense		(2,219)	(1,165)
V.	Profit (loss) before income tax		(469,593)	2,425
VI.	Income tax	19	78,019	2,646
VI.1.	Current period income tax		(4,370)	(1,388)
VII.2.	Deferred income tax		82,389	4,034
VII.	Net profit (loss)		(391,574)	5,071
	Basic and diluted earnings per share (LTL)	20	(2.20)	0.03

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

General Manager	Saulius Bilys	17 March 2015
Chief Accountant	Dzintra Tamulienė	17 March 2015

AB AMBER GRID, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Statement of comprehensive income

	2014	Period of 5 months ended on 31 December 2013
I. Net profit (loss)	(391,574)	5,071
II. Other comprehensive income	-	-
II.I. Income to be transferred to income statement	-	-
II.II. Income not to be transferred to income statement	-	-
III. Total comprehensive income (loss)	(391,574)	5,071

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

General Manager	Saulius Bilys	17 March 2015
Chief Accountant	Dzintra Tamulienė	17 March 2015

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

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
<i>Net profit for the year</i>	-	-	-	5,071	5,071
As at 31 December 2013	178,382	17,838	997,273	15,067	1,208,560
Total comprehensive income	-	-	-	(391,574)	(391,574)
<i>Loss for the year</i>	-	-	-	(391,574)	(391,574)
As at 31 December 2014	178,382	17,838	997,273	(376,507)	816,986

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

General Manager	Saulius Bilys	17 March 2015
Chief Accountant	Dzintra Tamulienė	17 March 2015

AB AMBER GRID, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Statement of cash flows

	Notes	Period of 5 months ended on 31 December 2013	
		2014	
I. Cash flows from (to) operating activities			
I.1. Net profit (loss)		(391,574)	5,071
Adjustments of non-cash items and other corrections:			
I.2. Depreciation and amortisation	5, 6	80,413	32,221
I.3. Loss from disposal of property, plant and equipment, and write-off of doubtful trade accounts receivable and inventories		(7)	1
I.4. Impairment losses for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	4	490,116	(59)
I.5. Income tax (benefit)	19	(78,019)	(2,646)
I.6. Interest (income)	18	(78)	(12)
I.7. Interest expenses	18	2,162	1,172
I.8. (Amortisation) of grants (deferred revenue)		(4,623)	(1, 428)
I.9. Elimination of other non-cash items		533	223
		98,923	34,543
Changes in working capital:			
I.10. Decrease in inventories	7	2,324	243
I.11. (Increase) in trade accounts receivable	8	(7,500)	(7,792)
I.12. (Increase) in other accounts receivable and prepayments		(4,506)	(17,930)
I.13. (Decrease) increase in trade accounts payable		(17)	4,004
I.14. Increase in other accounts payable and other current liabilities		8,777	38,155
I.15. (Increase) in other financial assets		(5,162)	(18,002)
I.16. Income tax (paid)		(1,370)	-
Total changes in working capital		(7,454)	(1,322)
Net cash flows from operating activities		91,469	33,221
II. Cash flows from (to) investing activities			
II.1. (Acquisition) of property, plant and equipment and intangible assets	5, 6, 21	(60,449)	(39,038)
II.2. Receipts from disposal of property, plant and equipment and intangible assets		12	-
II.3. Interest received		78	12
Net cash flows (to) investing activities		(60,359)	(39,026)

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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Statement of cash flows (cont'd)

	Notes	2014	Period of 5 months ended on 31 December 2013
III. Cash flows from (to) financing activities			
III.1. Loans (repaid)	12	(45,083)	(1,072)
III.2. Grants received	13, 21	2,701	15,625
III.3. Interest (paid)		(2,526)	(1,172)
Net cash flows from (to) financing activities		(44,908)	13,381
IV. Net increase (decrease) in cash and cash equivalents		(13,798)	7,576
V. Cash and cash equivalents at the beginning of the year		19,718	12,142
VI. Cash and cash equivalents at the end of the year		5,920	19,718

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

General Manager	Saulius Bilys	16 March 2015
Chief Accountant	Dzintra Tamulienė	16 March 2015

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:

Savanorių pr. 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 after unbundling natural gas transmission activities with the assets, rights and obligations attributed thereto from AB Lietuvos Dujos. The Company has actually been operating since 1 August 2013 as the National Commission for Energy Control and Prices (hereinafter, NCC) granted a license to the Company to engage in natural gas transmission. As unbundling is treated as transaction under common control and the Company's operations is a continuation of the same activities as 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.

The establishment of AB Amber Grid was implemented as legal, organizational and functional natural gas transmission unbundling. In order to fully comply with the requirements of Chapter 8 of the Law on Natural Gas of the Republic of Lithuania, AB Amber Grid control separation had to be implemented by 1 August 2014. The decision to implement separation of the Company's control was adopted by the Company's shareholders, as described below.

Natural gas transmission is licensed activity. the National Commission for Energy Control and Prices (hereinafter, NCC) issued a licence to the Company to operate natural gas transmission system from 1 August 2013. The natural gas transmission service pricing system is subject to regulation. Regulated price caps are set by NCC

According to the Law on Natural Gas of the Republic of Lithuania and implementing regulations, in 20 October in 2014 the Company applied to NCC for a conclusion about the loss of the Law on Natural Gas prohibition control. On 13 January 2015 NCC stated that AB Amber Grid transmission activity is consistent with the provisions of the Law on Natural Gas and AB Amber Grid can be appointed as the transmission system operator. Subject to receipt of a positive decision from the European Commission, NCC will decide on the Company's certification and issuing a termless license to carry out the activities of the transmission system operator.

The Company has been operating since 1 August 2013. The financial statements reflect the 5 month period ended on 31 December 2013. Activities until 1 August 2013 were immaterial.

Acting as a 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 in Lithuania;
- balancing natural gas transmission system;
- administration of 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)

At the end of 2014 the Company had entered into 59 (87 in 2013 -) natural gas transmission service agreements with the natural gas transmission system users (consumers of natural gas, natural gas distribution system operators, natural gas companies, which supply gas to downstream systems). The Company also signed 12 natural gas balancing contracts with natural gas supply companies that trade in natural gas but not transport it through the transmission system.

The share capital of the Company is LTL 178,382,514. All the shares of the Company are ordinary registered shares with the par value of LTL 1 each and were fully paid as at 31 December 2014 and 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 (ISIN code LT0000128696, instruments AMG1L).

As at 31 December 2014 the shareholders of the Company were as follows:

	Number of shares held	Percentage of ownership (%)
UAB EPSO – G (code 302826889 A. Juozapavičiaus 13, Vilnius)	172,279,125	96.58
Other shareholders	6,103,389	3.42
	<u>178,382,514</u>	<u>100.00</u>

In the 2nd quarter of 2014 two former major shareholders of the Company sold their shares and lost their voting rights in the Company:

- On 21 May 2014 E.ON Ruhrgas International GmbH sold and UAB EPSO-G acquired 69,416,233 ordinary registered uncertificated shares of AB Amber Grid;
- On 19 June 2014 after mandatory official offer OAO Gazprom sold and UAB EPSO-G acquired 66,112,761 ordinary registered uncertificated shares of AB Amber Grid.

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
OAO 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
	<u>178,382,514</u>	<u>100.0</u>

After UAB EPSO-G acquired the control of AB Amber Grid, based on the decisions of the Company's Extraordinary General Meeting of Shareholders of 30 June 2014 and pursuant to a change in the composition of Company's Board, the Company's operations and property were separated from companies engaged in the production and supply of natural gas.

The Company's investment into the company UAB GET Baltic jointly controlled with AB Lietuvos Dujos and the Finnish gas company Gasum Oy is accounted for in the Company's financial statements based on the equity method. The financial statements of UAB GET Baltic for the year ended 31 December 2014 and 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU). During 2014 and 2013 the operating result of joint arrangement was insignificant and was included in the financial activities.

1 General information (cont'd)

UAB GET Baltic data as at 31 December 2013 and 2014:

Year	Address of registered office	Part of shares controlled by the Company (%)	Share capital	Current year (loss) attributable to the Company	Current year equity attributable to the Company	Main activity
2014	Aguonų g. 24, Vilnius	32	2,000	(56)	399	Licensed natural gas market operator – arranges trading on the Natural Gas Exchange
2013	Aguonų g. 24, Vilnius	32	2,000	(161)	455	Licensed natural gas market operator – arranges trading on the Natural Gas Exchange

UAB Get Baltic in 31 December in 2013 and 2014 condensed statement of financial position:

	2014	Period of 5 months ended on 31 December 2013
ASSETS		
A. Non-current assets	653	740
I. Intangible assets	650	735
II. Property, plant and equipment	3	5
B. Current assets	13,147	59,605
I. Prepayment	-	1
II. Accounts receivable	5,743	57,080
III. Cash and cash equivalents	7,404	2,524
Total Assets	13,800	60,345
EQUITY AND LIABILITIES		
C. Equity	1,248	1,422
I. Share capital	2,000	2,000
II. Reserves	-	-
III. Cumulative loss	(752)	(578)
D. Liabilities	12,552	58,923
I. Non-current liabilities	-	-
II. Current liabilities	12,552	58,923
Total Equity and Liabilities	13,800	60,345

1 General information (cont'd)

UAB Get Baltic income statement for 2013 and 2014:

	2014	2013
I. Total income	520	346
II. Total expenses	(694)	(848)
III. Profit (loss) before tax	(174)	(502)
IV. Income tax	-	-
V. Net profit (loss)	(174)	(502)

UAB Get Baltic statement of comprehensive income for 2013 and 2014:

	2014	2013
I. Net profit (loss)	(174)	(502)
II. Other comprehensive income	-	-
II.I. Income to be transferred to income statement	-	-
II.II. Income not to be transferred to income statement	-	-
III. Total comprehensive income (loss)	(174)	(502)

The average number of employees of the Company was 352 in 2014 (in 2013 – 347).

The management of the Company approved these financial statements on the 17 of March 2015. 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 basic principles of accounting policies adopted in preparing the Company's financial statements for the year 2014 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.

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

The following new and/or amended IFRSs have been adopted by the Company as of 1 January 2014:

- IAS 27 Separate Financial Statements (Amended);
- IAS 28 Investments in Associates and Joint Ventures (Amended);
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities;
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets;
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting;
- IFRS 12 Disclosures of Interests in Other Entities;
- IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amended).

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

- **Amendment to IAS 27 *Separate Financial Statements*** - 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. The amendment did not have any impact on the financial statements of the Company.
- **Amendment to IAS 28 *Investments in Associates and Joint Ventures*** - 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 amendment did not have any impact on the financial statements of the Company.
- **Amendment to IAS 32 *Financial Instruments: Presentation*** - Offsetting Financial Assets and Financial Liabilities - 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 amendment did not have any impact on the financial statements of the Company.
- **Amendment to IAS 36 *Impairment of Assets*** - This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment did not have any impact on the financial statements of the Company.
- **Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*** - The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- **IFRS 10 *Consolidated Financial Statements*** - IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. 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. The amendment did not have any impact on the financial position or operating results of the Company, because the Company does not have other investments, than investments in jointly controlled entities.
- **IFRS 12 *Disclosures of Interests in Other Entities*** - 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 are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial statements of the Company because there was no significant judgment involved.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* - 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 amendment did not have any impact on the financial statement of the Company.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

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 authorisation of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* (effective for financial years beginning on or after 1 July 2016, once endorsed by the EU)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 July 2016, once endorsed by the EU)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial position or performance of the Company, as the Company does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Company.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 June 2016, once endorsed by the EU)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018, 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.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 June 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of this amendment will have no impact on the financial statement of the Company, as the Company is not an investment entity.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for financial years beginning on or after 1 June 2016, once endorsed by the EU)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Company has not yet evaluated the impact of the implementation of this standard.

Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 June 2016, once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The management of the Company has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs

In December 2013 IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1 January 2015):

- IFRS 1 *First-time adoption of IFRS*;
- IFRS 3 *Business Combinations*;
- IFRS 13 *Fair value Measurement*;
- IAS 40 *Investment property*.

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- 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*.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The adoption of these amendments may result in changes to accounting policies or disclosures of the Company 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 17 June 2014)

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.

2.2. 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.

These financial statements are prepared under the historical cost basis.

Due to rounding of particular amounts to LTL thousands, figures in tables may not coincide. Such rounding deviations in these financial statements are immaterial.

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.

2 Accounting principles (cont'd)

2.4 Intangible assets (cont'd)

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. Borrowing costs are capitalized on qualifying assets, which creation lasts for more than three months and value is greater than LTL 500 000. While determining the amount of borrowing costs eligible for capitalization of costs incurred in the acquisition of qualifying assets, capitalization rate is applied. Borrowing costs consist of interest and other loan-related borrowing incurred costs. Regarding the choice of the Company, loans for specific purposes shall not become general loans as the specific construction / acquisition is completed. Therefore, related borrowing costs shall not be capitalized further.

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.

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 assesses 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 Accounting principles (cont'd)

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.

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.

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.

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, except capitalized interest (Note 2.11).

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, offset the depreciation of the related asset to grant income.

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.

Until 1 July 2009 payments made by system users for connecting to the Company's gas system were accounted as deferred revenue and they were recognised as income during the depreciation period of the related capitalised asset. Since 1 July 2009 payments made by the system users are recognised as revenue at once.

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 once 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.

On 12 June 2012 the Seimas of the Republic of Lithuania adopted the Law on the Liquefied Natural Gas Terminal (hereinafter, LNGT) with its subsequent amendments (27/06/2013 amendments to articles 5, 10 and 11 No. XII-426 of the Law on Liquefied Natural Gas Terminal), 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 the 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 with its subsequent amendments (28/07/2014 NCC Resolution No O3-353; 2015/01/15 NCC Resolution No O3-4), its infrastructure and connector, which set forth the procedure for the administration of the above expenses. With its Resolution No O3-209 of 11 July 2014 Amending the Resolution No O3-106 of 8 August 2008 of 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

2 Accounting principles (cont'd)

2.16. Revenue recognition (cont'd)

installation may be established as a secondary and integral component of the natural gas transmission price cap – LNGT supplement. NCC Resolution No O3-367 of 13 September 2013 on the Approval of State-regulated Prices for Natural Gas Determination Methodology with its subsequent amendments (13/10/2014 NCC Resolution No O3-839) set forth that in order to cover the costs of LNGT infrastructure and its installation costs, or partly compensate and cover fixed operating costs necessary to ensure LNGT activities, additional security price of natural gas supply added to the natural gas transmission price cap has to be established. With its Resolution No O3-330 of 26 October 2012, NCC approved the LNGT supplement for 2013 – 37.53 LTL/1000 m³, whereas with the Resolution No O3-445 of 11 October 2013, instead of the LNGT supplement, it approved a secondary gas supply security component of 39.36 LTL/1000 m³ for the period of 3–31 December 2014. According to the Resolution ratified on 20 November 2014 No O3-895, in 2015 NCC approved the additional security price of natural gas supply for internal exit point (for the Republic of Lithuania LNG payers, except the cases when additional security price of gas supply was paid at Klaipėda entry point) – 2,15 EUR/MWh (7,41 LT/MWh).

Following the requirements of the legal acts of the Republic of Lithuania, 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 (Note 17). 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.

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.

2.18. 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 Accounting principles (cont'd)

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.

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 6) and deferred income tax asset (Note 2.14 and Note 19). 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.

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 (Note 4)

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.

3 Segment information

The Company is engaged in the natural gas transmission activity and operates as one segment. Due to that it can be stated that Company acts as one segment.

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

In 2014 the Company generated over 78.39% (in 2013 – 72.19%) of its revenue from the Lithuanian customers, 21.61% (in 2013 – 27.81%) - revenues from transit services, i.e. transported gas to the Kaliningrad region of the Russian Federation.

As at 31 December 2014, there were four customers each of which generated revenues exceeding 10% of total Company's revenues and in total amounted to LTL 112,374 thousand. They are as follows:

Customer A - LTL 39,612 thousand;
Customer B - LTL 27,629 thousand;
Customer C - LTL 22,898 thousand;
Customer D - LTL 22,235 thousand.

As at 31 December 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 8,243 thousand.

4 Impairment of Property, plant and equipment

If there are indications that property, plant and equipment may be impaired, measurement of the recoverable amount of property, plant and equipment is carried out based on the method of value for use (discounted cash flows). The recoverable amount of a cash generating unit, i.e. total non-current assets of the Company, was established. A discount rate of 7.51% before taxation is used for the measurement of discounted cash flows; the rate establishment basis is in compliance with the rate of return measurement assumptions applied in the NCC price regulation. Changes in the discount rate and the value of regulated assets as well as changes in the regulatory environment have the most impact on the recoverable amount of the Company's non-current assets.

Sensitivity analysis shows that if the discount rate increases by 1%, the established recoverable amount of assets would decrease by LTL 143,710 thousand, whereas if the discount rate drops 1%, the established recoverable amount of assets would increase by LTL 207,910 thousand.

