

2013

AB Amber Grid
Annual report



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BOARD OF DIRECTORS



Dr. Rainer Link

Chairman of the Board of Directors

Member of the Management Board Essen Operations, E.ON Global Commodities SE and Member of the Management Board, E.ON Ruhrgas International GmbH



Dr. Aleksandr Frolov

Deputy Chairman of the Board of Directors

Head of Division of OAO Gazprom Office for Neighbouring Countries



Mario Nullmeier

Member of the Board of Directors

Head of Representative Office for the Baltic States, E.ON Global Commodities SE



Dr. Aleksandras Spruogis

Member of the Board of Directors

Vice-Minister of Energy of the Republic of Lithuania



Nikolay Vasilyev

Member of the Board of Directors

Head of the Corporate Control Directorate of the Asset Management and Corporate Relations Department, OAO Gazprom

THE CHAIRMAN'S STATEMENT



The public company AB Amber Grid was set up to implement the requirements of legal acts of the Republic of Lithuania to separate from the successfully operating AB Lietuvos Dujos the activity of natural gas transmission together with the property, rights, and obligations attributed to this activity.

I am delighted to say that the separation has been smooth and in strict compliance with the terms provided for in the legal acts.

Upon the establishment of AB Amber Grid the necessary know-how of the professional employees, i.e. their knowledge and wisdom, a very valuable intangible asset has been transferred as well.

Those professionals which, in the previous company, were responsible for the activity of gas transmission, have been transferred to the new company. We have also been joined by new people bringing additional professional expertise as well as the experience of organisational culture.

We are happy to note that as of the first day of independent work the company has been operating successfully and in a coherent manner.

AB Amber Grid, as the operator of the transmission system, is responsible for safe and reliable operation and development of the transmission system of Lithuania.

The gas transmission system of Lithuania is connected to the gas systems of Belarus, Latvia, and the Kaliningrad Region of the Russian Federation. Natural gas is supplied to Lithuania from Russia, mainly by transit through Belarus, and in certain cases also through Latvia.

Currently Amber Grid implements a number of projects of the transmission system development of regional significance, which are important for the creation of a unified and functioning gas market of the European Union as well as the diversification of the sources and routes of gas supply.

Among the main challenges for 2014 is the separation of the company's control which has to be implemented by 31 October 2014.

I am confident that the company will successfully address the challenges it is faced with, continue the projects already underway and implement the envisaged new projects.

On behalf of all shareholders, I would like to express our gratitude to the management and staff of Amber Grid for their efficient work and wish them every success in the future.

Yours faithfully,

Dr. Rainer Link

Chairman of the Board of Directors

EXECUTIVE DIRECTORS



Vytautas Ruolia
Commercial Director



Rimantas Šukys
Financial Director



Saulius Bilys
General Manager



Andrius Dagys
Technical Director

THE GENERAL MANAGER'S STATEMENT



2013 was a very memorable year to the staff of Amber Grid as we started independent operations in the market under a completely new name on 1 August.

To be a reliable partner to our clients and operators of gas systems connected to our own system, to implement gas infrastructure projects relevant to both Lithuania and the entire Baltic region duly and on time, we had to ensure effective work of the natural gas transmission system from the very first day of our operations.

In our operations, particular attention is given to the maintenance and upgrading of the transmission system, as well as environment protection. We are happy that there were no accidents or interruptions or events that could cause damage to the environment during our operations.

Last year, we implemented the requirements of ISO 14001 Environment Management Standard.

In November 2013, we completed a significant investment project constituting a part of the National Energy Strategy – the construction of Jurbarkas-Klaipėda gas

pipeline. This helped to enhance significantly the system's reliability and created a possibility to connect the Liquefied Natural Gas terminal. The terminal in Klaipėda should start operation at the end of this year and will undoubtedly have a positive effect on creating a competitive gas market in Lithuania.

