



AB AMBER GRID  
INTERIM REPORT  
FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2016

Vilnius  
2016

## TABLE OF CONTENTS

I.	GENERAL INFORMATION ABOUT THE ISSUER.....	3
	KEY DATA.....	3
	OVERVIEW OF THE COMPANY'S ACTIVITIES .....	3
	RESEARCH AND DEVELOPMENT ACTIVITIES .....	8
	CORPORATE STRATEGY .....	8
	EMPLOYEES .....	8
	INTERNATIONAL COOPERATION .....	9
II.	FINANCIAL RESULTS.....	10
	KEY PERFORMANCE INDICATORS FOR THE TRANSMISSION SYSTEM .....	10
	COMPANY'S KEY FINANCIAL PERFORMANCE INDICATORS.....	10
	BUSINESS PLANS AND PROJECTIONS .....	15
	RISK MANAGEMENT, THE COMPANY'S INTERNAL CONTROL SYSTEM .....	15
III.	CORPORATE GOVERNANCE .....	16
IV.	REGULATED INFORMATION ABOUT THE ISSUER'S ACTIVITIES .....	23

## I. GENERAL INFORMATION ABOUT THE ISSUER

The reporting period covered by the present Interim Report is 1 January – 30 June 2016

### KEY DATA

Company name	AB Amber Grid (hereinafter – Amber Grid or the Company)
Legal form	Public company
Date of registration and name of register	25 June 2015, Register of Legal Entities
Legal entity code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised share capital	EUR 51,730,929.06
Registered office address	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 236 0855
Fax number	+370 5 236 0850
E-mail Address	info@ambergrid.lt
Website	www.ambergrid.lt

**The Company's mission:** to ensure effective development of the transmission system, to secure reliable gas transmission process, to contribute actively to the development of an integrated European gas transmission system, and to create conditions for the development of a competitive gas market in order to safeguard national strategic interests.

**The Company's vision:** to 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.

The gas transmission system operator – Amber Grid – is a company, which 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 sectors of electricity, district heating and industry, as well as natural gas supply companies that are provided with natural gas transmission services in the territory of Lithuania.

8 February 2016 marked the incorporation of Lithuania's National Energy Association, and Amber Grid became its member.

### OVERVIEW OF THE COMPANY'S ACTIVITIES

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

- transmission of natural gas within the territory of Lithuania;
- balancing of natural gas flows within the transmission system;
- administration of funds intended to compensate for the construction costs and fixed operating costs of the Liquefied Natural Gas (LNG) terminal, its infrastructure and the connector, and for the designated supplier's justified costs of the supply of the mandatory quantities of liquefied natural gas.

## **NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES**

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

The transmission system consists of transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, equipment for the protection of gas pipelines against corrosion, remote data transmission and communication systems and other assets attributed to the transmission system. Lithuania's gas transmission system is connected with the gas transmission systems of the Republic of Latvia, the Republic of Belarus, the Kaliningrad Region of the Russian Federation, and with Klaipėda LNG terminal. Total length of the transmission pipelines operated by the Company is 2,113 km, and the diameter ranges between 100 mm and 1,220 mm. The majority of the transmission system has the design pressure of 54 bar.

In the first half of 2016 Amber Grid was engaged in the implementation of the project for the construction of a gas transmission pipeline branch to Tauragė Gas Distribution Station (hereinafter – GDS) and construction of a GDS, a project intended for the introduction of gas to Tauragė District. By the end of 2016 it is planned to construct a 1.6 km long pipeline (DN150) and to install a GDS with design capacity of 32.2 MW. Estimated project value: EUR 1.3 million.

### **INFRASTRUCTURE PROJECTS OF STRATEGIC IMPORTANCE**

The infrastructure projects of strategic importance in which Amber Grid is involved – gas interconnection Poland–Lithuania and enhancement of Latvia–Lithuania interconnection – were included in the Second List of the EU Projects of Common Interest published on 18 November 2015, in the Ten-year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSO-G) published in 2015, as well as in the Gas Regional Investment Plan for 2014–2023 of the transmission system operators from the BEMIP region, i.e. the Baltic Energy Market Interconnection Plan. These projects, alongside with other investment projects of the Company, were also included in the Natural Gas Transmission System Operator's Ten-year Network Development Plan for 2014–2023 and in the National Plan for Implementation of Priority Projects in Electricity and Natural Gas Transmission Infrastructure as approved by the Lithuanian Government Resolution No 746 as of 22 July 2014 (hereinafter – the National Plan).

In the first half of 2016, the Company developed and published for public consultation a Gas Transmission Network Development Plan 2016–2025. This ten-year plan includes information on gas transmission system development investments aimed at ensuring security and reliability of gas supplies, at promoting competitive ability, at the integration of the Baltic gas markets into a common European gas market and at the development of a single regional gas market of the Baltic States.

On 1 March 2016, Amber Grid and the public institution Lithuanian Business Support Agency signed support agreements regarding 8 natural gas transmission infrastructure projects that are part of the National Plan and were granted a total amount of up to EUR 14.6 million under EU funds financial support programme for the period 2014–2020. Total value of the projects under implementation is estimated at up to EUR 29.2 million.

In the first half 2016 Amber Grid was engaged in the implementation of a strategic gas transmission infrastructure project Gas Interconnection Poland–Lithuania (hereinafter – GIPL). The EU project of common interest, the GIPL project, that is implemented by Amber Grid in cooperation with the Polish Gas Transmission System Operator, GAZ-SYSTEM S.A., is aimed at the integration of the Baltic gas markets into a single EU gas market, at the diversification of gas supply sources and at the improvement of the security of gas supplies situation.

Expected project output in the Lithuanian territory: a 165 km long and 700 mm in diameter gas transmission pipeline stretching from Jauniūnai Compressor Station to the Lithuanian-Polish border and a new gas metering and pressure regulating station.



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

In April of 2016 Amber Grid announced a public procurement tender for the procurement of construction works and for the procurement of piping required for the GIPL project's part in the territory of the Republic of Lithuania.

In June of 2016 the Government of the Republic of Lithuania approved the GIPL project's draft special plan, and in September of 2016 it is expected to obtain a construction works permit.

By the European Commission's decision the GIPL project was been granted the EU financial support under European Connecting Europe Facility (CEF) in the amount of EUR 10.6 million for the preparatory works and in the amount of EUR 295.4 million for the construction works. Other than with the financial assistance of the EU, the development of the GIPL project will be financed with the funds of Poland, Lithuania, Latvia, and Estonia including the Baltic States which according to the cross-border cost allocation solution will cover part of the GIPL investments in the Polish territory.

## **MAINTENANCE, RECONSTRUCTION AND MODERNISATION**

Maintenance of the gas transmission pipelines is regulated by applicable rules and regulations, and is performed in strict compliance with applicable requirements. In order to ensure safety and reliability of the transmission system, regular maintenance and repair works are carried out on an ongoing basis.

