



AB Amber Grid  
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### CONFIRMATION OF RESPONSIBLE PERSONS

24 August 2017 No. 5-310-19

Acting in accordance with 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, we, Saulius Bilys, Director General of AB Amber Grid, and Rimantas Šukys, 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 2017 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.

Director General

A blue ink signature of Saulius Bilys, consisting of a large, stylized loop.

Saulius Bilys

Financial Director

A blue ink signature of Rimantas Šukys, consisting of a stylized, elongated shape with a small loop at the top.

Rimantas Šukys

**AB AMBER GRID**

**CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2017  
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION**

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Statement of financial position

	Notes	As of 30 June 2017 (unaudited)	As of 31 December 2016 (audited)
<b>ASSETS</b>			
<b>A. Non-current assets</b>		<b>342,196</b>	<b>348,715</b>
I. Intangible assets		598	631
II. Property, plant and equipment		340,923	347,409
II.1. Land		125	125
II.2. Buildings and structures		274,666	276,153
II.2.1. Buildings		6,106	6,244
II.2.2. Gas transmission pipelines and related installations		263,785	264,918
II.2.3. Gas distribution pipelines and related installations		102	103
II.2.4. Other buildings and structures		4,673	4,888
II.3. Machinery and equipment		52,976	55,565
II.4. Motor vehicles		921	1,101
II.5. Other equipment, tools and devices		2,176	2,717
II.6. Other property, plant and equipment		636	611
II.7. Construction in progress	4	9,423	11,137
III. Non-current financial assets	1	675	675
<b>B. Current assets</b>		<b>21,089</b>	<b>42,583</b>
I. Inventories and prepayments		1,685	1,515
I.1. Raw materials, spare parts and other inventories		1,478	1,360
I.2. Prepayments		207	155
II. Accounts receivable		19,352	25,444
II.1. Trade receivables	5	5,017	6,858
II.2. Other receivables	6,17	14,335	18,586
III. Other financial assets	7	43	1,658
IV. Cash and cash equivalents	8	9	13,966
<b>Total assets</b>		<b>363,285</b>	<b>391,298</b>

(cont'd on the next page)

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

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Statement of financial position (cont'd)

	Notes	As of 30 June 2017 (unaudited)	As of 31 December 2016 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>C. Equity</b>		<b>192,757</b>	<b>202,810</b>
I. Share capital		51,731	51,731
II. Reserves		130,151	130,151
II.1. Legal reserve		5,173	5,173
II.2. Other reserves		124,978	124,978
III. Retained earnings (deficit)		10,875	20,928
III.1. Current year profit (loss)		10,875	20,928
III.2. Previous year profit (loss)		-	-
<b>D. Accounts payable and liabilities</b>		<b>170,528</b>	<b>188,488</b>
I. Amounts payable after one year and non-current liabilities		141,953	152,816
I.1. Non-current borrowings	9	70,778	82,222
I.2. Grants (deferred revenue)	10	64,141	64,450
I.3. Non-current employee benefits		426	426
I.4. Deferred income tax liability		6,608	5,718
II. Accounts payable within one year and short-term liabilities		28,578	35,672
II.1. Current financial liability		3,998	-
II.2. Current portion of non-current borrowings	9	6,444	11,444
II.3. Current year portion of non-current employee benefits		80	80
II.4. Trade payables	12	2,303	5,694
II.5. Advance amounts		5	5
II.6. Income tax payable		338	876
II.7. Payroll related liabilities		1,463	1,422
II.8. Other payables and current liabilities	13	13,944	16,151
<b>Total equity and liabilities</b>		<b>363,285</b>	<b>391,298</b>

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

Director General	Saulius Bilys		24 August 2017
Chief Accountant	Dzintra Tamulienė		24 August 2017

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Income statement

		Notes	For the period of three months ended 30 June 2017 (unaudited)	For the period of three months ended 30 June 2016 (unaudited)	For the period of six months ended 30 June 2017 (unaudited)	For the period of six months ended 30 June 2016 (unaudited)
<b>I.</b>	<b>Revenue</b>	15	<b>13,325</b>	<b>12,629</b>	<b>32,617</b>	<b>33,904</b>
<b>II.</b>	<b>Expenses</b>		<b>(9,788)</b>	<b>(9,605)</b>	<b>(19,616)</b>	<b>(20,365)</b>
II.1.	Cost of natural gas		(1,538)	(1,282)	(3,130)	(4,007)
II.2.	Depreciation and amortization		(3,628)	(3,965)	(7,288)	(7,947)
II.3.	Remuneration and related social security tax expenses		(1,946)	(1,853)	(3,955)	(3,952)
II.4.	Repair and technical maintenance expenses		(1,541)	(1,403)	(3,041)	(2,304)
II.5.	Taxes other than income tax		(446)	(456)	(888)	(923)
II.6.	Telecommunications and IT systems expenses		(166)	(129)	(302)	(257)
II.7.	Other expenses		(523)	(517)	(1,012)	(975)
<b>III.</b>	<b>Operation profit (loss)</b>		<b>3,537</b>	<b>3,024</b>	<b>13,001</b>	<b>13,539</b>
<b>IV.</b>	<b>Financial activity</b>		<b>(188)</b>	<b>(127)</b>	<b>(157)</b>	<b>(272)</b>
IV.1.	Income	17	(114)	24	20	69
IV.2.	Expense		(74)	(151)	(177)	(341)
	<b>Profit (loss) before income tax</b>		<b>3,349</b>	<b>2,897</b>	<b>12,844</b>	<b>13,267</b>
<b>VI.</b>	<b>Income tax</b>	11	<b>(575)</b>	<b>(200)</b>	<b>(1,969)</b>	<b>(1,731)</b>
VI.1.	Current period income tax		(315)	(298)	(1,079)	(1,148)
VI.2.	Deferred income tax		(260)	98	(890)	(583)
<b>VII.</b>	<b>Net profit (loss)</b>		<b>2,774</b>	<b>2,697</b>	<b>10,875</b>	<b>11,536</b>
	Basic and diluted earnings (loss) per share (Eur)	14			0,06	0,06

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

Director General	Saulius Bilys		24 August 2017
Chief Accountant	Dzintra Tamulienė		24 August 2017

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Statement of comprehensive income

	For the period of three months ended 30 June 2017 (unaudited)	For the period of three months ended 30 June 2016 (unaudited)	For the period of six months ended 30 June 2017 (unaudited)	For the period of six months ended 30 June 2016 (unaudited)
I. Net profit (loss)	2,774	2,697	10,875	11,536
II. Total comprehensive income (loss)	2,774	2,697	10,875	11,536

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

Director General	Saulius Bilys		24 August 2017
Chief Accountant	Dzintra Tamulienė		24 August 2017

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

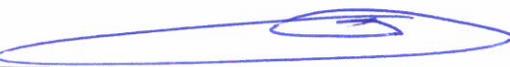
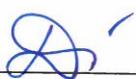
(all amounts are in euro thousand unless stated otherwise)

Statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings (deficit)	Total
<b>Balance as of</b>					
<b>31 December 2015 (audited)</b>	<b>51,731</b>	<b>5,166</b>	<b>121,789</b>	<b>15,978</b>	<b>194,664</b>
Transfer from other reserves	-	-	3,189	(3,189)	-
Transfer to legal reserve	-	7	-	(7)	-
Dividends declared	-	-	-	(12,782)	(12,782)
Total comprehensive income (loss)	-	-	-	11,536	11,536
<i>Net profit (loss) for the year</i>	-	-	-	11,536	11,536
<b>Balance as of</b>					
<b>30 June 2016 (unaudited)</b>	<b>51,731</b>	<b>5,173</b>	<b>124,978</b>	<b>11,536</b>	<b>193,418</b>
Total comprehensive income (loss)	-	-	-	9,392	9,392
<i>Net profit (loss) for the year</i>	-	-	-	9,392	9,392
<b>Balance as of</b>					
<b>31 December 2016 (audited)</b>	<b>51,731</b>	<b>5,173</b>	<b>124,978</b>	<b>20,928</b>	<b>202,810</b>
Dividends declared	-	-	-	(20,928)	(20,928)
Total comprehensive income (loss)	-	-	-	10,875	10,875
<i>Net profit (loss) for the year</i>	-	-	-	10,875	10,875
<b>Balance as of</b>					
<b>30 June 2017 (unaudited)</b>	<b>51,731</b>	<b>5,173</b>	<b>124,978</b>	<b>10,875</b>	<b>192,757</b>

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

\* Result of share capital conversion into the euro.

Director General	Saulius Bilys		24 August 2017
Chief Accountant	Dzintra Tamulienė		24 August 2017

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Statement of cash flows

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
<b>I. Cash flows from (to) operating activities</b>		
I.1. Net profit (loss)	10,875	11,536
<b>Adjustments of non-cash items and other corrections:</b>		
I.2. Depreciation and amortisation	8,187	8,913
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(12)	(10)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	26	21
I.5. Income tax expenses (income)	1,969	1,731
I.6. Interest (income)	(2)	(2)
I.7. Interest expenses	177	341
I.8. Amortisation of grants (deferred revenue)	(918)	(994)
I.9. Elimination of other non-cash items	(18)	(67)
	<b>20,284</b>	<b>21,469</b>
<b>Changes in working capital:</b>		
I.10. Decrease (increase) in inventories	(141)	109
I.11. Decrease (increase) in trade accounts receivable	1,800	4,582
I.12. Decrease (increase) in other accounts receivable and prepayments	1,707	(542)
I.13. Increase (decrease) in trade accounts payable	(250)	(1,118)
I.14. Increase (decrease) in other accounts payable and other current liabilities	(2,199)	(30,698)
I.15. Decrease (increase) in other financial assets	1,615	31,376
I.16. Income tax (paid)	(1,617)	(958)
<b>Total changes in working capital</b>	<b>915</b>	<b>2,751</b>
<b>Net cash flows from operating activities</b>	<b>21,129</b>	<b>24,220</b>
<b>II. Cash flows from (to) investing activities</b>		
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(4,753)	(9,844)
II.2. Proceeds from sales of property, plant and equipment	12	10
II.3. Acquisition of investments in joint venture	-	(132)
II.4. (Acquisition) of held-to maturity investment	-	-
II.5. (Disposal) of held-to-maturity investment	-	-
II.6. Loans granted	(70)	-
II.7. Interest received	2	2
Disposal (acquisition) of other short term investments	-	-
<b>Net cash flows (to) investing activities</b>	<b>(4,809)</b>	<b>(9,964)</b>

The accompanying notes are an integral part of these financial statements.  
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COMPANY'S CONDENSED FINANCIAL STATEMENTS

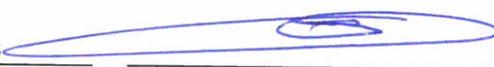
AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Statements of cash flows (cont'd)

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
<b>III. Cash flows from (to) financing activities</b>		
III.1. Dividends (paid)	(20,892)	(12,778)
III.2. Proceeds from borrowings	3,998	-
III.3. (Repayments) of borrowings	(16,444)	(21,454)
III.4. Grants received	3,170	34
III.5. Interest (paid)	(197)	(333)
III.6. Other cash flows from (to) financial activities	18	67
<b>Net cash flows from (to) financing activities</b>	<b>(30,347)</b>	<b>(34,464)</b>
<b>IV. Net increase (decrease) in cash and cash equivalents</b>	<b>(13,957)</b>	<b>(20,208)</b>
<b>V. Cash and cash equivalents at the beginning of the period</b>	<b>13,966</b>	<b>26,969</b>
<b>VI. Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>6,761</b>

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

Director General	Saulius Bilys		24 August 2017
Chief Accountant	Dzintra Tamulienė		24 August 2017

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

Notes to the Financial Statements

1 General information

AB Amber Grid (hereinafter referred to as the 'Company') was registered on 25 June 2013 after the spin-off from AB Lietuvos Dujos of the natural gas transmission activity with respective assets, rights and obligations attributed to the activity in question. The Company's operations date back to 1 August 2013.