When preparing the financial statements for 2013, the Company performed an impairment test based on the value-in-use method and did not identify any impairment at the time; however, there were material contingencies in the assumptions used for the preparation of cash flow forecasts. The contingencies of forecasts were related to estimated changes in gas market upon implementation of major gas system infrastructure projects subsequent to the start of operation of the liquefied natural gas terminal in Klaipėda and to the expected changes in the regulatory environment from 1 January 2015.

In the impairment test performed at the end of 2014 the following changes in the gas markets and regulatory environment were considered:

- Operation of the liquefied natural gas terminal in Klaipėda started in December 2014 as an alternative to gas import from Russia; a part of imported gas was purchased by the consumers in other Baltic States;
- Construction of the second line of the gas transmission pipeline Klaipėda – Kuršėnai started in 2014 and will be completed at the end of 2015; it is mainly financed from EU funds and will enable further increase in the amount of gas transported via the system to the other Baltic States;

4 Impairment of Property, plant and equipment (cont'd)

- Starting from 1 January 2015, due to implementation of EU legislation requirements, transmission service price establishment based on "stamp" principle is discontinued and replaced with the transmission system entry-exit point capacity distribution and pricing model, according to which transmission service prices are established and adjusted separately at each transmission system entry and exit point;
- the service of natural gas transmission from a third country to a third country via the territory of Lithuania (transit to the Kaliningrad district of the Russian Federation) becomes a part of regulated transmission activity. Pursuant to an NCC decision, this service is subject to a transition period to determine the annual income collected through the entry and exit points used to provide this service. The transition period is established upon assessment of the duration of the price regulation period and assurance of the payback in the period from the distribution of capacity at entry-exit points and the start of pricing model implementation to the investments made prior to the implementation of this model.

The above changes were considered in the assumptions used to prepare cash flow forecasts for 2015 and subsequent periods. After discounting of cash flows a non-current assets impairment of LTL 490,000 thousand was established as at 31 December 2014.

In the opinion of the Company, impairment of non-current assets should be reflected in the financial statements for 2014 and subsequent periods, and not retrospectively. Only material accounting errors may be corrected retrospectively, by adjustment of the comparative financial statements information. As stated above, the Company did not establish any impairment at the preparation of the financial statements for 2013.

5 Intangible assets

Movement of intangible assets for the current and prior periods:

	Patents, licenses	Software	Other intangible assets	Total
Cost:				
As at 31 July 2013	1,087	1,451	145	2,683
Additions during the period of 5 months ended 31 December 2013	9	351	-	360
As at 31 December 2013	1,096	1,802	145	3,043
Additions	165	959	-	1,124
As at 31 December 2014	1,261	2,761	145	4,167
Accumulated amortisation:				
As at 31 July 2013	232	804	118	1,154
Amortization for period of 5 months ended 31 December 2013	109	86	15	210
As at 31 December 2013	341	890	133	1,364
Amortization	256	282	12	550
As at 31 December 2014	597	1,172	145	1,914
Net book value as at 31 July 2013	855	647	27	1,529
Net book value as at 31 December 2013	755	912	12	1,679
Net book value As at 31 December 2014	664	1,589	-	2,253

Part of intangible assets with the acquisition value of LTL 369 thousand as at 31 December 2014 (in 2013 – LTL 793 thousand) was fully amortised but still in use.

AB AMBER GRID
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(all amounts are in LTL thousand unless otherwise stated)

6 Property, plant and equipment

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

	inLand	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
Cost:											
As at 31 July 2013	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 31 December 2013	-	-	-	-	21	9	866	397	266	37,461	39,020
Reclassification during the period of 5 months ended 31 December 2013	-	1,173	116,775	-	624	11,968	-	3,977	-	(134,517)	-
As at 31 December 2013	387	35,485	1,689,309	412	28,171	328,616	16,884	56,196	1,701	10,430	2,167,591
Additions	2	-	-	-	100	396	1,072	1,451	82	85,093	88,196
Disposals and write-offs	-	-	(43)	-	(22)	(546)	(798)	(489)	(64)	-	(1,962)
Written off to inventory	-	-	-	-	(133)	-	-	-	-	-	(133)
Reclassification	-	603	24,837	-	360	7,403	-	2,924	-	(36,127)	-
As at 31 December 2014	389	36,088	1,714,103	412	28,476	335,869	17,158	60,082	1,719	59,396	2,253,692
Accumulated depreciation:											
As at 31 July 2013	-	7,110	396,826	29	6,957	90,757	11,022	40,463	735	-	553,899
Charge for period of 5 months ended 31 December 2013	-	467	20,814	4	626	7,442	690	1,888	80	-	32,011
Reclassification during the period of 5 months ended 31 December 2013	-	10	-	-	(10)	-	-	-	-	-	-
As at 31 December 2013	-	7,587	417,640	33	7,573	98,199	11,712	42,351	815	-	585,910
Amortization	-	1,186	51,950	9	1,598	18,096	1,531	5,275	208	-	79,863
Disposals and write-offs	-	-	(31)	-	(9)	(546)	(798)	(489)	(62)	-	(1,935)
Written off to inventory	-	-	-	-	(57)	-	-	-	-	-	(57)
Reclassification	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2014	-	8,773	469,569	42	9,105	115,749	12,445	47,137	961	-	663,781
Impairment:											
Balance as at 31 July 2013	-	-	-	-	-	-	-	-	-	-	-
Impairment formed during 5 months period ended 31 December 2013	-	-	-	-	-	-	-	-	-	99	99
As at 31 December 2013	-	-	-	-	-	-	-	-	-	99	99
Impairment as at 31 December 2014	-	4,270	484,133	-	517	1,159	-	-	-	99	490,178
Net book value as at 31 July 2013	387	27,202	1,175,708	383	20,569	225,882	4,996	11,359	700	107,486	1,574,672
Net book value as at 31 December 2013	387	27,898	1,271,669	379	20,598	230,417	5,172	13,845	886	10,331	1,581,582
Net book value as at 31 December 2014	389	23,045	760,401	370	18,854	218,961	4,713	12,945	758	59,297	1,099,733

Part of property, plant and equipment with historical cost of LTL 40,318 thousand as at 31 December 2014 (in 2013 – LTL 37,125 thousand) was fully depreciated but still in use.

6 Property, plant and equipment (cont'd)

As at 31 December 2014 the Company had property, plant and equipment (office equipment) with the value of LTL 201 thousand (in 2013 – LTL 243 thousand), which was acquired under financial lease agreements.

During 2014 the Company classified (capitalized) part of costs (interests) amounting to LTL 364 thousand associated with borrowings as property, plant and equipment.

In the preparation of the financial statements for 2014, the Company measured the recoverable value of the non-current assets based on value in use (discounted cash flows) and, as a result, an impairment of LTL 490,000 thousand (Note 4) of property, plant and equipment was established, which was recognized as expenses in the income statement. Moreover, the Company reduced the liability of deferred income tax (Note 19) and reduced the net value of property, plant and equipment by attributing the impairment to the group of gas transmission pipelines and equipment. Compared to the prior year, , no impairment was identified after measurement of the non-current asset value in 2013.

Major objects of construction in progress of the Company as at 31 December 2014 and 2013 were as follows:

Object	31 December 2014	31 December 2013
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
Construction of Klaipėda-Kuršėnai DN800 gas transmission pipeline (capacity development for Klaipėda-Kiemėnai gas transmission pipeline)	55,135	-
Reconstruction of Panevėžys DSS-1	2,510	-
Other	1,652	2,926
	59,297	10,331

7 Inventories

	31 December 2014	31 December 2013
Raw materials, spare parts and other inventories	4,471	4,559
Natural gas	19,947	22,173
Assets held for sale	77	-
Inventories, gross	24,495	26,732
Less: allowance for inventories	(61)	(18)
	24,434	26,714

The Company's cost of inventories accounted for at net realisable value amounted to LTL 4,471 thousand as at 31 December 2014 (LTL 4,541 thousand as at 31 December 2013). Changes in the allowance for inventories were included into other expenses.

8 Accounts receivable

	31 December 2014	31 December 2013
Receivables for transmission and distribution of natural gas from customers	23,715	16,225
Other trade receivables	18	8
Less: allowance for accounts receivable	(57)	(64)
Total trade accounts receivable	23,676	16,169
Administrated LNGT receivables (Note 2.16)	59,981	56,500
Other accounts receivable	21,818	633
	105,475	73,302

As at 31 December 2014 accounts receivable from the system users of natural gas transmission increased due to higher prices and increased natural gas transmission volume.

Trade accounts receivable are interest-free and usually have to be paid within 15 calendar days. Majority of the accounts receivable were paid at the beginning of January in 2015.

LNGT receivables include LTL 49,243 thousand payable by AB Achema for the year 2013. LNGT fund raising started on 3 December 2014.

As at 31 December 2014 other accounts receivable increased by LTL 21,400 thousands due to construction of gas transmission pipeline Klaipėda-Kuršėnai project financed by the Connecting Europe Facility (CEF) of the European Union structural funds.

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

	Individually impaired
Balance as of 31 July 2013	139
Utilised during the period of 5 months ended 31 December 2013	(45)
Unused amounts reversed during the period of 5 months ended 31 December 2013	(30)
Balance as at 31 December 2013	64
Unused amounts reversed	(7)
Balance as at 31 December 2014	57

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

8 Accounts receivable (cont'd)

The ageing analysis of the Company's trade and other accounts receivable as at 31 December 2014 and 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	
31 December 2014	55,281	951	-	-	-	49,243*	105,475
31 December 2013	26,251	3,149	5,523	5,347	33,032*	-	73,302

*Administrated LNGT receivables from Achema AB (Note 23)

9 Other financial assets

As at 31 December 2014 and 2013 the Company's other financial assets consisted of cash to be paid to LNGT fund recipients and are kept in line with the requirements of legal acts in a separate bank account for LNGT funds (Note 16).

10 Cash and cash equivalents

	31 December 2014	31 December 2013
Cash at bank	5,920	19,718
	5,920	19,718

Cash at bank is invested (if possible) into shortest-term (overnight) deposits. Overnight deposits have floating interest rate. Floating rate depends upon VILIBOR interbank interest rate announced by the Bank of Lithuania.

As at 31 December 2014 and 2013, the Company had no deposits with other maturity.

11 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the 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 amounts to LTL 17,838 thousand and constitutes 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.

12 Borrowings

In December 2014 Company officially informed AB Swedbank that according to a long-term loan agreement signed between the Company and the bank AB Swedbank on 22 October 2012, the loan amount of LTL 135,000 thousand (EUR 39,099 thousand) will be repaid prior to the loan maturity date of 22 January 2015. On 31 December 2013 the unpaid loan balance was LTL 180,000 thousand (EUR 52,132 thousand).

On 14 May 2014 the Company signed an agreement with Danske Bank A/S Lithuania branch regarding the overdraft facility for up to EUR 5,783 thousand (LTL 20,000 thousand) to balance the working capital. The overdraft was not used as at 31 December 2014. At the end of 2013 Company had no overdraft agreement.

On 30 December 2014 a new long-term loan agreement for EUR 113,000 thousand (LTL 390,166 thousand) with AB Swedbank was signed. The agreed term to use the loan was 30 June 2015. The loan was not used as at 31 December 2014.

The Company's management has received a confirmation from Swedbank, AB that the loss incurred by the Company during the year 2014 does not violate the terms of a loan agreement and it will not be included in calculating financial indicators according to the conditions of the aforementioned agreement.

	31 December 2014	31 December 2013
Non-current borrowings		
Borrowings from Lithuanian credit institutions	90,000	135,000
Lease	35	118
Current borrowings		
Borrowings from Lithuanian credit institutions	45,000	45,000
Lease	83	83
	135,118	180,201

Current interest rates are close to effective interest rates. As at 31 December 2014 the Company's existing loan floating annual interest rate was equal to 1.374 %, as at 31 December 2013 – 1.513 % floating interest rate tied to 3 months EURIBOR.

The agreed repayment terms of the long-term borrowings are as follows:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Borrowings with a fixed interest rate	Borrowings with a fixed interest rate	Borrowings with a floating interest rate	Borrowings with a floating interest rate
2014	-	-		45,000
2015	-	-	45,000	45,000
2016	-	-	45,000	45,000
2017	-	-	45,000	45,000
	-	-	135,000	180,000

12 Borrowings (cont'd)

Borrowings as at 31 December 2014 and 2013 in national and foreign currencies expressed in LTL were as follows:

Borrowings denominated in:	31 December 2014	31 December 2013
EUR (equivalent in litas)	135,000	180,000
	135,000	180,000

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

13 Grants (deferred revenue)

	Deferred revenue	Grants	Total
Balance as at 31 July 2013	5,705	116,348	122,053
Received during the period of 5 months ended 31 December 2013	-	10,446	10,446
Amortisation during the period of 5 months ended 31 December 2013	(49)	(1,378)	(1,427)
Balance as at 31 December 2013	5,656	125,416	131,072
Received/receivable	-	24,907	24,907
Amortisation	(119)	(4,504)	(4,623)
Balance as at 31 December 2014	5,537	145,819	151,356

Increase in grants receivable in 2014 was influenced by non-current asset grants, out of which LTL 21,400 thousand comprised construction of gas transmission pipeline Klaipėda-Kuršėnai financed by EU structural funds.

Gas transmission pipeline Klaipėda-Kuršėnai was constructed in order to diversify the sources of gas supply in the Baltic region, receive maximum benefit from LNGT in Klaipėda, ensure the safety and reliability of natural gas system. As part of the project, a gas transmission pipeline (length of 100 km and diameter of 800 millimetres) will be built from the transmission system intersection point at LNGT in Klaipėda to Kuršėnai. The expected value of the project is about LTL 220,000 thousand. The support from EU structural funds for the construction of the gas transmission pipeline equals LTL 95,271 thousand.

The average amortisation period of the grants is 19,6 years (in 2013 – 18,5 years).

14 Non-current employee benefits

As at 31 December 2014 the Company's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age were equal to LTL 1,531 thousand (LTL 1,106 thousand as at 31 December 2013), other non-current employee benefits resulting from bonuses for long employment record at the Company were equal to LTL 337 thousand (LTL 285 thousand as at 31 July 2013).

The major assumptions applied in the measurement of the Company's liabilities of non-current employee benefits are the following:

	31 December 2014	31 December 2013
Discount rate	3 %	5.66 %
Annual employee turnover rate	2 %	2 %
Annual salary increase	2 %	2 %
Average time to retirement (years)	20.15	19.72

15 Trade payables

	31 December	31 December
	2014	2013
Suppliers according to construction programme	31,428	31
Suppliers according to reconstruction programme	3,916	7,949
Service providers	1,307	1,244
Providers of maintenance services of non-current assets	1,415	1,688
Other	1,954	1,761
	40,020	12,673

Liability to suppliers increased due to the acquisitions of pipes for the project to build Klaipėda-Kuršėnai gas transmission pipeline: construction work – LTL 14,293 thousand, and work of a company responsible for the gas pipeline installation – LTL 17,046 thousand.

The above mentioned trade payables are non-interest bearing and the majority of them are normally settled between 30 to 60 days.

16 Other payables and current liabilities

	31 December	31 December
	2014	2013
Administrated LNGT payables (Note 2.16)	50,466	45,270
Accrued administrated LNGT funds*	60,074	54,644
Real estate tax (RET) payable	1,145	1,838
Value added tax (VAT) payable	-	1,452
Other payables	658	663
	112,343	103,867

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

17 Income

The Company's income consists of the following:

	31 December	Period of 5
	2014	months ended 31
		December 2013
Natural gas transmission and transit	171,938	70,006
Sales of natural gas	6,138	2,508
Grants recognized as income	124	1,428
LNGT administration income	327	126
Other income	296	33
	178,823	74,101

18 Financial activity

	31 December 2014	Period of 5 months ended 31 December 2013
Interest income	78	13
Fines and penalties income	90	50
Total income from financial activities	168	63
Interest expenses on borrowings	2,162	1,165
Other financial expenses	57	-
Total expenses from financial activities	2,219	1,165
Result from financial activities, net	(2,051)	(1,102)

19 Income tax

	31 December 2014	Period of 5 months ended 31 December 2013
Income tax:		
Profit (loss) before tax	(469,593)	2,425
Changes in temporary differences	527,931	15,810
Permanent differences	308	277
Taxable income for the year	58,646	18,512
Current year income tax	8,797	2,776
Current year income tax incentive	(4,398)	(1,388)
Current year income tax after applying income tax incentive	4,399	1,388
Income tax adjustments for previous year	(29)	
Change in deferred income tax during the year	(82,389)	(4,034)
Income tax expense (income) charged to the income statement	(78,019)	(2,646)

According to the provisions of the Law on Corporate Income Tax (hereinafter, the Law), which came into effect on 1 January 2009, the income tax incentive may be used for investments into property, plant and equipment eligible under this Law. When calculating current income tax for the year 2014 the Company used the benefit of the above incentive and reduced income tax expenses for the year 2014 by a total amount of LTL 4,398 thousand (LTL 1,388 thousand in 2013).

