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CONFIRMATION OF RESPONSIBLE PERSONS

20 August 2014 No *5-11*

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for Drawing up and Submission of Periodic and Additional Information approved by Resolution No 03-48 of the Board of the Bank of Lithuania of 28 February 2013, we, Saulius Bilys, the General Manager of AB Amber Grid, and Gytis Fominas, Acting Financial Director of AB Amber Grid, hereby confirm that, to the best of our knowledge, the attached condensed financial statements of the company AB Amber Grid as of 30 June 2014 drawn up according to International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Amber Grid.

General Manager

A blue ink signature of Saulius Bilys, consisting of several overlapping loops.

Saulius Bilys

Acting Financial Director

A blue ink signature of Gytis Fominas, featuring a large, stylized initial 'G' followed by a cursive name.

Gytis Fominas

AB AMBER GRID

**CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2014
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

Statement of financial position

		Notes	As of 30 June 2014 (unaudited)	As of 31 December 2013 (audited)
ASSETS				
A.	Non-current assets		1,558,094	1,583,740
I.	Intangible assets		1,562	1,679
II.	Non-current tangible assets		1,556,097	1,581,582
II.1.	Land		387	387
II.2.	Buildings and structures		1,295,031	1,320,544
II.2.1.	Buildings		27,911	27,898
II.2.2.	Gas transmission pipelines and related installations		1,246,615	1,271,669
II.2.3.	Gas distribution pipelines and related installations		375	379
II.2.4.	Other buildings and structures		20,130	20,598
II.3.	Machinery and equipment		221,401	230,417
II.4.	Vehicles		4,387	5,172
II.5.	Other equipment, tools and devices		12,229	13,845
II.6.	Other non-current tangible assets		786	886
II.7.	Construction in progress	4	12,876	10,331
III.	Non-current financial assets		435	479
III.1.	Investment into subsidiary		-	-
III.2.	Investment into joint venture	1	435	479
III.3.	Non-current accounts receivable		-	-
B.	Current assets		172,276	165,187
I.	Inventories and prepayments		24,290	26,862
I.1.	Inventories		24,003	26,714
I.1.1.	Raw materials, spare parts and other inventories		5,110	4,541
I.1.2.	Natural gas		18,893	22,173
I.2.	Prepayments		287	148
II.	Accounts receivable		62,575	73,302
II.1.	Trade receivables	5	13,074	16,169
II.2.	Other receivables	6	49,501	57,133
III.	Prepaid income tax		-	-
IV.	Other financial assets		-	-
V.	Other current assets	7	50,575	45,305
VI.	Cash and cash equivalents	8	34,836	19,718
Total assets			1,730,370	1,748,927

(cont'd on the next page)

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

Income statement

		Notes	For the period of three months ended 30 June 2014 (unaudited)	For the period of six months ended 30 June 2014 (unaudited)
I.	Revenue	14	36,623	88,148
II.	Expenses		(36,218)	(75,085)
II.1.	Cost of natural gas		(3,535)	(10,421)
II.2.	Depreciation and amortization		(20,034)	(40,058)
II.3.	Payroll and related social security tax expenses		(5,718)	(11,859)
II.4.	Repair and technical maintenance expenses		(4,366)	(7,471)
II.5.	Taxes, other than income tax		(1,215)	(2,494)
II.6.	Other expenses		(1,350)	(2,782)
III.	Profit from operations		405	13,063
IV.	Financial activity		(647)	(1,378)
IV.1.	Income		34	62
IV.2.	Expense		(681)	(1,440)
V.	Profit (loss) before tax		(242)	11,685
VI.	Income tax	11	1,721	523
VI.1.	Current period income tax		(639)	(2,265)
VI.2.	Deferred income tax		2,360	2,788
VII.	Net profit		1,479	12,208



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

General Manager	Saulius Bilys		20 August 2014
Chief Accountant	Dzintra Tamulienė		20 August 2014

Statement of financial position (cont'd)

		Notes	As of 30 June 2014 (unaudited)	As of 31 December 2013 (audited)
EQUITY AND LIABILITIES				
C.	Equity		1,220,768	1,208,560
I.	Authorised share capital		178,382	178,382
II.	Reserves		1,015,111	1,015,111
II.1.	Legal reserve		17,838	17,838
II.2.	Other reserves		997,273	997,273
III.	Retained earnings		27,275	15,067
D	Amounts payable and liabilities		509,602	540,367
I.	Amounts payable after one year and non-current liabilities		347,300	374,872
I.1.	Non-current borrowings	9	112,576	135,118
I.2.	Grants (deferred income)	10	128,830	131,073
I.3.	Non-current employee benefits		1,131	1,131
I.4.	Deferred tax liability		104,763	107,551
II.	Accounts payable within one year and short-term liabilities		162,302	165,495
II.1.	Current portion of non-current borrowings	9	45,083	45,083
II.2.	Current year portion of non-current employee benefits		260	260
I.3.	Trade payables	12	9,674	12,673
II.4.	Prepayments received		1,174	-
II.5.	Income tax payable		2,283	1,388
II.6.	Payroll related liabilities		3,173	2,224
II.7.	Other payables and current liabilities	13	100,655	103,867
Total equity and liabilities			1,730,370	1,748,927



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

General Manager	Saulius Bilys		20 August 2014
Chief Accountant	Dzintra Tamulienė		20 August 2014

Statement of comprehensive income

	For the period of three months ended 30 June 2014 (unaudited)	For the period of six months ended 30 June 2014 (unaudited)
I. Net profit (loss)	1,479	12,208
II. Total comprehensive income	1,479	12,208



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

General Manager	Saulius Bilys		20 August 2014
Chief Accountant	Dzintra Tamulienė		20 August 2014

Statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2013	178,382	17,838	997,273	15,067	1,208,560
Total comprehensive income	-	-	-	12,208	12,208
<i>Net profit for the year</i>	-	-	-	12,208	12,208
Balance as of 30 June 2014 (unaudited)	178,382	17,838	997,273	27,275	1,220,768

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

General Manager	Saulius Bilys		2 20 August 2014
Chief Accountant	Dzintra Tamulienė		20 August 2014

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2014

(all amounts are in LTL thousand unless stated otherwise)

Statement of cash flows



	30 June 2014 (unaudited)
I. Cash flows from (to) operating activities	
I.1. Net profit	12,208
Adjustments of non-cash items and other corrections:	
I.2. Depreciation and amortisation	40,058
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(10)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	(18)
I.5. Income tax expenses (income)	(523)
I.6. Interest (income)	(42)
I.7. Interest expenses	1,396
I.8. Amortisation of grants (deferred income)	(2,282)
I.9. Elimination of other investing activity results	45
I.10. Elimination of other non-cash items	-
	50,832
Changes in working capital:	
I.11. Decrease (increase) in inventories	2,723
I.12. Decrease (increase) in trade accounts receivable	3,102
I.13. Decrease (increase) in other accounts receivable and prepayments	7,147
I.14. Increase (decrease) in trade accounts payable	(1,560)
I.15. Increase (decrease) in other accounts payable and other current liabilities	(2,263)
I.16. Decrease (increase) in other financial assets	(5,271)
I.17. Income tax (paid)	(1,370)
Total changes in working capital	2,508
Net cash flows from operating activities	53,340
II. Cash flows from (to) investing activities	
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(15,886)
II.2. Proceeds from sales of property, plant and equipment	-
II.3. Acquisition of investments in joint venture	-
II.4. Acquisition of held-to-maturity investment	(10,000)
II.5. Sale of held-to-maturity investment	10,000
II.6. Interest received	42
II.7. Disposal (acquisition) of other short term investments	-
Net cash flows (to) investing activities	(15,844)

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

	30 June 2014 (unaudited)
III. Cash flows from (to) financing activities	
III.1. Loan repayment	(22,542)
III.2. Grants received	1,560
III.3. Interest (paid)	(1,396)
Net cash flows from (to) financing activities	(22,378)
IV. Net increase (decrease) in cash and cash equivalents	15,118
V. Cash and cash equivalents at the beginning of the period	19,718
VI. Cash and cash equivalents at the end of the period	34,836

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

General Manager	Saulius Bilys		20 August 2014
Chief Accountant	Dzintra Tamulienė		20 August 2014

Notes to the Financial Statements

1 General information

AB Amber Grid (hereinafter referred to as the "Company") was established by 11 June 2013 resolution of the General Meeting of Shareholders of AB Lietuvos Dujos whereby, in compliance with the requirements of the legislation of the Republic of Lithuania concerning unbundling (spin-off) of the natural gas transmission activities, the terms and conditions of unbundling of AB Lietuvos Dujos were approved and it was decided to unbundle the natural gas transmission activities with the assets, rights and duties attributed to such activities from AB Lietuvos Dujos which further continues its activities.

The Company was incorporated on 25 June 2013. By the acceptance certificate AB Lietuvos Dujos transferred the assets, rights and duties attributed to the natural gas transmission activities as on 31 July 2013. As unbundling of activities is deemed to be a transaction between joint ventures and the Company continues the same activities as the activities it carried out while belonging to AB Lietuvos Djos, the Company has recognised all transferred assets and obligations recorded at book value at the moment of transfer by the seller (i.e. AB Lietuvos Dujos).

After establishment of AB Amber Grid, the legal, functional and organisational unbundling of natural gas transmission activities has been implemented. In pursuance of full compliance with the requirements set forth in Chapter 8 of the Republic of Lithuania Law on Natural Gas, the unbundling of control over AB Amber Grid had to be implemented till 31 October 2014.