On 13 January 2015, the National Commission for Energy Control and Prices (hereinafter referred to as the 'NCC') stated that AB Amber Grid's transmission activity unbundling was in compliance with provisions of the Law on Natural Gas. On 10 April 2015, upon the obtaining of a positive decision from the European Commission, the NCC issued in respect of the Company an open-ended License No. L2-3 (GDP) for the engagement in the Transmission System Operator's activity within the territory of Lithuania.

The Company's largest shareholder is UAB EPSO-G. UAB EPSO-G is 100-percent owned by the Republic of Lithuania and is managed by trust by the Ministry of Energy of the Republic of Lithuania. UAB EPSO-G is in charge of the management of the shareholdings of the electricity and gas transmission system operators of the Republic of Lithuania.

Since 1 August 2013, the Company's shares have been traded on a stock exchange; they are listed on the Baltic Secondary Trading List of NASDAQ OMX Vilnius Stock Exchange (ISIN code LT0000128696, instrument AMG1L).

As of 30 June 2017, the Company's shareholders were as follows:

	Number of shares owned	Ownership share (percent)
UAB EPSO-G (Company Code 302826889, A. Juozapavičiaus g. 13, Vilnius)	172,279,125	96.58
Other shareholders	6,103,389	3.42
	178,382,514	100.00

The Company's share capital amounts to EUR 51,730,929.06. It is divided into 178,382,514 ordinary registered shares with par value of EUR 0.29 each.

AB Amber Grid has a single subsidiary, UAB GET Baltic. In the financial statements as of 30 June 2017 and 2016, UAB GET Baltic is accounted for at acquisition cost.

UAB GET Baltic is a company with a valid natural gas market operator's license, and its main function is to organise and develop trade on the Natural Gas Exchange.

On 23 December 2016, AB Amber Grid acquired from the Finnish natural gas company, Gasum Oy, the remaining 34 % stake in UAB GET Baltic, and in this way AB Amber Grid became the only shareholder of UAB GET Baltic, which controls 100 % of the authorised share capital. As at 30 June 2017, UAB GET Baltic's authorised share capital amounted to EUR 580,450 and was composed of 3,055,000 units of ordinary registered shares with par value of EUR 0.19 each.

Company	Company code	Registered address of the company	Stake of shares held as of 31 March 2017	Stake of shares held as of 31 March 2016
UAB GET Baltic	302861178	Savanorių pr. 28, Vilnius	100 %	66 %

In accordance to the exemption provisions of Article 6.1 of the Law on Consolidated Financial Statements, the financial statements of the subsidiary were not subject to consolidation since from the point of view of the Company they are negligent, as of the end of the financial year, the value of the subsidiary's assets did not exceed 5 percent of the value of the Company's assets and the subsidiary's net income from Sales did not exceed 5 percent of the Company's net income over the same period.

UAB GET Baltic's condensed financial statements as of 30 June 2017 were drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have not been audited.

## 1 General information (cont'd)

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

- transmission of natural gas in the territory of the Republic of Lithuania;
- balancing of flows of natural gas in the transmission system;
- administration of the funds intended to compensate for the installation and fixed operating costs of the Liquefied Natural Gas Terminal, its infrastructure and connector and, as from 2016, for reasonable costs of the designated supplier for the supply of an obligatory quantity of liquefied natural gas.

As of 30 June 2017, the Company was party to 96 natural gas transmission service contracts with natural gas transmission system users (consumers of natural gas, natural gas distribution system operators, natural gas companies which supply gas up to consumer systems). As regards natural gas businesses that trade in natural gas, but do not transmit gas via the transmission system, the Company had entered with such companies into 3 natural gas balancing agreements.

AB Amber Grid's condensed financial statements, including the financial statements as of 30 June 2017, the profit (loss) accounts, the comprehensive income statements, the cash flow statements and the statement of changes in equity have not been audited. The Company's financial statements as of 31 December 2016 have been 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 the present AB Amber Grid's condensed financial statements in conjunction with the Company's annual financial statements of 2016.

## 2 Accounting principles

The Company's condensed financial statements as of 30 June 2017 were prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The figures in the Company's financial statements are presented in thousand euros. The financial statements were prepared relying on the historical cost basis. The Company's accounting policies are consistent with the accounting principles used in the previous year.

## 3 Information according to segments

The Company is engaged in natural gas transmission activity and operates as one segment. All non-current assets of the Company are located in Lithuania, where the Company carries out its activity.

During the first six months of 2017, the Company earned 76 percent of its revenue from Lithuanian system users (in 2016: 76 percent) and 24 percent of its revenue was received from the transit service, i.e. transportation of gas to the Kaliningrad Region of the Russian Federation and in the direction of Latvia (in 2016: 24 percent).

#### 4 Construction in progress

The largest objects of construction in progress of the Company as of 30 June 2017 were as follows:

Object	30 June 2017 (unaudited)	31 December 2016 (audited)
Implementation of the Gas Interconnection Poland-Lithuania (GIPL) Project in the territory of the Republic of Lithuania	6,337	6,262
Modernisation of Panevėžys Gas Compressor Station	2,405	1,861
Modernisation of gas transmission pipelines' line block valve units	30	1,765
Construction of an interconnection of Vilnius-Kaunas and Kaunas-Šakiai gas transmission pipelines	551	551
Introduction of automation into the supervision of the cathodic protection of gas transmission pipelines through the installation of a remote supervision and control system	144	430
Other	536	848
* Less: Impairment of construction in progress	(580)	(580)
	<b>9,423</b>	<b>11,137</b>

\* Impairment for the Project "Construction of interconnection between the gas transmission pipelines Vilnius-Kaunas and Kaunas-Šakiai (spatial planning and design services)" was made because the construction of the pipeline was postponed for later periods until its funding issues and further development issues are resolved.

#### 5 Trade receivables

	30 June 2017 (unaudited)	31 December 2016 (audited)
Gas transmission services receivables	4,856	6,859
Other trade receivables	218	15
Less: allowance for the decrease in value of trade receivables	(57)	(16)
	<b>5,017</b>	<b>6,858</b>

The trade receivables do not include any interest; the payment period is 15 calendar days.

#### 6 Other receivables

	30 June 2017 (unaudited)	31 December 2016 (audited)
LNG terminal funds receivable (administered by the Company)	13,166	13,279
Other receivables (grants)	927	3,488
Receivables accrued for natural gas transportation	-	1,676
Other receivables	242	143
	<b>14,335</b>	<b>18,586</b>

The LNG terminal funds receivable as at 30 June 2017 include the overdue amount of EUR 4,668 thousand, of which AB Achema's overdue amount is EUR 3,568 thousand and the overdue amount of UAB Kauno Termofikacinė Elektrinė is EUR 994 thousand. For more information about AB Achema's liabilities see Note 16 'Commitments and contingencies'.

The Company's Other Receivables are not subject to impairment.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

**7 Other financial assets**

As of 30 June 2017, the Company's Other Financial Assets consisted of the cash received from the natural gas supply security-related extra tariff component added to the natural gas transmission price (surcharge), for the sake of brevity referred to as LNG terminal funds. These funds are received from system users, are kept in a separate bank account for LNG terminal funds opened in compliance with legislative requirements and are designated to be paid out to the beneficiaries of LNG terminal funds: to the operator of the LNG terminal (AB Klaipėdos Nafta) and to the designated supplier (UAB Litgas) and to AB Amber Grid compensate for the cost of the administration of the LNG terminal funds. On 17 November 2016, the NCC adopted Resolution No O3-369 on the setting of a new natural gas supply security-related additional price component to be added to the basic natural gas transmission price, and the Resolution came into effect and was started to be applied to system users as from 1 January 2017. On 7 December 2016, the NCC by Letter No. R2-(D)-3066 assigned the specific shares (in percentage), in which the LNGT funds administered by AB Amber Grid shall on a monthly basis be distributed and paid out to the beneficiaries of the LNGT funds.

**8 Cash and cash equivalents**

	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Cash at bank	9	13,966
	<b>9</b>	<b>13,966</b>

The Company keeps its cash balance in bank accounts. Cash balance as of 30 June 2017 decreased due to the fact that the Company, under the impact of the negative interest rates prevailing on the market, decided to change the Company's treasury management policies, the aim being minimum cash balance. Nevertheless, where there is such a possibility, the Company invests in deposits with the shortest term possible (overnight). As of 30 June 2017, the Company had no overnight deposit contracts.

Loans

	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Long-term loans</b>		
Loans from credit institutions of Lithuania	45,778	57,222
Loan from international financial institutions	25,000	25,000
<b>Short-term loans</b>		
Loans from credit institutions of Lithuania	3,998	-
Current portion of long-term loans	6,444	11,444
	<b>81,220</b>	<b>93,666</b>

In February and April of 2017, the Company repaid prior to maturity part (EUR 16,444 thousand) of its long-term loan to Swedbank, AB. After the repayment, the outstanding loan to Swedbank, AB amounts to EUR 57,222 thousand.

On 22 December 2015, the Company entered into an agreement with the European Investment Bank on the possibility of borrowing of up to EUR 28,000 thousand for the period of up to 20 years. As of 30 June 2017, the loan was not used. The repayment of the loan or its part is possible until 21 December 2017.

In order to balance its working capital, on 1 March 2017 the Company concluded an overdraft contract for the amount of up to EUR 10,000 thousand. As at 30 June 2017, the share of the overdraft used by the Company amounted to EUR 3,998 thousand.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

**9 Grants (deferred revenue)**

	Deferred revenue	Asset- related grants	Revenue- related grants	Total
<b>Balance as at 31 December 2016</b>	<b>1,535</b>	<b>62,915</b>	-	<b>64,450</b>
Received / receivable	-	607	2	609
Depreciation/amortisation	(17)	(899)	(2)	(918)
<b>Balance as at 30 June 2017</b>	<b>1,518</b>	<b>62,623</b>	-	<b>64,141</b>

In the profit (loss) statement, the depreciation of the asset-related grants as at 30 June 2017 amounting to EUR 899 thousand (in 2016: EUR 966 thousand) was presented by cross-covering the costs of depreciation of the related assets with the grant-related revenue.

**11 Income tax**

In 2017, the standard corporate income tax rate applicable to the companies of the Republic of Lithuania was 15 per cent (in 2016: 15 per cent). The income tax expenses for the period comprise the current income tax and the deferred income tax.

In accordance with amendments to the Law on Corporate Income Tax, which provide for a possibility of taking advantage of the corporate income tax relief on investments in new technologies, as at 30 June 2017, the Company had calculated a corporate income tax relief amounting to EUR 1,064 thousand (as at 30 June 2016: EUR 966 thousand).

**12 Trade payables**

	30 June 2017 (unaudited)	31 December 2016 (audited)
Payables to suppliers under investment programme (new construction)	-	8
Payables to suppliers under investment programme (reconstruction and modernisation)	681	3,814
Payables to suppliers of goods and providers of services	716	828
Payables to providers of repairs services under non-current assets repairs programme	375	381
Payables to suppliers of natural gas	531	663
	<b>2,303</b>	<b>5,694</b>

The decrease in trade payables as at 30 June 2017 came as a result of the Company's lower investments according to Investment Programmes and settlements with contractors, the payment terms range from 30 to 60 days. The trade payables are interest-free.

**13 Other payables and current liabilities**

	30 June 2017 (unaudited)	31 December 2016 (audited)
Payable LNG terminal funds administrated by the Company	12,279	11,468
Accrued LNG terminal funds subject to administration by the Company*	892	3,696
Real Estate Tax payable	-	423
Value Added Tax (VAT) payable	416	165
Other payables	357	399
	<b>13,944</b>	<b>16,151</b>

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

**13 Other payables and current liabilities (cont'd)**

\*Accrued LNG terminal funds subject to administration by the Company are accounted when natural gas transmission system users are issued VAT invoices. Accrued funds subject to administration by the Company are included into the account of LNG terminal funds payable when AB Klaipėdos Nafta and UAB Litgas issue a VAT invoice to the Company in respect of the security-of-supply-related extra tariff component added to the regular natural gas tariff.