In 2016 for the first time the gas transmission pipeline directed to Kaliningrad DN700 (a 96.8 km-long section) was subjected to diagnostic tests. Respective contracts for the procurement of the necessary works were concluded and works for internal diagnostics (intelligent pigging) of the pipelines directed to Alytus and Marijampolė GDSs and Vilnius-Panevėžys-Riga gas pipeline were started. The reporting period saw a continuation of works for the elimination of any defects detected during the internal diagnostic tests on Minsk-Vilnius, Vilnius-Panevėžys-Riga pipelines and the pipeline to Kaliningrad and the continuation of works for the repairs of gas pipeline coating defects.

Works in the first half of 2016:

- completion of the installation of an intelligent pig receiver on Riga-Panevėžys-Vilnius (DN700) gas transmission pipeline, at the Lithuanian-Latvian border;
- works for the improvement of the information technology infrastructure;

- procedures for the procurement of works and equipment required for other facilities as provided for by the Company's Investment Programme.

## **NATURAL GAS PRICE REGULATION**

Natural gas transmission service prices are subject to regulation.

1 January 2016 marked the entering into effect of the natural gas transmission service price caps for the transmission system's entry<sup>1</sup> and exit<sup>2</sup> points as set by the National Commission for Energy Control and Prices (hereinafter – NCC) (the entry-exit capacity allocation and pricing model compliant with EU legislative provisions has been applied in Lithuania since 2015). The price caps may be adjusted on an annual basis by the NCC's decision to that effect in accordance with the procedure as prescribed by the Methodology for the Determination of the State Regulated Prices in the Natural Gas Sector (hereinafter – the Methodology).

Moreover, 1 January 2016 saw the entering into effect of new natural gas transmission service prices for the transmission system's entry and exit points as adopted by the NCC end 2015. In accordance with the Methodology as amended by the NCC on 17 December 2015 starting with 2016, at the transmission system's domestic exit point a three-component price was introduced: a price component for the gas transmission capacities booked, a price component for the consumption capacities<sup>3</sup> (a new price component) and the price component for the gas transmission quantity. For more information about the three-component tariffs for natural gas transmission services effective as from 1 January 2016, see the Company's website at [www.ambergrid.lt](http://www.ambergrid.lt) (see *Transportation Services/ Tariffs/ Prices*).

## **NATURAL GAS TRANSMISSION VOLUMES**

In the first half of 2016, natural gas quantities for Lithuania's consumers and consumers of other Baltic countries that entered the gas transmission system operated by the Company through Kotlovka Gas Metering Station (hereinafter – GMS) from Belarus amounted to 3,549.8 GWh, whereas the quantities that entered from Klaipėda LNG terminal amounted to 9,205.8 GWh, the quantities delivered from the LNG terminal accounted for 72.2 percent of the quantities required by these consumers. As for natural gas transportation from Latvia to the Republic of Lithuania, in the reporting period there was none.

During the first half of 2016, natural gas transportation to Lithuanian consumers up to the domestic exit point amounted to 12,281.4 GWh. In comparison with the respective indicator for the same period of 2015 (14,324.3 GWh), gas transmission quantities went down by 14.3 percent. In the first half of 2016 quantities transmitted to system users from the transmission system to the Republic of Latvia via Kiemėnai GMS amounted to 235.6 GWh (in the first half of 2015: 508.8 GWh).

During the reporting period, gas transmission to the Kaliningrad Region of the Russian Federation was 11,412.7 GWh (in the first half of 2015: 10,966.1 GWh).

---

<sup>1</sup> The points of interconnection of the transmission system in Lithuania with the transmission systems in Belarus and Latvia and with the system of LNG terminal in Klaipėda.

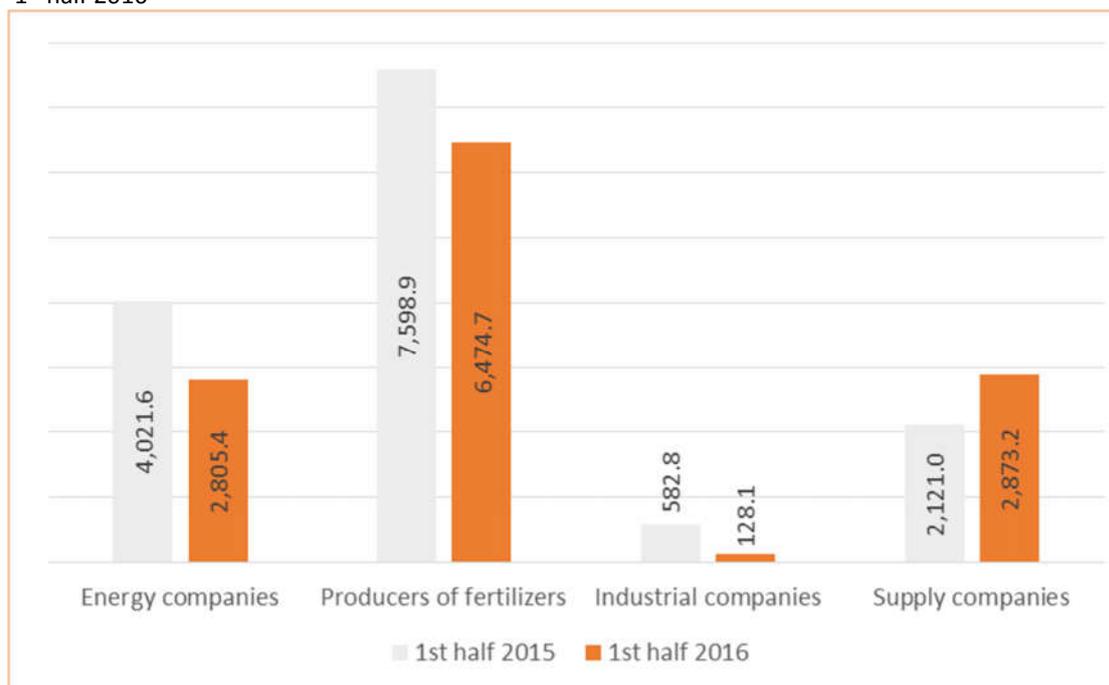
<sup>2</sup> The points of interconnection of the transmission system in Lithuania with the transmission systems in Latvia, Kaliningrad Region of the Russian Federation, and the domestic exit point (covering the points of interconnection of the transmission system in Lithuania with gas distribution systems or the systems of gas consumers).

<sup>3</sup> Natural gas consumption capacity – the largest daily quantity of natural gas which is necessary for the user of the natural gas system and/or the gas consumer to meet their maximum natural gas consumption needs at each point of delivery of natural gas. Consumption capacity is estimated and set according to the procedure defined by the Government, which, inter alia, defines a mechanism whereby the system users/gas consumers are encouraged not to exceed the declared or set level of consumption capacity when booking the capacity.

By 1 July 2016, the Company had entered into 93 gas transmission service agreements with natural gas transmission system users (i.e. natural gas consumers, natural gas distribution system operators, gas importers or natural gas supply companies that supply gas up to consumer systems), out of which a total of 26 system users were not using the transmission service. With natural gas supply companies that were engaged in natural gas sales but were not using the service of gas transportation via the gas transmission system the Company had concluded 3 natural gas flows balancing agreements.

Analysis of the natural gas transmission quantities (for the domestic exit point) by the transmission system users is presented below in Chart 1.