During the second quarter of 2014, the two major shareholders of the Company sold their owned shares, thus, losing their voting right in the Company:

- On 21 May 2014 E.ON Ruhrgas International GmbH transferred and UAB EPSO-G acquired 69,416,233 ordinary registered non-certificated shares of AB Amber Grid;
- On 19 June 2014 during the takeover bid, OAO Gazprom transferred and UAB EPSO-G acquired 66,112,761 ordinary registered non-certificated shares of AB Amber Grid.

Pursuant to the Law on Natural Gas and its implementing legislation, the Company will refer to the NCC by 31 October 2014 for its conclusion on the loss of prohibitive control enshrined in the Law on Natural Gas.

Upon the receipt of this conclusion, the Company will address the NCC for the certification of the transmission system operator in accordance with the EU's Third Energy Package requirements and the issuance of an open-ended license for transmission system operator activities to the Company.

The Company which is engaged in the natural gas transmission system operator's activities, provides the users of the system, other operators, and gas market players with the following services:

- natural gas transmission and transit through main pipelines;
- balancing of the natural gas transmission system;
- administration of funds allocated for compensation of the costs of the liquefied natural gas (LNG) terminal, installation and operation of infrastructure and connection thereof.

The Company's customers are as follows: large (electricity, district heat production, industry) and medium-sized business companies of Lithuania, natural gas supply companies provided with natural gas transmission services.

AB Amber Grid condensed financial statements, including the financial statements as of 30 June 2014, the profit (loss) account, the comprehensive income statement, the cash flow statement and the statement of changes in equity are unaudited. The Company's financial statements as of 31 December 2013 were audited, they were prepared in accordance with International Financial Reporting Standards (IFRS). For a better understanding of the information contained in these condensed financial statements it is highly recommended to read this statement in conjunction with the Company's annual financial statements for the year ended 31 December 2013.

As of 30 June 2014, the Company's shareholders were as follows:

	Number of shares owned	Ownership share (percent)
UAB EPSO-G	172,279,125	96.58
Other shareholders	6,103,389	3.42
	178,382,514	100.0

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AS OF 30 JUNE 2014

(all amounts are in LTL thousand unless stated otherwise)

1 General information (continued)

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

The Company's ordinary registered shares are traded on the regulated market, they are listed on the Secondary Trading List of the stock exchange NASDAQ OMX Vilnius.

In the Company's financial statements as of 30 June 2014, the Company's investment in GET Baltic UAB, the joint venture co-owned with AB Lietuvos Dujos and the Finnish gas company Gasum Oy, was accounted by applying the equity method. The condensed financial statements as of 30 June 2014 drawn up by UAB GET Baltic in accordance with International Financial Reporting Standards (IFRS) are unaudited.

2 Accounting principles

The Company's condensed financial statements as of 30 June 2014 were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The financial statements are presented in thousand litas. The financial statements were prepared drawing up on the historical cost basis.

The Company's accounting policies are consistent with the accounting principles used the previous year.

3 Information according to segments

The Company conducts natural gas transmission activity and operates as one segment.

All non-current assets of the Company are in Lithuania where the Company carries out its activities.

During the first half of 2014 the Company earned 79.78 per cent of its revenue from the Lithuanian system users and 20.22 per cent of revenue was received from the transit service, i.e. transport of gas to the Kaliningrad region of the Russian Federation.

4 Construction in progress

Major objects of construction in progress of the Company as of 30 June 2014 were as follows:

Object	30 June 2014 (unaudited)	31 December 2013 (audited)
Construction of the Klaipėda-Kuršėnai DN800 gas transmission pipeline (Capacity enhancement of the Klaipėda-Kiemėnai pipeline)	8,312	-
Installation of intelligent pig launchers and receivers on the gas transmission pipeline branch leading to the Alytus M&R Station and replacement of line block valves No. 2 and 3	3,427	1,742
Installation of intelligent pig launchers and receivers on the gas transmission pipeline branch leading to the Marijampolė M&R Station and replacement of line block valve No. 3	2,529	1,598
Installation of environmental pollution reduction equipment on Panevėžys compressors No. 1, 2 and 3	1,963	1,395
Line block valve replacement on the gas transmission pipeline branches leading to Pajiešmeniai and Biržai M&R Stations and connection to the SCADA system	941	941
Installation of an intelligent pig launcher on the Panevėžys- Šiauliai-Klaipėda gas transmission pipeline	1,213	762
Reconstruction of the odorant storage facility	-	967
Other	3,491	2,926
	21,876	10,331

COMPANY'S CONDENSED FINANCIAL STATEMENTS

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(all amounts are in LTL thousand unless stated otherwise)

5 Trade receivables

	30 June 2014 (unaudited)	31 December 2013 (audited)
Receivables from gas transmission system users for gas transmission	12,969	16,225
Other trade receivables	162	8
Less: allowance for the decrease in value of trade receivables	(57)	(64)
	13,074	16,169

The Company's trade receivables from the system users for natural gas transmission as of 30 June 2014 decreased due to an decrease in gas transmission volumes.

The trade receivables do not include interest, the time limit for payment thereof is 15 calendar days.

6 Other receivables

	30 June 2014 (unaudited)	31 December 2013 (audited)
LNGT funds receivable (administered by the Company)	49,243	56,500
Other receivables	258	633
Less: allowance for the decrease in value of other receivables	-	-
	49,501	57,133

For more information, see Note 15 "Commitments and contingencies".

7 Other financial assets

According to the provisions of Article 5 paragraph 2 of the Republic of Lithuania Law on the Liquefied Natural Gas Terminal, the Company fulfils the functions of the administrator of funds allocated for the Liquefied Natural Gas Terminal (hereinafter referred to as the "LNGT"). Administration of the funds allocated for the LNGT is carried out in accordance with the Description of the Procedure for Administration of Funds Allocated for Full or Partial Compensation of the Costs of the Liquefied Natural Gas Terminal, Installation and Operation of Infrastructure and Connection Thereof approved by Resolution No O3-294 of the National Commission for Energy Control and Prices (hereinafter referred to as the "NCECP") of 9 October 2012.

The Other Financial Assets of the Company as of 30 June 2014 consisted of the cash received from the LNGT related extra tariff (surcharge). The afore-mentioned funds are payable to the LNGT beneficiaries and kept in a separate bank account opened for the LNGT funds that was selected and opened in compliance with respective requirements of the legislation. LNGT related extra tariff (surcharge) was applied to the services of natural gas transmission in 2013.

8 Cash and cash equivalents

	30 June 2014 (unaudited)	31 December 2013 (audited)
Cash at bank	34,836	19,718
	34,836	19,718

The Company keeps its cash in the bank accounts or (where possible) invests in the deposits with the shortest term (overnight). Overnight interest rates are floating or fixed. The floating interest rate is related to VILIBOR inter-bank interest rate published by the Bank of Lithuania.

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(all amounts are in LTL thousand unless stated otherwise)

9 Loans

	30 June 2014 (unaudited)	31 December 2013 (audited)
Long-term loans		
Loans from credit institutions of Lithuania	112,500	135,000
Leasing	76	118
Short-term loans		
Current portion of long-term loans	45,000	45,000
Leasing	83	83
	157,659	180,201

According to the long-term credit agreement concluded on 22 October 2012 with Swedbank AB, the Company's outstanding part of the loan amounted to LTL 157.5 million (EUR 45.6 million).

On 14 May 2014 the Company and Danske Bank A/S Lithuania Branch concluded the overdraft agreement for the amount of up to EUR 5.8 million (LTL 20 million). The main objective on this overdraft is to balance working capital of the Company. On 30 June 2014, the overdraft was not used.

10 Grants (deferred revenue)

	Deferred revenue	Grants	Total
Balance at the end of the period 31 December 2013	5,656	125,416	131,072
Received during the period of 6 months ended on 30 June 2014	-	40	40
Amortisation during the period of 6 months ended on 30 June 2014	(59)	(2,223)	(2,282)
Balance as at 30 June 2014	5,597	123,233	128,830

11 Income tax

In 2014, the standard corporate income tax rate applicable to the companies of the Republic of Lithuania was 15 per cent (in 2013: 15 per cent).

The income tax expenses for the period comprise the current income tax and the deferred income tax.

Following the amendments to the Law on Corporate Income Tax which provide for a possibility to take advantage of the corporate income tax relief, after investment in new technologies, in 2014 the Company calculated the corporate income tax relief amounting to LTL 2,293 million (in 2013, LTL 1,388 million).

COMPANY'S CONDENSED FINANCIAL STATEMENTS

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(all amounts are in LTL thousand unless stated otherwise)

12 Trade payables

	30 June 2014 (unaudited)	31 December 2013 (audited)
Payables to suppliers in according to the Construction programme	2,303	31
Payables to suppliers according to the Reconstruction programme	4,238	7,949
Payables to suppliers for services received	1,535	1,244
Payables to suppliers of repairs of non-current assets	581	1,688
Other	1,017	1,761
	9,674	12,673

13 Other payables and current liabilities

	30 June 2014 (unaudited)	31 December 2013 (audited)
LNGT funds (administered by the Company) payable	50,575	45,270
Accrued LNGT funds (administered by the Company) *	49,243	54,644
Real Estate Tax payable	-	1,838
Value Added Tax payable	453	1,452
Other payables	384	663
	100,655	103,867

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

14 Income

	For the period of three months ended 30 June 2014 (unaudited)	For the period of six months ended 30 June 2014 (unaudited)
Transmission and transit of natural gas	34,796	83,734
Income from balancing	456	1,743
Grants recognised as income	1,139	2,282
Income from LNGT fund administration	81	163
Other income	151	226
	36,623	88,148

15 Commitments and contingencies

Legal disputes

According to the Republic of Lithuania Law on the Liquefied Natural Gas Terminal and applicable resolutions adopted by the NCC, the natural gas system users that transport natural gas via the gas transmission system, when settling accounts for gas transmission services rendered to them must pay an inseparable component of the natural gas transmission price, i.e. the LNGT-related extra tariff (surcharge).