19 Income tax (cont'd)

	31 December 2014	Period of 5 months ended 31 December 2013
Deferred tax asset:		
Property, plant and equipment impairment losses	73,500	-
Vacation accrual	152	160
Accrual for non-current employee benefit	280	208
Unused income tax incentive	7,480	4,271
Deferred tax asset before valuation allowance	81,412	4,639
Less: valuation allowance	-	-
Less: deferred tax asset netted with deferred tax liability	(81,412)	(4,639)
Deferred tax asset, net	-	-
Deferred tax liability:		
Difference in tax base of property, plant and equipment	(106,575)	(112,190)
Deferred tax liability, net	(25,163)	(107,551)

Deferred tax asset was formed from the impairment of LTL 73,500 thousand in property, plant and equipment. Deferred income tax asset and deferred income tax liability are set off in the statement of financial position of the Company, as they both relate to the same tax authority.

In the measurement of deferred income tax asset and liability components in 2014 and 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 %:

	31 December 2014	Period of 5 months ended 31 December 2013
Profit (loss) before tax	(469,593)	2,425
Tax (expense) at the applicable standard tax rate	70,439	(364)
Non-deductible items	(46)	(42)
Income tax incentive	7,607	3,034
Other	48	18
Income tax adjustments for previous year	(29)	-
Income tax gain (expense)	78,019	2,646

20 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:

	31 December 2014	31 December 2013
Net profit (loss) attributable to the shareholders (in LTL thousand)	(391,574)	5,071
Weighted average number of shares (in thousands)	178,383	178,383
Basic earnings per share (in LTL)	<u>(2.20)</u>	<u>0.03</u>

There were no changes in the share capital of the Company during 2014 and 2013; therefore, the weighted average number of shares equals the total number of shares at the end of the year.

21 Cash flows from investing and financing activities

After calculating cash flows from investing activities in 2014, a change was assessed in accounts payable for non-current assets of the Company in the amount of LTL 27,363 thousand, pipeline relocation grants received as assets - in the amount of LTL 1,141 thousand, and LTL 364 thousand as capitalized interest (2013 - change in accounts payable for non-current assets 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 2014 the change was valued in grants received by the Company of LTL 21,064 thousand and pipeline relocation grants received as assets LTL 1,141 (2013 - change in grants receivable of LTL 5,179 thousand was assessed).

22 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 Company's general liquidity ratio, eliminating the influence of funds for LNGT as at 31 December 2014 and 2013 respectively was 0.82 and 0.99. The index value lower than 1 indicates that the Company's current liabilities exceed current assets and the Company may face solvency problems, but as at 31 December 2014 most of the current liabilities include loans, which will be refinanced, at the repayment amount. The quick ratio of the company was 0.55 and 0.57 at year end in 2014 and 2013 respectively.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2014 and 2013 based on contractual undiscounted payments (scheduled payments including interest).

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
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
Balance as at 31 December 2013	45,270	13,722	46,840	138,352	-	244,184
Interest bearing loans and borrowings	-	486	46,204	91,365	-	138,055
Other current liabilities	50,466*	1,426	-	-	-	51,892
Trade payables	-	27,730	12,290	-	-	40,020
Balance as at 31 December 2014	50,466	29,642	58,494	91,365	-	229,967

*LNGT funds

22 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 interfere with the Company's everyday activity, and may force it to seek additional financial resources. Credit risk is managed through regular monitoring procedures (individual debtors' supervision, monitoring and analysis of customers in order to anticipate 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 risk due to 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 partner reliability level is assessed based on the publicly available information.

The Company does not guarantee obligations of other parties.

Interest rate risk

As at 31 December 2014 and 2013 the Company had one loan with non-fixed interest rate. The Company's loan subject to floating 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 2014, 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. Company estimates sensitivity using 100 basis points base, which is equal to 1%.

There is no impact on the Company's equity, other than that on current year profit.

	EURIBOR increase in basis points	Effect on the profit before the income tax, in thousand LTL
31 December 2014	+100	(1,350)
31 December 2013	+100	(1,800)

Gas import price fluctuation risk

Natural gas import price depends on heavy fuel oil and gasoline prices on the international market, the USD and EUR ratio fixed by the European Central Bank and actual natural gas calorific value. In 2014 and 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 2014 and 2013. However, if customers were lost and the volume of transmitted gas decreased, the gas transportation service prices would increase as regulated by the State Regulated Pricing Methodology for the Natural Gas Sector approved by NCC.

22 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 lease.

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 (level 3);
- (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 3).

23 Commitments and contingencies

Legal disputes

In accordance with the Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania and decisions adopted by NCC, users of the natural gas system that transport natural gas through the transmission system have to pay an integral natural gas transmission price constituent (LNGT supplement) at the settlement for natural gas transmission services.

Since AB Achema as a transmission system user has systematically failed to pay the LNGT supplement, AB Lietuvos Dujos, as the administrator of LNGT funds, applied to Kaunas County Court on 12 April 2013 with a claim regarding the LNGT supplement payment, adjudgement of penalties and obligation to fulfil the agreement. On 1 August 2013 AB Lietuvos Dujos transferred the above claim to AB Amber Grid based on a statement of transfer and acceptance.

On 17 September 2013 AB Amber Grid specified the amount of the claim. By a decision of 21 December 2013 of the court of first instance, the claim of AB Amber Grid was satisfied in part - the total claimed debt and procedural interest were adjudged, while the adjudged penalties were reduced from 0.04 to 0.02 percent. AB Achema filed an appeal regarding adjudgement of penalties. The Court of Appeal decided to apply to the Constitutional Court of the Republic of Lithuania with a request to investigate whether individual provisions of the Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania are not in conflict with the Constitution of the Republic of Lithuania; it also suspended the lawsuit until the Constitutional Court considers this request. The outcome of the lawsuit will have no financial impact on the Company, since, in the case the court satisfies the claim of AB Amber Grid, the adjudged amount will be transferred to the recipient of LNGT supplement; and in case of an unfavourable decision, the Company will not incur any loss, as it is not the recipient of the funds but just the administrator.

On 7 March 2014 AB Amber grid applied to Kaunas County Court with a request to adjudge the debt of LTL 11,009,062.23 from AB Achema for unpaid LNGT supplement for the period from 1 September 2013 to 31 December 2013, also to adjudge LTL 375,668.35 in penalties for the LNGT supplement amount not paid on time for the above period. On 9 September 2014 an adjusted claim was submitted with an additional request to adjudge penalties in the amount of LTL 779,441.61. On 2 February 2015 Kaunas County Court suspended the lawsuit until the Constitutional Court considers the request of the Court of Appeal of the Republic of Lithuania regarding compliance of paragraph 2 of article 5 of the Law on LNGT with the Constitution.

The outcome of the lawsuit will have no financial impact on the Company, since, in the case the court satisfies the claim of AB Amber Grid, the adjudged amount will be transferred to the recipient of LNGT supplement; and in case of an unfavourable decision, the Company will not incur any loss, as it is not the recipient of the funds but just the administrator.

On 19 November 2012 AB Achema applied to Vilnius County Administrative Court with a request to annul paragraphs 3.1 and 4 of NCC resolution No 03-317 of 19 October 2012 „Regarding establishment of funds allocated

23 Commitments and contingencies (cont'd)

to cover the costs or their part from the liquefied natural gas terminal, its infrastructure and connection installation and operation for the year 2013“ and to annul paragraph 2 of NCC resolution No O3-330 of 26 October 2012 „Regarding the establishment of AB Lietuvos Dujos natural gas transmission and distribution price cap adjustment and additional integral constituent within the natural gas transmission price cap (LNGT supplement) for the year 2013“. AB Amber Grid participates in the lawsuit as a third person. The lawsuit is heard at the court of first instance. On 13 October 2014 Vilnius County Administrative Court decided to apply to the Constitutional Court of the Republic of Lithuania with a request to investigate whether individual provisions of the Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania are not in conflict with the Constitution of the Republic of Lithuania; it also suspended the lawsuit until the Constitutional Court considers this request. In the opinion of the management, the outcome of the lawsuit is uncertain and cannot be reasonably estimated.

In July 2013 Panevėžys City District Court received a lawsuit applicable to the courts of general competence or administrative court based on the claim of the plaintiff – prosecutor of Panevėžys District Prosecutor’s Office Public Interest Protection Division - against the defendants – Ministry of Economy of the Republic of Lithuania, AB Lietuvos Dujos, third persons Lithuanian Road Administration under the Ministry of Transport and Communications, state enterprise Panevėžio Regiono Keliai – regarding annulment of the orders of the Minister of Economy in the part concerning transfer of a public highway, application of restitution. On 1 August 2013 AB Lietuvos Dujos transferred the above claim to AB Amber Grid based on a statement of transfer and acceptance. A part of AB Amber Grid owned road to Panevėžys gas compressor station is within a section of the public highway Piniava-Paliūniškis. Since public highways can only belong to the state by the exclusive property right, the prosecutor requests annulment of the order of the Minister of Economy and statements of transfer and acceptance, based on which this road was registered as property of AB Lietuvos Dujos and now AB Amber Grid. The lawsuit has been adjusted several times as the prosecutor specified the claims. On 19 November the court satisfied the claim in part: it recognised the registration of property right to the road with the state enterprise Centre of Registers and null and void. The outcome of the lawsuit may have a financial impact on the Company, as the Company seeks adjudgement of compensation if the court annuls AB Amber Grid property rights to their part to the road (6,534 sq. m). In the opinion of the management, outcome of the lawsuit is uncertain and cannot be reasonably estimated.

Contingencies related to non-current assets acquisition obligations

As at 31 December 2014 the Company had agreements regarding acquisition of non-current assets that are not recognised in these financial statements in the amount of LTL 149,572 thousand (LTL 10,400 thousand as at 31 December 2013).

24 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 as at 31 December 2014 were as follows:

- UAB GET Baltic (joint venture with the Company as a member);
- UAB EPSO-G(the parent company);
- AB LITGRID (the same shareholders);
- UAB Baltpool (the subsidiary of AB LITGRID);
- UAB Tetas (the subsidiary of AB LITGRID);
- UAB Tinklo priežiūros centras (the subsidiary of AB LITGRID);
- UAB Duomenų logistikos centras (the associated group company of AB LITGRID);
- Lit Pol Link Sp.z.o.o. (the company controlled both by AB LITGRID and also by the operator of electric power systems in Poland - PSE S.A.
- Management

24 Related party transactions (cont'd)

The related parties of the Company as at 31 December 2013 were as follows:

- E.ON Ruhrgas International GmbH (a major shareholder of the Company);
- OAO Gazprom (a major shareholder of the Company);
- Lithuanian Ministry of Energy (a major shareholder of the Company);
- UAB GET Baltic (joint venture with the Company as a member);
- AB Lietuvos Dujos (the same shareholders);
- AS Latvijas Gaze (the same shareholders);
- Management

Outstanding balances and transactions with related parties as at 2014 till the transfer of shares:

	Purchases	Sales	Accounts receivable	Accounts payable
AB Lietuvos dujos as at 19 June 2014	5,713	13,356	-	1,779
OAO Gazprom as at 19 June 2014	-	15,121	2,153	-

Till 21 May 2014 the Company had no transactions with E.ON Ruhrgas.

The table below represents the Company's transactions and outstanding balances with related parties as at 31 December 2014 and 31 December 2013.

31 December 2014	Purchases	Sales	Accounts receivable	Accounts payable
UAB Tetas	9	-	-	7
UAB GET Baltic	1,037	-	-	-
	1,046	-	-	7

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

On 1 August 2013 the Company took over all rights and responsibilities regarding matters of natural gas transmission, based on the 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 quantities and terms of natural gas supply into the Republic of Lithuania in 2000-2015. The object of the agreement is import of a part of natural gas into the Republic of Lithuania and natural gas transit service through the Republic of Lithuania to the Kaliningrad Region of the Russian Federation. Natural gas import price depends on heavy fuel oil and gasoline prices on the international market, US dollar and EUR exchange rate set by the European Central Bank and actual natural gas caloric value. The agreement sets 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 supplies gas to the Government controlled companies; the transactions with them are concluded on the arm's length basis.

24 Related party transactions (cont'd)

Outstanding balances at the year-end are not secured with pledges, they are interest free, and settlements in 2014 were performed in cash on a 15 days term. 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 2014, payments to the management of the Company amounted to LTL 1,167 thousand (LTL 441 thousand during the period of 5 months ended 31 December 2013). The Management consists of the administrative executive and the deputy administrative executive, and the chief accountant. During the period of 5 months ended 31 December 2013 and during the year 2014, the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

25 Capital management

The Company is obliged to maintain its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2014 and 2013 the Company was in compliance with this requirement. There were no other internally or externally imposed capital requirements on the Company.

26 Subsequent events

1 January 2015 – the date of introduction of the euro in the Republic of Lithuania Day, accordingly the functional currency of company changed. The recalculation of the litas to the euro was performed at the exchange rate of 3.45280 litas for 1 euro, which was irrevocably set by the EU Council.

On 13 January 2015 NCC concluded that separation of AB Amber Grid transmission activity was consistent with the Law on Natural Gas (including the requirements of EU Third Energy Package transposed thereto) and issued a preliminary gas transmission system operator's certificate to the Company. The law stipulates that NCC shall inform the European Commission about the decision and provide supporting documentation. Upon receipt of a positive decision of the European Commission, NCC will decide on the AB Amber Grid irrevocable license for transmission system operator activities.

The Constitutional Court of the Republic of Lithuania decided to merge into one file all the cases accepted for hearing by the Constitutional Court concerning compliance of Article 5 Paragraph 2 of the Law on LNGT with the Constitution. On 25 February 2015 the Constitutional Court of the Republic of Lithuania decided to suspend the case until 17 March 2015.

Based on the minutes No. 5 of a meeting of the Government of the Republic of Lithuania, Ministries of Energy and of Finance were obligated to reach the required decisions in order to integrate UAB Baltpool – the market of energy sources and UAB GET Baltic – the market of natural gas.

In 2015 the Company transferred to AB Klaipėdos Nafta the natural gas security of supply additional component to the natural gas transmission rates for 2013, December 2014 and January 2015 in the amount of EUR 19,027 thousand.

On 22 January 2015 the Company refinanced Swedbank AB loan of EUR 39,100 thousand (LTL 135,000 thousand) using EUR 36,500 thousand (LTL 126,027 thousand) from the loan agreement concluded on 30 December 2014 with Swedbank AB.



AB AMBER GRID
ANNUAL REPORT 2014

Vilnius
2015

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I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the annual report was drawn up: the Year 2014.

KEY DATA

Name	AB Amber Grid (hereinafter referred to either as Amber Grid or the Company)
Legal form	Public company
Date and place of registration	25 June 2013, Register of Legal Entities
Legal Entity code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised capital	LTL 178,382,514
Registered office address	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 2360855
Fax number	+370 5 2360850
E-mail address	info@ambergrid.lt
Website	www.ambergrid.lt

The Company's mission statement: through the pursuit of national strategic interests to develop the Gas Transmission System in an effective manner, to transmit gas supplies in a reliable way, to make an active contribution to the development of an integrated European gas transmission system and to create conditions for the development of a competitive gas market.

The Company's vision: through vigorous actions, in cooperation with the region's gas transmission system operators, to create favourable conditions for the region's gas market operation in the integrated European gas network.

The Gas Transmission System Operator, AB Amber Grid, is a Lithuanian company important to ensuring national security responsible for the transmission of natural gas, for the operation and maintenance of its gas transmission pipelines, for securing safe and reliable operations and development of the Gas Transmission System. Customers of the Company are large and medium-sized electricity, district heating, industrial and natural gas supply companies that are provided with natural gas transmission services in the territory of Lithuania. Together with AB Lietuvos Dujos and the Finnish gas company Gasum Oy, the Company controls UAB GET Baltic, a company engaged in the organisation of trade on the natural gas exchange. Amber Grid owns 32% of shares of UAB GET Baltic.

In implementation of applicable requirements of the European Union (hereinafter referred to as the "EU") Third Energy Package, the natural gas transmission activity had to be unbundled from the natural gas production and supply activity through the unbundling of the ownership of the transmission system from the natural gas companies engaged in natural gas production and supply activities. Amber Grid completed the implementation of these requirements in 2014.