Chart 1. Natural gas transmission quantities by transmission system users in Lithuania, GWh, 1<sup>st</sup> half 2015/ 1<sup>st</sup> half 2016



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

Amber Grid ensures the balancing of natural gas flows in the transmission system. Acting in accordance with the Rules for Natural Gas Transmission System Balancing, the Company purchases balancing gas from the gas market participant in cases where the market participant has caused a surplus of gas in the transmission system, and, conversely, the Company sells balancing gas to the gas market participant in cases where the market participant has caused a shortage of gas in the transmission system.

During the first half of 2016 due to the imbalances caused by system users, the Company purchased 5.1 GWh and sold 1.7 GWh of natural gas.

Besides the balancing of the gas flows of system users and other gas market participants, the quantities of natural gas contained in the pipelines of the Company's transmission system (the line pack) are subject to fluctuations due to the technical or technological peculiarities of the transmission system.

### ADMINISTRATION OF LNG FUNDS

In order to ensure compliance with the requirements of the Lithuanian Law on LNG terminal and its implementing legal acts, since 2013, in accordance with the established procedure, the Company has been collecting, administering and paying out the LNG terminal funds to the LNG terminal operator (AB Klaipėdos

Nafta) and to the designated supplier (UAB Litgas). Pursuant to the NCC’s decision, part of the collected funds goes to cover the LNG funds administration costs incurred by the Company.

The NCC, by Resolution No O3-683 as of 23 December 2015, by Resolution No O3-83 as of 25 March 2016, and by Resolution No O3-121 as of 13 May 2016, approved an additional price component related to the natural gas supply safety to be included in the natural gas transmission price for 2015 intended to compensate for the fixed operating costs of the LNG terminal infrastructure and for the designated supplier’s justified costs of the supply of the mandatory quantities of liquefied natural gas.

The first half 2016 saw the continuation of the Company’s litigation with AB Achema regarding the unpaid LNG terminal funds.

## RESEARCH AND DEVELOPMENT ACTIVITIES

In April of 2016, the Company, together with other members of the *East-Baltic Transmission System Operator Coordination Group* (EBTSO) consisting of Lithuanian, Latvian, Estonian and Finnish transmission system operators, finalized the preparation of a study on regional market development in the Eastern Baltic region. The study recommends interconnecting the four eastern Baltic gas markets (Lithuanian, Latvian, Estonian and Finnish) into a single trading zone. The implementation of the markets interconnection would necessitate harmonization of the rules for the entry to gas networks, balancing and gas trading, reforming the operational processes of transmission system operators and establishing a regional gas stock exchange. The findings of the study will be used in the process of a further development of the regional market.

## CORPORATE STRATEGY

On 13 January 2016 the Company’s Board approved a Corporate Strategy for 2016–2021. In May of 2016 Amber Grid submitted to VĮ Turto Bankas its first annual report on the implementation of the long-term strategy.

## EMPLOYEES

As of 30 June 2016, number of employees at the Company was 363. In the first half of 2016, the staff turnover was 2.8 percent.

Table 1. Employee distribution by groups

	Number of employees as at 30 June 2016	Number of employees as at 30 June 2015
Executives	5	5
Middle level managers and specialists	229	221
Workers	129	134
Total	363	360

The Company's employees' average monthly salaries by groups are presented in Table 2 below.

Table 2. Average monthly salary by employee groups

	Average monthly salary, 1 <sup>st</sup> half of 2016 (gross, EUR)	Average monthly salary, 1 <sup>st</sup> half of 2015 (gross, EUR)
Executives	5,507	5,541
Middle level managers and specialists	1,342	1,344
Workers	841	885
Total	1.222	1.228

The Company devotes a lot of attention to employee training and to the fostering and brushing-up of their professional skills. In the first half of 2016, professional and technical trainings were attended by 84 employees of the Company, general (managerial) trainings were attended by 64 employees, and information security trainings were attended by 337 employees.

The Company has a valid Collective Bargaining Agreement effective until 31 December 2016. The employees' employment contracts and the Collective Bargaining Agreement provide for standard rights and obligations that are usually applied in general practice.

## INTERNATIONAL COOPERATION

The Company is a member of two international working groups dealing with regional natural gas market development issues: the East-Baltic Region TSO Coordination Group, EBTSO, and the Regional Gas Market Coordination Group (hereinafter – RGMCG).

The EBTSO unites gas transmission system operators of countries of the East-Baltic Region: the TSOs of Lithuania, Latvia, Estonia and Finland. In April of 2016 the preparation of a Study on Regional Market Development in the East-Baltic Region was finalized, which was funded by the Baltic Sea Region Energy Cooperation Organization (hereinafter – the BASREC). The analytical work was made by the consultancy, *Frontier Economics* (UK), with an active participation of the Company and other members of the EBTSO.

The RGMCG consists of the East Baltic Region's ministries in charge of energy, of the national regulatory authorities, of the natural gas transmission system operators and of the LNG terminal operators. In May of 2016 all the RGMCD members, haven taken into consideration the findings of the Regional Market Development Study, reached a general agreement on the expediency of further steps aimed at the development of a regional gas market. A number of working groups were set up, which by end 2016 are required to produce a regional market development plan. The Company participates in the working groups aiming at the development of a study on a common virtual trading point and the establishment of a regional gas exchange as well as the development of harmonized rules on balancing and systems interoperability. Moreover, the Company, together with the Latvian and Estonian transmission system operators, seeks to introduce in the Baltic countries an implicit capacity allocation scheme, which is an effective tool for the integration of the gas markets during the transition period until a full implementation of a regional gas market reform.

The Company is also a member of the ENTSOG ([www.entso.org](http://www.entso.org)) and a member of the Association *Polish-Lithuanian Chamber of Commerce*.

## II. FINANCIAL RESULTS

### KEY PERFORMANCE INDICATORS FOR THE TRANSMISSION SYSTEM

Table 3. Company's key performance indicators

	1 <sup>st</sup> half of 2016	1 <sup>st</sup> half of 2015
<b>Quantities of natural gas transported</b>		
Quantity of gas transported to domestic exit point, GWh	12,281.4	14,324.3
Quantity of gas transported to adjacent transmission systems <sup>4</sup> , GWh	11,648.3	11,504.9
Number of system users at the end of the period	93	83
<b>System in operation</b>		
Length of gas transmission pipelines, km	2,113	2,007
Number of gas distribution stations and gas metering stations, units	69	69
<b>Employees</b>		
Number of employees, at the end of the period	363	360