In the light of the fact that AB Achema as a user of the gas transmission system, has systemically failed to pay the LNGT-related extra tariff (surcharge), AB Lietuvos Dujos, being the administrator of the LNGT funds, on 12 April 2013, filed a lawsuit with Kaunas Regional Court for payment of the LNGT-related extra tariff (surcharge), award of default

15 Commitments and contingencies (continued)

interest and the obligation to perform the contract. By 1 August 2013 acceptance certificate AB Lietuvos Dujos transferred the aforesaid case to AB Amber Grid. On 17 September 2013, AB Amber Grid revised the amount of the claim. By 12 December 2013 judgement the court of first instance partially satisfied the claim brought by AB Amber Grid, i.e. the Court awarded the total requested debt and procedural interest; nevertheless, the court reduced the interest to be awarded from 0.04 percent to 0.02 percent. AB Achema lodged an appeal, and AB Amber Grid also lodged an appeal concerning the award of interest. The disposition of the case should not have any financial impact on the Company because, as the court satisfied the claim brought by AB Amber Grid, the awarded amount of money shall be remitted to the beneficiary of the LNGT-related extra tariff (surcharge).

On 7 March 2014, AB Amber Grid addressed Kaunas Regional Court with a claim requesting to award the debt for the outstanding LNGT-related extra tariff (surcharge) amounting to LTL 11,009,062.23 for the period from 1 September 2013 to 31 December 2013 and award the default interest for the LNGT-related extra tariff (surcharge) amounting to LTL 375,668.35 not paid in a timely manner for the afore-mentioned period. The case is heard in the court of first instance. The disposition of the case should not have any financial impact on the Company because, as the court satisfied the claim brought by Amber Grid AB, the awarded amount of money shall be remitted to the beneficiary of the LNGT-related extra tariff (surcharge).

On 19 November 2012, AB Achema addressed Vilnius Regional Administrative Court requesting to revoke Paragraphs 3.1 and 4 of Resolution No 03-317 of 19 October 2012 "On Setting the Amount of Funds Allocated for Full or Partial Compensation of the Costs of Installation and Operation of the Liquefied Natural Gas Terminal, Infrastructure and Connector Thereof for the Year 2013" and requesting to repeal Paragraph 2 of Resolution No O3-330 of the NCC of 26 October 2012 "On Adjustment of the Tariff Caps for Natural Gas Transmission and Distribution of AB Lietuvos Dujos and Setting of the Tariff Cap for the Inseparable Component of the Natural Gas Transmission Price (the LNGT-Related Extra Tariff (Surcharge)) for the Year 2013". AB Amber Grid is involved in the proceedings as a third party concerned. The case is heard in the court of first instance. In the opinion of the management bodies, disposition of the case is not clear and cannot be reasonably assessed.

In 10 July 2013, Panevėžys District Court received a claim brought according to the plea raised by a prosecutor at the Public Interest Protection Department of Panevėžys Regional Prosecutor's Office against the defendants, namely, the Ministry of Economy of the Republic of Lithuania, AB Lietuvos Dujos, the third parties concerned, namely, the Lithuanian Road Administration under the Ministry of Transport and Communications of the Republic of Lithuania, and the state enterprise Panevėžio regiono keliai, regarding the revocation of the orders of the Minister of Economy in the part concerning transfer of a road of national significance, application of restitution, which is attributable to the general competence courts or the administrative court. By 1 August 2013 acceptance certificate AB Lietuvos Dujos transferred the afore-mentioned case to AB Amber Grid. A part of the road belonging to AB Amber Grid by ownership right which leads to the Panevėžys Gas Compressor Station falls with a section of Piniava-Paliūniškis Road which has the status of a road of national significance. As all roads of national significance shall be owned by the right of exclusive ownership exclusively by the State itself, the prosecutor requests for annulment of the orders adopted by the Minister of Economy and the acceptance certificates in question whereby the above road was registered as the property of AB Lietuvos Dujos and currently is registered as the ownership of AB Amber Grid. The claim has been revised several times, as the prosecutor revised his pleas. The case is pending before the court of first instance. The disposition of the case could have a financial impact on the Company, since the Company seeks that a compensation was awarded to it if the court annuls the ownership rights of AB Amber Grid to at least a part (6,534 sq. m.) of the road in question. In the opinion of the management bodies, the disposition of the case is unclear and cannot be reasonably estimated.

16 Related party transactions

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

On 30 June 2014, the related parties of the Company were as follows:

- UAB GET Baltic (joint venture in which the Company has an interest);
- UAB EPSO-G;
- UAB LITGRID (co-shareholders);

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16 Related party transactions (continued)

- UAB Baltpool (subsidiary of LITGRID AB);
- UAB Tetas (subsidiary of LITGRID AB);
- UAB Tinklo priežiūros centras (subsidiary of AB LITGRID);
- UAB Duomenų logistikos centras (associated company of AB LITGRID Group);
- Lit Pol Link Sp.z.o.o. (joint venture co-owned by LITGRID AB and the Polish electricity network operator PSE S.A.);
- Management.

The Company's balances and transactions with related parties are listed in the below table:

As of 30 June 2014 (unaudited)	Purchases in Quarter 1 of 2014	Sales in Quarter 1 of 2014	Accounts receivable	Accounts payable
UAB Tetas	2	-	-	-
UAB GET Baltic	1,037	-	-	-
	1,039	-	-	-

There were no guarantees provided for or received for receivables from the related parties or for payables to them. As at 30 June 2014, the Company had not accounted any impairment loss allowances for receivables from the related parties.

Benefits to the Management

During the period of 6 months ended on 30 June 2014 the Company's payments to the management of the Company amounted to LTL 675 thousand. The management consists of administrative executive and deputy administrative executive, and chief accountant. The management of the Company did not receive any loans, guarantees; no other payments or property transfer were made or accrued.

17 Events after the balance sheet date

On 11 July 2014 AB Amber Grid obtained approval of the management of the Company and signed contracts concerning procurement of the pipes necessary for independent works and construction of the pipeline Klaipėda – Kuršėnai (in implementation of the project concerning increasing of the capacities of the pipelines Klaipėda – Kiemėnai).

The afore-mentioned economic project which is so important to the State aims at diversification of gas supply sources in the region of the Baltic States, creation of sufficient capacities for transportation of natural gas from the liquefied natural gas (hereinafter referred to as the "LNG") terminal in Klaipėda for the users in Lithuania and to other Baltic States, and ensuring of safety and reliability of operation of the natural gas system.

The pipeline development project has been recognised as the project significant to the State in economic terms.

On 14 July 2014, the Court of Appeal of Lithuania examined the appeals lodged by AB Achema and AB Amber Grid in the case concerning award of the LNGT-related extra tariff (surcharge) for the period from 1 January 2013 to 31 August 2013 by written procedure. The court decided to postpone proclamation of the judgement in the case till 13 August 2014. The disposition of the case should not have any financial impact on the Company because, as the court satisfied the claim brought by AB Amber Grid, the awarded amount of money shall be remitted to the beneficiary of the LNGT-related extra tariff (surcharge).



AB AMBER GRID

INTERIM REPORT
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2014

Vilnius
2013

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I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the report was drawn up: 1 January – 30 June 2014.

MAIN DATA

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

BUSINESS ACTIVITY OF THE COMPANY

AB Amber Grid (hereinafter - AB Amber Grid, the Company), as a natural gas transmission system operator, provides the following services to system users, other operators and gas market participants:

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

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND THE DEVELOPMENT THEREOF

The transmission system consists of gas transmission pipelines, gas compressor stations, gas metering and regulation stations, gas metering stations, gas pipeline corrosion protection equipment, data transmission and communication systems and other assets attributed to the transmission system. The Lithuanian gas transmission system is connected with the transmission systems of the Kaliningrad Region of Russian Federation, Belarus and Latvia. The length of transmission pipelines is 2,007 km, the pipeline diameter ranges from 100 to 1,220 mm. The design pressure of the largest part of the transmission system is 54 bar.

STRATEGIC INFRASTRUCTURE PROJECTS

On 14 October 2013, the European Commission (hereinafter – the EC) announced the first European Union (hereinafter – the EU) List of Projects of Common Interest, which, among 248 energy projects,

also includes 3 gas sector projects with the involvement of Amber Grid. These are the projects of Gas interconnection Poland–Lithuania, Capacity enhancement of Klaipėda–Kiemėnai pipeline and Enhancement of Latvia–Lithuania interconnection.

These strategic infrastructure projects are included in the European Network of Transmission System Operators for Gas (ENTSO-G) Ten-Year Network Development Plan (TYNDP) 2013-2022, the BEMIP region Gas Regional Investment Plan 2014-2023 and the National Key Electricity and Gas Transmission Projects Implementation Plan as approved by the Resolution of the Government of the Republic of Lithuania.

In the first half of 2014 the implementation of the strategic gas transmission infrastructure projects was continued:

- Capacity enhancement of Klaipėda–Kiemėnai pipeline (construction of Klaipėda–Kuršėnai pipeline);
- Gas interconnection Poland–Lithuania.

CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF GAS PIPELINE KLAIPĖDA–KURŠĖNAI) (HEREINAFTER – THE KKP)

The first half of 2014 saw the continuation of preparatory works of the project. In April 2014, upon approval by the regulatory authorities of Lithuania and Latvia, changes to the KKP Cost-Benefit Analysis and amendments to the proposal for Cross-Border Cost Allocation were made, and an updated request for investment was submitted to the national regulatory authorities concerned.