**14 Earnings per share**

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

	<b>30 June 2017 (unaudited)</b>	<b>30 June 2016 (unaudited)</b>
Net profit (loss) attributable to the shareholders (EUR thousand)	10,875	11,536
Weighted average number of shares (thousand)	178,383	178,383
Earnings per share (EUR)	<b>0.06</b>	<b>0.06</b>

**15 Revenue**

	<b>For the period of three months ended 30 June 2017 (unaudited)</b>	<b>For the period of three month ended 30 June 2016 (unaudited)</b>	<b>For the period of six months ended 30 June 2017 (unaudited)</b>	<b>For the period of six months ended 30 June 2016 (unaudited)</b>
Income from natural gas transmission in the territory of Lithuania	11,567	11,382	29,173	29,902
Income from balancing services in the transmission system	1,616	1,190	3,237	3,875
Grants recognised as income	8	13	19	28
Income from LNG terminal fund administration	27	36	58	72
Other income	107	8	130	27
	<b>13,325</b>	<b>12,629</b>	<b>32,617</b>	<b>33,904</b>

## 16 Commitments and contingencies

### Litigation

1. Pursuant to the Republic of Lithuania Law on the Liquefied Natural Gas Terminal and resolutions adopted by the NCC, all users of the natural gas system that transport natural gas through the transmission system, when they make payments for natural gas transmission services, are required to pay an integral natural gas transmission price component that is intended to compensate for the costs of the installation and operation of the liquefied natural gas terminal facility, its infrastructure and the connector (hereinafter referred to as the "LNG terminal funds")<sup>1</sup>. Since AB Achema, in spite of the fact that it is a transmission system user, has systematically failed to pay the LNG terminal funds, on 7 March 2014, AB Amber Grid filed a claim with Kaunas Regional Court requesting the Court to award from AB Achema its debt for the LNG terminal funds failed to pay for the period from 1 September 2013 to 31 December 2013 plus a late payment penalty for the unpaid LNG terminal funds for the said period. On 16 March 2015, AB Amber Grid filed a new claim with Kaunas Regional Court regarding the adjudgement from AB Achema of the debt for the LNG terminal funds intended to cover the fixed operating costs of the LNG terminal, its infrastructure and connector that were started to be collected as from 3 December 2014, the late payment penalty and 6 percent annual interest. The Court merged the two cases into one and, on 29 September 2015, Kaunas Regional Court satisfied the claim of AB Amber Grid in its entirety, i.e. awarded the debt of EUR 3,188 thousand for the period from 1 September 2013 to 31 December 2013, plus late payment penalty of EUR 545 thousand, plus procedural interest and awarded the debt of EUR 14,721 thousand for the period from 3 December 2014 to 30 April 2015 and a late payment penalty of EUR 305 thousand and procedural interest. AB Achema appealed against the aforesaid court decision. On 8 June 2016, the Court of Appeal of Lithuania upheld the decision of the court of first instance.  
On 9 August 2016, the Supreme Court of Lithuania accepted cassation appeal. On 8 December 2016, the Supreme Court of Lithuania accepted AB Achema's request to suspend the judicial proceedings until AB Achema's claim is adjudged by the European Union's General Court in case No T-417/2016. At the Supreme Court of Lithuania, the case has not been adjudged yet.
2. On 19 November 2012, AB Achema applied to Vilnius Regional Administrative Court requesting to revoke paragraphs 3.1 and 4 of the Commission's Resolution No O3-317 of 19 October 2012 'On the establishment of funds intended to compensate for all or part of the construction and operating costs of the liquefied natural gas terminal, its infrastructure and connector for the year 2013', and to revoke paragraph 2 of the NCC's Resolution No O3-330 of 26 October 2012 'On adjustment of the price caps for natural gas transmission and distribution of AB Lietuvos Dujos and establishment of the additional component to be included in the natural gas transmission price cap (the LNG terminal component) for the year 2013'. (hereinafter referred to as the "First Administrative Case"). AB Amber Grid is involved in the proceedings as a third party concerned. On 28 May 2015, Vilnius Regional Court rejected the claim of AB Achema in its entirety. AB Achema filed an appeal. On 24 October 2016, Lithuania's Supreme Administrative Court suspended the judicial proceedings until the final decision of the European Union's General Court in case No. T-417/2016 takes effect.
3. On 22 December 2014, AB Achema applied to Vilnius Regional Administrative Court requesting to revoke paragraphs 1.1, 2.2.1, 2.3 and 3 of the NCC's Resolution No O3-895 as of 20 November 2014 'On the establishment of the upper liquefaction limit of natural gas (additional natural gas supply security component to be included in the natural gas transmission price) for the years 2015-2019'. By the Court ruling as of 7 July 2015, AB Amber Grid was involved in the case as a third interested party. On 11 November 2015, the Court suspended the proceedings by its ruling, and separate appeals were filed. On 11 January 2016, Lithuania's Supreme Administrative Court upheld Vilnius Regional Administrative Court's ruling as of 11 November 2015 on suspension of judicial proceedings until Lithuania's Supreme Administrative Court adjudges the First Administrative Case.
4. On 22 January 2016, AB Achema appealed to the Vilnius Regional Administrative Court requesting to annul paragraph 1 of the Commission's Resolution No O3-683 of 23 December 2015 'On the setting of an additional

<sup>1</sup> The Republic of Lithuania Law on the Liquefied Natural Gas Terminal (the original version) stipulated that the Liquefied Natural Gas Terminal expenses shall be compensated, and the Natural Gas Transmission and Distribution Price Caps Calculation Methodology as approved by the NCC's Resolution No O3-106 as of 8 August 2008 employed the term "LNGT-related extra tariff (surcharge)". Since 2014 the Law on the Liquefied Natural Gas Terminal employs the term "natural gas supply security-related extra price component added to the natural gas transmission price".

## 16 Commitments and contingencies (cont'd)

natural gas supply security-related price component to be included in the natural gas transmission price'. By a was involved in the judicial proceedings as a third interested party. The parties submitted their responses. On 10 November 2016, Vilnius Regional Court decided to suspend the judicial proceedings until Lithuania's Supreme Administrative Court adjudges the First Administrative Case.

5. On 18 April 2016, AB Achema applied to Vilnius Regional Administrative Court requesting to revoke paragraph 1 of the NCC's Resolution No O3-83 of 25 March 2016 'On the setting of an additional natural gas supply security-related price component to be included in the natural gas transmission price'. By a court ruling of 2 May 2016, AB Amber Grid was involved in the proceedings as a third interested party. The parties submitted their responses. On 16 November 2016, Vilnius Regional Administrative Court decided to adjourn the judicial proceedings until Lithuania's Supreme Administrative Court adjudges the First Administrative Case.

6. On 18 August 2016, AB Amber Grid filed a lawsuit with Kaunas Regional Court requesting to adjudge from AB Achema debt amounting to EUR 2,430 thousand of the LNG terminal funds under the natural gas transmission service contracts of 2012 and 2014. At present the case is being prepared for action on the merits.

7. On 6 October 2016, AB Achema filed a complaint against the defendant, the Republic of Lithuania, claiming damages incurred as a result of the provision of state aid that was uncoordinated with the European Commission. AB Amber Grid was involved in the judicial proceedings as a third interested party. In the case, the parties have already submitted their responses. On 15 March 2017 the court rejected the complaint, and AB Achema filed an appeal.

8. On 28 December 2016, AB Achema appealed to Vilnius Regional Administrative Court for the annulment of the NCC's Resolution No O3-369 as of 17 November 2016 "On the setting of an additional natural gas supply security-related price component to be included in the natural gas transmission price". AB Amber Grid was involved in the proceedings as a third interested party. In the case, a deadline was set for the submission of responses. On 3 April 2017, a ruling was issued to suspended the judicial proceedings until the coming into effect of the final decision in administrative case No A-162-858/2017 examined at Lithuania's Supreme Administrative Court (judicial proceedings No 3-61-3-02929-2012-0).

9. On 15 June 2017, AB Achema appealed to Vilnius Regional Administrative Court for the annulment of the NCC's Resolution No O3E-145 as of 15 May 2017 "On the recalculation of an additional natural gas supply security-related price component to be included in the natural gas transmission price for the year 2017". AB Amber Grid is involved in the proceedings as a third party concerned and on 29 June 2017 submitted a response to AB Achema's appeal.

## 17 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.

As of 30 June 2017 and as of 30 June 2016, the related parties of the Company were as follows:

- UAB GET Baltic (a subsidiary of AB Amber Grid);
- UAB EPSO-G (the parent company);
- LITGRID AB (a subsidiary of UAB EPSO-G);
- UAB Baltpool (a subsidiary of UAB EPSO-G);
- UAB Tetas (a subsidiary of AB LITGRID);
- UAB LITGRID Power Link Service (a subsidiary of AB LITGRID);
- UAB Duomenų Logistikos Centras (an associated company of AB LITGRID Group);
- Lit Pol Link Sp.z.o.o. (a joint venture co-owned by AB LITGRID and the Polish electricity network operator PSE S.A.);
- Management.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

(all amounts are in euro thousand unless stated otherwise)

**17 Related party transactions (cont'd)**

The tables below present the Company's balances and transactions with the related parties as of 30 June 2017 and as of 30 June 2016:

<b>As of 30 June 2017 (unaudited)</b>	<b>Acquisitions</b>	<b>Sales</b>	<b>Accounts receivable</b>	<b>Accounts payable</b>
UAB GET Baltic	68	6	71	1
UAB EPSO-G	36	-	-	21
	<b>104</b>	<b>6</b>	<b>71</b>	<b>22</b>

<b>As of 30 June 2016 (unaudited)</b>	<b>Acquisitions</b>	<b>Sales</b>	<b>Accounts receivable</b>	<b>Accounts payable</b>
UAB GET Baltic	132	3	1	-
	<b>132</b>	<b>3</b>	<b>1</b>	<b>-</b>

On 30 March 2017, AB Amber Grid and GET Baltic signed a loan agreement under which AB Amber Grid may extend to GET Baltic UAB a loan of up to EUR 200,000 (two hundred thousand euros). The annual interest rate on the loan is variable consisting of a variable interest rate of 1 (one) month EURIBOR plus a fixed-rate margin of 1.5 percent (one point five percent). The contractual maturity date of the loan is 31 March 2018.

As at 30 June 2017, AB Amber Grid's loan granted to UAB GET Baltic amounted EUR 70,000 (seventy thousand euros).

From 6 April 2017 until 30 June 2017 the interest accrued on the loan amount used stood at EUR 247.40 (two hundred forty seven euros and 40 euro cents).

There were no guarantees either provided or received for receivables from the related parties or for payables to them. As at 30 June 2017, the Company did not account any impairment loss allowances for receivables from any related parties.

**Benefits to the Management**

During the period of three months ended 30 June 2017, the Company's benefits to the Management of the Company amounted to EUR 233 thousand (during the period of three months ended 30 June 2016: EUR 224 thousand). The Company's Management consists of the Chief Executive Officer (Director General) and his four deputies. The Management of the Company were not given any loans or guarantees and were not subject to any asset transfers.

During the first six months of 2017, benefits paid to the members of the Board amounted to EUR 14 thousand (in 2016: EUR 5 thousand).

**18 Subsequent events**

On 1 July 2017, the Company, together with other natural gas transmission system operators of the Baltic States, Connexus Baltic Grid AS (Latvia) and Elering AS (Estonia), began using the implicit capacity allocation model in order to raise the efficiency of the allocation of short-term natural gas transmission capacities at the Baltic States' cross-border interconnection points. The capacity allocation is linked to gas trading on the Natural Gas Exchange, UAB GET Baltic. The implicit capacity allocation system will be used for the allocation of short-term transmission capacities between the Member States on the gas exchange platform, along with quantities of gas traded through the Gas Exchange on the Baltic gas markets.

The Company's Board at its meeting of 11 July 2017 decided as from 1 January 2017 start applying UAB EPSO-G Group's Accounting Policy at the Company in full scope with additional regulation and exemptions and to adopt AB Amber Grid's Accounting Policies that were drawn up accordingly.

**18 Subsequent events (cont'd)**

The main differences between the Company's Accounting Policies as applied until 31 December 2016 and the ones as adopted for application as from 1 January 2017 are as follows:

- (i) Property, plant and equipment will be accounted for at revalued values;
- (ii) In the balance sheet, values of grants received will be offset against values of assets that were acquired with the grants.