In 2013, Amber Grid participated in the implementation of three strategic projects related to natural gas infrastructure, which were included into the first EU-wide List of Projects of Common Interest, announced by the European Commission, namely, gas interconnection Poland-Lithuania, capacity enhancement of Klapėda-Kiemėnai pipeline in Lithuania and enhancement of Latvia-Lithuania gas interconnection.

The implementation of strategic infrastructure projects that was entrusted to us will be significant not only to Lithuania, but the entire Baltic region. Therefore, our team is to combine forces for these projects to be implemented duly and in time.

I would like to thank all clients, shareholders, and partners of Amber Grid for smooth co-operation, understanding, and goodwill to us at the start of our operations.

On behalf of the management I would like to thank the company's staff for staying focused on our joint ambitious goals.

Our priorities include the quality of services provided to our customers, the company's operational efficiency, transparency, and openness. On behalf of the Amber Grid staff I would like to assure our clients, that we will do our best to remain reliable partner now and in the future.

Respectfully yours,

Saulius Bilys
General Manager

I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the report was drawn up – the Year 2013¹.

MAIN DATA

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

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

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

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

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

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

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

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

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

¹ For a 5 month period ended on 31 December 2013;

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

BUSINESS ACTIVITY OF THE COMPANY

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

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

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND THE DEVELOPMENT THEREOF

The transmission system consists of gas transmission pipelines, gas compressor stations, distribution

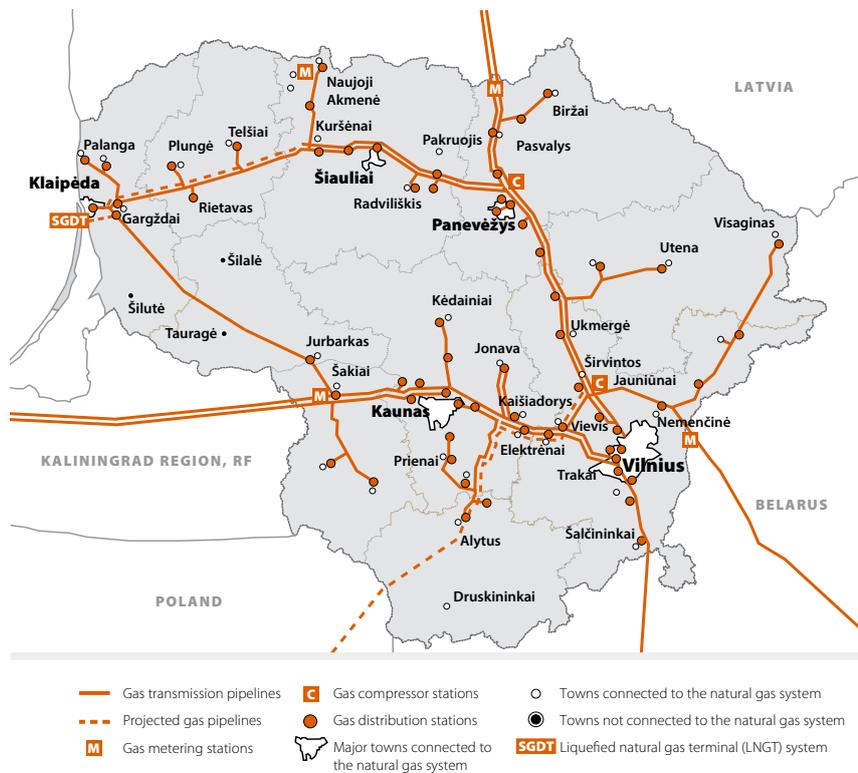
stations, gas metering stations, gas pipeline corrosion protection equipment, data transmission and communication systems and other assets attributed to the transmission system (Map 1). The Lithuanian gas transmission system is connected with the Kaliningrad Region of Russian Federation and gas transmission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

STRATEGIC INFRASTRUCTURE PROJECTS

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

- ▷ Enhancement of capacity of Latvia-Lithuania gas interconnection,
- ▷ Construction of Jurbarkas-Klaipėda gas pipeline and Klaipėda Meter & Regulator (hereinafter – M&R) station No. 2,
- ▷ Capacity enhancement of Klaipėda-Kiemėnai pipeline (construction of the gas pipeline Klaipėda-Kuršėnai),
- ▷ Gas interconnection Poland-Lithuania.