On 30 June 2014, the Company submitted an application to the Innovation & Networks Executive Agency (hereinafter – INEA) for the co-financing of the project from Connecting Europe Facility (hereinafter – CEF).

In March, the Company announced open procedures for the procurement of steel pipes and construction and installation works. After the evaluation of the tenders received, in June contracts for the purchase of pipes and works were prepared.

On 11 June 2014, a special plan was approved by Order No 1-158 of the Minister of Energy of the Republic of Lithuania. On 30 June, building permits from Rietavas, Telšiai district and Plungė district municipalities were obtained (on 1-2 July – from Šiauliai district and Klaipėda district municipalities).

The project scope involves the construction of a pipeline of 110 km in length and 800 mm in diameter from the Klaipėda LNG terminal interconnection point near Klaipėda to Kuršėnai. The estimated cost of the project is about LTL 220 million. The new pipeline is scheduled for commissioning end 2015.

GAS INTERCONNECTION POLAND–LITHUANIA (HEREINAFTER – THE GIPL)

In October 2013, Amber Grid and GAZ-SYSTEM S.A. submitted to the Polish, Lithuanian, Latvian and Estonian regulatory authorities a joint request for investment along with a Business Plan, Cost-Benefit Analysis and proposal for Cross-Border Cost Allocation of the project. Since the regulatory authorities within six-month period did not take a decision on the allocation of costs between Poland, Lithuania, Latvia and Estonia, on May 7, the National Commission for Energy Control and Prices (hereinafter –

NCC), in accordance with provisions of Article 12 of Regulation 347/2013¹, the competence to take a decision on the request for investment was therefore transferred to the European Agency for the Cooperation of Energy Regulators (hereinafter – ACER). On 11 August 2014, the ACER took a decision on Cross-Border Cost Allocation of the GIPL costs among Poland, Lithuania, Latvia and Estonia, which made available the project promoters to apply for the financial support from CEF. On 19 August 2014, GAZ-SYSTEM S.A. and Amber Grid submitted joint applications (one for territory planning and design stages and the other one for construction works) to INEA for the co-financing from CEF.

At the beginning of 2014, possible locations for the construction of route were inspected and the options of the interconnection point at the state border were discussed. An Environmental Impact Assessment (EIA) programme was developed and published, and the EIA report is being prepared.

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

RECONSTRUCTION AND MODERNIZATION

In the first half of 2014, the Company, in order to ensure the security and reliability of the gas transmission system, continued works for the reconstruction and modernization of the natural gas transmission system:

- 2 valve units were replaced;
- works for installation of 5 pig launchers and receivers were started;
- procurement procedures for works and equipment for other objects provided for in the Company's investment programme are being performed.

MAINTENANCE OF THE TRANSMISSION SYSTEM

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

The inspection of the pipeline to Utena gas metering and regulation station (59.4 km section) applying the intelligent pigging method was completed in June 2014, increasing thus the total length of pipelines inspected by this method to 458 km.

Works for the elimination of defects detected during the inline inspection are being continued on the Minsk–Vilnius, Vilnius–Kaliningrad, Kaunas–Kaliningrad, and Riga–Panevėžys–Vilnius gas transmission pipelines.

NATURAL GAS TRANSMISSION VOLUMES

During the first half of 2014, the Company transported 1,385 MCM of natural gas to the Lithuanian consumers via its natural gas transmission system. Natural gas transmission volumes compared with the first half of 2013 (then the gas transmission activities were conducted by AB Lietuvos Dujos)

¹Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009.

dropped by 13.2 %. This came as a result of the decreased consumption of gas mainly due to the warm winter and the increased use of alternative fuels in the production of heat and electricity.

During the first half of 2014, transit to the Kaliningrad Region of the Russian Federation amounted to 1,077 MCM and remained at the same level as during the first half of 2013.

By 1 July 2014, the Company had entered into 57 gas transmission service agreements with natural gas transmission system users (natural gas consumers, natural gas distribution system operators, natural gas supply companies, which supply gas up to consumer systems). The Company had entered into 12 natural gas balancing agreements with natural gas supply companies, which trade natural gas but do not transport it via the transmission system.

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

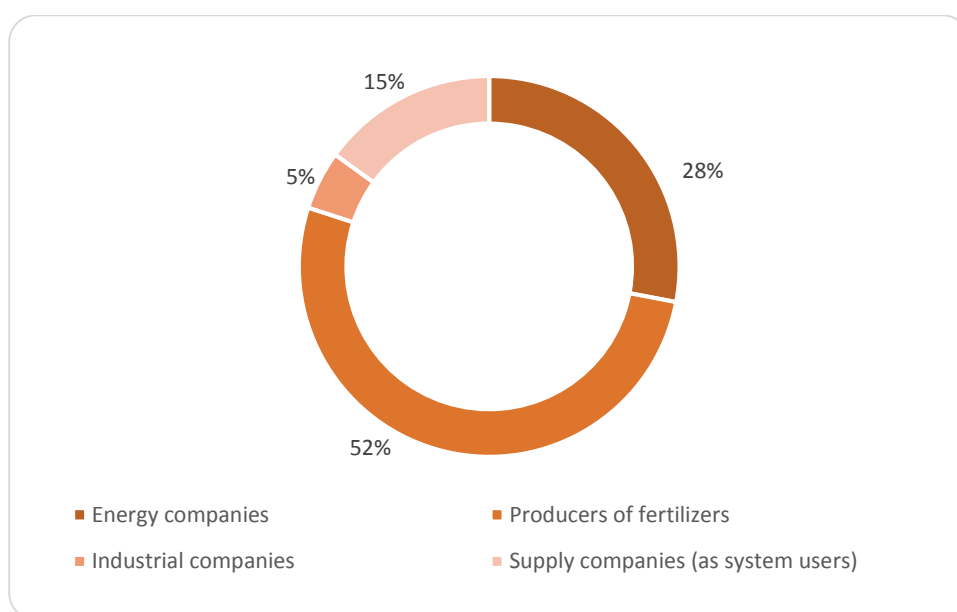


Chart 1: Structure of natural gas volumes transmitted by natural gas transmission system users in Lithuania, the first half of 2014, per cent

NATURAL GAS TARIFFS REGULATION

Natural gas transmission service and balancing prices are regulated by NCC.

On 1 January 2014, the NCC determined natural gas transmission price cap for a new five-year regulatory period (from 1 January 2014 to 31 December 2018). This price cap can be annually adjusted by the decision of the NCC following the procedure prescribed by the Methodology for the Determination of the State Regulated Prices in the Natural Gas Sector.

More information on the prices for transmission services is provided on the Company's website <http://www.ambergrid.lt/en/transportation-services/tariffs-prices/tariffs-from-2014-01-01>.

NATURAL GAS TRANSMISSION SYSTEM BALANCING

Amber Grid ensures the gas flow balancing in the natural gas transmission system. The Company purchases balancing gas at a price determined by the NCC from a gas market participant, if the market

participant has caused excess of gas in the transmission system, and sells balancing gas to a market participant if the latter caused shortage of gas in the transmission system.

During the first half of 2014, transmission system users have not balanced gas flows delivered to the transmission system and / or purchased, and taken off from the transmission system and / or sold. Due to the resulting imbalance, the Company purchased 361.7 thousand m³ and sold 0.8 thousand m³ of gas.

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

ADMINISTRATION OF FUNDS ALLOCATED FOR THE CONSTRUCTION AND OPERATION OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND CONNECTOR

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

A natural gas supply security-related extra tariff component (hereinafter – supply security component) introduced by the NCC by Resolution No O3-445 of 11 October 2013 to the price of natural gas transmission to compensate for the fixed operating costs of the LNG terminal infrastructure needed to ensure the operation of the LNG terminal, which will be applied at the earliest from 3 December 2014.

During the first half of 2014, LNG terminal funds for a supply security component were not collected; in January, the Company received the LNG terminal funds, which were collected applying LNG terminal surcharge in December 2013.

The Company collects LNG terminal funds, administers and pays them out to the company implementing the LNG terminal project or to the LNG terminal operator in 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

Currently, quantities of natural gas in Lithuania are calculated in units of volume (cubic meters) in the Lithuanian gas system. However, since 2015, in accordance with the Description of Natural Gas Metering Procedure as approved by the Minister of Energy of the Republic of Lithuania it will also have to be calculated in units of energy (kilowatt-hours, kWh). For this purpose, the equipment for gas composition determination and its calorific value calculation are being installed in the transmission system. It is expected that by 1 November 2014 all the equipment necessary for gas energy calculation will be installed.

EMPLOYEES

As of 30 June 2014, the Company employed 359 employees. Employee rotation during the first half of 2014 was below 1 %.

Table 1: Number of employees by groups, the first half of 2014

	Number of employees 30 June 2014
Managing staff	32
Specialists	190
Workers	137
Total:	359

The Company employee distribution by education is provided in Chart 2.