### COMPANY'S KEY FINANCIAL PERFORMANCE INDICATORS

Table 4. Company's key financial performance indicators

	1 <sup>st</sup> half of 2016	1 <sup>st</sup> half of 2015
<b>Financial results (EUR '000)</b>		
Revenue	33,904	27,306
EBITDA	21,555	14,503
Profit (loss) before tax	13,267	6,962
Net profit (loss)	11,536	8,402
Net cash flows from operating activities	24,220	16,458
Investments	5,672	33,605
Financial debt	116,556	113,022
Net financial debt	90,167	109,933
<b>Profitability ratios (%)</b>	1 <sup>st</sup> half of 2016	1 <sup>st</sup> half of 2015
EBITDA margin	63.58	53.11
Gross profit (loss) margin	39.13	25.50
Net profit (loss) margin	34.03	30.77
Average return on assets (ROA) <sup>5</sup>	2.89	2.33
Average return on equity (ROE)	5.95	3.97
Return on capital employed (ROCE)	4.37	2.35
<b>Liquidity ratios</b>	30 June 2016	30 June 2015
Current ratio <sup>5</sup>	1.15	1.32
Quick ratio <sup>5</sup>	1.06	1.14
<b>Leverage ratios (%)</b>	30 June 2016	30 June 2015
Equity to total assets ratio <sup>5</sup>	50.15	49.08
Financial debt to equity ratio	60.26	60.41

<sup>4</sup> Transmission systems of Latvia and Kaliningrad Region of the Russian Federation

<sup>5</sup> These Company's financial ratios were calculated disregarding the assets and liabilities generated by the LNG terminal funds

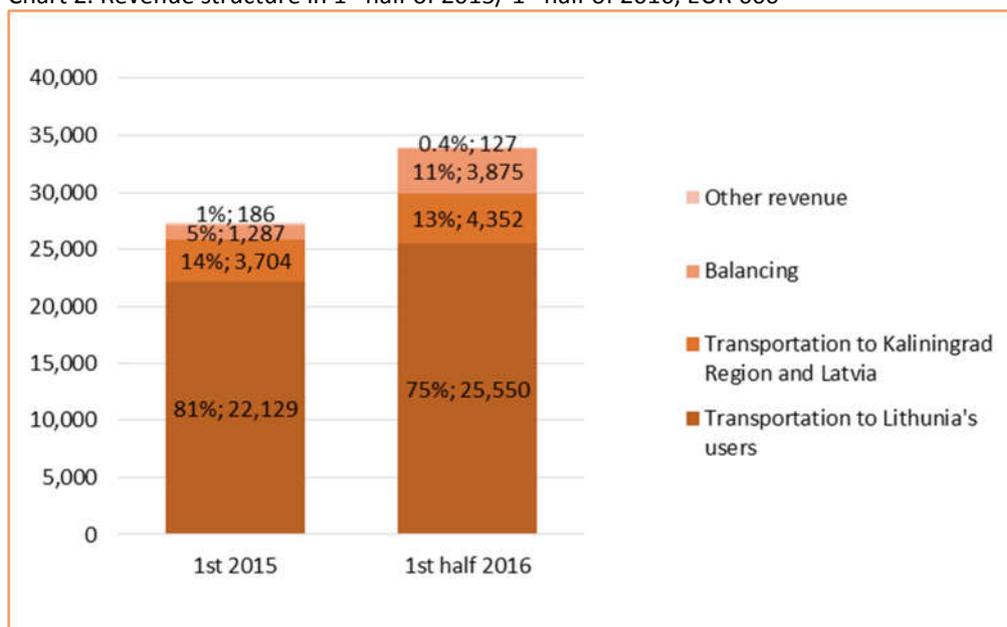
Net financial debt to equity ratio ratio	46.62	58.76
<b>Market value ratios</b>	30 June 2016	30 June 2015
Price/earnings ratio (P/E), times	17.32	21.44
Net earnings (loss) per share, EUR	0.06	0.05

The Company's financial statements as at 30 June 2016 reflect the operating results of UAB GET Baltic, a company jointly controlled with the Finnish gas company Gasum Oy, which were accounted using the equity method. On 6 November 2015, Amber Grid acquired from AB Lietuvos Dujos a 34 percent stake in UAB GET Baltic, and at the end of 2015 its ownership interest in UAB GET Baltic was 66 percent of the UAB GET Baltic's total authorised share capital.

## REVENUE

In the first half of 2016, the Company's revenue totalled EUR 33,904 thousand, a rise of 24.2 percent in comparison with the respective period of 2015. Revenue from the natural gas transmission service accounted for 88 percent of the total revenue (see Chart 2). Revenue from natural gas balancing services increased by EUR 2.6 million or threefold. The reasons behind the increase: a rise in balancing quantities and the fact that part of the balancing of revenue for the 2015 was reflected not quarter by quarter but rather the full amount was reflected in the fourth quarter of 2015<sup>6</sup>. In the first half of 2016 other revenues consisting of the revenue from the administration of the LNG terminal funds and other income amounted to EUR 127 thousand.

Chart 2. Revenue structure in 1<sup>st</sup> half of 2015/ 1<sup>st</sup> half of 2016, EUR'000



The balancing revenue is generated as follows:

- though the balancing of gas flows of system users and other gas market participants involved in the balancing of the transmission system;
- through operational balancing of the transmission system due by the technological characteristics of the transmission system and due gas flow deviations (imbalances) occurring due to technological reasons.

The LNG terminal funds are administered by the Company under statutory obligation imposed by applicable legislative provisions. For more information and disclosures about the accounting of the LNG terminal funds see the financial statements of the Company for the first half of 2016.

<sup>6</sup> For more detailed information please refer to the Company's financial statements for 2015

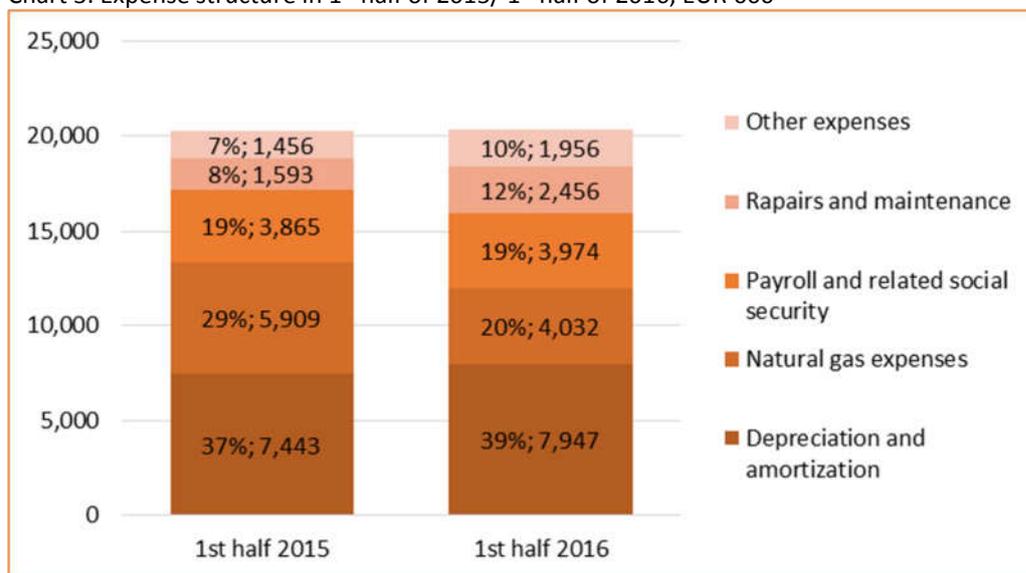
## EXPENSES

In the first half of 2016 the Company's expenses amounted to EUR 20,365 thousand and, in principle, were comparable to the expenses of the respective period of 2015.