COMPANY ACTIVITIES

The Company renders to system users, other operators, gas market participants the following services:

- Natural gas transmission in the territory of Lithuania;
- Balancing of natural gas flows in the transmission system;

COMPANY ACTIVITIES (CONT'D)

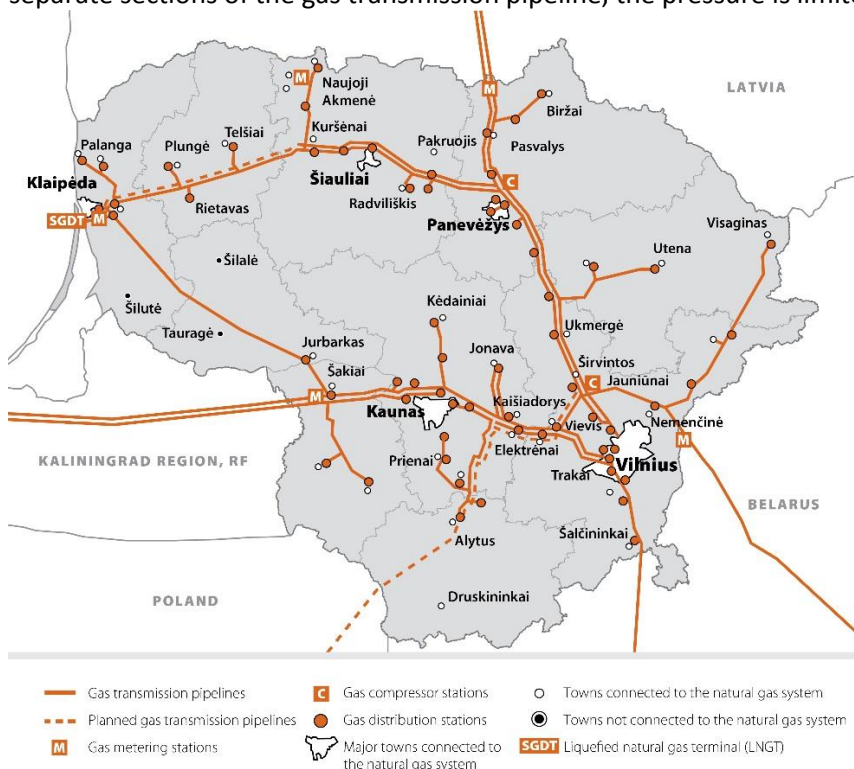
- Administration of the LNG-funds, i.e. funds intended to compensate for the costs of the construction, operation and maintenance of the Liquefied Natural Gas (hereinafter referred to as "LNG") terminal, its infrastructure and connector.

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND ITS DEVELOPMENT

The Natural Gas Transmission System consists of 2,007 km of gas transmission pipelines, 66 M&R Stations, 3 Gas Metering Stations, 2 Gas Compressor Stations, gas pipeline corrosion protection equipment, remote data transmission and communication systems and other assets attributed to the Gas Transmission System (Map 1). Lithuania's Gas Transmission System is connected with the Gas Transmission Systems of the Republic of Latvia, the Republic of Belarus, and the Kaliningrad Region of the Russian Federation, with the LNG terminal in Klaipėda, with various gas distribution systems of Lithuania's gas distribution system operators and other users which are supplied with gas directly from the Transmission System.

The diameters of the gas pipelines (excluding the short branches leading to the M&R Stations) range from 250 mm to 1,200 mm, of which approximately 80% of the pipelines have the diameter ranging from 300 mm to 700 mm. The diameter of the short branches ranges from 80 mm to 700 mm (total length of such gas pipeline branches is 110 km). Permissible pressure in the bulk of the gas transmission system is 54 bar. At separate sections of the gas transmission pipeline, the pressure is limited to 46 bar.



Map 1: Lithuanian Natural Gas Transmission System

STRATEGIC INFRASTRUCTURE PROJECTS

In 2014, Amber Grid was engaged in the implementation of the following strategic gas transmission infrastructure projects:

STRATEGIC INFRASTRUCTURE PROJECTS (CONT'D)

- Capacity enhancement of Klaipėda–Kiemėnai pipeline (construction of a second line of Klaipėda–Kuršėnai gas pipeline),
- Gas interconnection Poland–Lithuania.

These strategic infrastructure projects, alongside with another strategic infrastructure project – Enhancement of Latvia–Lithuania interconnection – are included in the First List of EU Projects of Common Interest (published on 14 October 2013), in the European Network of Transmission System Operators for Gas (ENTSO) Ten-year Network Development Plan for 2013–2022 and in the Gas Regional Investment Plan for 2014–2023 of the Transmission System Operators from the BEMIP region. Also, in conjunction with the Company's other investment projects they have been included in the Natural Gas Transmission System Operator Ten-year Network Development Plan (2013–2022) and in the National Plan of Implementation of Priority Projects in Electricity and Natural Gas Transmission Infrastructure as approved by the Government Resolution No. 746 as of 22 July 2014.

Two of the aforesaid projects, that are part of the First List of EU Projects of Common Interest and that will be implemented with the involvement of Amber Grid, i.e. Gas interconnection Poland–Lithuania and Enhancement of Latvia–Lithuania interconnection, are also proposed for the inclusion in the Second List of EU Projects of Common Interest, which is expected to be approved end 2015.

CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF A SECOND LINE OF KLAIPĖDA–KURŠĖNAI PIPELINE) (HEREINAFTER REFERRED TO AS THE "KKP")

The project aims at the diversification of gas supply sources in the Baltic region, at the creation of conditions for exploiting the full potential of the capacities of the LNG terminal in Klaipėda, at ensuring the security and reliability of the natural gas system.

The project scope involves the construction of a gas transmission pipeline of 110 km in length and 800 mm in diameter from the point of interconnection of the Gas Transmission System with the Klaipėda LNG terminal (located in the vicinity of Klaipėda) to the town of Kuršėnai. The estimated cost of the project is about LTL 220 million. The pipeline is scheduled to begin operation end 2015 (Map 2).



Map 2: Project for Capacity enhancement of Klaipėda-Kiemėnai pipeline (KKP).

CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF A SECOND LINE OF KLAIPĖDA–KURŠĖNAI PIPELINE) (CONT'D)

On 29 October 2014, the Connecting Europe Facility (hereinafter referred to as the "CEF") Energy Coordinating Committee endorsed the European Commission's (hereinafter referred to as the "EC") List of applications selected for receiving financial assistance of the EU. The KKP project was granted the full CEF financial assistance amount that was requested, i.e. LTL 95.271 million. On 4 December 2014, in cooperation with the Innovation and Networks Executive Agency (hereinafter referred to as the "INEA") we started the process for the preparation and signing of an Individual Support Contract.

In March, 2014, the Company announced open public procurement tenders for the procurement of steel pipes and for the procurement of construction and installation works. In July of 2014, in strict accordance with the schedule, all the required construction permits were duly obtained and all the contracts for the procurement of pipes and construction works were concluded. In October of 2014, the first batch of pipes was received and the KKP construction works began rapidly.

GAS INTERCONNECTION POLAND–LITHUANIA (HEREINAFTER REFERRED TO AS THE "GIPL")

The GIPL project aims at the integration of the Baltic States gas markets into a single EU gas market, at the diversification of gas supply sources and at the enhancement of the security of gas supplies. Amber Grid implements the part of the GIPL project to be carried out in the territory of Lithuania, whereas the part of the project in the Republic of Poland is implemented by the Polish Gas Transmission System Operator, GAZ- SYSTEM S.A.

The length of the GIPL pipeline will amount to 534 km (357 km in the territory of Poland, and 177 km in the territory of Lithuania), the diameter will be 700 mm, and the commissioning is scheduled for 2019 (Map 3).



Map 3: Gas interconnection Poland–Lithuania (GIPL).

On 19 August 2014 Amber Grid and GAZ-SYSTEM S.A., submitted to the INEA joint applications for the co-financing of the GIPL project under the CEF. The right to submit applications for the funding under the CEF

GAS INTERCONNECTION POLAND–LITHUANIA (CONT'D)

was granted by the decision of the Agency for the Cooperation of Energy Regulators (hereinafter referred to as the "ACER") on the cross-border cost allocation of the GIPL (adopted on 11 August 2014), which indicated the specific shares by which the Baltic States (Lithuania, Latvia, and Estonia) and Poland shall

finance the GIPL project. In accordance with the ACER's decision, the Baltic States should have to compensate to Poland a total amount of LTL 296.3 million: Lithuania – LTL 189.6 million, Latvia – LTL 101.5 million and Estonia – LTL 5.2 million.

On 29 October 2014, the CEF Energy Coordinating Committee endorsed EC's List of applications selected for granting financial assistance from the EU funds, according to which the GIPL construction in the Polish and Lithuanian territories was granted LTL 1.019 billion, and the preparatory works were granted LTL 36.599 million. On 19 December 2014, we started with the INEA the procedure for the preparation and signing of an Individual Support Contract.

The year 2014 saw the continuation of the GIPL environmental impact assessment procedures in the Lithuanian territory (launched in the second half of 2013), and they are scheduled for completion in 2015. On 5 November 2014, the Government of the Republic of Lithuania recognized the part of the GIPL project in the territory of the Republic of Lithuania as an economic project important to the state.

ENHANCEMENT OF LATVIA–LITHUANIA INTERCONNECTION

This project aims to enhance capacity of the gas systems interconnection between Latvia and Lithuania, to ensure the security and reliability of gas supplies and to achieve integration of the Baltic gas markets. It will also further facilitate the use of the Latvian Incukalns Underground Gas Storage Facility (Map 4).



Map 4: Enhancement of Latvia-Lithuania interconnection.

Expected project outcomes: in the Republic of Lithuania – enhancement of the capacity of the Kiemėnai Gas Metering Station and in the territory of the Republic of Latvia – construction of a relevant section of the gas transmission pipeline. The promoters of this project are AS Latvijas Gaze and Amber Grid.

ENHANCEMENT OF LATVIA–LITHUANIA INTERCONNECTION (CONT'D)

The final decision on the project scope and the deadlines is expected to be adopted when it is decided as to which specific investment projects aimed at gas supply diversification will be actually implemented in the region.

RECONSTRUCTION AND MODERNISATION

In 2014, in order to ensure adequate gas transmission system operations, security and reliability, the Company performed the following works for the reconstruction and modernisation of the Natural Gas Transmission System:

- installation of intelligent pig launchers and receivers on the gas pipelines leading to the M&R Stations of Alytus and Marijampolė and intelligent pig launcher on the Panevėžys–Šiauliai–Klaipėda Gas Transmission Pipeline;
- installation of 11 line block valve remote control systems (SCADA) and 14 line block valve units;
- installation of 2 gas pressure relief units;
- reconstruction of the Klaipėda M&R Station No. 1 through the modernisation of its gas metering and pressure reduction equipment;
- installation of 7 online gas chromatographs required for gas accounting in units of energy;
- works for the renovation of the equipment of two cathodic protection system units and works for the installation of 26 control and measurement posts.

The project for the conversion of the natural gas accounting system was fully implemented. Following the conversion, the system fully complies with the new legislative requirements. From 2015 onwards, natural gas volumes are recorded under the standard conditions that are usually used by the EU member states (at 0°C, instead of the previously used 20°C), in addition to this, the accounting is also performed in units of energy¹. Accounting data are posted daily on the Company's website www.ambergrid.lt/en/gas. As part of the implementation of this project, all base gas calorific value metering points were equipped with appropriate chromatographs, the M&R Stations were equipped with 51 new gas volume computers-correctors, the measurement data transmission and processing systems were installed, and the existing metering systems were reprogrammed.

MAINTENANCE OF THE TRANSMISSION SYSTEM

In order to ensure transmission system reliability and security, in 2014 we carried out the planned repairs, diagnostics and maintenance works.

In 2014 the Company carried out works for the intelligent pigging (internal diagnostics) of the Pabradė–Visaginas Gas Transmission Pipeline (a 89.2 km stretch). Thus, the total length of the gas pipelines subjected to the aforesaid inspections amounts to 618 km.

A few problematic gas pipeline sections whose state did not permit the intelligent pigging were subjected to inspections by an innovative *Nopig* technology, not requiring a pig insertion into the pipeline. By this method we inspected 5.4 km of gas pipelines located in the municipalities of Vilnius and Ukmergė Districts and the town of Elektrėnai.

2014 saw the completion of the elimination of the defects identified during the intelligent pigging on the Minsk–Vilnius pipeline, on the gas pipeline directed to Kaliningrad, on the gas pipeline directed to the Utena

¹ Further in the text, in the conversion of units of volume to units of energy we use the average upper calorific value of gas of 10.4 kWh/ m³ (of 2014) measured and calculated under normal conditions: at combustion temperature of +25°C, measurement temperature of +20°C and absolute pressure of 101,325 kPa.

MAINTENANCE OF THE TRANSMISSION SYSTEM (CONT'D)

M&R Station and on the Vilnius–Riga–Panevėžys pipeline. We also continued with the works for the repairs of the coating of the Ivatsevichi–Vilnius–Riga pipeline, of the Vilnius–Kaunas pipeline, of the loop line and the first gas pipeline branch directed towards the Jonava M&R Station.

NATURAL GAS TRANSMISSION VOLUMES

In 2014, the Company's gas transportation to Lithuania's consumers via the Company's Natural Gas Transmission System amounted to 2,562.5 MCM (26.7 TWh), in 2013 – 2,667.1 MCM (27.7 TWh). Even though in 2014 the demand for natural gas for fertilizer production increased by 16.2 % as compared to 2013, the total natural gas transmission quantity decreased by 3.9 %. The main causes behind the overall natural gas transmission quantity decrease for Lithuania's gas market needs, are by 0.5°C higher yearly mean temperature and the increased use of alternative fuels for heat and electricity generation.

In 2014, the largest daily volume of gas transported from Belarus to Lithuania was 23.3 MCM (242.3 GWh), the largest daily volume transported to the Kaliningrad Region of the Russian Federation by transit through Lithuania amounted to 10.0 MCM (104.0 GWh) and the largest daily gas volume transmitted to consumers of Lithuania was 13.8 MCM (143.5 GWh).

In 2014, gas transit to the Kaliningrad Region of the Russian Federation amounted to 2,075.4 MCM (21.6 TWh), in 2013 it was 2,152 MCM (22.4 TWh). In 2014, gas transmission to the Republic of Latvia amounted to 0.4 MCM (4.2 GWh). It is planned that in 2015 the transmission of natural gas to the Republic of Latvia will see a significant increase and can reach up to 50 MCM (520 GWh).

As of end 2014, the Company had entered into 59 gas transmission service agreements with natural gas transmission system users (natural gas users, natural gas distribution system operators, natural gas supply companies, which supply gas up to the consumers' systems). The Company had entered into 12 natural gas balancing agreements with natural gas supply companies which trade in natural gas but do not transport it via the Transmission System.

The structure of natural gas transmission quantities for the needs of Lithuania's gas market by system users is shown in Chart 1.

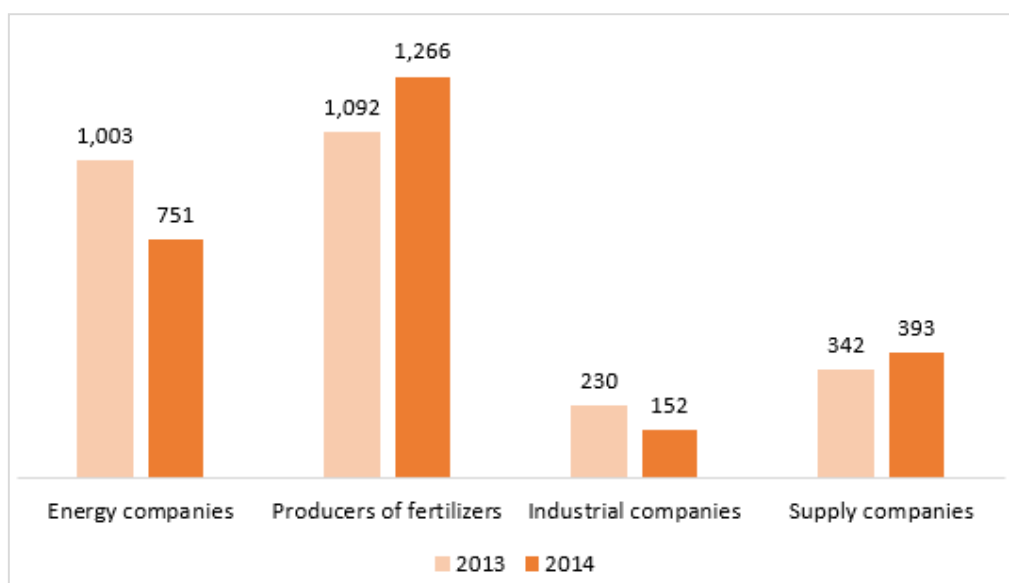


Chart 1: Breakdown of natural gas transmission quantities (in MCM) by natural gas transmission system users in Lithuania, 2013–2014.

NATURAL GAS TARIFFS REGULATION

Natural gas transmission service prices are subject to regulation.