On 14 October 2013, the European Commission (hereinafter – the EC) announced the first European Union (hereinafter – the EU) List of Projects of Common



Map 1: Natural gas transmission system

Interest, which, among 248 energy projects, also includes 3 gas sector projects, in the implementation of which Amber Grid is involved. These are the projects of Poland-Lithuania gas interconnection, capacity enhancement of Klaipėda–Kiemėnai pipeline and enhancement of Latvia-Lithuania interconnection.

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

ENHANCEMENT OF CAPACITY OF LATVIA–LITHUANIA GAS INTERCONNECTION

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

CONSTRUCTION OF JURBARKAS–KLAIPĒDA GAS PIPELINE AND KLAIPĒDA M&R STATION NO. 2

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

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

CAPACITY ENHANCEMENT OF KLAIPĒDA–KIEMĒNAI PIPELINE (CONSTRUCTION OF GAS PIPELINE KLAIPĒDA–KURŠĒNAI) (HEREINAFTER – THE KKP)

In June 2013, the Board of Directors of Amber Grid adopted a decision on the preparation of the special plan

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

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

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

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

GAS INTERCONNECTION POLAND–LITHUANIA (HEREINAFTER – THE GIPL)

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

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

The goal of the GIPL is to integrate the isolated Baltic gas markets into a single EU gas market and diversify gas supply sources. The length of the GIPL pipeline will be

about 534 km (357 km – in the territory of Poland, 177 km – in the territory of Lithuania), the planned diameter is 700 mm, planned commissioning date – the end of 2018. Upon the construction of the GIPL, a possibility to import to the Baltic countries up to 2.6 BCM of natural gas per year would be created (with a possibility to increase this capacity up to 4.4 BCM per year having built additional compressor capacities).

ENHANCEMENT OF LATVIA-LITHUANIA INTERCONNECTION

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

INVESTMENT PLANS

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

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

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

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

MAINTENANCE OF THE TRANSMISSION SYSTEM

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

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

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

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

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

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

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

NATURAL GAS TRANSMISSION VOLUMES

In 2013, the Company and AB Lietuvos Dujos transported 2,667.1 MCM of natural gas to the Lithuanian

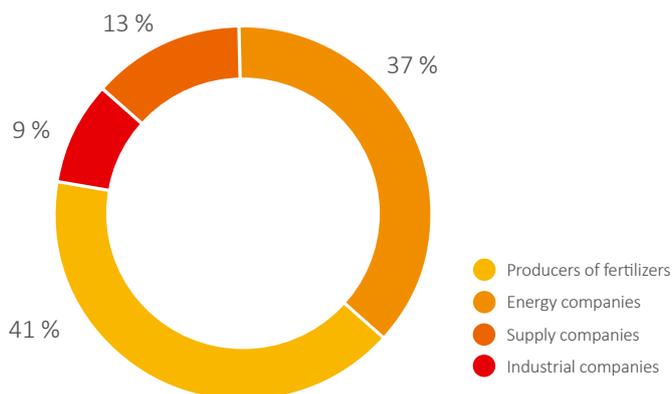


Chart 1: Structure of transmitted natural gas volumes by natural gas transmission system users in Lithuania, 2013

consumers via its natural gas transmission system. Upon the decrease of demand for natural gas for the production of fertilizers, average annual temperature greater by +1.2°C, increased use of alternative fuel and decreased gas consumption in the production of heat and electricity, natural gas transmission volumes, compared with 2012, dropped by 18.4%.