Non-current assets depreciation and amortization expenses accounted for the greatest share of the Company's expenses: EUR 7,947 thousand and, in comparison with the first half of 2015, increased by 6.8 percent as a result of the putting into operation of new assets.

Natural gas expenses amounted to EUR 4,032 thousand and accounted for 20 percent of total expenses, and, compared to the same period of 2015, due to the lower demand for natural gas for technological needs and technological balancing needs, decreased by almost 32 percent. Payroll and social security tax expenses amounted to EUR 3,974 thousand and accounted for 19 percent of total expenses, and repairs and maintenance expenses amounted to EUR 2,456 thousand (12 percent) (Chart 3). Natural gas was purchased by the Company for technological needs, for balancing of gas flows of system users and other gas market participants involved in the balancing of the transmission system, and for operational balancing.

Chart 3. Expense structure in 1<sup>st</sup> half of 2015/ 1<sup>st</sup> half of 2016, EUR'000



## OPERATING RESULTS

During the first half of 2016, profit before tax amounted to EUR 13,267 thousand (in the first half of 2015: EUR 6,962 thousand), and profit before tax, interest, depreciation and amortization (EBITDA) amounted to EUR 21,555 thousand (in the first half of 2015: EUR 14,503 thousand) (Chart 4).

In the first half of 2016, the Company earned a net profit of EUR 11,536 thousand, (in the first half of 2015 net profit was EUR 8,402 thousand).

The main reason behind the increase in profitability compared to the same period last year was the increase in the revenue.

Chart 4. Financial results of 1<sup>st</sup> half of 2015/ 1<sup>st</sup> half of 2016, EUR'000

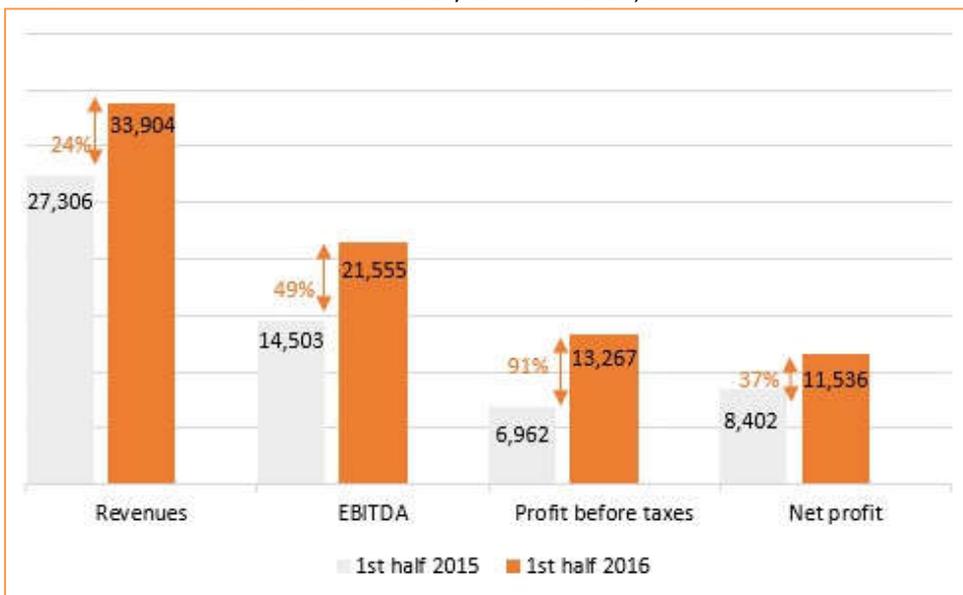
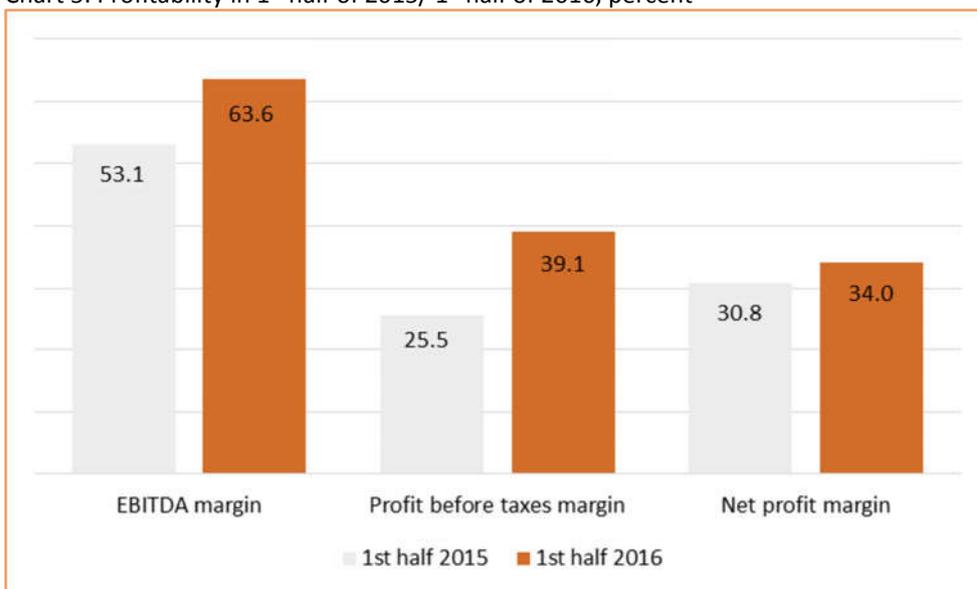


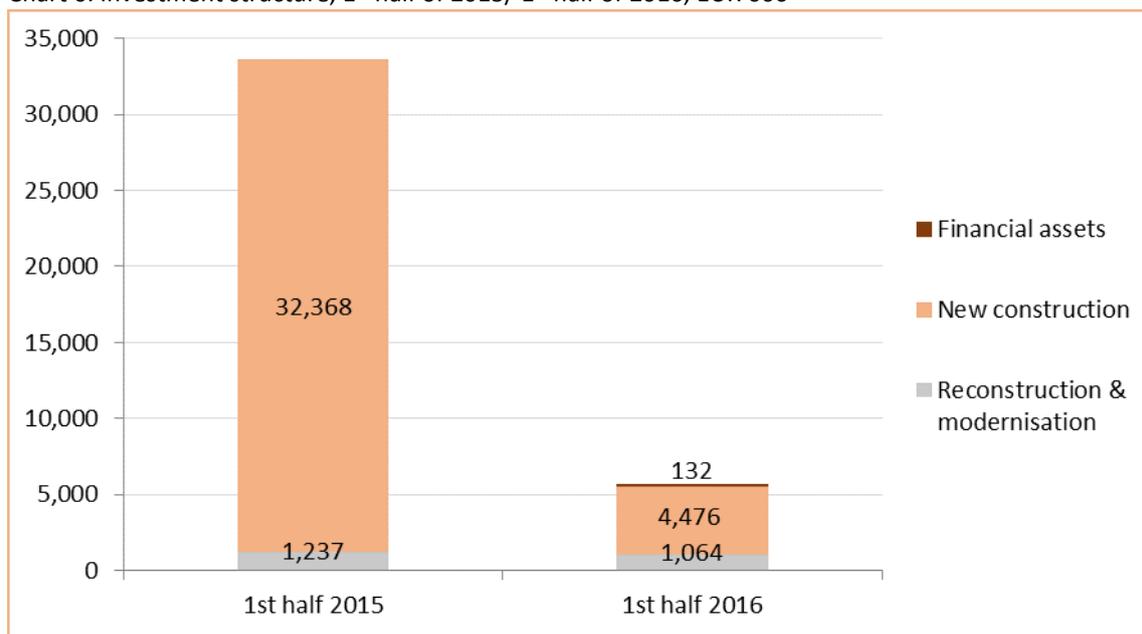
Chart 5. Profitability in 1<sup>st</sup> half of 2015/ 1<sup>st</sup> half of 2016, percent