On 13 October 2014, the National Commission for Energy Control and Prices (hereinafter referred to as the "NCC") by Resolution No. O3-839 amended the Methodology for the Setting of Natural Gas Prices Subject to State Regulation as approved by the NCC Resolution No. O3-367 as of 13 September 2013 (hereinafter referred to as the "Methodology"). The amended Methodology (effective as of 1 January 2015) introduces changes to the natural gas transmission service pricing system and implements other significant changes related thereto:

- as part of the implementation of EU legislation, the gas transmission service pricing model, which so far used to be based on the so-called "postage stamp" principle, will be discarded and will be replaced by a new model of transmission system entry and exit point-based capacity allocation and pricing. According to the new model, natural gas transmission service prices will be set and adjusted for gas transmission system entry and exit points:
 - at the entry points: at the points of interconnection of Lithuania's Gas Transmission System with the Gas Transmission Systems of Belarus and Latvia and at the point of interconnection with the system of the LNG terminal in Klaipėda;
 - at the exit points: at the points of interconnection of Lithuania's Gas Transmission System with the Gas Transmission Systems of Latvia and the Kaliningrad Region of the Russian Federation as well as the domestic exit point (covering the points of the interconnection of Lithuania's Gas Transmission System with the gas distribution systems or gas consumer systems).
- natural gas transmission service price caps shall be set and adjusted not per gas quantity (volume) units (as it used to be until now) but per capacity unit;
- another change that was introduced is the conversion from the system of accounting and pricing of natural gas transmission services under which gas transmission service prices used to be expressed in quantity (volume) unit (per thousand cubic meters) to a new system of prices per unit of energy (MWh) based on upper calorific value.

Acting in accordance with the new Methodology, the NCC, when adjusting the income levels of gas transmission operations that were originally set in respect of the Company for the year 2014, by Resolution No. O3-881 as of 30 October 2014 set gas transmission service price caps for the year 2015 for the gas transmission system entry and exit points, which by a NCC's decision may be adjusted on an annual basis according to procedures provided for by the Methodology.

On 20 November 2014, the NCC approved the specific natural gas transmission service tariffs for the year 2015 as set by the Company's Board of Directors on 5 November 2014. The average tariff of firm (uninterruptible) long-term transmission services of Amber Grid as approved by the NCC in respect of the Company for the internal (domestic) exit point is by 3.3 percent lower than the gas transmission service price cap set by the NCC for the year 2015. Tariffs set for other entry and exit points are equal to the price caps.

In view of the provisions of the new Methodology and the fact that from 1 January 2015 Lithuania's official currency is the Euro, all prices for the capacities for the transmission system entry and exit points for the year 2015 shall be expressed in Euro per MWh per day per capacity booking period (e.g., per year, per quarter, per month). In addition to that, for the exit points, prices shall also be set for gas quantities transmitted through these exit points, these tariffs shall be expressed in Euro per MWh.

For more detailed information on the natural gas transmission service prices see the Company website www.ambergrid.lt/en/transportation-services/tariffs-prices/tariffs-from-01-01-2015.

BALANCING OF NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid ensures the balance in the Natural Gas Transmission System. The Company purchases balancing gas at a price set by the NCC from a gas market participant, where the gas market participant in question has caused excess of gas in the Transmission System, and sells balancing gas to a market participant where the as market participant in question has caused a shortage of gas in the Transmission System.

In 2014, when performing gas flow balancing activities, the Company purchased from system users a total of 1,620.4 thousand m³ (16,852.2 MWh) and sold 202.2 thousand m³ (2,102.9 MWh) of balancing gas.

Besides the balancing of gas flows of system users and other gas market participants, the gas line pack in the Company's Transmission System pipelines also fluctuates due to technological peculiarities of the Transmission System as well as due to technical causes due to gas flow deviations.

ADMINISTRATION OF FUNDS AIMED TO COMPENSATE FOR THE COSTS OF THE CONSTRUCTION, OPERATION AND MAINTENANCE OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND CONNECTOR

The NCC by Resolution No. O3-445 of 11 October 2013 approved the natural gas supply security-related additional price component to the natural gas transmission tariff aimed to compensate for the LNG terminal infrastructure fixed operating costs necessary to ensure the operations of the LNG terminal, which in 2014 was applied from 3 December 2014 until 31 December 2014. System users started paying the LNG terminal funds charged for the additional price component for the December 2014 in January 2015. During the course of the year 2014 the Company collected the LNG terminal funds accrued for December 2013 as well as the debt amount accrued for previous periods.

The year 2014 saw continued litigation with AB Achema regarding the use of the LNG terminal funds. 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 the LNG funds and then pays them out to the LNG terminal operator in accordance with the procedure prescribed by legal acts. By the decision of the NCC, a certain part of the aforesaid funds goes to cover the administration expenses incurred by the Company.

RESEARCH AND DEVELOPMENT ACTIVITIES

Until the year 2015 natural gas was accounted in units of volume, in cubic meters. From 2015 onwards the accounting is performed in energy units, in kilowatt-hours (kWh). For this purpose, in 2014, the Gas Transmission System was equipped with the necessary metering devices for the gas composition determination and calorific value calculation. The new accounting system that was installed fully complies with requirements of the Natural Gas Accounting Procedure as approved by the Minister of Energy.

A few problematic gas pipeline sections whose state did not permit the intelligent pigging (internal diagnostics) were subjected to inspections by an innovative *Nopig* technology. For gas system repairs the Company started using a natural gas pumping technology – i.e. from the gas pipeline sections subjected to repairs gas is pumped into the other sections of the operational gas pipelines.

In 2014 we continued with the implementation of strategic infrastructure projects important for the integration of Lithuania's natural gas market into the regional market.

CORPORATE STRATEGY 2015–2020

At the beginning of 2014, an Amber Grid Strategy Development Project was launched, which is aimed at the identification of the Company's values, at the selection of its strategic directions for the further development of the Company, aimed at team building and at the creation of Amber Grid's corporate culture that would help the Company achieve its strategic objectives. The Company's Long-term Corporate Strategy for the period 2015–2020 was approved by the Company's Board of Directors at the beginning of 2015.

Amber Grid's Corporate Strategy is based on the integration into a single natural gas market of the region, on efficiency, modernization and development of the infrastructure. These elements are essential for the attainment of the financial and strategic objectives set out by the state of Lithuania.

Amber Grid will focus on three strategic directions:

- transformation into a Transmission System Operator operating in the single gas market;
- the creation of the necessary infrastructure;
- increasing the efficiency and modernisation.

EMPLOYEES

The Company employed 361 employees as of 31 December 2014 (as of 31 December 2013 - 356 employees). Employee change, compared with 2013, was 1.4 percent. Distribution of employees by groups is presented in Table 1.

1 table. Employee distribution by groups, 2013–2014.

	Number of employees 31 December 2014	Number of employees 31 December 2013
Top executives	5	5
Specialists ²	219	217
Workers	137	134
Total:	361	356

The average age of the Company's employees was 44.8 years (Chart 2), and the average seniority was 12.6 years (Chart 3). The Company's employees with higher education degrees accounted for 51.5 % of the total workforce (Chart 4). Males accounted for 81.7 % and females for 18.3 % of the total Company's workforce.

² Including the heads of divisions and departments, who in 2013 were attributed to the managerial staff group.

EMPLOYEES (CONT'D)

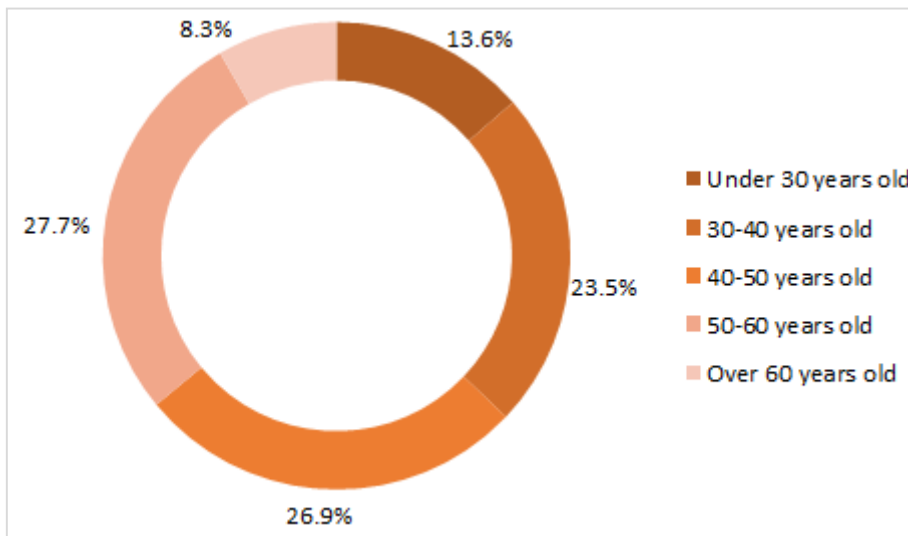


Chart 2: Employee distribution by age groups, 2014

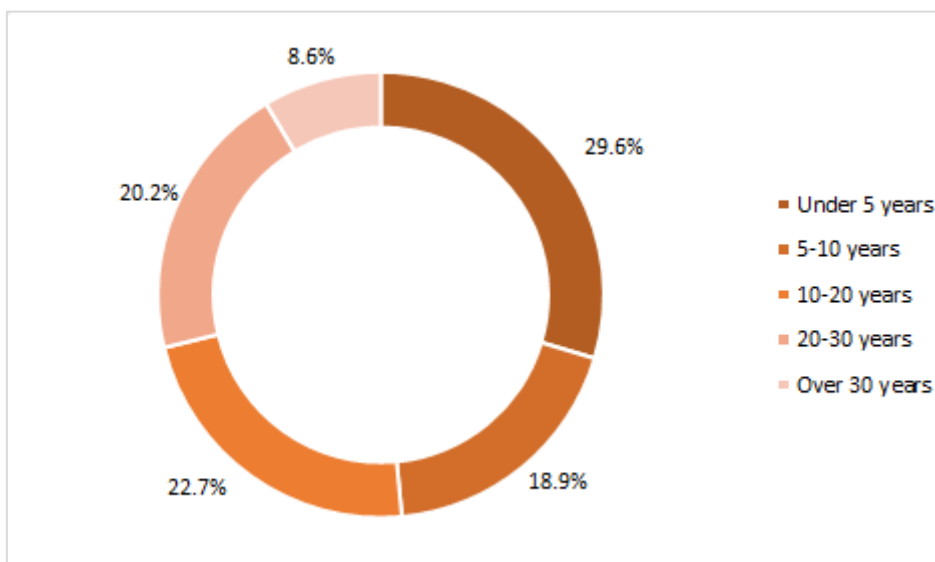


Chart 3: Employee distribution by seniority, 2014.

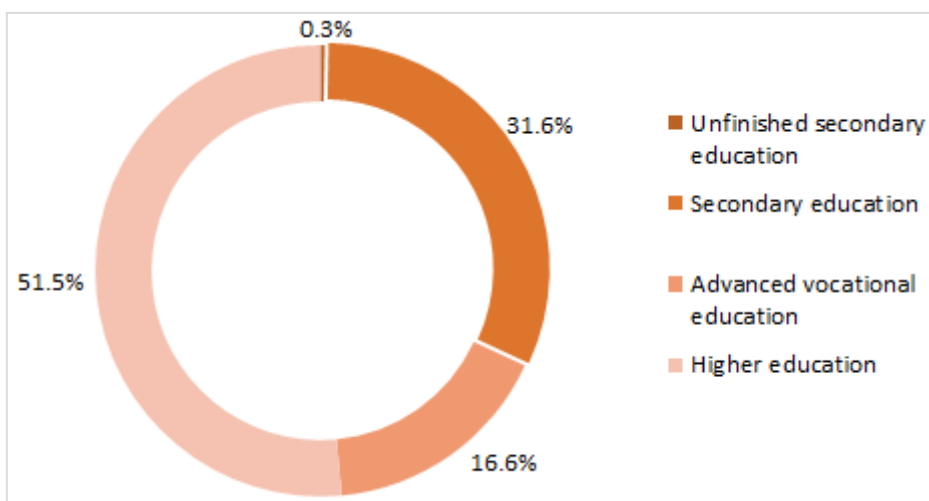


Chart 4: Employee distribution by education, 2014.

EMPLOYEES (CONT'D)

For average monthly salaries at the Company by employee groups see Table 2.

2 table. Average monthly salary by employee groups, 2014.

	Average monthly salary (gross, LTL) 2014
Top executives	19,293
Specialists ³	4,883
Workers	3,100
Average	4,386

COLLECTIVE BARGAINING AGREEMENT

The Company is covered by a Collective Bargaining Agreement, which end 2014 was updated in line with the changes introduced to the Labour Code of the Republic of Lithuania; and the current version will be valid until 31 December 2015. The Collective Bargaining Agreement provides for the Company's and its employees' rights and responsibilities that are usually used in practice.

TRAININGS AND TRAINEESHIP OPPORTUNITIES

The Company devotes great attention to its employee training, to the upgrading and maintaining of skills and qualifications thereof. The Company makes sure that its employees are in possession of all the mandatory statutory attestation certificates and qualification certificates. Its employees' competencies and skills determine their ability to carry out their work professionally, be experts in their respective fields and contribute to the overall success of the Company's operations.

In 2014, various professional and technical trainings were attended by 271 employees, other mandatory trainings were attended by 351 employees, and various general trainings (in law, public procurement, tax, accounting, etc.) were attended by a total of 187 employees.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

The Company has implemented an environmental management system and in 2014 obtained the ISO 14001:2004 certificate, putting the Company under the obligation to seek a continuous improvement of the environmental situation when pursuing its industrial and organisational activities. Environmental protection and social responsibility constitute an integral part of the Company's strategic goals and objectives, whose efficiency and effectiveness are subjected to a regular and methodical evaluation.

In 2014, the focus was on administrative and technological measures aimed to reduce emissions of natural gas in the process of the operation and maintenance of the gas system. During the repair works, by employing the natural gas pumping technology, in 2014, a total of 90 thousand m³ (936 MWh) of natural gas supplies were saved because the gas supplies were pumped into another section of the gas system.

The Company pays great attention to ensuring security of its gas systems, because any accidents or instances of an improper operation of the gas system would result in environmental damage and economic

³ Including the heads of divisions and departments, who in 2013 were attributed to the managerial staff group.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY (CONT'D)

and social losses. In 2014, there were no accidents involving significant emissions of natural gas into the atmosphere and causing environmental damage.

SPONSORSHIP PROGRAMMES

In 2014, Amber Grid participated in various sponsorship and support programmes, thus becoming a partner in social projects and creating new life and activity opportunities for the needy. Last year, Amber Grid rendered support to more than 20 different institutions, organisations and their projects: Vilnius University Hospital, Public Agency Children's Hospital Support Fund, Lithuanian Special Creative Association *Guboja*, Assistance Service of the Order of Malta, Vilnius *Gija* Youth School, Vilnius Disabled Athletes Sports Club *Feniksas*, Vilnius Jonas Laužikas General Education Centre, Sports Veterans Association *The Five Rings* and Beach Volleyball Sports Club *AUKSMA*, etc. Being well aware of the importance of sponsorship activities, the Company intends to continue its participation in various purposeful sponsorship projects and will seek to ensure that its support brings the maximum possible public benefit.

INTERNATIONAL COOPERATION

The Company is Associated Partner of ENTSOG (www.entsog.eu)

On 14 May 2014, the Company, in cooperation with other transmission system operators from the region of the Baltic Energy Market Interconnection Plan (BEMIP) adopted the second Ten-Year (2014–2023) Gas Regional Investment Plan. This plan is prepared every two years in accordance with the requirements of Regulation No 715/2009 of the European Parliament and of the Council of 13 July 2009 (on conditions for access to the natural gas transmission networks). The Gas Regional Investment Plan outlines the plans for the development of a regional gas market and overviews various changes that have occurred since publication of the first Gas Regional Investment Plan (in March 2012). It also provides information about the major gas infrastructure projects that will be implemented in the region and their impact on the development of the gas market in the region. The Gas Regional Investment Plan was prepared by 7 transmission system operators from the BEMIP region: Gasum Oy (Finland), AS EG Võrguteenus (Estonia), AS Latvijas Gāze (Latvia), Amber Grid (Lithuania), GAZ-SYSTEM S.A. (Poland), Energinet.dk (Denmark) and Swedegas AB (Sweden). In 2014 the Company was the coordinator of the preparation of this Plan.

In 2014, the Company, alongside with other transmission system operators of East Baltic region countries (Estonia, Finland, Latvia) cooperated on regional market development issues: a TSOs coordination group was set up; also underway is the preparation of the terms of reference for a study on regional market development opportunities.

II. FINANCIAL RESULTS

IMPACT OF IMPAIRMENT OF NON-CURRENT ASSETS

The International Accounting Standard 36 provides for mandatory procedures to be applied by the Company in order to ensure that its assets are not recognized at a value exceeding the recoverable amount. Assets are accounted at value exceeding the recoverable value where the book value of the assets exceeds the amount expected to be recovered through the use or sale of the assets in question. In this case, it is necessary to recognize impairment loss.

In case of indications that the long-term tangible asset value may have impaired, the non-current assets shall be subject to valuation based on the Company's discounted cash flows. The assessment of the discounted cash flows is based on a discount rate the assumptions for the setting whereof are broadly consistent with the rate of return assumptions applied in the NCC price regulation.

The Company carried out an impairment test as of 31 December 2014 and found non-current assets impairment loss in amount of LTL 490 million, which was accounted end 2014 through the reduction by a respective amount of the values of assets items accounted in the balance sheet.