AB AMBER GRID  
INTERIM REPORT  
FOR THE SIX-MONTH PERIOD  
ENDED ON 30 JUNE 2017

Vilnius  
2017

## TABLE OF CONTENT

1. GENERAL INFORMATION.....	3
1.1. BACKGROUND .....	3
1.2. OPERATIONS OF THE COMPANY .....	3
1.3. LONG-TERM STRATEGY OF THE COMPANY.....	9
1.4. EMPLOYEES .....	9
1.5. INTERNATIONAL COOPERATION .....	10
1.6. SOCIAL RESPONSIBILITY .....	10
2. FINANCIAL RESULTS.....	12
KEY INDICATORS OF THE TRANSMISSION SYSTEM .....	12
KEY FINANCIAL INDICATORS OF THE COMPANY .....	12
OPERATING PLANS AND PROJECTIONS.....	17
RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM .....	17
3. MANAGEMENT OF THE COMPANY .....	18
4. MATERIAL EVENTS OF THE REPORTING PERIOD .....	25

## 1. GENERAL INFORMATION

Reporting period for which the report has been prepared: 1 January – 30 June 2017

### 1.1. BACKGROUND

<b>Name</b>	AB Amber Grid (hereinafter referred to as Amber Grid or the Company)
<b>Legal form</b>	Public company
<b>Registration date and register</b>	25 June 2013, Register of Legal Entities
<b>Business ID</b>	303090867
<b>Manager of the Register of Legal Entities</b>	State Enterprise Centre of Registry
<b>Authorised capital</b>	EUR 51,730,929.06
<b>Registered office address</b>	Savanorių pr. 28, LT-03116 Vilnius
<b>Telephone</b>	+370 5 236 0855
<b>Fax</b>	+370 5 236 0850
<b>Email address</b>	info@ambergrid.lt
<b>Website</b>	www.ambergrid.lt

**Mission of the Company:** Ensure the effective development of the transmission system, secure a reliable gas transmission process, contribute actively to the development of an integrated European gas transmission system, and enable the development of a competitive gas market in order to safeguard the national strategic interests.

**Vision of the Company:** Create favourable conditions for the functioning of the regional gas market within an integrated European gas network by taking proactive measures and through cooperation with the gas transmission system operators across the region.

Amber Grid, the gas transmission system operator, is a company that plays an important role in safeguarding the national security of Lithuania. It is responsible for the transmission of natural gas, the operation and maintenance of gas pipelines, and for securing safe and reliable functioning and development of the gas transmission system. The Company's customers are large and medium-sized entities operating in the electricity and heat generation sectors, industrial enterprises, natural gas supply companies to which the natural gas transmission services are provided in the territory of Lithuania.

### 1.2. OPERATIONS OF THE COMPANY

The Company provides the following services to system users, other operators and market participants:

- Transmission of natural gas in the territory of the Republic of Lithuania;
- Balancing of natural gas flows in the transmission system;
- Administration of the funds intended to compensate for the costs of construction and fixed operating costs of the liquefied natural gas terminal (the 'LNG Terminal'), its infrastructure and the connector and the reasonable costs of the natural gas supply incurred by the supplier appointed in 2016.

## **1.2.1. TRANSPORTATION OF NATURAL GAS VIA GAS TRANSMISSION PIPELINES**

### **TRANSMISSION SYSTEM AND ITS DEVELOPMENT**

The transmission system consists of the transmission pipelines, gas compression stations, gas distribution stations, gas metering stations, equipment for the gas pipelines' protection against corrosion, data transmission and communication systems and other assets of the system. The Lithuanian gas transmission system is connected to the gas transmission systems of the Republic of Latvia, the Republic of Belarus and the Kaliningrad Region (Russian Federation) as well as the Klaipėda LNG Terminal. The length of the pipelines in operation totals 2,115 km, with the diameter varying between 100 to 1,220 mm. The design pressure of the larger part of the transmission system is 54 bar.

In the first six months of 2017, Amber Grid has been involved in implementation of the following strategic gas transmission system infrastructure projects:

- Gas Interconnection Poland-Lithuania (GIPL); and
- Enhancement of Latvia-Lithuania interconnection.

These strategic infrastructure projects have been included in the European Union's (EU) Second List of Projects of Common Interest published on 18 November 2015, the European Network of Transmission System Operators for Gas (ENTSO-G) Ten-Year Network Development Plan (TYNDP) updated in 2017, and the Baltic Energy Market Interconnection Plan (BEMIP) 2017, Amber Grid's Ten-Year Network Development Plan (2016–2025) of the Natural Gas Transmission System Operator and the National Plan on the Implementation of Priority Projects on Electricity and Natural Gas Transmission Infrastructure approved by Resolution of the Government of the Republic of Lithuania No 746 of 22 July 2014 (the National Plan).

### **GAS INTERCONNECTION POLAND-LITHUANIA (GIPL)**

The GIPL project has been recognised by the European Commission as a key infrastructure project securing the gas supply, being of significant importance for the energy security of the EU. Amber Grid is implementing the GIPL project jointly with GAZ-SYSTEM S. A., the Polish gas transmission system operator.

The objectives of the project are to:

- Integrate the Baltic and Finnish gas markets into the common EU market for gas,
- Diversify the gas supply sources,
- Increase the security of gas supply.



Map 1. Project on the Gas Interconnection Poland-Lithuania (GIPL)

In January 2017 the Company and GAZ-SYSTEM S.A. jointly with the Innovation and Networks Executive Agency (INEA), issued amendments to the trilateral agreements on the EU financial support for GIPL preparatory and construction works ('Preparatory Works of the Gas Interconnection Poland-Lithuania Prior to Issue of Construction permits' and 'Construction of the Gas Interconnection Poland-Lithuania Including Additional Infrastructure') under CEF, the Connecting Europe Facility. The amendments were initiated when GAS-SYSTEM S.A. was faced with issues in the implementation of the GIPL project preparatory works and when it proposed making changes in the originally projected gas pipeline routing in the Polish territory. As a result, respective changes had to be introduced to the original GIPL project scope in the Republic of Poland and the project implementation timelines. The term of implementation of the project has been extended until 31 December 2021. The main gas pipeline 700 mm in diameter will connect compressor stations of both countries: Jauniūnai in Lithuania and Hołowczyce in Poland.

As regards total length of the prospective gas pipeline, the presently planned route will be shorter than the previously planned route (up to 534 km), but there will be final clarity only upon a technical feasibility study on the Polish side.

Apart from the EU financial assistance to GIPL project, its construction works will be co-financed by Lithuania, Latvia and Estonia, which will cover part of the infrastructure costs in Poland according to a cross-border cost allocation solution.

#### **ENHANCEMENT OF LATVIA-LITHUANIA INTERCONNECTION**

The aim of the project is to increase the capacity of the gas systems interconnection Latvia-Lithuania, ensuring safe and reliable natural gas supply, and achieving a more effective use of the infrastructure and better integration of the gas markets of the Baltic States (Map 2). The implementation of the project will also enable a better use of the Latvian Inčukalns underground gas storage facility.



Map 2. Enhancement of Latvia-Lithuania interconnection

The implementation of the project will result in the increased capacities of the Kiemėnai GMS in Lithuania and the construction of the requisite gas pipeline section in Latvia. The project is being implemented by AS Conexus Baltic Grid and Amber Grid.

#### **EUROPEAN UNION'S FINANCIAL ASSISTANCE**

On 30 May 2017, Amber Grid and Lithuanian Business Support Agency, a public entity, concluded an agreement on financial support for an investment project 'Acquisition of a mobile gas compressor for gas repumping'. The equipment is required for an efficient operation and management of the transmission system and for the reduction of gas emissions into the environment. 50 % of the costs of the implementation of the project will be financed by the EU.

#### **OPERATION, RECONSTRUCTION AND MODERNISATION**

Operation of transmission pipelines is governed by rules and regulations and strict compliance therewith must be ensured. Maintenance and repair works are performed on a regular basis in order to secure the reliability and safety of the transmission system.

In 2017, inner diagnostic works have been started on the Šakiai-Klaipėda gas transmission pipeline; correction of defects found in the Vilnius-Panevėžys-Riga gas pipeline and the gas pipeline to Kaliningrad is continued; and gas pipeline insulation repairs are continued.

Works carried out during the first six months of 2017:

- Completed works of replacement of 17 closing equipment units and connection of 4 closing units to SCADA, a remote control system;
- Continued upgrading of the Panevėžys gas compressor station;
- Completed installation of 34 cathode stations with a remote measuring and control system (remote monitoring and control of pipe anti-corrosion protection equipment);
- Improvement of the information technology infrastructure;
- Procurement of works and equipment for other projects included in the Company's investment programme.

## REGULATION OF NATURAL GAS PRICES

Prices for the natural gas transmission services are subject to regulation.

On 1 January 2017, the price ceilings for the natural gas transmission services, set for the Company for the entry<sup>1</sup> and exit<sup>2</sup> points of the transmission system (the entry-exit capacities allocation model is applied in Lithuania, in accordance with the EU requirements, since 2015) by the National Commission for Energy Control and Prices (NCC) in October 2016, took effect. The service price ceilings may be adjusted on an annual basis by decision of the NCC according to the procedures set out in the Methodology for the Setting of the State-Regulated Prices in the Natural Gas Sector.

The prices for the natural gas transmission services, approved by the NCC at the end of autumn for the entry and exit points of the transmission system, took effect on 1 January 2017 as well. For more detailed information on the natural gas transmission service prices in effect since 1 January 2017, please visit the website of the Company: [www.ambergrid.lt](http://www.ambergrid.lt) (section *Transportation Services*, subsection *Tariffs/ Prices*).

## NATURAL GAS TRANSMISSION QUANTITIES

During the first six months of 2017, the transmission system operated by the Company received, for transmission to the system users in Lithuania and other Baltic States, 8,283.3 GWh of natural gas from Belarus through the Kotlovka gas metering station and 4,702.7 GWh from the Klaipėda LNG Terminal, i. e. the LNG terminal supplied 36.1% of the quantity required by the said customers. 42 GWh of natural gas was transported to Lithuania from the Republic of Latvia.

In the same period of 2017, 12,834.1 GWh of natural gas was transported for Lithuanian customers up to the domestic exit point. Compared with the first six months of 2016 (12,281.4 GWh of natural gas), transmission volumes have increased 4.5%. 35 GWh of natural gas was transported from the transmission system to the Republic of Latvia, via the Kiemėnai GMS, during the reporting period (first 6 months of 2016: 235.6 GWh).

During the reporting period, 12,907.4 GWh of natural gas was transmitted to the Kaliningrad Region of the Russian Federation (first 6 months of 2016: 11,412.7 GWh).

As of 1 July 2017 the Company had 96 natural gas transmission service agreements with the users of the natural gas transmission system (natural gas customers, operators of the natural gas transmission system, importers, natural gas supply companies that supply the gas up to the customers' systems) including 63 system users using the transmission capacity during the reporting period. The Company had 3 natural gas balancing agreements concluded with market players that are engaged in the trade of natural gas in virtual trading point but do not transport the gas via the transmission system.