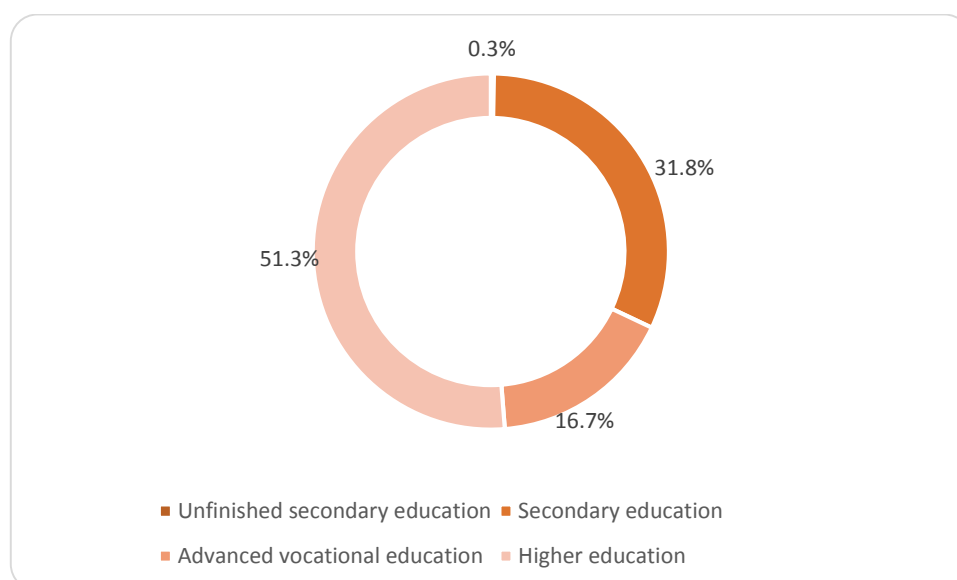


Chart 2: Employee distribution by education, the first half of 2014, per cent

Average monthly salary in the Company by employee groups is provided in Table 2.

Table 2: Average monthly salary by employee groups, the first half of 2014

	Average monthly salary, LTL
Managing staff	9,365
Specialists	3,948
Workers	2,929
Total:	4,051

Great attention is devoted to employee qualifications upgrading and maintaining high professional standards. During the first half of 2014, 220 employees took part in professional and technical trainings, 101 employees attended general trainings, and 21 employees from other companies were trained.

The Company has a valid Collective Bargaining Agreement. Neither the Company's labour contracts, nor its Collective Bargaining Agreement do not provide for any unusual rights or obligations other than the ones applied in general practice.

INTERNATIONAL COOPERATION

The Company is an associate partner of the ENTSOG (www.entsog.eu). On 14 May 2014, the Company, together with other transmission system operators from the region of the Baltic Energy Market Interconnection Plan (BEMIP) adopted a second Ten Year Gas Regional Investment Plan (2014–2023). 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).

II. FINANCIAL RESULTS

MAIN INDICATORS FOR THE TRANSMISSION SYSTEM

Table 3: The Company's performance indicators

	First half of 2014	2013
Volume of natural gas transported		
Volume of natural gas transmitted, MCM	1,384.7	2,667.1
Volume of gas transported by transit, MCM	1,076.7	2,152.4
Number of system users, at the end of the period	57	87
System in Operation		
Length of gas transmission pipelines, km	2,007	2,007
Number of gas metering and regulation stations, gas metering stations, pcs.	69	69
Employees		
Number of employees, at the end of the period	359	356

THE COMPANY'S KEY FINANCIAL INDICATORS

Table 4: The Company's financial indicators

	First half of 2014	2013 ²
Financial results (thousand LTL)		
Revenue	88,148	74,101
EBITDA	53,077	35,755
EBIT	13,019	3,534
Profit before tax	11,685	2,425
Net profit	12,208	5,071
Net cash flows from operating activities	53,340	33,221
Investments	14,456	39,381
Net financial debt	122,823	160,483
Profitability ratios (%)		
EBITDA margin	60.21	48.25
EBIT margin	14.82	4.77
Profit before tax margin	13.26	3.27
Net profit margin	13.85	6.84
Return on assets (ROA)	0.74	0.31
Return on equity (ROE)	1.01	0.42
Return on capital employed (ROCE)	0.94	0.25
Liquidity ratios		
Current ratio	1.16	1.00
Quick ratio	0.78	0.58
Leverage ratios (%)		
Equity to total asset ratio	74.87	73.37
Financial debt to equity ratio	12.91	14.91
Net financial debt to equity ratio	10.06	13.28
Market value ratios		

²The indicators reflect a 5-month period ended on 31 December 2013.

Price-earnings ratio (P/E), times	37.59	83.90
Net earnings per share, LTL	0.07	0.03

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

Condensed financial statements prepared by the Company as of 30 June 2014 also include the financial results of UAB GET Baltic – a joint venture controlled jointly with AB Lietuvos Dujos and the Finnish gas company Gasum Oy accounted for under the equity method.

REVENUE

During the first half of 2014, the revenue of the Company amounted to LTL 88,148 thousand of which 95 % were the revenue from the transmission of natural gas via gas transmission pipelines to system users and transit to the Kaliningrad Region of the Russian Federation.

The remaining part were revenue from balancing, and revenue from the administration of funds of the LNG terminal; also, a share of previously received grants recognized as revenue, with which non-current assets of the Company corresponding to the useful life of the said assets were created (Chart 3).

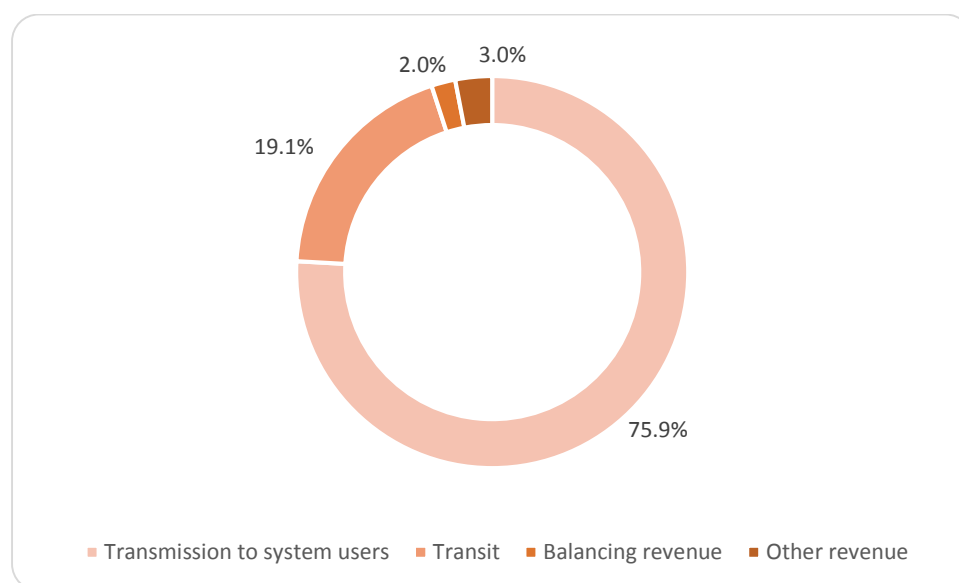


Chart 3: Revenue structure, the first half of 2014, per cent

Balancing revenue were received from the balancing of the gas flows of system users and other gas market players, participating in the balancing of the transmission system, and due to the operational balancing of the transmission system caused by technological specifics of the transmission system and gas flow deviations (imbalances) stipulated by technical reasons.

The LNG terminal funds are administered by the Company following requirements of legal acts.

EXPENSES

During the first half of 2014, the Company's expenses amounted to LTL 75,085 thousand.

Most of the expenses of the Company were incurred due to the depreciation of non-current assets – LTL 40,058 thousand (or 53.4 % of all expenses), payroll and related social security expenses – LTL 11,859 thousand (15.8 %) and expenses of natural gas – LTL 10,421 thousand (13.9 %), repairs and maintenance – LTL 7,471 thousand (10.0 %) (Chart 4).

The Company purchased natural gas 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.

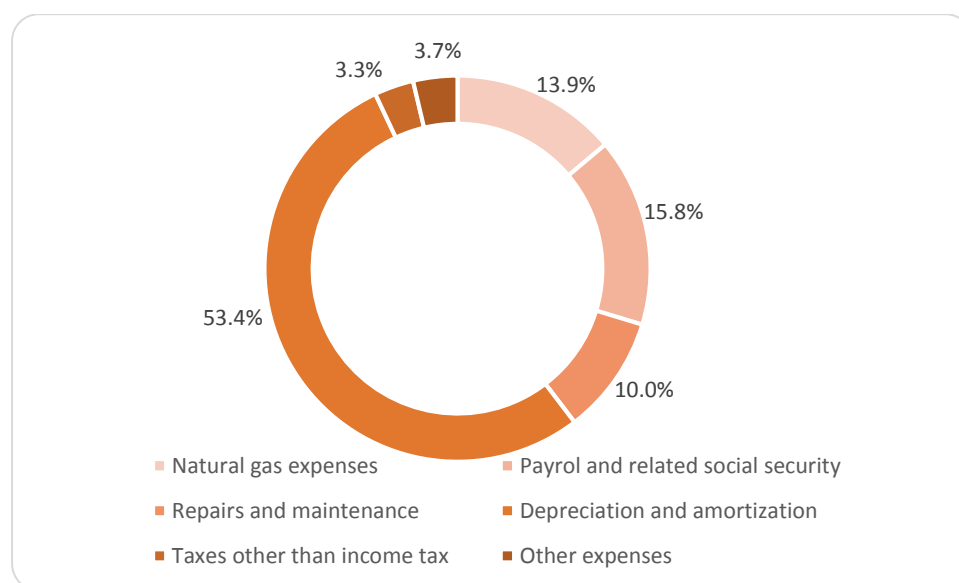


Chart 4: Structure of expenses, the first half of 2014, per cent

ACTIVITY RESULTS

During the first half of 2014, profit before tax amounted to LTL 11,685 thousand, while profit before tax, interest, depreciation and amortization (EBITDA) amounted to LTL 53,077 thousand (Chart 5).