The impairment loss of the non-current assets radically changes the Company's financial results for 2014 and has a negative impact on them. However, the impairment will have a positive impact on the Company's financial results in the future, since the impaired value of assets will result in lower depreciation costs, which account for the largest share of total costs incurred by the Company. It will also reduce the discrepancy between the Company's regulatory accounting result and financial accounting result.

For more information about the non-current asset value assessment assumptions and other assumptions see other chapters of the present annual report or see the Company's financial statements for the year 2014.

MAIN INDICATORS FOR THE TRANSMISSION SYSTEM

3 table. The Company's performance indicators

	2014	2013
Quantities of natural gas transported		
Quantities of natural gas transmitted (out of which by the Company), million m ³ /GWh	2,562.5/26,650	2,667.1 (934)/27,737.8 (9,718)
Quantity of gas transported by transit (out of which by the Company), million m ³ /GWh	2,075.4/21,584	2,152.4 (935)/22,385.0 (9,721)
Number of system users, at the end of the period	59	87
System in Operation		
Length of gas transmission pipelines, km	2,007	2,007
Number of M&R Stations and Gas Metering Stations, pcs.	69	69
Employees		
Number of employees, at the end of the period	361	356

COMPANY'S KEY FINANCIAL INDICATORS

4 table. The Company's financial indicators

	2014	2013 ⁴
Financial results (thousand LTL)		
Revenue	178,823	74,101
EBITDA	98,562	35,818
Profit (loss) before tax	-469,593	2,425
Net profit (loss)	-391,574	5,071
Net cash flows from operating activities	91,469	33,221
Investments	89,320	39,381
Net financial debt	129,198	160,483
Profitability ratios (%)		
EBITDA margin	55.12	48.34
Profit (loss) before tax margin	-262.60	3.27
Net profit (loss) margin	-218.97	6.84
Return on assets (ROA)	-27.72	0.31
Return on equity (ROE)	-38.66	0.42
Return on capital employed (ROCE)	-49.11	0.25
Liquidity ratios		
Current ratio	0.82	0.99
Quick ratio	0.55	0.57
Leverage ratios (%)		
Equity to total asset ratio	69.32	73.37
Financial debt to equity ratio	16.54	14.91
Debt ratio	30.67	26.65
Market value ratios		
Price-earnings ratio (P/E), times	-	88.54
Net earnings (loss) per share, LTL	-2.20	0.03

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

The financial statements for 2013 and 2014 of the Company 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.

⁴Financial indicators cover the period from Amber Grid's founding until 31 December 2013.

REVENUE

In 2014, the Company's revenue amounted to LTL 178,823 thousand, of which 96.2% were revenues from the transmission of natural gas via gas transmission pipelines to system users in Lithuania and gas transit to the Kaliningrad Region of the Russian Federation.

The remaining part was the revenue from balancing and revenue from the administration of funds of the LNG terminal and other revenue (Chart 5).

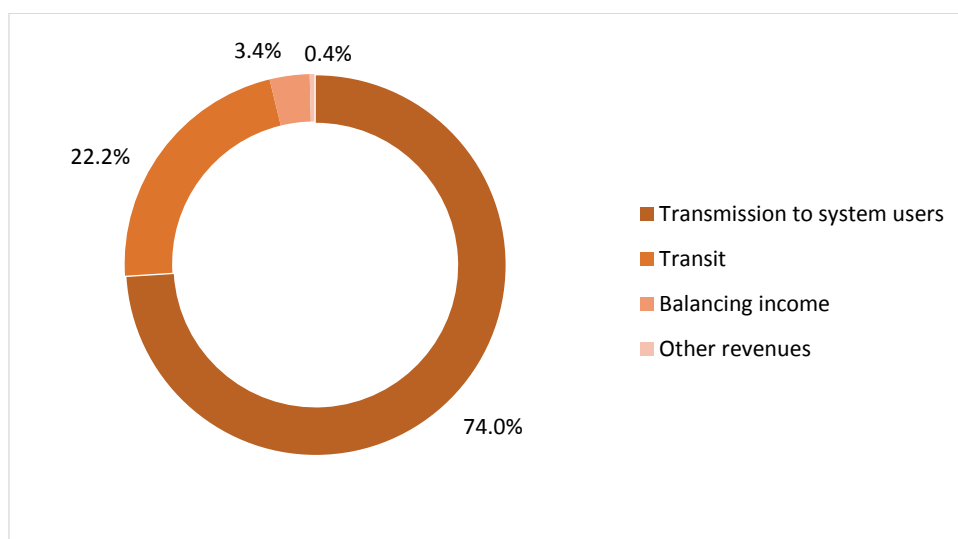


Chart 5: Revenue structure, 2014.

Balancing revenue came from the balancing of the gas flows for system users and other gas market players participating in the balancing of the Transmission System and from the operational balancing of the Transmission System, which was determined by gas Transmission System's technology peculiarities and gas flow deviations (imbalances) which are attributable to technological causes.

The LNG terminal funds are administered by the Company under statutory obligation imposed by applicable legislative provisions. For more information and disclosures about the accounting of the LNG terminal funds see the financial statements of the Company for 2014.

EXPENSES

The Company's expenses, upon taking into account the aforesaid asset impairment costs of LTL 490,079 thousand, in 2014 amounted to LTL 646,365 thousand.

Excluding the asset impairment costs, the major share of the Company's expenses were incurred as a result of the depreciation of the non-current assets – LTL 75,914 thousand (or 48.6% of the expenses excluding the impairment loss), employee benefits and social security – LTL 24,943 thousand (16.0%), repairs and maintenance – LTL 21,573 thousand (13.8%), natural gas costs LTL 22,189 thousand (14.2%) (Chart 6).

Natural gas was purchased by the Company for technological needs, for balancing of the gas flows of system users and other gas market participants involved in the balancing of the transmission system, and for operational balancing.

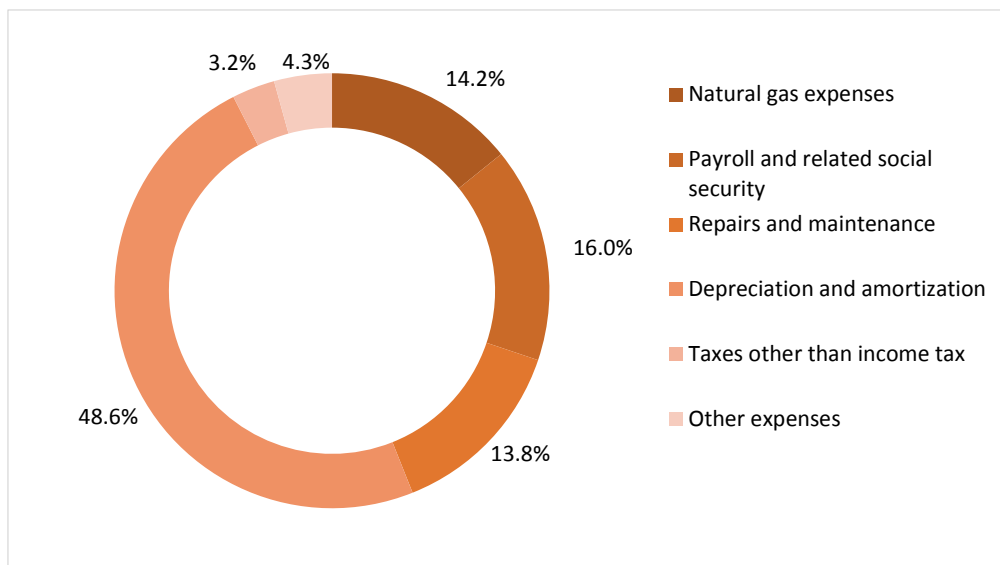


Chart 6: The expense structure (calculated after eliminating the asset impairment costs), 2014.

ACTIVITY RESULTS

Devaluation of assets affected the Company's results: in 2014, loss before tax reached LTL 469,593 thousand and net loss amounted to LTL 391,574 thousand. The positive annual result was determined by the application of income tax exemption for new investments and the positive effect of the deferred income tax. From the impairment amount deferred profit tax assets were formed, which reduced the deferred tax liability by LTL 73,500 thousand. After eliminating the impact of the asset impairment, profit before interest, taxes, depreciation and amortization (EBITDA) amounted to LTL 98,562 thousand (Chart 7).

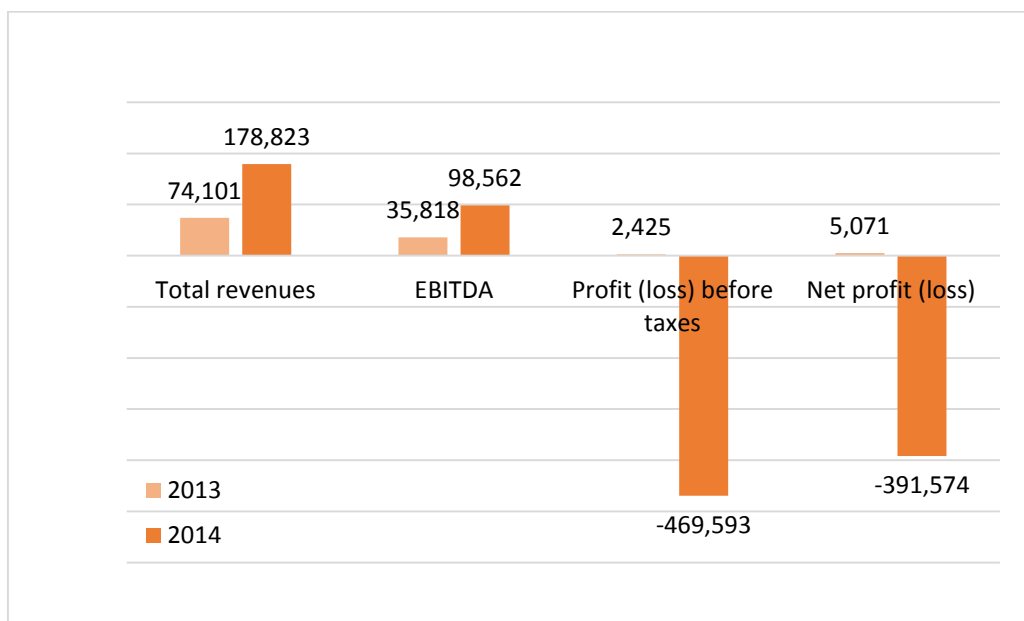


Chart 7: Financial results, thousand LTL, 2013–2014.

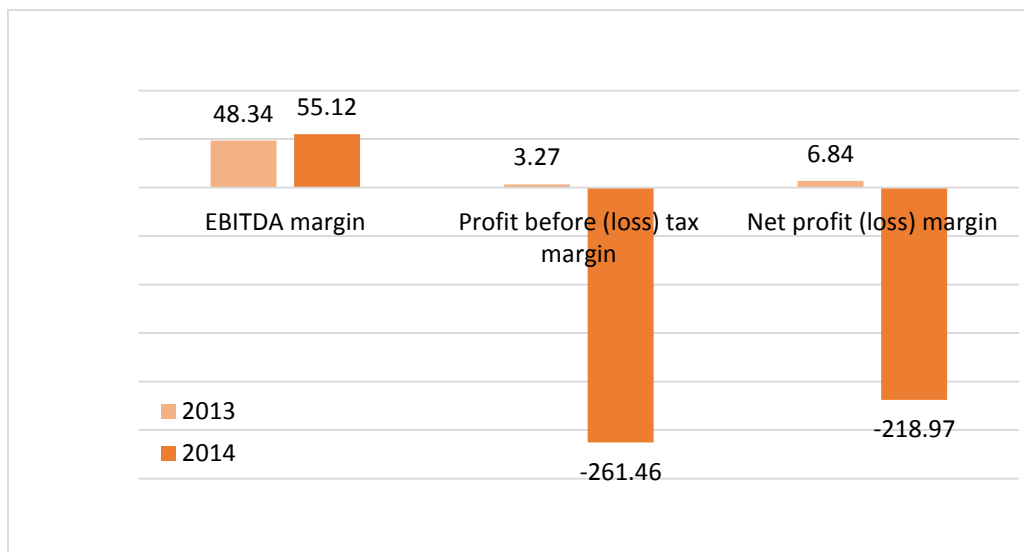


Chart 8: Profitability, percent, 2013–2014.

INVESTMENTS

In 2014, investments in the Gas Transmission System development and modernisation totalled LTL 89,320 thousand, and in 2013 they amounted to LTL 91,840 thousand and including the investments in gas transmission activity of 2013 of AB Lietuvos Dujos made in 2013 they amounted to LTL 52,459 thousand. In 2014, LTL 55,315 thousand, or 61.9 % of the investment funds were invested in the construction of new gas system facilities (investments in KKP amounted to LTL 55,135 thousand) and LTL 34,005 thousand (or 38.1 % of the funds) were devoted to the investments in the reconstruction and modernisation of gas systems (Chart 9).

The KKP project is co-funded by with the EU grants – in 2014, 26.6% of the investments in the Gas Transmission System were granted a financial assistance of the EU.

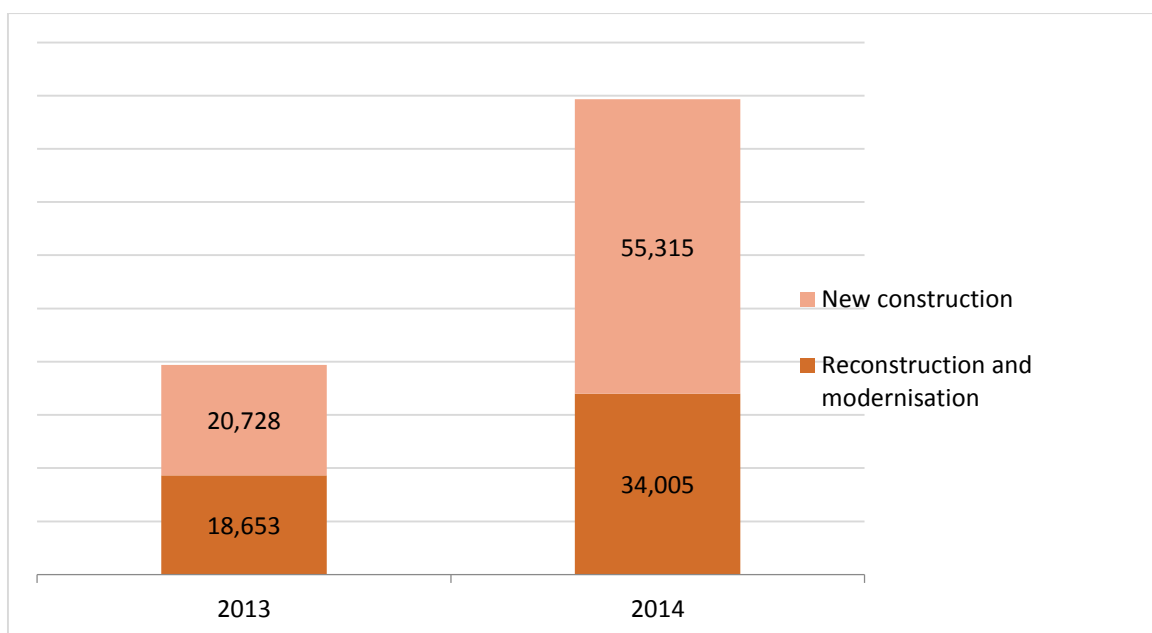


Chart 9: Investment structure, thousand LTL, 2013–2014.

ASSETS

As of end 2014, the value of assets (taking into account the aforesaid asset value impairment) stood at LTL 1,288,945 thousand. As of end 2014, the non-current assets accounted for 85.5 % and the current assets accounted for 14.5 % of the total assets of the Company.

During the course of 2014, excluding the asset impairment impact, the value of the Company's non-current assets increased by 0.5 %, or by LTL 8,699 thousand, which mainly came as a result of investments in gas transmission pipelines and their facilities. The value of current assets increased by 12.9 %, or by LTL 21,348 thousand. The increase in the value of current assets was determined by the accounted receivables – the KKP project grants. Other accounts receivable and other financial assets increased mainly due to the increase in the LNG terminal funds-related accounts receivable and LNG terminal funds collected. As of 2014, compared with end 2013, cash balance decreased by LTL 13,798 thousand.

EQUITY AND LIABILITIES

In 2014, the Company's equity, due to the negative result determined by asset impairment, decreased by 32.4 %, or by LTL 391,574 thousand, and as of end of 2014 amounted to LTL 816,986 thousand. Equity as of end of the reporting period accounted for 63.4 % of the total assets of the Company.

In 2014, accounts payables and liabilities decreased by 12.7 %, or by LTL 68,408 thousand, and as of end of 2014 amounted to LTL 471,959 thousand. Short term accounts payables increased by LTL 38,338 thousand, which came as a result of the increase in accounts payables for the acquisition of non-current assets and the increase LNG terminal funds accrued but not paid out yet. Long-term accounts payables decreased by LTL 106,746 thousand, which came as a result of the decrease in the deferred tax liability and the partial repayments of the long-term financial debt.

As of end 2014, the Company's financial debt amounted to LTL 135,118 thousand, and during the course of 2014 it decreased by LTL 45,083 thousand.