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

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

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

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

NATURAL GAS TARIFFS REGULATION

Natural gas transmission service prices are subject to regulation.

In October 2013, the NCCPE determined the natural gas transmission price cap for a new 5 year regulatory

period (from 1 January 2014 to 31 December 2018), which can be annually adjusted by the decision of the NCCPE in the procedure prescribed in the Methodology for the Determination of the Prices Regulated by the Government in the Natural Gas Sector.

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

NATURAL GAS TRANSMISSION SYSTEM BALANCING

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

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

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

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

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

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

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

RESEARCH AND DEVELOPMENT ACTIVITIES

Natural gas is measured in units of volume (cubic meters m³) in the Lithuanian gas system, which has been absolutely sufficient up until now.

However, with increasing diversity of alternative sources of gas supply and upon the launch of the LNG terminal in Klaipėda, gas of more diverse composition and calorific value in line with quality requirements approved in

October 2013 by the order of the Ministry of Energy will be supplied to Lithuania. The accounting thereof will also have to be carried out in units of energy – kilowatt-hours (kWh).

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

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

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

EMPLOYEES

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

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

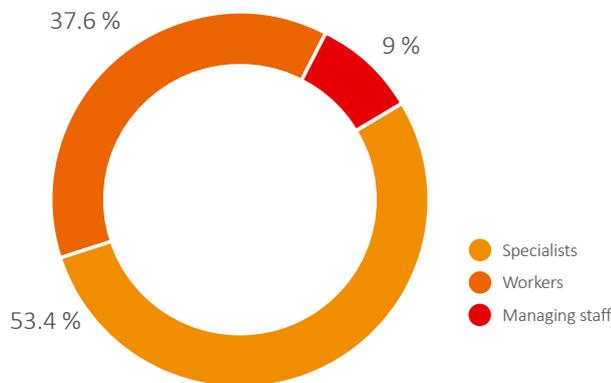


Chart 2: Employee distribution by groups, 2013.

The average age of the Company's employees was 43.8 years old (Chart 3), the average term of service – 12.5 years (Chart 4). 50.8% of the Company's employees hold higher education degrees (Chart 5). Males accounted for 82.3% and females for 17.7% of

the Company's employees. Since Amber Grid was established having unbundled it from AB Lietuvos Dujos, 337 employees were transferred to the Company. The accrual of seniority of all transferred employees was continued.

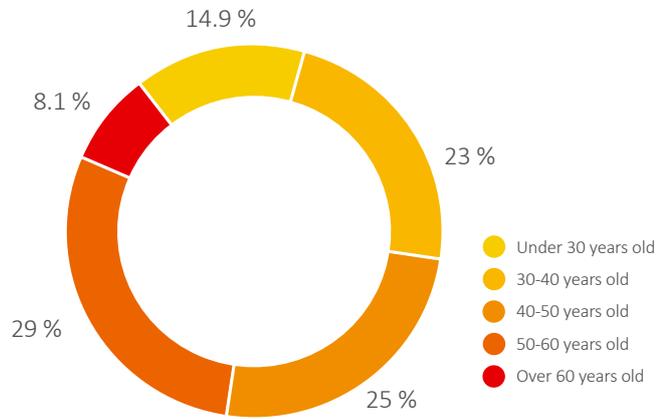


Chart 3: Employee distribution by age groups, 2013.

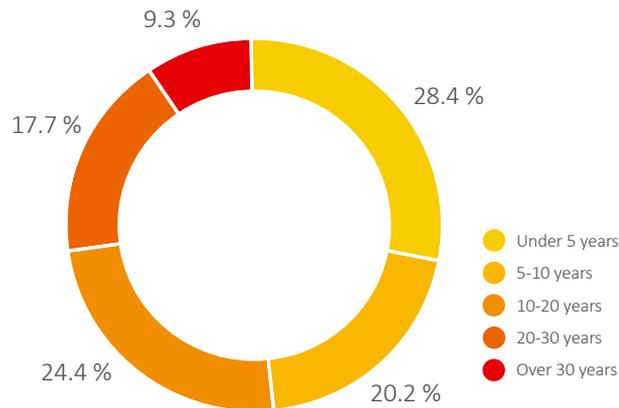


Chart 4: Employee distribution by term of service, 2013.