The Company earned LTL 12,208 thousand in net profit during the first half of 2014 and this profit was LTL 523.0 thousand bigger than profit before tax. The better net result was determined by the application of income tax exemption for new investments and the positive effect of the deferred income tax.

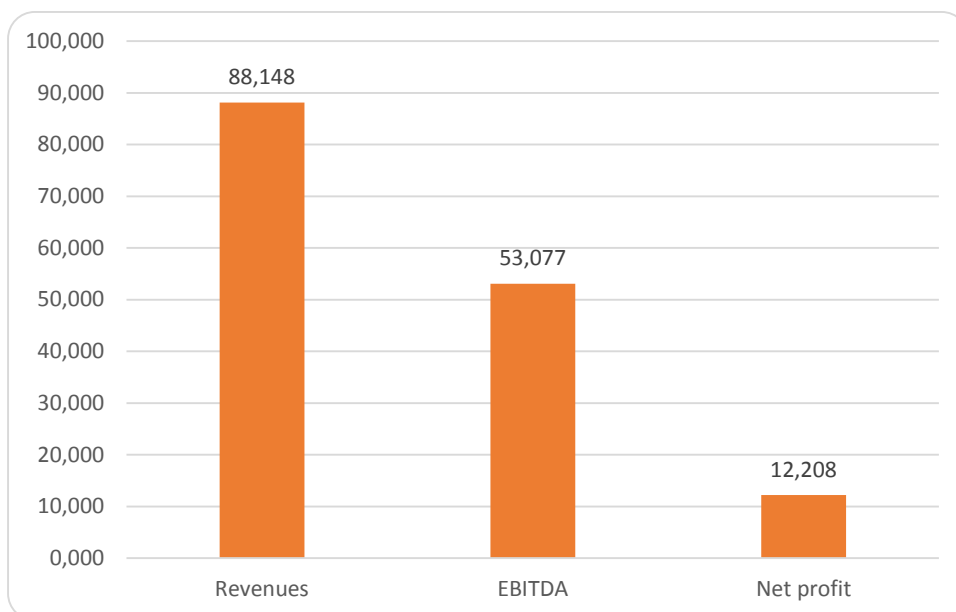


Chart 5: Financial results, the first half of 2014, thousand LTL

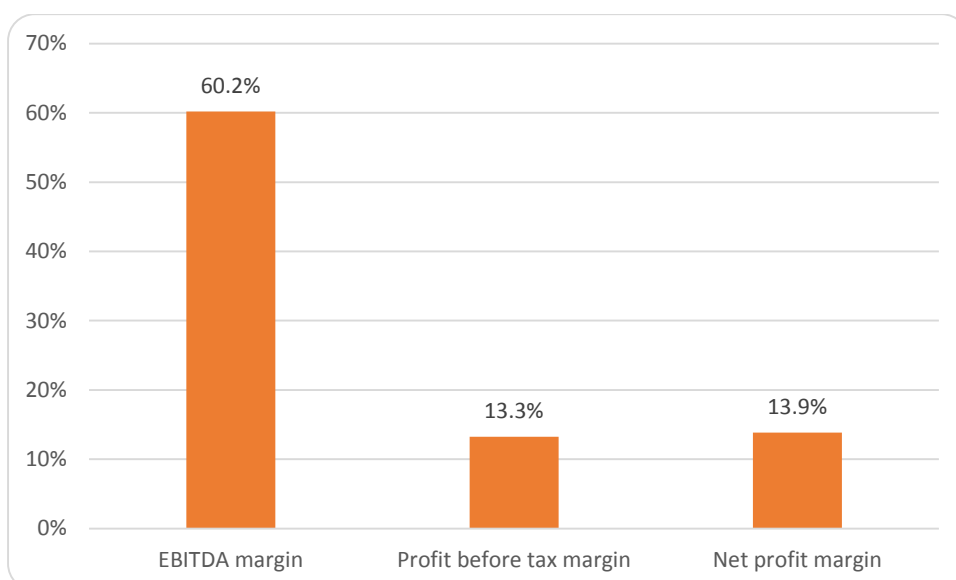


Chart 6: Profitability, the first half of 2014, per cent

INVESTMENTS

During the first half of 2014, LTL 14,456 thousand were invested in the development and modernization of the transmission system (LTL 45,511 thousand during the corresponding period of 2013 when the transportation of gas was still carried out by AB Lietuvos Dujos). In 2014, 58 % of funds were invested into new gas system construction objects, 42 % were directed to investments in the gas system reconstruction and modernization (Chart 7).

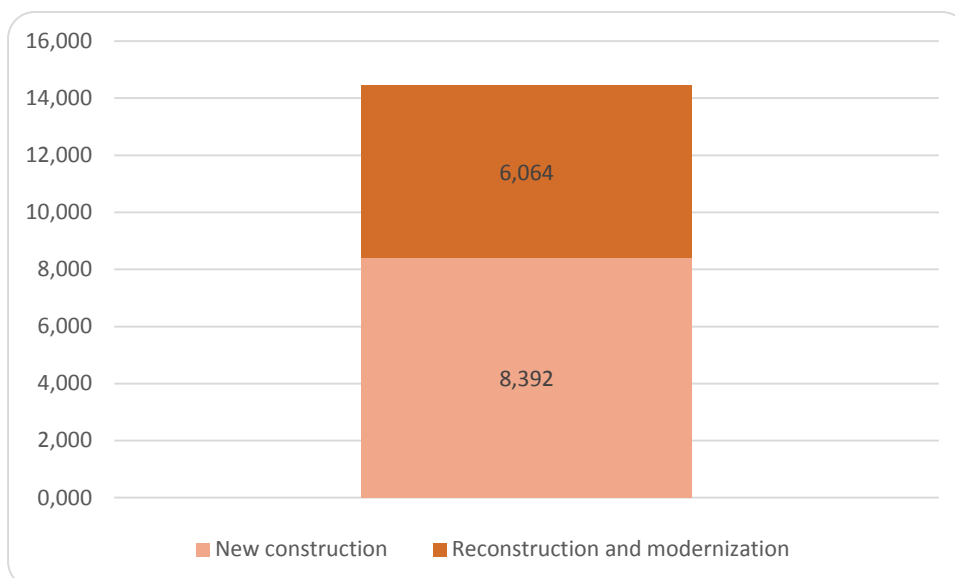


Chart 7: Investment structure, the first half of 2014, thousand LTL

ASSETS

At the end of June 2014, the value of assets amounted to LTL 1,730,370 thousand. Non-current assets accounted for 90 % and current assets accounted for 10 % of the total assets of the Company.

During January–June 2014 the value of non-current assets decreased by 1.6 %, or LTL 25,640 thousand, mostly due to depreciation costs, which were higher than investments. The value of current assets increased by 4.3 % (LTL 7,088 thousand). Current assets increased due to an increase in cash.

EQUITY AND LIABILITIES

During January–June 2014 the Company's equity increased by 1 % (LTL 12,208 thousand) and at the end of the reporting period amounted to LTL 1,220,768 thousand. Equity at the end of the reporting period accounted for 70.5 % of the total assets of the Company.

Amounts payable and liabilities decreased by 5.74 % (LTL 30,765 thousand) during January–June 2014 and at the end of the reporting period amounted to LTL 509,602 thousand. Amounts payable and liabilities decreased due the partially repaid financial debt. Trade debts, deferred tax liabilities and grants (deferred revenue) also decreased.

Financial debt of the Company as of the end of June 2014 accounted for LTL 157,659 thousand and during the reporting period decreased by LTL 22,542 thousand (Chart 8).

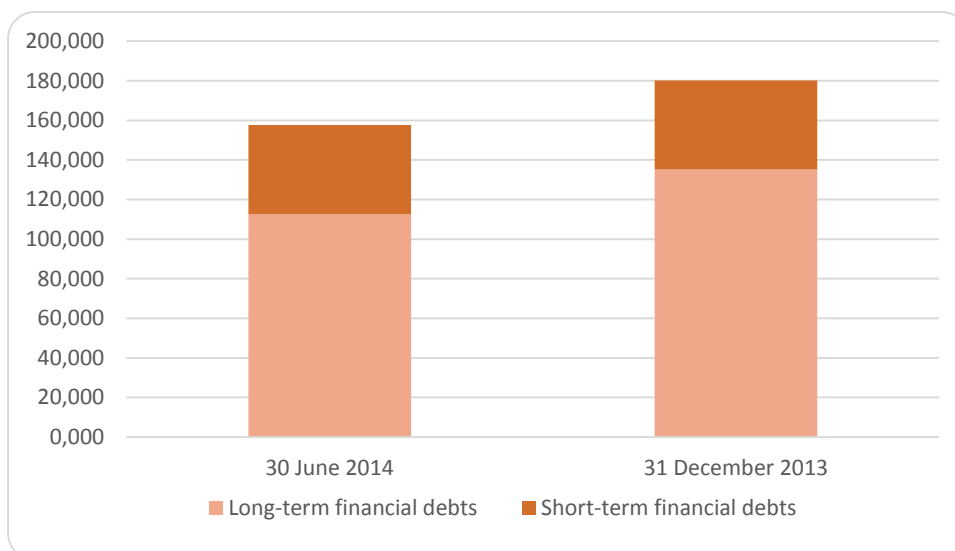


Chart 8: Financial debt structure, thousand LTL

CASH FLOWS

The Company's cash flows from its operating activities were positive during the first half of 2014 and amounted to LTL 53,340 thousand. LTL 15,886 thousand were used for the acquisition of non-current assets, and LTL 22,542 thousand for the repayment of financial debt. During the first half of 2014 the Company received no significant amounts of EU funds. Positive cash flow enabled the Company to increase the amount of free funds, which will be used to finance the Company's operations during the second half of 2014.