CASH FLOWS

In 2014, the Company's cash flows from its operating activities, excluding the change in working capital were positive and amounted to LTL 98,923 thousand. Acquisition of non-current assets was LTL 60,449 thousand, and the amount used for the financial debt repayment was LTL 45,083 thousand. During the 2014 the Company have not received significant amounts from grants (LTL 2,701 thousand), but in the future during implementation of projects like KKP or GIPL, Company expects to receive significant amounts from grants, what will allow to balance the cash flows of the Company.

REFERENCES AND ADDITIONAL NOTES ON THE DATA PROVIDED IN THE ANNUAL FINANCIAL STATEMENTS

Other information is presented in the notes to the audited annual financial statements of Amber Grid for 2014.

BUSINESS PLANS AND FORECASTS

The year 2015 will see the continuation of the implementation of the strategic infrastructure projects and other projects aimed at the enhancement of the efficiency of the Company's activities and cost optimisation. By end 2015 there are plans to complete the implementation of the KKP project, and in 2019 there are plans to complete the implementation of the GIPL project.

BUSINESS PLANS AND FORECASTS (CONT'D)

It is forecast that in 2015 the Company will transport via the Gas Transmission System approximately 46.6 TWh of natural gas, of which gas transmission to the Kaliningrad Region of Russian Federation will make up 21.8 TWh.

RISK MANAGEMENT

In pursuing its operations, the Company faces the following main risks: macroeconomic factors-related risk, regulation-related risk, competition-related risk, technology-related risk and financial risk.

Information on financial risks is presented in financial statements of the Company for 2014. The Company's financial risks consist of the liquidity risk, credit risk, interest rate fluctuations risk, gas purchase price fluctuation risk, and the concentration risk.

MACROECONOMIC FACTORS-RELATED RISK

Lithuania's economic situation and economic development trends, prices of natural gas as the product for the end user, all impact gas transmission quantities and investments in the development of gas transmission pipelines. The decline in natural gas transmission quantities in Lithuania of the past years has had a negative impact on the financial results of the Company. Nevertheless, the Company's activity is subject to regulation, therefore the Company, under the supervision of the NCC, is undertaking all measures necessary in order to safeguard stability, sustainability and development of the Company's operations.

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 in the natural gas transmission systems are subject to state regulation. The Company directly cooperates with regulatory authorities and takes part in the legal acts drafting process.

COMPETITION-RELATED RISK

The Company's activity results are affected by competition in the fuel market. The increase in the consumption of alternative fuels replacing natural gas leads to the decrease in demand for natural gas. Natural gas prices also have impact decision regarding the selection of alternative fuels. The putting into operation of the LNG terminal in Klaipėda end 2014, the prevailing oil and oil product price trends in global commodity exchanges in the near future can have a positive impact on the natural gas as a commodity price competitiveness, so natural gas consumption in Lithuania and the Baltic region can increase.

TECHNOLOGY-RELATED RISK

One of the main objectives of the Company is to ensure safe, reliable and efficient operations of the Natural Gas Transmission System. A total of 60 % of gas pipelines operated by the Company are over 25 years old, thus proper maintenance of the transmission system requires special attention. Acting in pursuance of the Strategy to Secure Safety and Reliability of the Transmission System, the Company implements an Action Plan to secure safety and reliability thereof. The management of the assets used by Company has been subject to analysis, which made a basis for the development of a Technology Asset Management Information System.

THE COMPANY'S INTERNAL CONTROL SYSTEM

The Company's financial statements were 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 an Accounting Policies and Procedures Manual governing the principles, methods and rules of accounting as well as preparation and presentation of financial statements. Moreover, in order 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.

In the preparation of the financial statements the "four-eyes" principle is followed. The Accounting Department is in charge of overseeing the preparation of financial statements and final review thereof. The process of the preparation of the Company's financial statements is also monitored by the Audit Committee.

Shareholders of Amber Grid by a decision of a General Meeting of Shareholders formed an Audit Committee and approved the Regulations on the Formation of the Audit Committee and Activities Thereof. The composition of the Audit Committee is presented in Part III of the present Annual Report, *Corporate Governance*.

The main functions of the Audit Committee are as follows:

- monitor the process for the preparation of the Company's financial statements;
- 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 the independent auditor and audit company comply with the principles of independence and objectivity, oversee the Company's audit processes.

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

III. CORPORATE GOVERNANCE

INFORMATION ON THE OBSERVANCE OF THE CODE OF GOVERNANCE

The Company has disclosed the information regarding its observance of the provisions of the Code of Governance. All the information is available on the Company's website www.ambergrid.lt and the Central Database of Regulated Information www.crib.lt.

AUTHORISED SHARE CAPITAL

In 2014, Amber Grid's authorised capital remained unchanged and stood at LTL 178,382,514. It consists of 178,382,514 ordinary registered shares with par value of LTL 1 each. In 2014, there were no changes in the par value of a share. All the shares are fully paid.

In 2014, there were significant changes in the Company's shareholder structure. On 21 May 2014, UAB EPSO-G (controlled by the Ministry of Energy of the Republic of Lithuania) acquired from E.ON Ruhrgas International GmbH 69,416,233 ordinary registered shares of the Company. With this transaction, E.ON Ruhrgas International GmbH transferred all the Amber Grid's shares held thereby, and UAB EPSO-G increased its shareholding in the Company to 100,991,957 units, i.e. up to 56.6 % of Amber Grid's authorised share capital.

Since UAB EPSO-G exceeded the threshold of 1/3 votes in Amber Grid's General Meeting of Shareholders, the takeover bid for the purchase of the remaining shares of the Company was made entitling it to purchase 43.4 % of the voting rights at Amber Grid's General Meeting of Shareholders.

On 19 June 2014, during the takeover bid, OAO Gazprom sold 66,112,761 ordinary registered shares, and UAB EPSO-G acquired 71,287,168 ordinary registered shares from OAO Gazprom and from other, minority, shareholders. The par value of the shares transferred by OAO Gazprom amounted to 37.1 % Amber Grid's authorised share capital. By this transaction, OAO Gazprom transferred all the shares of Amber Grid controlled thereby before the transaction.

After the takeover bid UAB EPSO-G increased its stake in the authorised share capital of Amber Grid to 172,279,125 shares, i.e. up to 96.58 %.

SHARES AND RIGHTS OF SHAREHOLDERS

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

The Company has not been informed of any mutual agreements between its shareholders that may limit the transfer of securities and (or) voting rights. The Company has no restrictions of voting rights.

In 2014, the Company did not acquire its own shares and it did not conclude any transactions related either to the acquisition or to disposal of its own shares.

SHAREHOLDERS

As of 31 December 2014, Amber Grid's shares were held by a total of 1,541 Lithuanian and foreign natural and legal persons, of which, there was one shareholder with an ownership stake in excess of 5 % Company's stock.

5 table. Shareholders of the Company

Shareholder	Registered office address / legal entity code	Number of shares held by the right of ownership
UAB EPSO-G	A. Juozapavičiaus g. 13 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
Total:		178,382,514

The structure of shareholders of the Company is illustrated in Chart 10.

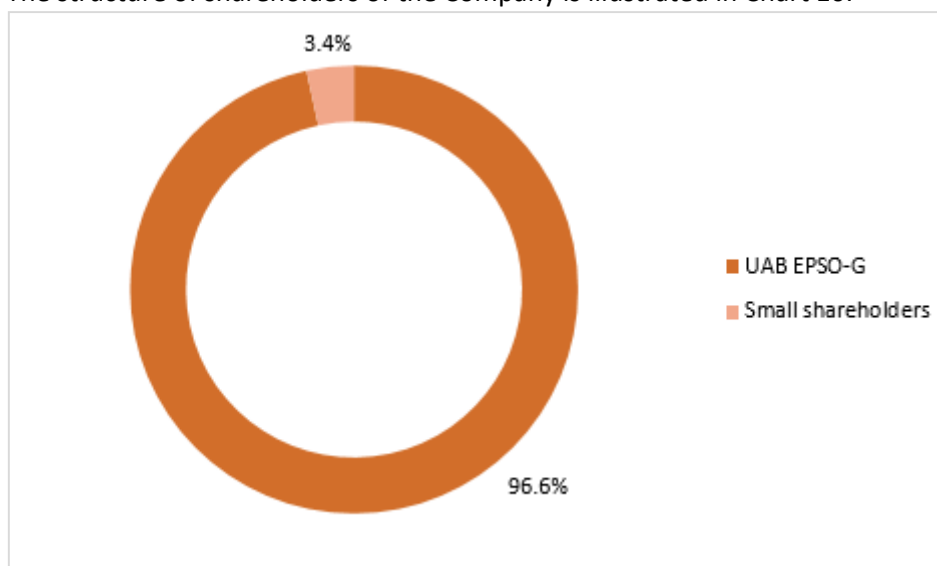


Chart 10: Structure of shareholders as of 31 December 2014.

UAB EPSO-G owns 96.58 % of the Company's shares and has a casting vote in decision-making at the General Meeting of Shareholders.

RESTRUCTURING OF THE COMPANY'S CONTROL

In implementation of the requirements of the EU Third Energy Package and the Law on Natural Gas of the Republic of Lithuania, natural gas transmission activity carried out by the Company had to be unbundled from the natural gas production and supply activity by 31 October 2014 through the unbundling of the ownership of the transmission system from natural gas companies engaged in production and supply activities. Pursuant to the aforesaid legal acts, membership of the governing bodies of the Company could not be held by members of any governing bodies or representative bodies of companies engaged in the production or supply activities or by sole managers of any such companies.

When on 21 May 2014 E.ON Ruhrgas International GmbH and on 19 June 2014 OAO Gazprom transferred the shares of the Company in favour of UAB EPSO-G and when on 30 June 2014 the composition of the Board of Directors of the Company was changed by respective decisions of the Extraordinary General Meeting of Shareholders of the Company, the Company's activities and ownership control were unbundled from the natural gas companies engaged in the production or supply activities.

DATA ABOUT TRADING IN SECURITIES ON THE REGULATED MARKETS

As from 1 August 2013, the Company's shares have been traded on the regulated market and quoted on the Secondary List of the NASDAQ Vilnius Stock Exchange.

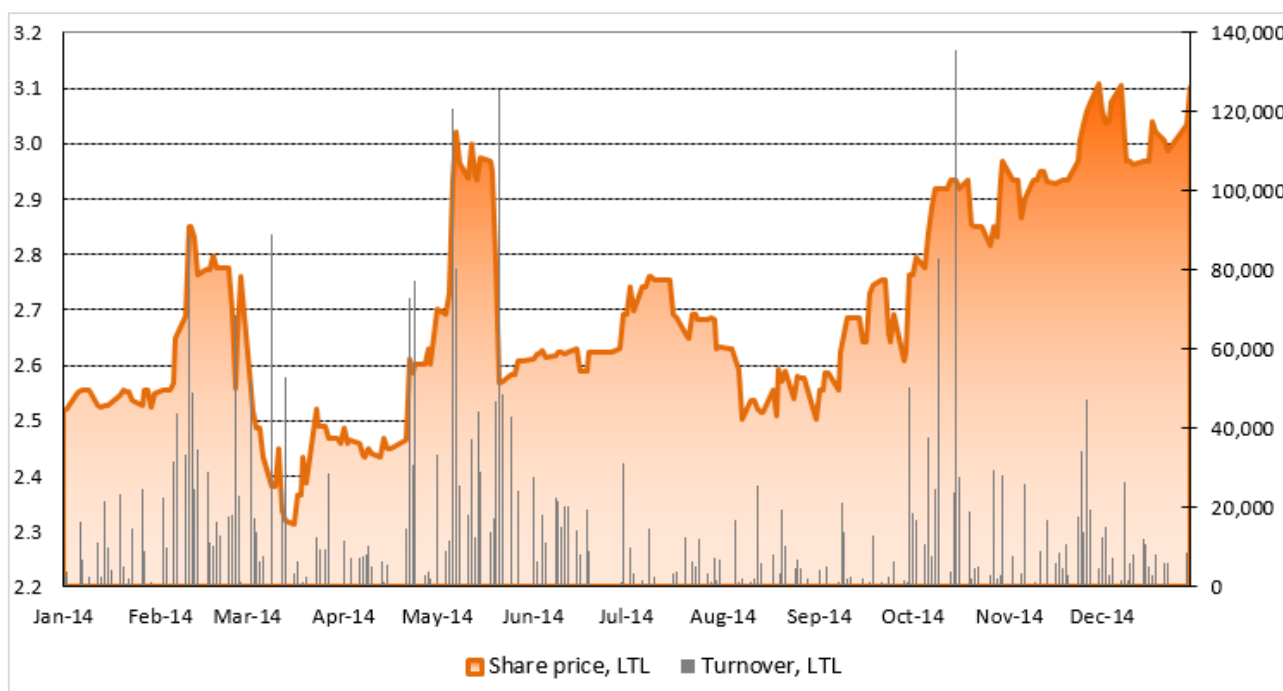


Chart 11: Amber Grid share price and turnover, 2014.

In 2014, the turnover of the trading in the Company's shares amounted to LTL 3.52 million; the number of shares disposed of through the transactions concluded totalled 1,303,821 (Chart 11).

6 table. Share price dynamics at NASDAQ Vilnius, 2014.

Opening price, LTL as of 01/01/2014	Highest price per share, LTL as of 01/12/2014	Lowest price per share, LTL as of 17/03/2014	Weighted average price per share, LTL	Closing price, LTL as of 30/12/2014
2.517	3.108	2.161	2.708	3.101

Amber Grid share capitalization as of 31 December 2014 amounted to LTL 553.1 million. During the course of 2014, the price per share on the stock exchange and *ipso facto* the capitalisation saw an increase of 23.18 %.

After UAB EPSO-G started controlling 96.58 % of Amber Grid's shares, the Company's shares have no longer been included in the stock exchange indices calculated by the NASDAQ Stock Exchange. In accordance with the Methodology, data on shares of companies where more than 90 % of the total shares issued are held by a sole shareholder are not used for the calculation of indices. However, if we compare the NASDAQ indices of OMX Baltic PI and OMX Vilnius (which reflect changes in liquid stock prices of companies listed on the Baltic countries and Vilnius Stock Exchanges) with the index of shares of Amber Grid, we see that the shares of Amber Grid showed a bigger increase.

DATA ABOUT TRADING IN SECURITIES ON THE REGULATED MARKETS (CONT'D)

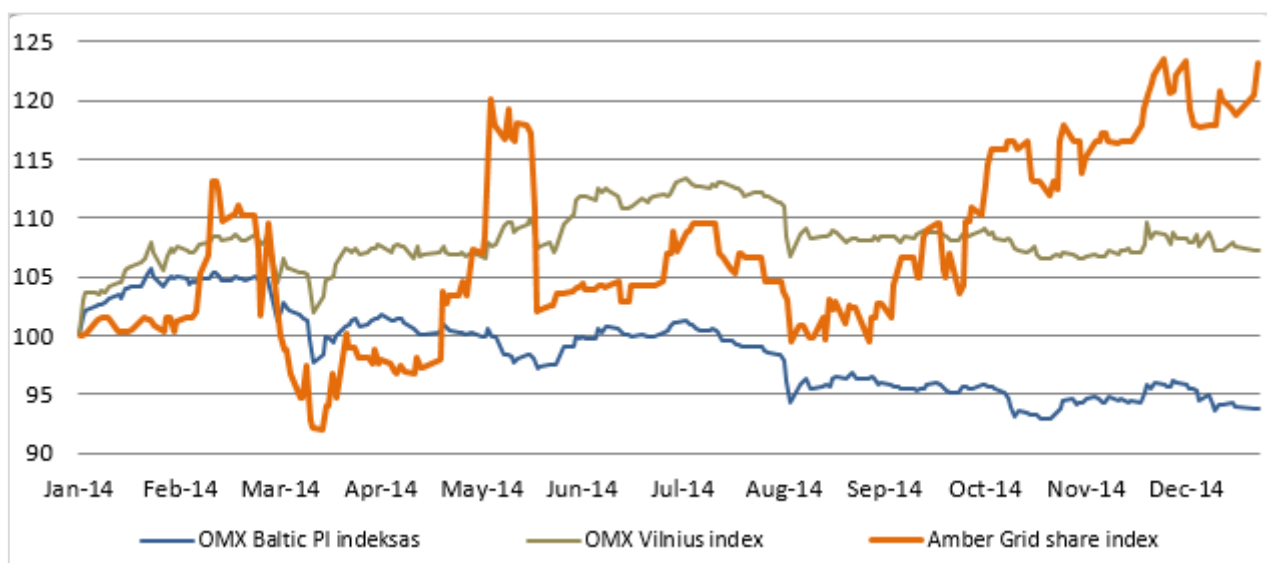


Chart 12: Fluctuations of Amber Grid share price, OMX Vilnius and OMX Baltic Benchmark PI Indices, 2014.