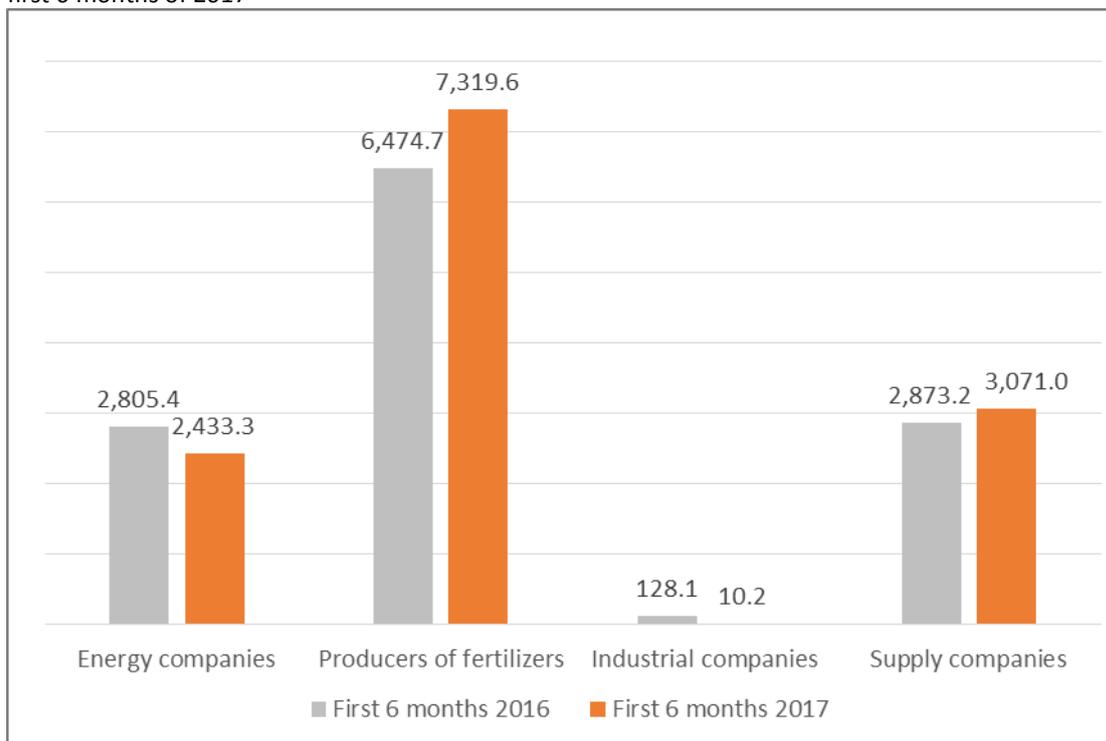
The structure of the natural gas sales (by transmission system users) at the domestic exit point is shown in Figure 1.

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<sup>1</sup> Points of interconnection of the Lithuanian transmission system with the Belarussian and Latvian systems and with the system of the Klaipėda LNG Terminal.

<sup>2</sup> Points of interconnection of the Lithuanian transmission system with the systems of Latvia and the Kaliningrad Region of the Russian Federation and the domestic exit point (including the points of interconnection of the Lithuanian transmission system with the gas distribution systems or consumers' systems).

Figure 1. Natural gas sales in Lithuania, by the natural gas transmission system users, GWh, first 6 months of 2016 and first 6 months of 2017



### 1.2.2. BALANCING OF THE NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid is responsible for ensuring the balancing of the natural gas flows in the transmission system. The Company buys the balancing gas from a gas market participant that has caused a gas excess in the transmission system and sells the balancing gas to a participant that has caused a gas shortage in the system.

In the first 6 months of 2017, the Company purchased 0.014 GWh and sold 5.6 GWh of natural gas due to the imbalance resulting from the system users' actions, including 136.3 GWh of gas sold for the balancing of flows of natural gas transmission to the Kaliningrad Region.

The gas quantities in the pipelines of the Company's transmission system vary not only due to the balancing of the system users' and other gas market participants' flows but also due to the technical and technological features of the transmission system.

### 1.2.3. ADMINISTRATION OF THE LNG TERMINAL'S FUNDS

In accordance with the provisions of the Republic of Lithuania Law on the LNG Terminal and the relevant regulations, the Company collects, administers and pays out the LNG funds to the operator of the LNG Terminal and the designated supplier (LITGAS UAB). By decision of the NCC, part of the collected funds is earmarked for the payment for the administration costs incurred by the Company.

By its resolution No O3-369 of 17 November 2016, the NCC approved an additional natural gas supply security component of the natural gas transmission price applied to users of the natural gas system for the natural gas consumption capacities required for securing the meeting of their maximum daily demand for natural gas at delivery points. The approved value of the additional component were in effect from 1 January 2017. By resolution No O3E-145 of 15 May 2017, a new value of the component was approved and took effect on 1 July 2017.

### 1.3. LONG-TERM STRATEGY OF THE COMPANY

On 17 January 2017 the Board of the Company approved the corporate strategy for 2017-2022, with the strategic lines of development consistent with the strategies formulated by UAB EPSO-G, the majority shareholder: the development of regional operations and ensuring successful implementation of strategic projects, efficient operations, and creative and advanced organisation.

### 1.4. EMPLOYEES

As of 30 June 2017 the Company employed 363 people. The employee turnover rate during first 6 months of 2017 was 2%.

Table 1. Number of employees by employee groups, first 6 months of 2017

	Number of employees, 30 June 2017	Number of employees, 30 June 2016
Executives	5	5
Medium level managers & specialists	231	229
Workers	127	129
Total:	363	363

The average monthly pay at the Company is shown in Table 2, by employee groups.

Table 2. Average monthly pay by employee groups, first 6 months of 2017

	Average monthly pay, first 6 months of 2017, EUR	Average monthly pay, first 6 months of 2016, EUR <sup>3</sup>
Executives	6,309	5,714
Medium level managers & specialists	1,530	1,337
Workers	964	841
Total:	1,402 <sup>4</sup>	1,222

In the first 6 months of 2017, 116 employees of the Company took part in training on professional and technical subjects, 109 employees were certified as energy specialists, and 181 employees took part in general/managerial training.

The Company has a collective agreement in place, the term of which expires on 31 December 2017. The collective agreement contains usual clauses on rights or responsibilities of the Company and the employees.

An Amber Grid's trade union was established in the Company on 23 June 2017.

<sup>3</sup> The average monthly pay of the Company's management, medium level managers and specialists for the first 6 months of 2016 has been adjusted according to the structure of these staff groups in the first 6 months of 2017.

<sup>4</sup> Changes in the average monthly pay of medium level managers, specialists and workers have occurred in the first 6 months of 2017 compared with the same period of 2016 due to a change in the policy of payment of the variable part of pay (VPP). VPP had been linked to the annual employee's performance assessment and its payment for 2016 took place not at the end of the year but after the annual interviews held at the beginning of 2017. Such VPP policy is applied to executives and managers since 2013.

## 1.5. INTERNATIONAL COOPERATION

The Company takes an active part in the Regional Gas Market Coordination Group (RGMCG) and maintains close cooperation ties with transmission system operators (TSO) of the East Baltic region. The RGMCG is formed of the representatives of the East Baltic countries' ministries for energy, regulators, natural gas transmission system operators, and operators of LNG terminals. The RGMCG is implementing an action plan on the development of regional gas market approved by the Baltic States' Prime Ministers in December 2016. For this purpose the RGMCG has established a number of working groups tasked with the formulation of the rules for the balancing and interoperability of the transmission systems and for the allocation of capacities and the development of a common transmission system pricing and the mechanism of wholesale trading and the operation of a regional gas exchange.

In the first half of 2017 the Company took an active part in the said working groups, specifically, in the analyses of the common market trading model and the balancing model, the results of which will be presented in the RGMCG by the end of 2017.

On 1 July 2017, the Company and the Latvian and Estonian TSOs launched an implicit capacity allocation model in the cross-border interconnection points in the Baltic States. The implementation of the model in the Baltic States was approved by the national regulatory authorities in January 2017. The application of the model is a measure to integrate the Baltic gas markets in the transitional period in order to enhance the markets' competitiveness and to promote cross-border gas trading. It is projected that the regional market will start operating in 2020.

On 26 June 2017, the TSOs of the BEMIP (Baltic Energy Market Interconnection Plan) region published the Regional Gas Investment Plan containing an overview of the development of the regional gas market, regional initiatives and planned investment projects for a ten-year period (2017-2026).

The BEMIP Gas Regional Investment Plan covers seven countries and their TSOs: Energinet.dk (Denmark), Elering AS (Estonia), Gasum Oy (Finland), AS Conexus Baltic Grid (Latvia), AB Amber Grid (Lithuania), GAZ-SYSTEM S.A. (Poland), and Swedegas AB (Sweden).

The Company is a member of ENTSOG ([www.entsog.eu](http://www.entsog.eu)) and the member of the Chamber of the Polish and Lithuanian Commerce Association.

## 1.6. SOCIAL RESPONSIBILITY

In order to contribute to the global sustainable development process, Amber Grid works according to the highest standards of business ethics and social responsibility and adheres to the principles of the United Nations' Global Compact that deal with businesses' responsibility in the areas of human rights, employee rights, environmental protection and fighting corruption. The Company implements the social responsibility principles through consistent work along the following lines:

- Socially responsible activities in the market: safe and reliable transmission of natural gas to the system's users, enabling the development of a competitive gas market, transparent collaboration with clients and suppliers in good faith, and zero tolerance to corruption;
- Social responsibility in the employee relations: concern for the employees' health, welfare and motivation; development of professional competences of the employees;
- Social responsibility in the environmental protection: continuous improvement of the Environmental Management System, reducing the negative impact of the Company's operations upon the environment, efficient use of material resources in the operations;

- Social responsibility in public relations: development of various social initiatives and projects in local communities and on a national scale.

For more information about the Company's activities in the environmental protection and other social responsibility areas, please see Amber Grid AB's Social Responsibility Report published on the Company's website: [www.ambergrid.it/en/about-us/ab-amber-grid-social-responsibility-policy](http://www.ambergrid.it/en/about-us/ab-amber-grid-social-responsibility-policy).

## 2. FINANCIAL RESULTS

### KEY INDICATORS OF THE TRANSMISSION SYSTEM

Table 3. Operating indicators of the Company

	First 6 months of 2017	First 6 months of 2016
<b>Natural gas transportation volumes</b>		
Gas quantities transported to the internal exit point, GWh	12,834.2	12,281.4
Gas quantities transported to adjacent transmission systems <sup>5</sup> , GWh	12,942.4	11,648.3
<b>Number of system users at period end</b>	96	93
<b>System being operated</b>		
Length of main gas pipelines, km	2,115	2,013
Number of gas distribution stations and gas metering stations	70	69

### KEY FINANCIAL INDICATORS OF THE COMPANY

Table 4. Financial indicators of the Company

	First 6 months 2017	First 6 months 2016
<b>Financial results (EUR'000)</b>		
Revenues	32,617	33,904
EBITDA <sup>6</sup>	20,316	21,509
Profit before tax	12,844	13,267
Net profit	10,875	11,536
Net cash flows from operations	21,199	24,220
Investments	1,630	5,672
Financial debt	81,220	116,556
Net financial debt	81,211	109,795
<b>Profitability ratios (%)</b>	First 6 months of 2017	First 6 months of 2016
EBITDA margin	62.29	63.44
Gross profit margin	39.38	39.13
Net profit margin	33.34	34.03
Return on assets (ROA) <sup>7</sup>	2.99	2.89
Return on equity (ROE)	5.50	5.95
<b>Liquidity indicators</b>	30-06-2017	30-06-2016
Total liquidity ratio <sup>7</sup>	0.51	1.15
Quick ratio <sup>7</sup>	0.42	1.06
<b>Capital structure ratios (%)</b>	30-06-2017	30-06-2016
Equity / assets ratio <sup>7</sup>	55.06	50.15
Financial debt / equity ratio	42.14	60.26

<sup>5</sup> Latvian and Kaliningrad Region (Russian Federation) gas transmission systems.

<sup>6</sup> Earnings (loss) before tax + costs of financial activities – income from financial activities + depreciation and amortisation costs + impairment loss + asset write-offs.

<sup>7</sup> Calculated upon elimination of the assets/liabilities arising from the LNG terminal's funds.