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

Other information is presented in the notes to condensed financial statements of Amber Grid for the first half of 2014.

BUSINESS PLANS AND FORECASTS

The year 2014 will see further implementation of strategic infrastructure projects aimed to ensure the security and reliability of the gas transmission system as well as the increase of the efficiency and cost optimization of the Company's activities. Actions will be taken to receive the EU financial assistance for the implementation of the GIPL and KKP projects, and the KKP pipeline construction works will be carried out, too.

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

RISK MANAGEMENT

The Company faces the following main risks in the performance of its activities: regulation-related risk, competition-related risk, natural gas purchase/ sale price risk, financial risk (liquidity, credit, and interest rate risk), macroeconomic factors-related risk, and technical risk.

REGULATION-RELATED RISK

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

COMPETITION-RELATED RISK

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

NATURAL GAS PURCHASE PRICE RISK

The Company purchases / sells natural gas for technological purposes and for balancing purposes. The natural gas price depends on oil and gasoline prices in the international market, the dollar and the euro ratio set by the European Central Bank and the actual calorific value of natural gas. During the reporting period, the Company did not take any actions to reduce the risk of changes in natural gas price.

FINANCIAL RISK

By managing financial risks, the Company seeks to minimise the influence of factors that could adversely affect the Company's results.

Liquidity risk is managed by constantly making short-term and long-term forecasts of the Company's cash flows. Where necessary, the Company, on the basis of the forecasts, takes decisions to ensure its solvency.

Credit risk is managed through regular monitoring procedures (monitoring of individual debtors, customer monitoring and analysis in order to predict any potential solvency problems in the future and so on). The Company has adopted its debt management regulation, which governs actions to recover debts of the transmission system users, supply companies, and other buyers of goods or services for natural gas, balancing gas transmitted, any payment imbalances, liquefied natural gas terminal funds, other goods or services and the applicable penalties and interest for late payment.

Having assessed the situation, over the reporting period the Company did not conclude any transactions in financial instruments on the interbank interest rates market in order to control the risk of interest rate fluctuations.

MACROECONOMIC FACTORS-RELATED RISK

Lithuania's economic situation and economic development trends in Lithuania, prices of natural gas as the product for the end user, all impact gas transmission volumes and investment in the development of gas transmission pipelines. Over the past years, the declining natural gas transmission volumes in Lithuania had a negative impact on the financial results of the Company. The Company's activities are subject to regulation; therefore, being under the supervision of the NCC, the Company undertakes all measures necessary to ensure its operational stability, sustainability and development.

TECHNICAL RISK

One of the main objectives of the Company is to ensure safe, reliable and efficient operation of the natural gas transmission system. 60 % of pipelines operated by the Company are over 25 years old, thus proper maintenance of the transmission system requires special attention. The Company has prepared a strategy to ensure safety and reliability of the transmission system and the activity plan for the implementation thereof.

THE COMPANY'S INTERNAL CONTROL SYSTEM

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

Preparation of financial statements is governed by Amber Grid Accounting Policies and Procedures Manual providing for the principles, methods and rules of accounting, preparation and presentation of financial statements.

III. MANAGEMENT OF THE COMPANY

AUTHORIZED SHARE CAPITAL

Authorized capital of the Company is LTL 178,382,514. It consists of 178,382,514 ordinary registered shares with par value of LTL 1 each. During the first half of 2014, the par value of shares and the authorized capital remained unchanged. All the shares are fully paid.

During the first half of 2014, the Company's structure of shareholders has changed significantly. 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 shares of the Company. With this transaction, E.ON Ruhrgas International GmbH transferred all the Company's shares held thereby, and UAB EPSO-G has increased its shareholding in the Company to 100,991,957 units, i.e. up to 56.6 % of the total number of the Company's shares. Since UAB EPSO-G exceeded the threshold of 1/3 votes in the General Meeting of Shareholders, the takeover bid for the purchase of the remaining shares of the Company providing 43.4 % of the vote in the General Meeting of Shareholders was made. On 19 June 2014, OAO Gazprom sold 66,112,761 units of ordinary shares at the time of the takeover bid, and UAB EPSO-G acquired 71,287,168 units of the Company's ordinary shares. OAO Gazprom transferred all the Company's shares held. Minority shareholders of the Company at the time of the takeover bid transferred to UAB EPSO-G 5,174,407 units of shares representing 2.9 % of the total number of shares of the Company.

UAB EPSO-G increased the number of available shares to 172,279,125 units of shares, i.e. up to 96.58 %.

SHARES AND RIGHTS OF SHAREHOLDERS

The number of shares granting votes in the General Meeting of Shareholders coincides with the number of shares issued and amounts to 178,382,514. Property and non-property rights granted by shares of Amber Grid for all the shareholders of the Company are equal. In accordance with the Bylaws of the Company, decisions on issuing new shares and on acquisition of own shares shall be adopted exclusively by a 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. In the Company, there are no restrictions of voting rights.

The Company did not acquire its own shares and during the first half of 2014, it did not concluded any transactions related to either acquisition or transfer of its own shares.

SHAREHOLDERS

According to data of Amber Grid as of 30 June 2014, 1,596 Lithuanian and foreign natural and legal persons were shareholders of the Company, of which one shareholder owned more than 5 % stake in the Company.

Table 5: Shareholders of the Company

Shareholder	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 9.

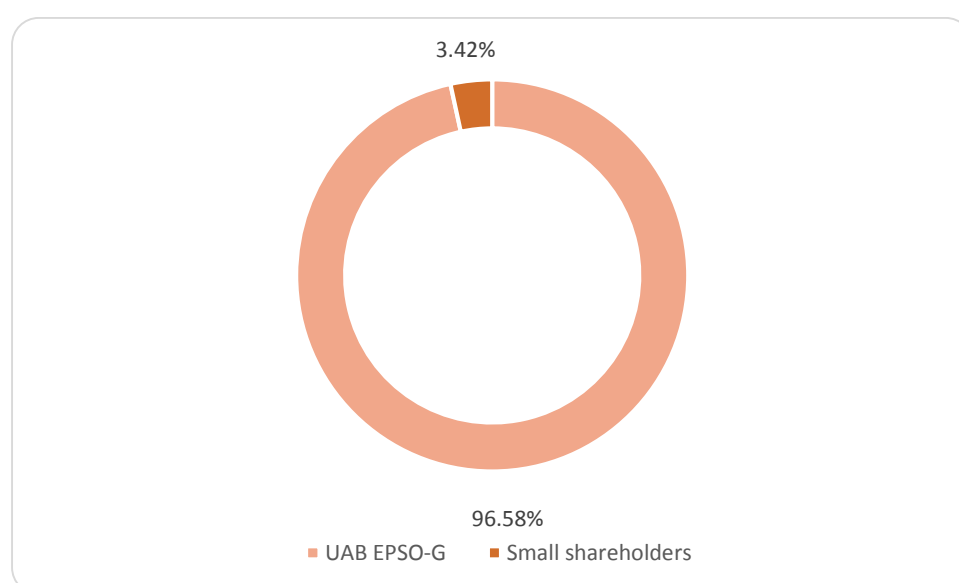


Chart 9: Structure of shareholders as of 30 June 2014, per cent

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

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

Activities and property of the Company were unbundled from natural gas companies engaged in production or supply activities when E.ON Ruhrgas International GmbH on 21 May 2014 and OAO Gazprom on 19 June 2014 transferred the Company's shares in favour of UAB EPSO-G (controlled

by the Ministry of Energy of the Republic of Lithuania), 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.

Pursuant to the Law on Natural Gas of the Republic of Lithuania and its implementing legislation, the Company will refer to the NCC by 31 October 2014 for its conclusion on the loss of prohibitive control enshrined in the Law on Natural Gas. Upon the receipt of this conclusion, the Company will address the NCC for the certification of the transmission system operator in accordance with the EU's Third Energy Package requirements and the issuance of an open-ended license transmission system operator activities to the Company.

DATA ABOUT TRADING IN SECURITIES ON THE REGULATED MARKETS

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

Table 6: Main data about Amber Grid shares

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

In January–June 2014, the turnover of the trading in the Company's shares amounted to LTL 2.3 million, and 864,884 shares were transferred through the transactions concluded.

The Company's share price dynamics is presented in Table 7; data of the Company's share price and turnover (January–June 2014) are presented in Chart 10.

Table 7: Share price dynamics at NASDAQ OMX Vilnius, January-June 2014

Opening price, LTL 01-01-2014	Highest price per share, LTL 08-05-2014	Lowest price per share, LTL 17-03-2014	Weighted average price per share, LTL	Closing price, LTL 30-06-2014
2.517	3.021	2.313	2.644	2.631

Amber Grid share capitalization as of 30 June 2014 amounted to LTL 453.3 million.