## INVESTMENTS

Investments of the first half of 2016 in the transmission system development and modernisation amounted to EUR 5.672 thousand (during the respective period of 2015: EUR 33,605 thousand). After the completion of the construction of Klaipėda–Kuršėnai pipeline back in 2015, in the first half of 2016, investments in the construction of new gas system facilities were significantly lower in comparison with the investments made during the same period last year – EUR 4,476 thousand; and investments in the reconstruction and modernisation amounted to EUR 1,064 thousand. Investments in the increase of the share capital of the subsidiary, UAB GET Baltic, amounted to EUR 132 thousand.

Chart 6. Investment structure, 1<sup>st</sup> half of 2015/ 1<sup>st</sup> half of 2016, EUR'000



## ASSETS

As of 30 June 2016 asset value was EUR 395,674 thousand. Non-current assets accounted for 89 percent and current assets accounted for 11 percent of the total assets of the Company.

In January-June 2016, non-current assets decreased due to the depreciation, which exceeded the investments that were made, and the value of current assets during the same period decreased by 55.3 percent (EUR 54,436 thousand), mainly due to the pay-out of the LNG terminal funds received from AB Achema to the beneficiaries of these funds and the decrease in the balance of cash due to the repayment prior to maturity of part of the Company's loan to Swedbank, AB.

## EQUITY AND LIABILITIES

In January-June 2016 the Company's equity in principle did not change, and at the end of the reporting period it amounted to EUR 193,418 thousand.

In January-June 2016 accounts payable and liabilities decreased by 21.8 percent (EUR 56,433 thousand) and as of the end of reporting period amounted to EUR 202,256 thousand. The decrease in the amount of accounts payable and liabilities resulted from the fact that LNG terminal funds received from AB Achema were remitted to the beneficiaries of these funds and due to the fact that part of Swedbank, AB loan was repaid prior to maturity.

As of 30 June 2016 the Company's financial debt amounted to EUR 116,556 thousand and in the course of the accounting period decreased by EUR 21,454 thousand. The ratio of financial liabilities to credit institutions to equity ratio stood at 60 percent.

## CASH FLOWS

In the first half of 2016 the Company's cash flows from its core activity amounted to EUR 24,220 thousand (in the first half of 2015: EUR 16,458 thousand). Amount used for the procurement of non-current assets was EUR 9,844 thousand (in the first half of 2015: EUR 30,971 thousand), for the pay-out of dividend EUR 12,778 thousand (in the first half of 2015: EUR 57,837 thousand). During the first half of 2016 no

significant amounts of EU funds were received. In the first half of 2016, the Company repaid loans amounting to EUR 21,454 thousand.

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

Other information is presented in the notes to the condensed annual financial statements of Amber Grid as of 30 June 2016.

#### **BUSINESS PLANS AND PROJECTIONS**

It is forecast that in 2016 the Company's gas transportation through the gas transmission system for Lithuanian system users to the domestic exit point will stand at approximately 21.9 TWh, to the Republic of Latvia it will be 0.5 TWh and to the Kaliningrad Region of the Russian Federation it will be 22.2 TWh. It is planned that approximately 65 percent of the quantity of natural gas intended for Lithuania's and other Baltic States' users will be supplied from Klaipėda LNG terminal.

#### **RISK MANAGEMENT, THE COMPANY'S INTERNAL CONTROL SYSTEM**

Data on risk management and the Company's internal control system during the reporting period in comparison with those presented in the Annual Report for 2015 remained essentially unchanged.

### III. CORPORATE GOVERNANCE

#### SHARE CAPITAL

By a decision of AB Amber Grid's Annual General Meeting of Shareholders as of 23 April 2015, the Company's share capital (registered on 30 April 2015 with the Register of Legal Entities) 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. One ordinary share with value of EUR 0.29 entitles its holder to one vote at the General Meeting of Shareholders. All the shares are fully paid up.

#### SHARES AND SHAREHOLDERS' RIGHTS

Number of shares entitling to vote at the Company's General Meeting of Shareholders amounts to 178,382,514. Property and non-property rights granted by Amber Grid shares to all shareholders are equal. According to the Company's Articles of Association, decisions on issuing new shares or acquisition of own shares are within exclusive competence of the Company's General Meeting of Shareholders.

The Company is not aware of any agreements among its shareholders that could possibly impose any restrictions on the disposal of the securities and/or voting rights. The Company has no voting rights restrictions.

During the first half of 2016 the Company did not make any acquisitions of its own shares, nor did it make any transactions involving either acquisition or disposal of own shares.

#### SHAREHOLDERS

In first half of 2016 the Company's shareholder structure remained unchanged. UAB EPSO-G retained its 96.58 percent stake at the Company and was the sole shareholder controlling more than 5 percent of the Company's shares.

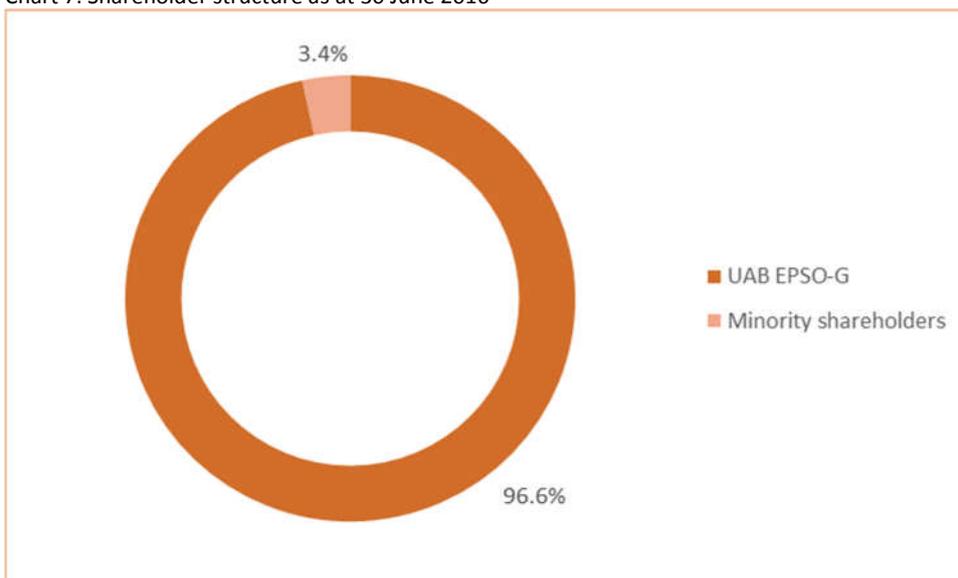
Since Amber Grid's shares are traded on the stock exchange, the number of its shareholders is subject to constant changes. According to the data as of 30 June 2016 obtained from securities brokers, shares of the Company were held by more than 2,300 natural and legal persons from Lithuania and abroad.