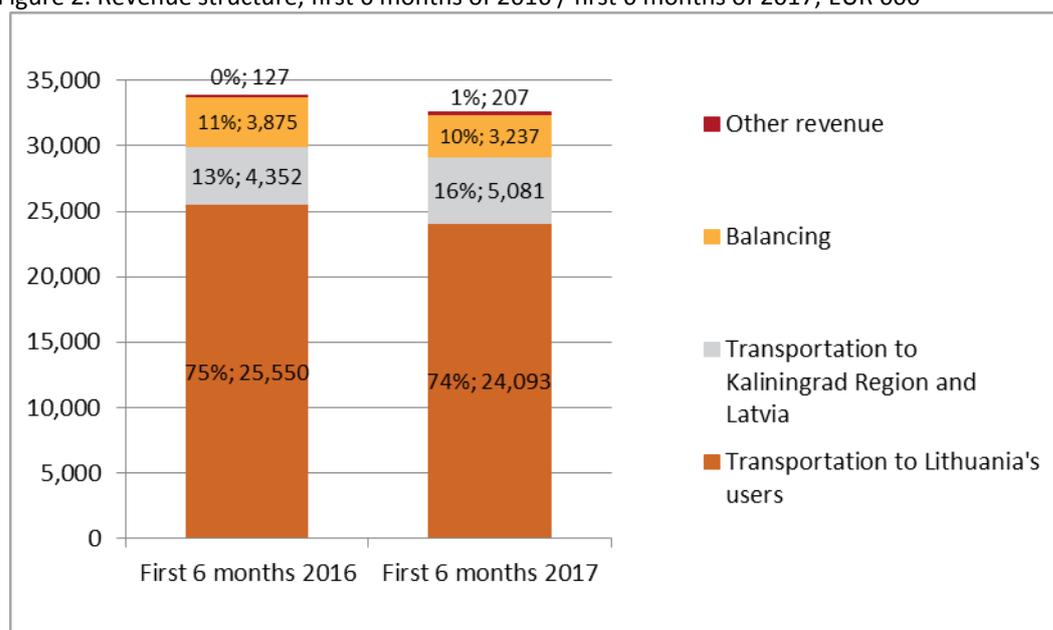
Net financial debt / equity ratio	42.13	56.77
<b>Market value indicators</b>	30-06-2017	30-06-2016
Price / earnings ratio (P/E)	21.32	17.32
Earnings per share, EUR	0.06	0.06

Financial statements of the Company for the first 6 months of 2017 include the results of UAB GET Baltic, the Company's subsidiary, presented by the equity method. In QIV of 2016, Amber Grid acquired from a Finnish company Gasum Oy 34% of the shares of UAB GET Baltic, becoming the sole shareholder of UAB GET Baltic. At present UAB GET Baltic is a wholly-owned subsidiary of the Company.

## REVENUES

In the first 6 months of 2017, the Company's revenues totalled EUR 32,617 thousand, which is a 3.8% year-on-year decrease. Income from natural gas transmission services has decreased due to smaller ordered long-term capacities of entry to/exit from the gas transmission system. Revenues from the balancing of natural gas flows shrunk 16.5 % year-on-year due to smaller balancing volumes. Other revenues including income from administration of the LNG terminal funds etc. totalled EUR 207 thousand for the first 6 months of 2017.

Figure 2. Revenue structure, first 6 months of 2016 / first 6 months of 2017, EUR'000



Balancing revenues are earned from the:

- balancing of the gas flows of the system users and other participants in the gas market involved in the transmission system balancing;
- technological balancing of the transmission system resulting from the transmission system technology and the gas flow deviations (imbalance) arising for technical reasons.

The Company is obliged to administer the LNG Terminal funds under the law. For more information and disclosures about the calculation of the LNG terminal funds, see the Company's financial statements for the first 6 months of 2017.

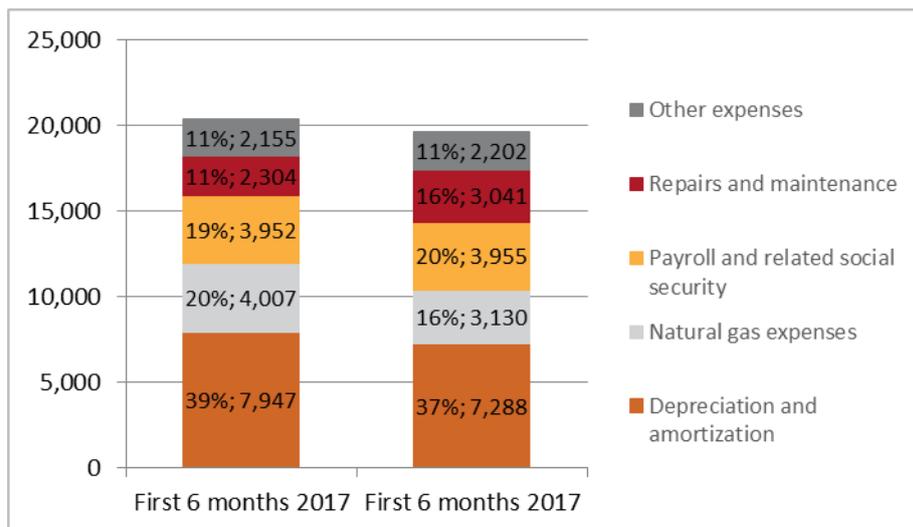
## COSTS

The Company's costs totalled EUR 19,616 thousand in the first 6 months of 2017 (3.7% less if compared with the same period of 2016).

Non-current asset depreciation and amortisation costs accounted for the largest part of the Company's costs: EUR 7,288 thousand or 37% of total costs, which is an 8.3% year-on-year decrease.

Natural gas costs amounted to EUR 3,130 thousand (16% of total costs), which is a 21.9% year-on-year decrease due to lower demand for natural gas quantities for balancing needs. Payments to employees and social security costs totalled EUR 3,955 thousand (20% of total costs) and repair and maintenance costs amounted to EUR 3,041 thousand (16%) (Figure 3). The Company bought natural gas for process needs, for the balancing of gas flows of the system's users and other gas market participants taking part in the transmission system's balancing, and the technological balancing.

Figure 3. Cost structure, first 6 months of 2016 / first 6 months of 2017, EUR'000



## OPERATING RESULTS

In the first 6 months of 2017, profit before tax totalled EUR 12,844 thousand (same period of 2016: EUR 13,267 thousand), and earnings before interest, tax, depreciation and amortisation (EBITDA) were EUR 20,316 thousand (same period of 2016: EUR 21,509 thousand) (Figure 4).

Net profit of the Company for the first 6 months of 2017 was EUR 10,875 thousand (same period of 2016: EUR 11,536 thousand).

The decline in profitability as compared to the same period of previous year was mainly caused by the lower transmission service tariffs applicable during the period in question and the resulting decline in revenue.

Figure 4. Financial results, first 6 months of 2016 / first 6 months of 2017, EUR'000

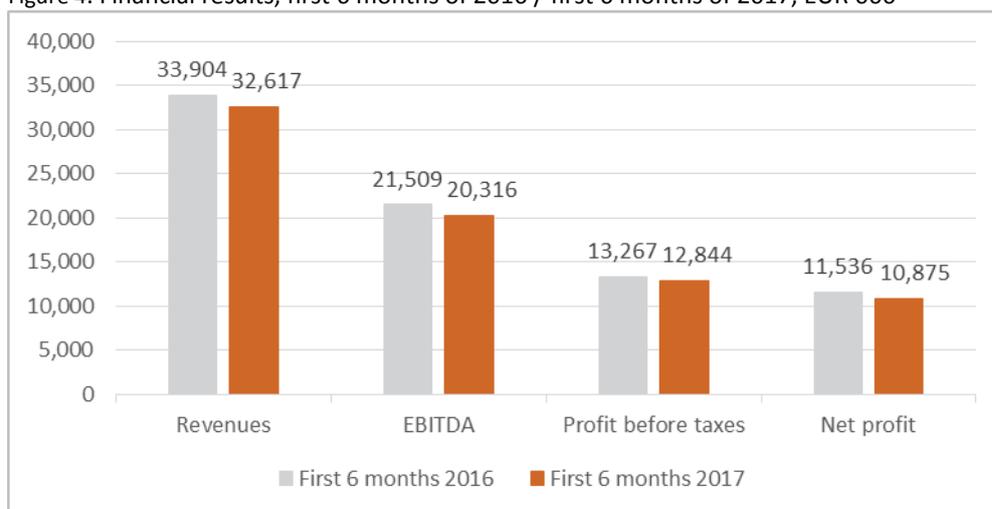
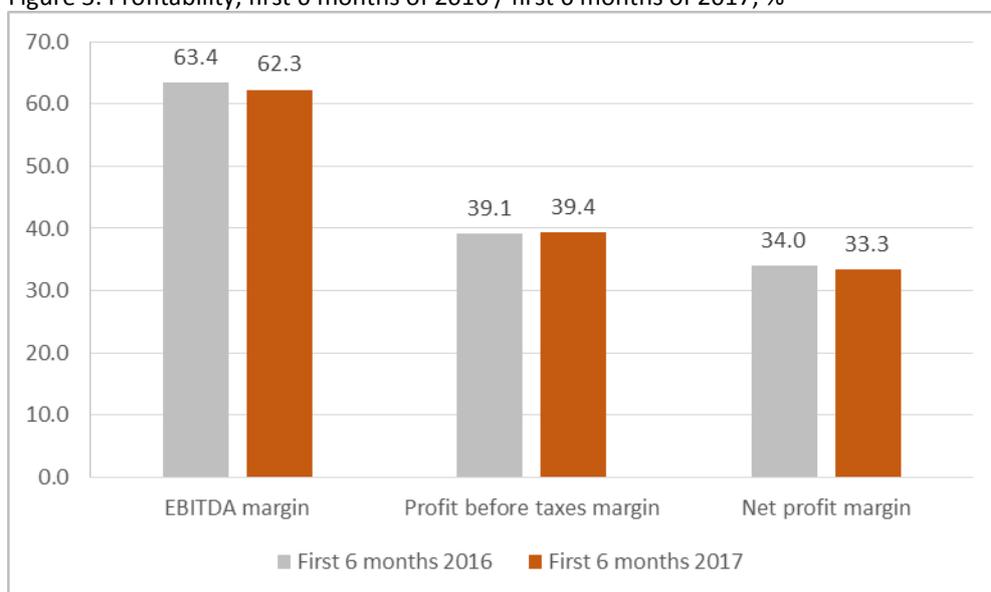


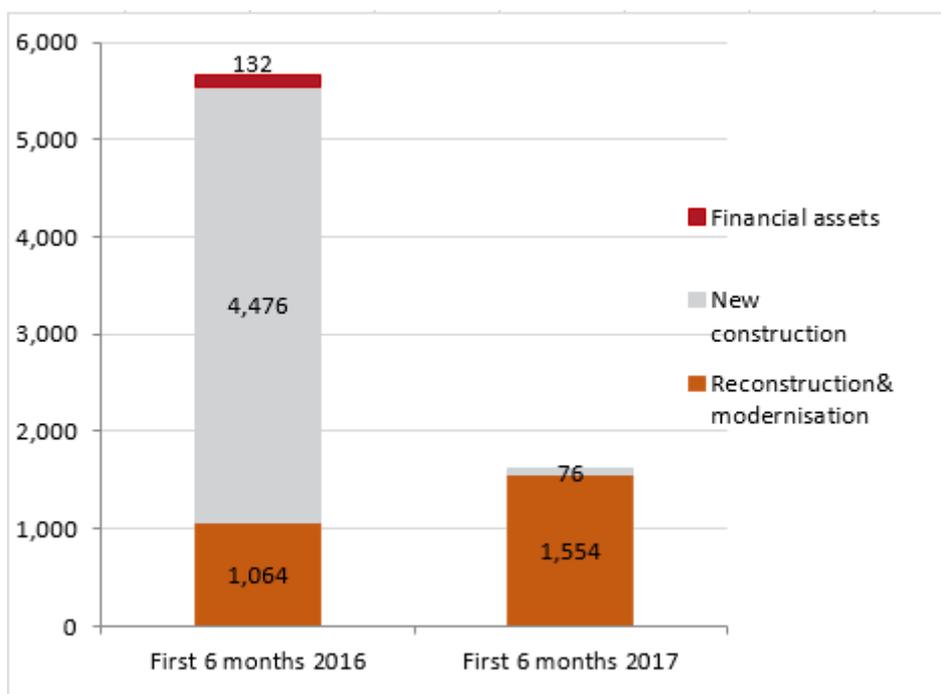
Figure 5. Profitability, first 6 months of 2016 / first 6 months of 2017, %



## INVESTMENTS

During the first 6 months of 2017, EUR 1,630 thousand were invested in the transmission system development and modernisation, compared to EUR 5,672 thousand in the same period of 2016. In the said period of 2017, just EUR 76 thousand were invested in the new gas systems' construction projects, whereas investments into reconstruction and modernisation totalled EUR 1,554 thousand (Figure 6).