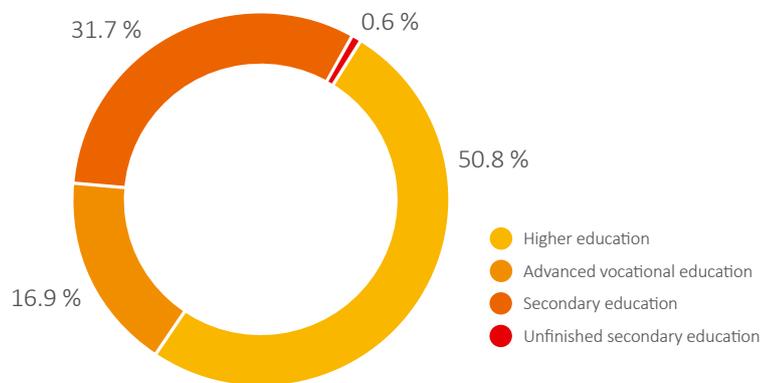


Chart 5: Employee distribution by education, 2013.

Average monthly salary in the Company by employee groups is provided in the Table 1.

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

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

COLLECTIVE BARGAINING AGREEMENT

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

TRAININGS AND APPRENTICESHIP OPPORTUNITIES

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

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

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

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

The Company is implementing innovative accident, malfunction, gas loss, pollution prevention measures, carries out the reconstruction of polluting objects and

other necessary actions. In 2013, there were no accidents during which large volume of gas was emitted into the atmosphere causing damage to the environment.

In September 2013, the Company approved the Environmental Policy.

Environmental management system in accordance with ISO 14001:2004 standard requirements is planned to be implemented and certified in 2014. Amber Grid is a socially responsible company, which seeks to actively participate in social life.

SPONSORSHIP PROGRAMMES

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

INTERNATIONAL COOPERATION

The Company is an associate partner of the European Network of Transmission System Operators for Gas (hereinafter – ENTSOG) (www.entsog.eu).

ENTSOG was established pursuant to Regulation (EC) No. 715/2009 of the European Parliament and Council as an organization aimed at the cooperation of gas transmission system operators at the EC level.

ENTSOG is engaged in preparing the European gas network codes, approving a ten-year gas network development plan of the European Community, general measures for network operation and carrying out other functions.

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

In 2013, the preparation of the Gas Regional Investment Plan 2014-2023 of the transmission

system operators from the BEMIP region – Gasum Oy (Finland), AS EG Võrguteenus (Estonia), AS Latvijas Gāze (Latvia), GAZ-SYSTEM S.A. (Poland), Energinet.dk (Denmark), Swedegas AB (Sweden) and Amber Grid (Lithuania) – was started. The Company is the coordinator of the preparation of this plan. In 2009-2013, an investment project was being carried out together with AS Latvijas Gāze, upon the completion of which capacities of cross-border gas interconnector between Latvia and Lithuania were enhanced.

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

II. FINANCIAL PERFORMANCE

MAIN INDICATORS OF THE TRANSMISSION SYSTEM

Table 2: The Company's performance indicators

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

THE COMPANY'S KEY FINANCIAL INDICATORS²

Table 3: The Company's financial indicators

	2013
Financial results (thousand LTL)	
Sales revenues	74,101
EBITDA	35,755
EBIT	3,534
Profit before tax	2,425
Net profit	5,071
Net cash flows from operating activities	33,221
Investments	39,381
Net financial debt	160,483
Profitability ratios (%)	
EBITDA margin	48.25
EBIT margin	4.77
Profit before tax margin	3.27
Net profit margin	6.84
Return on assets (ROA)	0.31
Return on equity (ROE)	0.42
Return on capital employed (ROCE)	0.25
Liquidity	
Current ratio	1.00
Quick ratio	0.58
Leverage (%)	
Equity to total asset ratio	73.37
Financial debt to equity ratio	14.91
Net financial debt to equity ratio	13.28
Market value ratios	
Price-earnings ratio (P/E), times	83.90
Basic earnings per share, LTL	0.03