Table 5. The Company's shareholders (as at 30 June 2016)

Shareholder	Address / Legal entity code	Number of shares held
UAB EPSO-G	A. Juozapavičiaus g. 13 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
Total		178,382,514

The Company's shareholder structure is presented in Chart 7:

Chart 7. Shareholder structure as at 30 June 2016



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

#### DATA ON TRADING IN SECURITIES ON REGULATED MARKETS

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

Table 6. Key data on the shares of Amber Grid

Key data on the shares of Amber Grid	
ISIN code	LT0000128696
Ticker	AMG1L
Issue size (number of shares)	178,382,514

In January-June 2016, the turnover of trading in the Company's shares amounted to EUR 496.9 thousand, and number of shares sold through transactions was 415,696.

The Company's share price dynamics is presented in Table 7, and data on the prices and turnover of the Company's shares (in January-June 2016) is presented in Chart 8.

Table 7. Share price dynamics at NASDAQ Vilnius in January-June 2016

Opening price, EUR 1 January 2016	Highest share price, EUR 7 March 2016	Lowest share price, EUR 18 May 2016	Weighted average share price, EUR	Closing price, EUR 30 June 2016
1.19	1.32	1.08	1.195	1.12

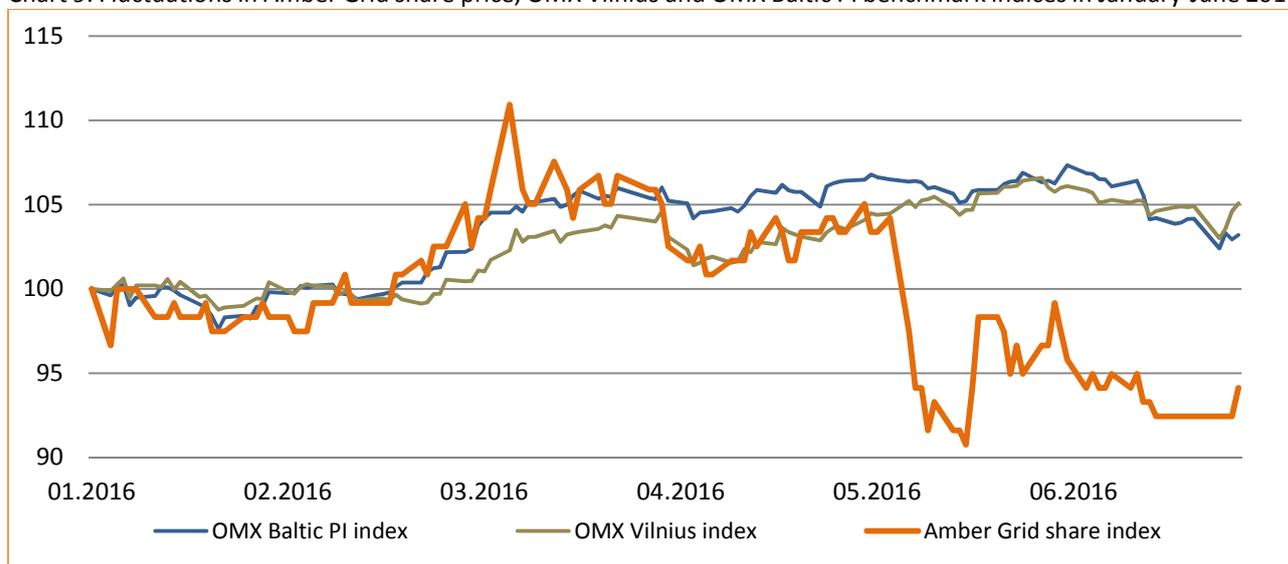
Amber Grid shares capitalisation as of 30 June 2016 amounted EUR 199.8 million.

Chart 8. Amber Grid share price and turnover in January-June 2016



In the first half of 2016, the benchmark indices OMX Baltic PI and OMXV calculated at NASDAQ Stock Exchange (that reflect changes in stock prices of companies listed on the Baltic and Vilnius Stock Exchanges) increased by 3.19 percent and 5.08 percent respectively. The Company's share price decreased by 5.88 percent during the same period. The fluctuations in the Company's share price, OMX Vilnius and OMX Baltic PI benchmark indices (in January-June 2016) are presented in Chart 9.

Chart 9. Fluctuations in Amber Grid share price, OMX Vilnius and OMX Baltic PI benchmark indices in January-June 2016



## DIVIDENDS

The Company's General Meeting of Shareholders held on 26 April 2016 adopted a decision on payment of dividends. The dividends amounted to EUR 12,782,134 or EUR 0.071655757 per share.

## AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

On 15 May 2015, the Company signed an agreement with AB SEB Bankas on the payment/distribution of dividends to minority shareholders, under which AB SEB Bankas shall calculate and pay out dividends to all shareholders of the Company with the exception of the controlling shareholder – UAB EPSO-G.

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

## MANAGEMENT STRUCTURE

In pursuing its activities, the Company follows the Law on Companies, the Law on Securities, the Company's Articles of Association and other Lithuanian legal acts. The powers of the General Meeting of Shareholders, the rights of shareholders and their implementation are as defined in the Law on Companies and the Company's Articles of Association. The Articles of Association of the Company are posted on the Company website: [www.ambergrid.lt/en/about-us/investors-relations/bylaws](http://www.ambergrid.lt/en/about-us/investors-relations/bylaws).

The Company's Articles of Association provide for an additional competence of the General Meeting of Shareholders. In addition to the competences as provided for by the Law on Companies, the General Meeting of Shareholders of the Company is also entitled take decisions on:

- approval of the Board decisions on issues provide for by the Company's Articles of Association. The General Meeting, when approving the Board's resolutions on specific transactions, shall *inter alia* approve key terms of any transactions approved by a Board decision;
- appointment of Board members, the maximum annual remuneration budget for the Board members and decisions on the determination of the size of specific remuneration amounts for Board members, decisions on the conclusion of contracts with Board members regarding their activities on the Board, on the determination of standard conditions of any such contracts and on the appointment of a person authorized to sign such contracts on behalf of the Company.

Amendments to the Company's Articles of Association may be made by a decision of the General Meeting of Shareholders adopted by a majority vote of 2/3 of all the shareholders present at the General Meeting of Shareholders.

The Articles of Association provide for the following governing bodies:

- Board
- Head of the Company – Director General (Chief Executive Officer).