Figure 6. Investment structure, first 6 months of 2016 / first 6 months of 2017, EUR'000



## ASSETS

As of 30 June 2017, the Company's asset value was EUR 363,285 thousand. Non-current assets accounted for 94% and current assets for 6% of total assets of the Company.

The reduction of the amount of non-current assets in the reporting period was due to the investments being smaller than the depreciation. During the said period the value of current assets was halved (EUR 21,494 thousand) due to the reduction of cash balance including the LNG Terminal funds.

## EQUITY AND LIABILITIES

In the period January-June 2017, the value of the Company's equity decreased 5% due to payment of dividend and, as of the end of the reporting period, the equity was EUR 192,757 thousand.

Accounts payable and liabilities decreased 9.5% (by EUR 17,960 thousand) during the first 6 months of 2017 and totalled EUR 170,528 thousand as of the end of the reporting period. The decrease in accounts payable and liabilities resulted from the reduction of financial debts.

The Company's financial debt totalled EUR 81,220 thousand as of 30 June 2017 (a decrease by EUR 12,466 thousand during the reporting period). Financial debt to equity ratio was 42.1%.

## CASH FLOWS

The net cash flows from operations of the Company totalled EUR 21,199 thousand in the first 6 months of 2017 (same period of 2016: EUR 24,220 thousand). EUR 4,753 thousand were used for the acquisition of non-current assets (same period of 2016: EUR 9,844 thousand) and EUR 20,892 thousand for payment of dividend (same period of 2016: EUR 12,778 thousand). EUR 3,170 thousand of EU assistance funds were received for

the financing of investments during the first 6 months of 2017 (same period of 2016: EUR 34 thousand). In the reporting period the Company repaid EUR 16,444 thousand of its long-term loans.

#### **REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT THE DATA IN THE CONDENSED FINANCIAL STATEMENTS**

Other information is provided in the Notes to the Condensed Financial Reports of Amber Grid as of 30 June 2017.

#### **OPERATING PLANS AND PROJECTIONS**

It is projected that in 2017 the Company will transport to the Lithuanian system users, at the domestic exit point of the transmission system, approx. 22.9 TWh of natural gas, to the Republic of Latvia 0.04 TWh of natural gas, and by transit to the Kaliningrad Region of the Russian Federation: 242 TWh of natural gas. Approx. 40% of the natural gas quantities intended for the users in Lithuania and other Baltic States will be supplied from the Klaipėda LNG Terminal.

Amber Grid plans to continue participation in the EBTSO and RGMCG working groups tasked with the formulation of the harmonised balancing and system interoperability rules, setting the responsibilities of the gas transmission system operators and the Market Area Manager ('MAM'), and identify the necessary amendments to legal acts.

#### **RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

There have been no substantial changes in the information on risk management and the internal control system of the Company during the reporting period compared with the information provided in the Annual Report for 2016.

### 3. MANAGEMENT OF THE COMPANY

#### SHARE CAPITAL

According to Resolution of the General Meeting of Shareholders of AB Amber Grid held on 23 April 2015, the authorised capital of the Company registered in the Register of Legal Entities of the Republic of Lithuania as of 30 April 2015 amounts to EUR 51,730,929.06. It has been divided into 178,382,514 ordinary registered shares of EUR 0.29 par value. An ordinary registered share of EUR 0.29 par value grants its holder one vote at the General Meeting of Shareholders. All the shares are fully paid for.

#### SHARES AND RIGHTS ATTACHED TO THEM

There are 178,382,514 shares in the Company that grant voting rights at the General Meeting of Shareholders. All the shareholders of Amber Grid have equal property and non-property rights. According to the Articles of Association of the Company, only the General Meeting of Shareholders has the right to make decisions on the issue of new shares and the purchase of own shares.

The Company is not aware of any mutual agreements of the shareholders due to which transfer of securities and/or the voting rights could be restricted. There are no restrictions of voting rights in the Company.

The Company has not acquired its own shares and has concluded no transactions on the acquisition/disposal of own shares in the first 6 months of 2017.

#### SHAREHOLDERS

There have been no changes in the Company's shareholding structure during the first 6 months of 2017. UAB EPSO-G retained the controlling block of shares (96.58%), remaining the only shareholder controlling more than 5% of the Company's shares.

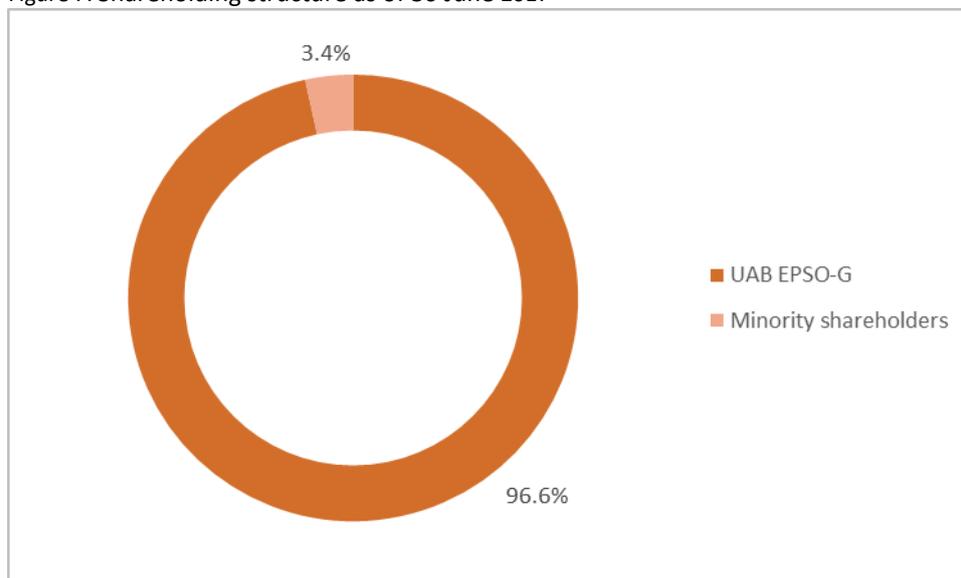
As shares of Amber Grid are traded on the stock exchange, the number of shareholders of Amber Grid is changing all the time. Based on the information received from the securities brokers, over 2,300 of Lithuanian and foreign natural and legal persons were shareholders of the Company as of 30 June 2017.

Table 5. Shareholders of the Company (30 June 2017)

Shareholder	Registered office/business ID	Number of the shares owned
UAB EPSO-G	A. Juozapavičiaus g. 13 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
Total:		178,382,514

The shareholding structure of the Company is shown in Figure 7:

Figure 7. Shareholding structure as of 30 June 2017



UAB EPSO-G, the majority shareholder controlling 96.58% of the shares, has the decisive vote in the passing of resolutions at the General Meeting of Shareholders.

#### DATA ON SECURITIES TRADING IN REGULATED MARKETS

Since 1 August 2013, the shares of the Company are traded in a regulated market and listed on the NASDAQ Vilnius Baltic Additional Trading List.

Table 6. Main information on Amber Grid shares

Main information on Amber Grid shares	
ISIN	LT0000128696
Symbol	AMG1L
Issue size (number)	178,382,514

The turnover of trading in the Company's shares amounted to EUR 840,000 in the first six months of 2017, with a total of 636,010 shares transferred under the transactions.

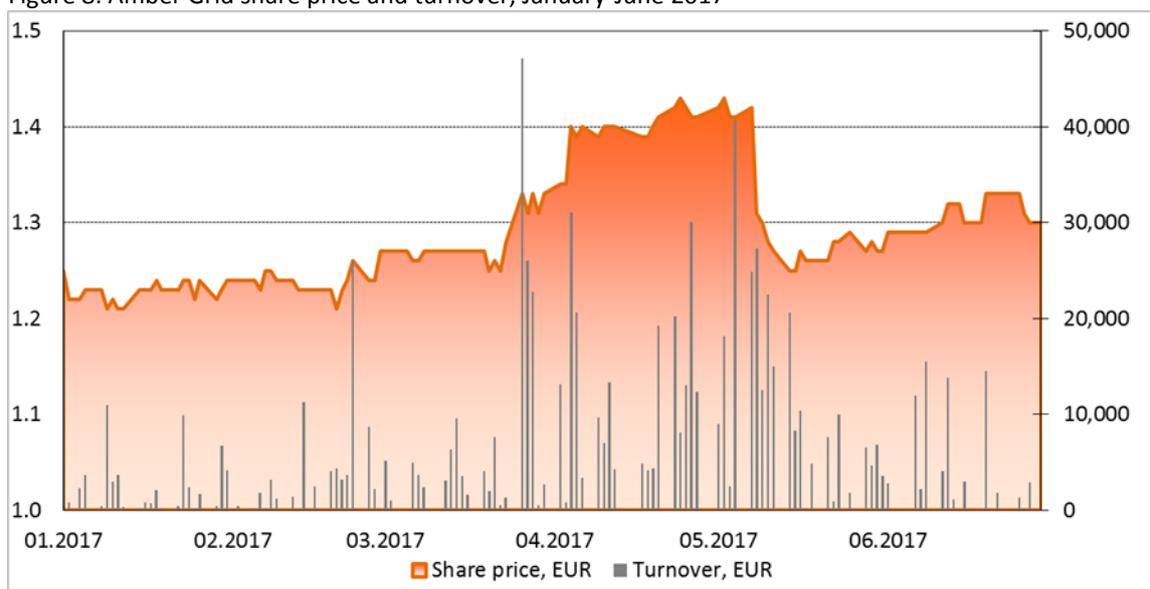
The dynamics of prices for the Company's shares is presented in Table 7 and data on the share prices and turnover (January-June 2017) is presented in Figure 8.

Table 7. Share price dynamics on NASDAQ Vilnius, January-June 2017

Opening price, EUR 01-01-2017	Maximum price per share, EUR 25-04-2017	Minimum price per share, EUR 10-01-2017	Weighted average price per share, EUR	Closing price, EUR 30-06-2017
1.24	1.43	1.21	1.321	1.30

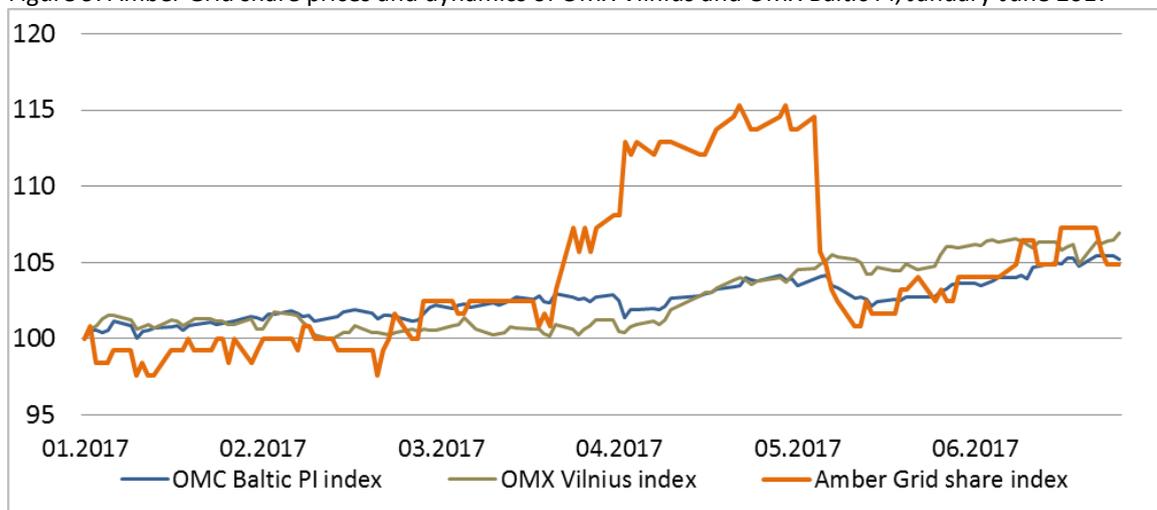
As of 30 June 2017, capitalisation of Amber Grid's shares amounted to EUR 231.9 million.