DIVIDENDS

The Government of the Republic of Lithuania, which indirectly, through UAB EPSO-G, controls 96.58% of the shares of the Company, by its Resolution No. 20 as of 14 January 1997 (version of the Resolution No. 359 of 4 April 2012) set out the principles of the appropriation of dividends for state-owned shares. The General Meeting of Shareholders of the Company held on 30 April 2014 adopted no decision on the distribution of profits.

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 2682800, the short number 1518
E-mail	info@seb.lt
Website	www.seb.lt

MANAGEMENT STRUCTURE

The Company's activities are guided by the Law on Companies, Law on Securities, the Company's Bylaws and other legislation of the Republic of Lithuania. The competence of the General Meeting of Shareholders, the shareholders' rights and their implementation are as defined by the Law on Companies and the Company's Bylaws.

The Bylaws provide for the amendment of the Bylaws by a resolution adopted by a majority vote of 2/3 of shareholders participating in the General Meeting of Shareholders.

MANAGEMENT STRUCTURE (CONT'D)

The Bylaws provide for the following governing bodies:

- Board of Directors;
- The Company's head – General Manager (Chief Executive Officer).

The Bylaws stipulate that the Company's Board of Directors shall consist of five (5) members elected for a three-year period in accordance with the procedure provided for by the Law on Companies. Members of the Board of Directors shall elect the Chairperson. The Chairperson of the Board of Directors and his/her deputy shall be elected by rotation for a period of two years. Members of the Board of Directors may be re-elected for another term. Powers of the members of the Board of Directors and the fields of activities of the Chief Executive Officer are as defined in the Law on Companies and the Company's Bylaws, and as to any exceptions to the powers of the members of the members of the Board of Directors or any fields of activity of the Chief Executive Officer that would require additional notification, there are none.

The Company has no branches or representative offices.

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

7 table. Information about the members of the Board of Directors, the General Manager and the Chief Accountant

Position	Full name	Date of start of term	Date of 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 2014	–	–
Deputy Chairman of the Board of Directors	Dr Aleksandr Frolov	June 2013	June 2014	–	–
Member of the Board of Directors	Mario Nullmeier	June 2013	June 2014	–	–
Member of the Board of Directors	Dr Aleksandras Spruogis	June 2013	June 2014	–	–
Member of the Board of Directors	Nikolay Vasilyev	June 2013	June 2014	–	–
Chairman of the Board of Directors	Dr Aleksandras Spruogis	June 2014	June 2016	–	–
Deputy Chairman of the Board of Directors	Agnė Petravičienė	June 2014	June 2016	–	–

MANAGEMENT STRUCTURE (CONT'D)

Position	Full name	Date of start of term	Date of end of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Member of the Board of Directors	Dainius Bražiūnas	June 2014	June 2016	–	–
Independent Member of the Board of Directors	Nerijus Datkūnas	June 2014	June 2016	–	–
General Manager (Chief Executive Officer)	Saulius Bilys	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

Remuneration to the independent member of the Board of Directors imputed during the reporting period amounted to LTL 14,975.

Remuneration to the Company's General Manager and the Chief Accountant imputed during the reporting period amounted to LTL 509,174, and average remuneration imputed per person (the General Manager and the Chief Accountant) amounted to LTL 254,587.

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

8 table. Information about the members of the Audit Committee

Position	Full name	Date of start of term	Date of 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	0.00025	0.00025

INFORMATION ABOUT RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND HARMFUL TRANSACTIONS

Information on the transactions between associated parties is presented in the financial statements of the Company for 2014.

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.

INFORMATION ABOUT RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND HARMFUL TRANSACTIONS (CONT'D)

During the reporting period, the Company did not conclude 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 13 January 2015, the NCC stated that the unbundling of Amber Grid's transmission activity complied with the EU Third Energy Package and the Law on Natural Gas and that Amber Grid could be designated as the Natural Gas Transmission System Operator. The NCC notified the EC of the aforesaid decision taken thereby and furnished supporting documents. Within two months of receiving the opinion of the EC, the NCC will make the final decision on the Transmission System Operator certification. Should the EC raise any objections, when the Transmission System Operator eliminates the defects, the final decision would be made no later than within 2 months. When Amber Grid is assigned a certified Operator of the Gas Transmission System, the Company will be issued with an open-ended Natural Gas Transmission Operator's license.

Lithuania's Natural Gas Transmission System Operator's, Amber Grid's, operating performance gained a high award in Europe. At the prestigious European gas industry awards, the European Gas Awards of Excellence, held end January 2015 in Vienna (Austria), the Company was awarded by gas industry experts the third place in Europe's best natural gas transmission system operator's category.

IV. REGULATED INFORMATION ON THE ACTIVITIES OF THE ISSUER

In performing its duties according to applicable securities market legislation, the Company publishes information on its material events and other regulated information on the EU-wide scale. Information published by the Company can be found on the Company's website (www.ambergrid.lt/en/about-us/investors-relations/materialevents) and on the website of NASDAQ Vilnius Stock Exchange www.nasdaqbaltic.com.

In 2014, Amber Grid posted the following regulated information:

Date	Regulated information
14/02/2014	On the state-owned shares of AB Amber Grid
24/02/2014	Notice of acquisition of a block of shares of the Issuer
25/02/2014	CORRECTION: Notice of acquisition of a block of shares of the Issuer
27/02/2014	Notice on disposal of a block of shares of the Issuer
28/02/2014	Pre-audited results of AB Amber Grid for year 2013
28/03/2014	On Convening an Ordinary General Meeting of Shareholders of AB Amber Grid, Draft Agenda and Draft Resolutions of the Meeting
24/04/2014	Notice of information on the material event related to the negotiations over the acquisition of shares owned by E.ON Ruhrgas International GmbH
25/04/2014	Notice of information on the material event regarding the inclusion of AB Amber Grid into the list of the enterprises having considerable importance to ensuring national security
30/04/2014	Resolutions adopted by the Ordinary General Meeting of Shareholders of AB Amber Grid
30/04/2014	Annual Information of AB Amber Grid for 2013
02/05/2014	Re Partial redemption of shares of AB Amber Grid
05/05/2014	Notice of information on the material event regarding the acquisition of AB Amber Grid shares
14/05/2014	Notice of information on the material event regarding the consent of NCC for the transfer of AB Amber Grid shares
19/05/2014	Pre-audited results of AB Amber Grid for the 1st quarter of 2014
20/05/2014	Regarding the clearance of Competition Council for UAB EPSO-G to acquire shares of AB Amber Grid
21/05/2014	Notification on disposal and acquisition of a block of shares of the Issuer
21/05/2014	Notification on transaction concluded by managers of the company
22/05/2014	Notification on resignation of the members of the Management Board of the Issuer
22/05/2014	Regarding the intention to submit a takeover bid
28/05/2014	Regarding approval of the circular of the mandatory takeover bid
06/06/2014	On Convening an Extraordinary General Meeting of Shareholders of AB Amber Grid
06/06/2014	Regarding the opinion of the Board of Directors of AB Amber Grid on the takeover bid
13/06/2014	Notification on the intention of Gazprom to sell the shares of the Issuer
17/06/2014	Notification on the completion of the implementation of the takeover bid to buy up the shares of the Issuer
20/06/2014	Notice of acquisition of a block of shares of the Issuer
20/06/2014	Notification on transaction in Issuer's securities concluded by the person closely associated with the manager of the Issuer
20/06/2014	Notification on the statement on the implementation of the mandatory non competing takeover bid
23/06/2014	Corrected notification on acquisition of a block of shares of the Issuer (by correcting the percent of UAB EPSO-G owned votes in the general shareholders meeting of the Issuer after acquisition of the shares of the Issuer)
25/06/2014	Notice on disposal of a block of shares of the Issuer

Date	Regulated information
30/06/2014	Resolutions adopted by the Extraordinary General Meeting of Shareholders of AB Amber Grid
03/07/2014	Regarding publicly published information on dividends
10/07/2014	Regarding Chairman of the Board elections of AB Amber Grid
11/07/2014	Notice on concluded contracts
31/07/2014	Pre-audited results of AB Amber Grid for the 1st half of 2014
21/08/2014	AB Amber Grid unaudited condensed financial statements and interim report for the first half of 2014
29/09/2014	Regarding AB Amber Grid borrowing
30/10/2014	Decision of the Connecting Europe Facility Coordination Committee
30/10/2014	On Natural Gas Transmission Price Caps for 2015 and Changes in Pricing Model
31/10/2014	AB Amber Grid operating results and unaudited condensed financial statements of for 9 months of 2014
05/11/2014	New Prices for Natural Gas Transmission Services
20/11/2014	Prices for Natural Gas Transmission Services Are Set for 2015
05/12/2014	CORRECTION: AB Amber Grid operating results and unaudited condensed financial statements of for 9 months of 2014
30/12/2014	Regarding conclusion of long-term loan agreement

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 Lithuania on the Central Database of Regulated Information www.crib.lt and the Company's website 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 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 Vilnius, the public company AB Amber Grid discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ 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>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</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. From the date of the Annual Meeting of Shareholders of the Company of the Financial Year 2014 onwards, the Company's Strategy for 2015–2020 is posted on the Company's website www.ambergrid.lt .
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 by the Company's strategy and the compliance with the regulatory environment in view of the need to increase shareholder value.
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 meetings (which are regularly convened) at which information is provided on the Company's operations.
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 operations. The publicity of the Company's operations and the regulatory environment secure conditions for the interest holders 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>Principle II: The corporate governance framework</p>		

<p>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.</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>	<p>No</p>	<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>Yes</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 collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	<p>No</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>	<p>No</p>	<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.¹</p>	<p>No</p>	<p>The recommendations of Principles III and IV have not been implemented by the Company to the full extent. The extent to which the aforesaid recommendations have not been implemented is disclosed in the Commentary under Principles III and IV.</p> <p>The procedure for setting up a collegial body elected by the General Meeting of Shareholders of the Company ensures the representation of interests of minority shareholders of the Company, accountability of this body to the shareholders and</p>

¹ 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 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.

		<p>objective supervision of the Company's operations and its General Manager (executive director).</p> <p>The corporate governance framework ensures that a collegial body elected by the General Shareholders' Meeting would function properly and effectively, and the rights conferred on this body should ensure effective supervision of the Company's General Manager (executive director) 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>
<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.²</p>	<p>Yes</p>	<p>The Board of Directors of the Company comprises 5 members who are not involved in day-to-day operations of the Company. The Board of Directors decisions shall be deemed adopted where they secure the votes of at least four members of the Board of Directors. The Board of Directors has one independent member of the Board of Directors. Since 30 June 2014, the Board of Directors has four elected members.</p>
<p>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.</p>	<p>Yes</p>	<p>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.</p>

² 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>
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>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.³</p>		
<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 accordance with the Company Bylaws, a collegial governing body of the Company – a Board of Directors – shall be elected by a General Meeting of Shareholders. On 30 June 2014, the Board of Directors of the Company was elected from candidates who are not involved in the Company's day-to-day operations. The Board of Directors includes one independent member. 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>No</p> <p>Yes</p>	<p>The Company discloses the information in accordance with provisions of the Law on Companies. Information about the members of the Board of Directors is posted on the Company's website www.ambergrid.lt.</p>

³ 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>No</p>	<p>The Company posts 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. Information on the members of the Board of Directors was presented at the General Meeting of Shareholders.</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>The composition of the Company's Board of Directors was determined with regard to maintaining a proper balance in terms of the qualifications possessed by its members, with regard to the Company's structure and nature of its activities; the composition of the Board of Directors is subject to periodical evaluations in view of procedures applicable to state-owned enterprises.</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 sufficient⁴ number of independent⁵ members.</p>	<p>Yes</p>	<p>Decisions of the Board of Directors shall be deemed adopted where they secure the votes of at least four members of the Board of Directors. The Board of Directors has one independent member.</p>

⁴ 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.

⁵ 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 dependent 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"> 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; 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; 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); 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); 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 receiving significant payments from the company or its group; 	<p>Yes</p>	<p>The Board of Directors has one independent member.</p>
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<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 3.7.</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>Yes</p>	<p>On 30 June 2014, an Extraordinary General Meeting of Shareholders by its resolution elected an independent member of the Board of Directors. Information on the independence of the member of the Board of Directors is publicly disclosed.</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>Yes</p>	<p>Please refer to the comment under Item 3.7. The member of the Board of Directors submits a declaration of independence and updates it.</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.⁶. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Yes</p>	<p>For the work at the Board of Directors, the independent member of the Board of Directors is remunerated from the Company's funds. The amount of the remuneration was approved by a General Meeting of Shareholders.</p>
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>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 monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</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.⁸</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. The Board of Directors of the Company analyses and assesses periodic reports presented by the Company's General Manager (executive director) on the results of the economic activities of the Company, as well as reports on key financial and the operating indicators.</p>

⁶ 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.

⁷ See Footnote 3.

⁸ 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 half⁹ 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>	

⁹ 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>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it.</p> <p>Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p> <p>Yes</p>	<p>On the date of election and subsequently, three members of the Board of Directors were holding positions at an entity related to the shareholder which nominated them.</p> <p>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', in the reporting year, an Audit Committee has been formed at the Company. A Nomination Committee and a Remuneration Committee were not established at the Company, their functions are performed by the Board of Directors.</p> <p>The rights and duties of the Audit Committee are provided for by the Audit Committee Formation and Work Regulations as approved by the General Meeting of Shareholders.</p>

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<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 committees¹¹. 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 comment under Item 2.4.</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 comment under Item 2.4.</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 collegial body. In cases when the company chooses not to</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 2.4. In accordance with Resolution No 1 K-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.</p>

¹¹The 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>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>The Board of Directors of the Company is comprised of 5 members which are not involved in day-to-day operations 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 comment under Item 2.4.</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 comment under Item 2.4.</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"> • 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; • 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; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <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 comment under Item 2.4.</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"> • 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; • 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; • 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; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 	<p>Not applicable</p>	<p>Please refer to comment under Items 2.4.</p>

<ul style="list-style-type: none"> • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • 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); • 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. <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"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • 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. <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"> • 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); • 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; • 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; • 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; • 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; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <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). The committee should be entitled, when needed, to meet with any</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 2.4. 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>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 conducted by the shareholders of the Company in accordance with the procedure prescribed by Law.
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>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.</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 month¹².</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 on a regular basis. The Board of Directors holds meetings according to a time-table of meetings Board of Directors which is adopted well in advance.</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>The members of the Board of Directors receive information about the meeting being convened, the agenda of the meeting and all materials (documents) relevant to the agenda items well in advance in order to leave enough time for a proper preparation for the meeting on all the agenda items in order to ensure a fruitful discussion, with a view to the adoption of relevant decisions.</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>Principle VI: The equitable treatment of shareholders and shareholder rights</p>		

¹² 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. ¹³ 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.

¹³ 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 www.ambergrid.lt and through the informational system of the NASDAQ 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>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>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.</p>		
<p>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.</p>	<p>Yes</p>	<p>The members of the Board of Directors follow the provisions of this recommendation. The Company is not aware of any events when any personal interests of the members of the Board of Directors would be in conflict with the Company's interests.</p>

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>Principle VIII: Company’s remuneration policy</p> <p>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.</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	At present, the Company has no practice of the preparation or publication of the Company’s remuneration policy or statement as stipulated by the present Recommendations.
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.	Not applicable	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"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • 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; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information. 	<p>Not applicable</p>	<p>Please refer to comment under Item 8.1.</p>
<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>	<p>Not applicable</p>	<p>Please refer to comment under Item 8.1.</p>

<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"> • 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; • The remuneration and advantages received from any undertaking belonging to the same group; • 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; • 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; • 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; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <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"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • 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; • 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; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • 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. <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>Not applicable</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	Please refer to comment under Item 8.1.
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 8.1.
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 8.1.
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 8.1.
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.

<p>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).</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 8.13.</p>
<p>8.16. Remuneration of non-executive or supervisory directors should not include share options.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 8.13.</p>
<p>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.</p>	<p>Yes No</p>	<p>The amount of the remuneration of the independent member of the Board of Directors is determined by a General Meeting of Shareholders. In accordance with the Bylaws of the Company, the General Manager's (executive director's) remuneration amount determination issues are resolved by the Board of Directors.</p>
<p>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.</p>	<p>No</p>	<p>Please refer to comment under Items 8.1 and 8.17.</p>
<p>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.</p>	<p>Not applicable</p>	<p>At present, the Company does not have such remuneration schemes.</p>
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • 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. 		<p>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.</p>

<p>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.</p>	<p>Not applicable</p>	<p>The said issues were not discussed at the General Meeting of Shareholders, it is not provided for by the Bylaws of the Company.</p>
<p>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.</p>	<p>Not applicable</p>	<p>Please refer to comment under Items 8.13 and 8.19.</p>
<p>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.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 8.19.</p>
<p>Principle IX: The role of stakeholders in corporate governance</p> <p>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.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>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>

<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"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <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 www.ambergrid.lt, through the informational system of the NASDAQ 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 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 Vilnius Stock Exchange, and all information is published on the Company's website www.ambergrid.lt, 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 www.ambergrid.lt</p>
<p>Principle XI: The selection of the company's auditor</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>