The Company's Board consists of 5 (five) members elected by a General Meeting of Shareholders for a four year term of in accordance with the procedure established by the Law on Companies. In the process of the election of Board members it must be ensured that the principle of an adequate representation of all shareholders' rights on the Board is complied with. In the light of this principle, when the nominating candidates to the Board, it should be sought to ensure that at least 2 (two) candidates to the Board would be nominated out of the Parent Company's managerial staff, at least 2 (two) candidates to the Board would

be nominated out of the Company's managerial staff, and at least 1 (one) member of the Board would be an independent person, determining his/her independence in accordance with the criteria as stipulated by the Corporate Governance Code as well as requirements of other applicable legal acts. The right to nominate a candidate to independent members of the Board belongs to any shareholder of the Company. The Board elects its Chairman out of its members. The members of the Board of Directors may be re-elected for another term. Board member's uninterrupted term in office is up to two (2) full consecutive terms. The powers of the Board members and the area of competence of the Head of the Company are as stipulated by the Law on Companies and by the Company's Articles of Association.

The Company's Articles of Association provide for the following Board decisions that require approval by the General Meeting of Shareholders:

- On transfer, pledge or other restrictions to the shares (stocks, interests) held by the Company or the rights granted thereby or the rights of the participant of legal entity;
- On transfer of the Company's Controlled and/or Associated Companies as a property complex or essential elements thereof, where the book value of the transferred property is higher than 1/20 of the Company's authorised capital;
- On transfer, pledge, change of the legal status, other restriction or disposal of the facilities owned by the Company that are of special strategic importance to national security and facilities of strategic importance to national security as they are defined by the Law of the Republic of Lithuania on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security and by the related legal acts where the value of the facilities in question is higher than 1/20 of the Company's authorised capital;
- On other restriction of the shares or the rights granted by such shares in the directly or indirectly controlled companies that possess, develop, operate, use or dispose, irrespective of the grounds of any such disposal, any facilities as specified in the paragraph above, increasing, decreasing of the authorised capital of such companies or other actions that can change such companies' authorised capital structure (e.g., issuing of convertible bonds) and decisions on the reorganisation, spin-off, restructuring, liquidation, reforming of any companies as specified herein or other actions changing the legal status of the companies specified herein;
- On investment, transferring, rent (calculated individually for every type of transaction), pledge or mortgage (calculated for the total amount of transactions) of the Company's long-term assets with the book value exceeding 1/5 of the Company's authorised capital;
- On indemnity or guarantee for performance of other persons' obligations amounting to more than 1/5 of the Company's authorised capital;
- On the acquisition of long-term assets at a price exceeding 1/5 of the Company's authorised capital in course of implementation of projects of particular national importance and/or economic projects important to the state as they are defined by effective legal acts.

The Company has no branches or representative offices.

Information about the members of the Board, the Director General (CEO) and the Chief Accountant of Amber Grid is presented below in Table 8.

Table 8. Information about the members of the Board, the Director General (CEO) and the Chief Accountant

Position title	Full name	Term start date	Term end date	Participation in the Issuer's share capital	
				Authorised share capital share held, %	Share of votes, %
Chairman 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	–	–
Chairman of the Board	Dr. Aleksandras Spruogis	June 2014	April 2016	–	–
Deputy Chairman of the Board	Agnė Petravičienė	June 2014	April 2016	–	–
Board Member	Dainius Bražiūnas	June 2014	April 2016	–	–
Independent Board Member	Nerijus Datkūnas	June 2014	April 2016	–	–
Board Member	Rolandas Zukas	April 2015	April 2016	–	–
Director General	Saulius Bilys	June 2013	–	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

During the reporting period total remuneration (gross) to the Independent Member of the Board amounted to EUR 4,796. During the reporting period total remuneration (gross) to the Company's Director General and Chief Accountant amounted to EUR 87,844 and the average salary (gross) per person (Director General and Chief Accountant) amounted to EUR 43,922.

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

Table 9. Information about the Members of the Audit Committee

Position title	Full name	Term start date	Term end date	Participation in the Issuer's share capital	
				Authorised share capital share held, %	Share of votes, %
Independent Member, UAB AV Auditas	Vaida Kačergienė	December 2013	April 2016	–	–
Member, AB Amber Grid	Valdemaras Bagdonas	December 2013	April 2016	–	–

At the General Meeting of Shareholders held on 26 April 2016 the Company's shareholders adopted a decision to abolish the Audit Committee of Amber Grid, as in accordance with the newly adopted version of the Company's Articles of Association the functions of the Audit Committee of Amber Grid will be performed by the Audit Committee of the Parent Company, UAB EPSO-G.

**INFORMATION ON RELATED PARTY TRANSACTIONS, ON SIGNIFICANT AGREEMENTS AND HARMFUL TRANSACTIONS**

Information about related party transactions is presented in the Company's financial statements for the first half of 2016.

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

During the reporting period the Company did not enter into any detrimental transactions (transactions that are inconsistent with the Company's objectives or usual market terms and conditions, infringe upon any interests of the shareholders or any other stakeholders, etc.), nor into any transactions concluded under a conflict of interests between the Company management', controlling shareholders' or any other related parties' commitments to the Company and their private interests and/or other commitments.

#### IV. REGULATED INFORMATION ABOUT THE ISSUER'S ACTIVITIES

In performing its obligations under legal acts regulating the securities market, the Company publishes its material events and other regulated information on the EU-wide basis. The information published by the Company is available on the Company's website at [www.ambergrid.lt/en/about-us/investors-relations/materialevents](http://www.ambergrid.lt/en/about-us/investors-relations/materialevents), and on the website of NASDAQ Vilnius Stock Exchange at [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com).

In the first half of 2016 Amber Grid published the following regulated information:

Date	Regulated information
26 February 2016	AB Amber Grid operating results and unaudited condensed financial statements for the year 2015
1 March 2016	Agreements signed on allocation of European Union Structural Funds for natural gas transmission infrastructure projects
31 March 2016	On Convening an Annual General Meeting of Shareholders of AB Amber Grid
15 April 2016	Draft agenda and draft decisions of AB Amber Grid Annual General Meeting of Shareholders
15 April 2016	CORRECTION: Draft agenda and draft decisions of AB Amber Grid Annual General Meeting of Shareholders
25 April 2016	Transmission System Operator's operational independence and activity unbundling requirements
26 April 2016	On Convening an Annual General Meeting of Shareholders of AB Amber Grid
26 April 2016	Annual Information of AB Amber Grid for 2015
12 May 2016	UAB EPSO-G forms a Supervisory Board
24 May 2016	Regarding Chairman of the Board elections
27 May 2016	AB Amber Grid operating results and unaudited condensed financial statements for the 1 <sup>st</sup> quarter 2016
13 June 2016	Regarding Chairman of the Supervisory Board of UAB EPSO-G

All public notices that are to be published in accordance with the procedure established by legal acts are made available in an electronic publication of the Administrator of the Register of Legal Entities. All notices on convening the Company's General Meeting of Shareholders and other material events are made available in accordance with the procedure established by the Lithuanian Law on Securities on the Central Storage Facility at [www.crib.lt](http://www.crib.lt) and on the Company's website at [www.ambergrid.lt](http://www.ambergrid.lt). The shareholders whose shares entitle them to not less than 10% of total voting rights receive the notices on convening the General Meeting of Shareholders in accordance with the procedure established by the Company's Articles of Association.