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

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

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

REVENUES

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

The remaining part was revenues for the natural gas sold in the execution of transmission system reserves manage-

ment and balancing, and revenues for the administration of funds of the LNG terminal; also, a share of previously received grants, with the help of which fixed assets of the Company were created, corresponding to the useful life of those assets was recognized as revenues (Chart 6).

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

Revenues for the transmission of natural gas were received managing the natural gas reserve volumes contained in the natural gas transmission system. Their constant fluctuations are affected by technological features of the transmission system and gas flow deviations (imbalances) determined by technical reasons and actions of system users and other gas market participants taking part in the transmission system balancing. Decreasing natural gas reserves in the transmission system means that gas needs to be sold, while increasing reserves

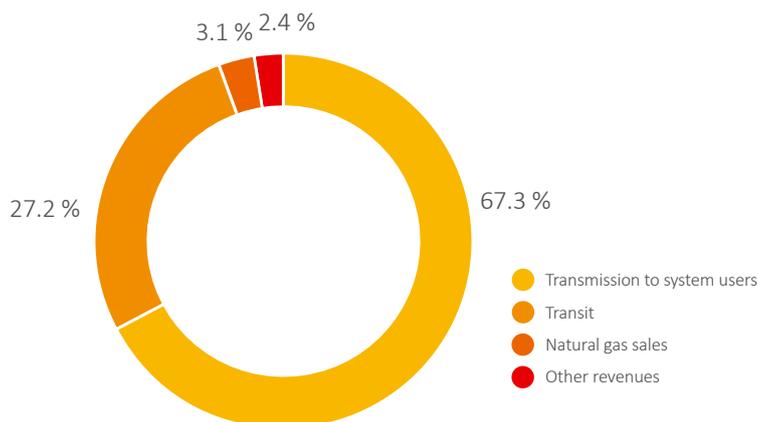


Chart 6: Revenue structure, 2013.

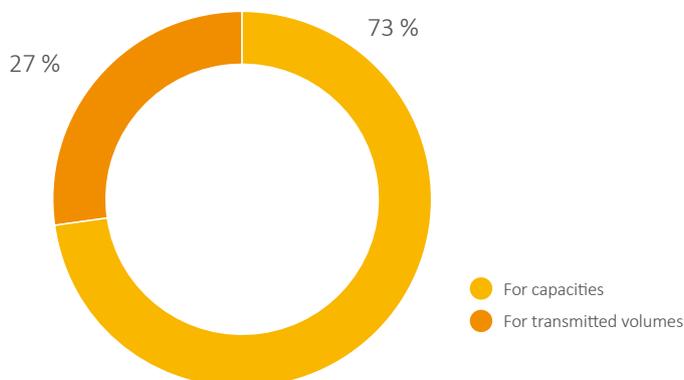


Chart 7: Structure of transmission revenues, 2013.

means that it has to be purchased. In 2013, due to the imbalance caused by gas market participants, natural gas was not bought or sold.

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

EXPENSES

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

The largest expenses of the Company were incurred due to the depreciation of fixed assets – LTL 32,221 thousand (or 45.7% of all expenses), repairs and maintenance – LTL 14,860 thousand (21%), payroll and related social security expenses – LTL 10,314 thousand

(14.6%) and expenses of natural gas – LTL 8,012 thousand (11.4%) (Chart 8).