Figure 8. Amber Grid share price and turnover, January-June 2017



During the period January-June 2017, NASDAQ OMX’s comparative price indexes OMX Baltic PI and OMXV reflecting changes in the prices for the shares of companies listed on the securities exchanges of the Baltic States and Vilnius, have increased 5.16% and 6.91% respectively. The price for the Company’s shares has increased 4.84% in the same period. The prices of the Company’s shares and the changes in OMX Vilnius and OMX Baltic PI (January-June 2017) are shown in Figure 9.

Figure 9. Amber Grid share prices and dynamics of OMX Vilnius and OMX Baltic PI, January-June 2017



## DIVIDEND

The General Meeting of Shareholders held on 25 April 2017 resolved to pay the dividend. The dividend totals EUR 20,928,070 or EUR 0.11732131 per share.

## AGREEMENTS WITH SECURITIES BROKERS

Amber Grid has an agreement with AB SEB banks on the accounting for the securities issued by the Company and the provision of securities-related services.

On 15 May 2015, the Company concluded an agreement with AB SEB bankas on the payment/allocation of dividend to minority shareholders. Under this agreement, AB SEB determines and pays dividend to all shareholders of the Company except the majority shareholder UAB EPSO-G.

Details of AB SEB bankas	
Business ID	112021238
Registered office address	Gedimino pr. 12, Vilnius, Lithuania
Telephone	+370 5 268 2800, 1518
Email	info@seb.lt
Website	www.seb.lt

## MANAGEMENT STRUCTURE

The Company operates in accordance with the provisions of the Law on Companies, Law on Securities, other Lithuanian legal acts and the Articles of Association of the Company. The remit of the General Meeting of Shareholders and the rights of shareholders are defined in the Law on Companies and the Articles of Association of the Company. The Articles of Association are published on the Company's website: [www.ambergrid.lt/lt/apie\\_mus/rubrika-investuotojams/istatai](http://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai).

Management bodies of the Company according to the Articles of Association:

- the Board, and
- the CEO – the General Manager.

According to the Articles of Association, the Company's Board consists of 5 (five) members elected for the term of office of 4 (four) years according to a procedure established by the Law on Companies. The principle of proper representation of the rights of all shareholders must be followed in the election of the Board Members. Therefore, in proposing candidates to the Board Members, at least 2 (two) candidates should be from management of the parent company, at least 2 (two) candidates from the Company's management, and at least 1 (one) candidate must be an independent candidate as determined according to the criteria set out in the Governance Code and applicable legal acts. Any shareholder of the Company has the right to put up a candidate for the independent member of the Board. The Board Members elect the chairman of the Board from among themselves. The members of the Board may be re-elected for the next term of office. A Board Member may remain in the office for not more than 2 (two) full terms in succession. The powers of the members of the Board and the remit of the Head of the Company are defined in the Law on Companies and in the Company's Articles of Association.

The remit of the Board is in line with the remit of the board established in the Law on Companies, however, according to the Articles of Association, the Board has the following additional powers:

- The Board considers and approves the Company's strategy, operating plan, and report on the implementation of the operating plan, annual budget and annual operating targets, sponsorship and charity provision procedures, list of essential terms and conditions of transactions, procedure for the conclusion of transactions to be approved by the Board, list of information deemed to be a trade/industrial secret of the Company and confidential information and the principles of use/storage of such information in the Company, job description for the General Manager and his/her salary, annual targets and other terms and conditions of an employment contract; the Board incentivises and imposes sanctions on the General Manager; common documents of the Group of Companies as defined in the Articles of Association (guidelines, policies, codes etc.) and the scope of application thereof to the Company; decisions on the issue of bonds (excluding convertible bonds); decisions on formation and termination of the Company's branches and representative offices and on approval of and amendments to their regulations as well as appointment and recall of their heads; participation of the Company in any association or another amalgamation of legal entities; decisions

on the Company's acting as a founder or member of another legal entity; decisions on the increase/decrease in the number of shares/interests or another change in the rights attached to the shares/interests; approves the main terms and conditions of share agreements; decisions on the transfer of companies controlled by the company and/or the Company's associated companies as an asset, or a material part thereof, in the cases where the book value of the asset transferred is equal to or smaller than 1/20 of the authorised capital;

- The Board sets the gas transmission prices and prices for other services regulated by the State, as well the price setting methodology,
- The Board approves the standard terms and conditions of agreements directly related to the TSO's activities such as agreements on connection to the gas system; on the natural gas transmission service; on natural gas balancing, and decides on the conclusion of such transactions in deviation from the approved terms and conditions;
- The Board decides on the purchase on goods, services or works for an amount exceeding EUR 2,000,000, and where the acquisition is from the only supplier - for an amount exceeding EUR 1,000,000, on the purchase on goods, services or works from controlled or associated companies for an amount exceeding EUR 1,000,000 except for cases where goods listed on an exchange are being purchased for process or balancing needs; and on the purchase on goods, services or works from the parent company – irrespective of the amount; on the use of any asset valued at over EUR 2,000,000 for the purposes of investment, transfer, lease, mortgage or pledge; on standing surety or guaranteeing the fulfilment of third party's obligations exceeding EUR 2,000,000; on borrowing of funds if the amount to be borrowed exceeds EUR 2,000,000, and on lending of funds; on conclusion of agreements of lawsuit or withdrawal of a claim (counter-claim, complaint) or taking of an equivalent procedural action whereby a dispute is effectively ended, in judicial/arbitration proceedings in which the Company has filed a claim or a claim has been filed against the Company in the amount exceeding EUR 1,000,000; also decisions on the filing of a claim (counter-claim, complaint) which initiates a dispute with a national price-regulating authority irrespective of the value, on non-imposition of contractual penalties and/or other contractual sanctions on the Company's counterparties provided that the amount of the penalty or another sanction exceeds EUR 100,000; decisions on the launching of activities of new type or termination of any specific activity, entering into gas transportation agreements with third (non-EU) countries, any other agreements/transactions the value of which exceeds EUR 1,000,000 if no funds have been allocated for them in the annual budget of the Company, and agreements with the Company's shareholder/shareholders owning more than 1 % of the Company's shares.

According to the Company's Articles of Association, the following decisions of the Board require a consent of the General Meeting of Shareholders:

- Assignment, pledging or other encumbrance of the shares/interests in the Company or the rights attached to them, or any other rights of a member in a legal entity;
- Transfer of a company controlled by the Company and/or associated with the Company, as an asset, or any material part thereof, if the book value of the asset transferred exceeds 1/20 of the Company's authorised capital;
- Assignment, mortgage, changing the legal status, other encumbrance or disposal of any facility or installation owned by the Company of a special strategic importance for national security as defined in the Republic of Lithuania Law on Enterprises and Facilities of Strategic Importance for National Security and Other Enterprises Important for Ensuring National Security and related legal acts, if the value of the facility/installation exceeds 1/20 of the authorised capital of the Company;
- Encumbrance of the shares in directly or indirectly controlled companies that own the facilities referred to above or which develop, control, use or dispose of such facilities on any grounds, or of the voting rights attached to them; increase or decrease of the authorised capital of such companies or other actions that may change the structure of the authorised capital of the company (i. e. issue

- of convertible bonds) and decisions on reorganisation, separation, restructuring, liquidation, transformation of such companies or other actions that may change their legal status;
- Investment, transfer, lease (determined for each type of transaction), pledge or mortgage (determined as the sum of transactions) of a non-current asset of the Company the book value of which exceeds 1/5 of the Company's authorised capital;
  - Standing surety for or guaranteeing the discharge of third parties' obligations the value of which exceeds 1/5 of the Company's authorised capital;
  - Acquisition of non-current assets at a price which exceeds 1/5 of the Company's authorised capital in the implementation of projects of extraordinary national significance and/or economic projects important for the State as defined in the current legislation.

Apart from the remit established by law and the additional powers set out above, the General Meeting of Shareholders has the right, according to the Articles of Association, to decide on the appointment of a Board Member, setting of the ceiling for the annual remuneration budget for the Board Members and remuneration to specific Board Members, conclusion of agreements with the Board Members on activities in the Board, setting the standard terms and conditions thereof, and appointment of a person authorised to sign such agreements on behalf of the Company.

Information on Amber Grid's Board Members, the General Manager and the Chief Accountant is provided in Table 8 below.

**Table 8.** Information on Board Members, General Manager and Chief Accountant

Position	Name	Start of term of office	End of term of office	Participation in the Issuer's capital	
				Share of authorised capital held, %	Share of votes held, %
Chairperson of the Board	Nemunas Biknius	April 2016	April 2020	0.001055	0.001055
Board Member	Saulius Bilys	April 2016	April 2020	–	–
Independent Board Member	Nerijus Datkūnas	April 2016	April 2020	–	–
Board Member	Vytautas Ruolia	April 2016	April 2020	–	–
Board Member	Rimvydas Štilinis	April 2016	April 2020	–	–
General Manager	Saulius Bilys	June 2013	–	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

During the reporting period the gross remuneration for the Independent Board Member amounted to EUR 6,000.

During the reporting period the gross pay for the Company's CEO and the Chief Accountant totalled EUR 92,209 the average gross pay per person (CEO and Chief Accountant) was EUR 46,105.

The functions of Audit Committee of AB Amber Grid are performed by the Audit Committee of the parent company UAB EPSO-G.

The Company has no branches and representative offices.

**INFORMATION ON RELATED PARTY TRANSACTIONS, MATERIAL TRANSACTIONS AND DETRIMENTAL TRANSACTIONS**

At the meeting of the Board of the Company's parent company UAB EPSO-G held on 14 July 2017, the Dividend Determination, Declaration and Payment Policies applicable to all companies of the Group were approved.

#### 4. MATERIAL EVENTS OF THE REPORTING PERIOD

In the fulfilment 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/lt/apie\\_mus/rubrika-investuotojams/esminiai-ivykiai](http://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/esminiai-ivykiai)) and on the website of AB NASDAQ Vilnius ([www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)).

Material events in the first six months of 2017 are as follows:

Date	Material events in the reporting period
18-01-2017	Introduction of amendments to agreements on the European Union's financial assistance to preparatory works and construction works of the Gas Interconnection Poland-Lithuania (GIPL) project
23-02-2017	AB Amber Grid operating results and unaudited condensed financial statements for the year 2016
23-02-2017	Correction: AB Amber Grid operating results and unaudited condensed financial statements for the year 2016
07-03-2017	EPSO-G Group's Strategy: Strategic Projects, Regional Development and Efficiency
24-03-2017	On Convening and Annual General Meeting of Shareholders of AB Amber Grid
03-04-2017	Notice on Convening an Annual General Meeting of Shareholders of AB Amber Grid
05-04-2017	The Supervisory Board of UAB EPSO-G presented its response and proposals to the Annual General Meeting of Shareholders of AB Amber Grid
25-04-2017	On Convening an Ordinary General Meeting of Shareholders of AB Amber Grid
25-04-2017	Annual information of AB Amber Grid for 2016
09-05-2017	Notice on Convening an Extraordinary General Meeting of Shareholders of AB Amber Grid
25-05-2017	AB Amber Grid operating results and unaudited condensed financial statements for the 1 <sup>st</sup> quarter of 2017
31-05-2017	On decisions of the Extraordinary General Meeting of Shareholders of AB Amber Grid

All public notices that are to be published in accordance with the procedure prescribed by law are published in the electronic bulletin of the Manager of the Register of Legal Entities. Notices of convention of the General Meeting of Shareholders of the Company as well as other material events are published in accordance with the procedure prescribed by the Republic of Lithuania Law on Securities in the Central Database of Regulated Information [www.crib.lt](http://www.crib.lt) and the Company's website [www.ambergrid.lt](http://www.ambergrid.lt). Notices of the General Meetings of Shareholders are sent to shareholders whose shares entitle them to at least 10% of the votes in accordance with the procedure established in the Articles of Association of the Company.