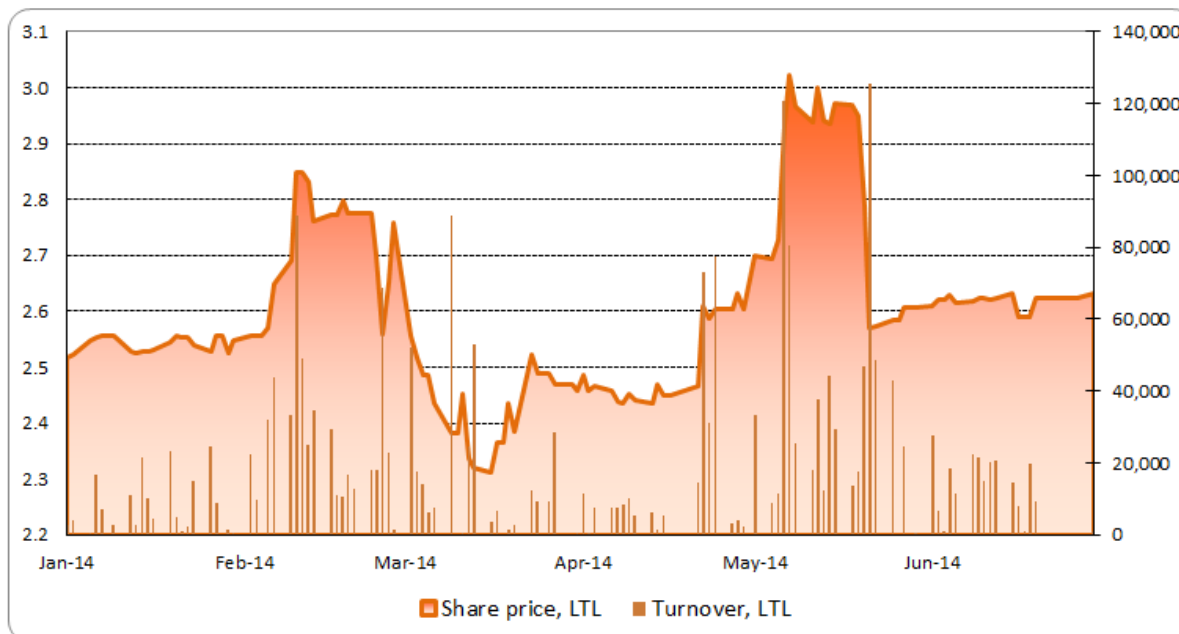


Chart 10: Amber Grid share price and turnover, January–June 2014

During January–June 2014, OMX Baltic Benchmark PI and OMXV indices calculated by the NASDAQ OMX Stock Exchange reflecting changes in the prices of shares of companies listed in the Baltic countries and Vilnius stock exchanges increased by 0.22 % and 11.94 %, respectively. During the same period the Company's stock price increased by 4.53 %. Fluctuations of the Company's share price, OMX Vilnius and OMX Baltic Benchmark PI indices (January–June 2014) are illustrated in Chart 11.

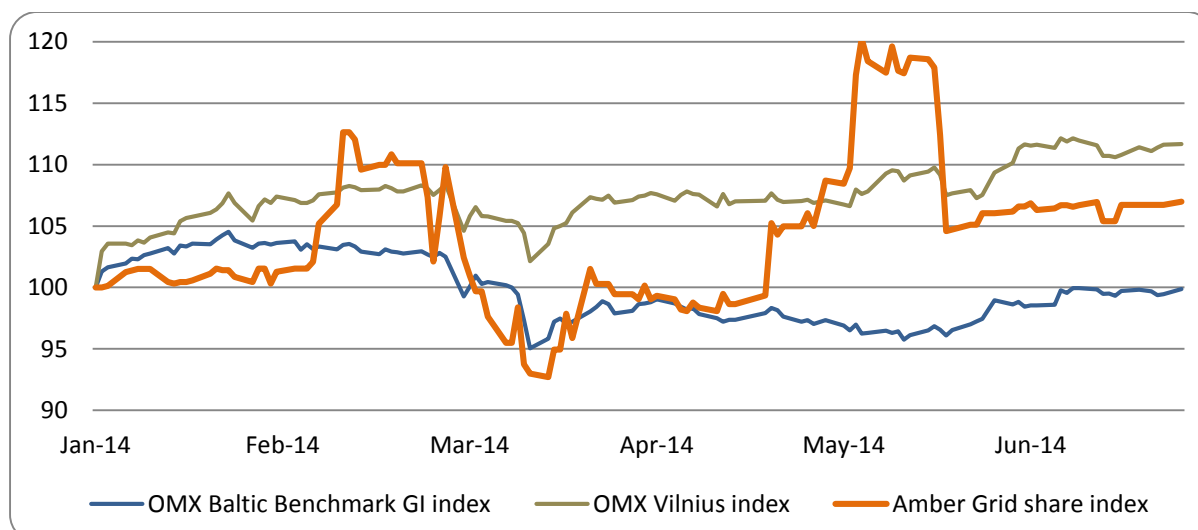


Chart 11: Fluctuations of Amber Grid share price, OMX Vilnius and OMX Baltic Benchmark PI Indices, January–June 2014

DIVIDENDS

At a General Meeting of Shareholders held on 30 April 2014, the Company's shareholders did not adopt any decision on the Company's Profit Appropriation for 2013.

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

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

MANAGEMENT STRUCTURE

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

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

The Bylaws provide for the following governing bodies:

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

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

The Company has no branches or representative offices.

Information about the members of the Board of Directors of Amber Grid, General Manager and Chief Accountant is presented in Table 8.

Table 8: Information about members of the Board of Directors, General Manager and Chief Financial Officer

Position title	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Chairman of the Board of Directors	Dr. Rainer Link	June 2013	June 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	–	–
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	Saulius Bilyš	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

Information about members of the Audit Committee is presented in Table 9.

Table 9: Information about the members of the Audit Committee

Position title	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Independent Member, UAB AV Auditas	Vaida Kačergienė	December 2013	June 2016	–	–
Member, Amber Grid	Valdemaras Bagdonas	December 2013	June 2016	0.00025	0.00025

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

Salaries calculated for the General Manager and Chief Accountant of the Company during the reporting period totalled to LTL 285.5 thousand; the average amount of salaries per person (General Manager and Chief Accountant) totalled to LTL 142.7 thousand.

INFORMATION ABOUT RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND HARMFUL TRANSACTIONS

Information on related party transactions is given in the Company's financial statements of the first half of 2014.

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

During the reporting period, the Company did not conclude any harmful transactions (not complying with the Company's objectives, the existing normal market conditions or violating interests of shareholders or other groups of persons, etc.), or any transactions concluded under the conflict of interest between the Company's managers, controlling shareholders or obligations of other related parties of the Company and their private interests and (or) other obligations.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

At the meeting of the Company's Board of Directors held on 9 July 2014 Dr. Aleksandras Spruogis, the Member of the Board of Directors was elected the Chairman of the Board of Directors.

On 11 July 2014, the Company entered into contracts for the purchase of construction works of the Klaipėda–Kuršėnai gas transmission pipeline (Capacity enhancement of Klaipėda–Kiemėnai pipeline) and of pipes necessary for construction. The contract for the purchase of construction works of the transmission pipeline Klaipėda–Kuršėnai was concluded with the company UAB Alvora, acting on the basis of the joint activities agreement together with the company UAB Kauno Dujotiekio Statyba and UAB Šiaulių Dujotiekio Statyba. The contract value – LTL 130 million.

The contract for the purchase of steel pipes required for the construction of the gas transmission pipeline Klaipėda–Kuršėnai was concluded with Noksel Celik Boru Sanayi A.S., operating on the basis of the joint venture agreement with Borusan Mannesmann Boru Sanayi Ve Tic A.S. and Erciyas Celik Boru Sanayi A.S. The contract value LTL 57 million.

On 11 August 2014, the ACER took a decision on Cross-Border Cost Allocation of the GIPL costs among Poland, Lithuania, Latvia and Estonia. The ACER's decision made available for the project promoters to apply for the financial support from CEF.

On 19 August 2014, the Polish and Lithuanian natural gas transmission systems operators GAZ- SYSTEM S.A. and Amber Grid submitted joint applications (one for territory planning and design stages and the other one for construction works) to INEA for the co-financing of the project from CEF.

IV. REGULATED INFORMATION ON THE ACTIVITIES OF THE ISSUER

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

During the first half of 2014, Amber Grid published the following regulated information:

Date	Regulated information
30-06-2014	Resolutions adopted by the Extraordinary General Meeting of Shareholders of AB Amber Grid
25-06-2014	Notification on disposal of a block of shares of the Issuer
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)
20-06-2014	Notification on the statement on the implementation of the mandatory non competing takeover bid
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 acquisition of a block of 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
13-06-2014	Notification on the intention of Gazprom to sell the shares of the Issuer
06-06-2014	Regarding the opinion of the Board of Directors of AB Amber Grid on the takeover bid
06-06-2014	On Convening an Extraordinary General Meeting of Shareholders of AB Amber Grid
28-05-2014	Regarding approval of the circular of the mandatory takeover bid
22-05-2014	Regarding the intention to submit a takeover bid
22-05-2014	Notification on resignation of the members of the Management Board of the Issuer
21-05-2014	Notification on transaction concluded by managers of the company
21-05-2014	Notification on disposal and acquisition of a block of shares of the Issuer
20-05-2014	Regarding the clearance of Competition Council for UAB EPSO-G to acquire shares of AB Amber Grid
19-05-2014	Pre-audited results of AB Amber Grid for the 1st quarter of 2014
14-05-2014	Notice of information on the material event regarding the consent of NCC for the transfer of AB Amber Grid shares
05-05-2014	Notice of information on the material event regarding the acquisition of AB Amber Grid shares
02-05-2014	Re Partial redemption of shares of AB Amber Grid
30-04-2014	Annual Information of AB Amber Grid for 2013
30-04-2014	Resolutions adopted by the Ordinary General Meeting of Shareholders of AB Amber Grid
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
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

28-03-2014	On Convening an Ordinary General Meeting of Shareholders of AB Amber Grid, Draft Agenda and Draft Resolutions of the Meeting
28-02-2014	Pre-audited results of AB Amber Grid for year 2013
27-02-2014	Notice on disposal of a block of shares of the Issuer
24-02-2014	CORRECTION: Notice of acquisition of a block of shares of the Issuer
14-02-2014	Notice of acquisition of a block of shares of the Issuer

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.