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

ACTIVITY RESULTS

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

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

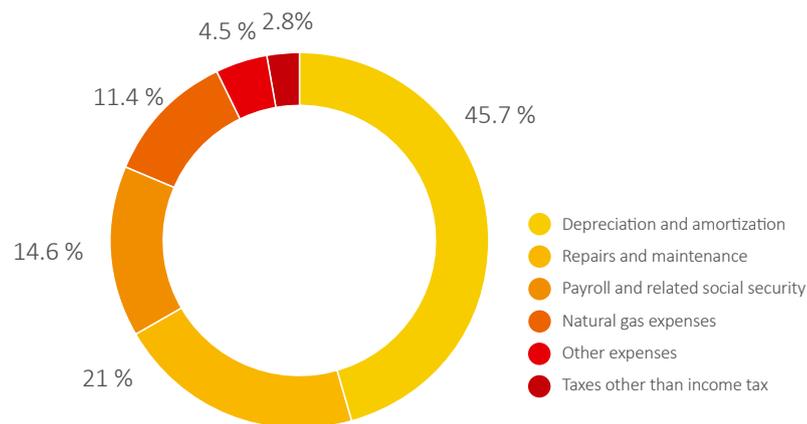


Chart 8: Structure of expenses, 2013.

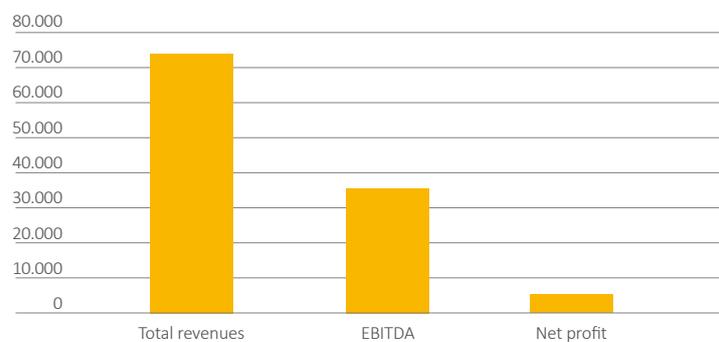


Chart 9: Financial results, thousand LTL

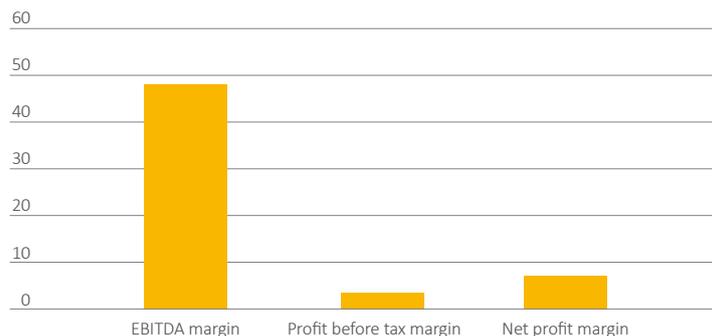


Chart 10: Profitability, per cent

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

INVESTMENTS

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

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

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

ASSETS

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

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

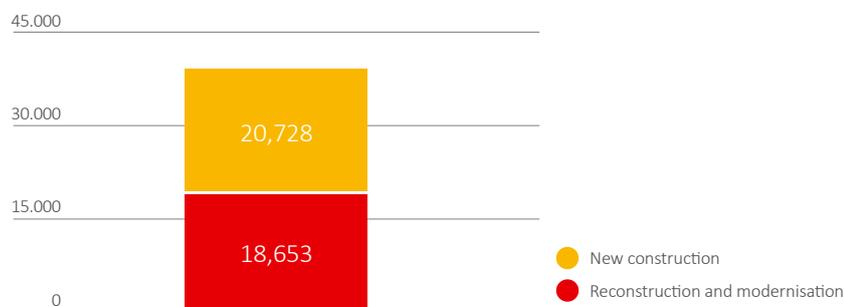


Chart 11: Investment structure, thousand LTL.

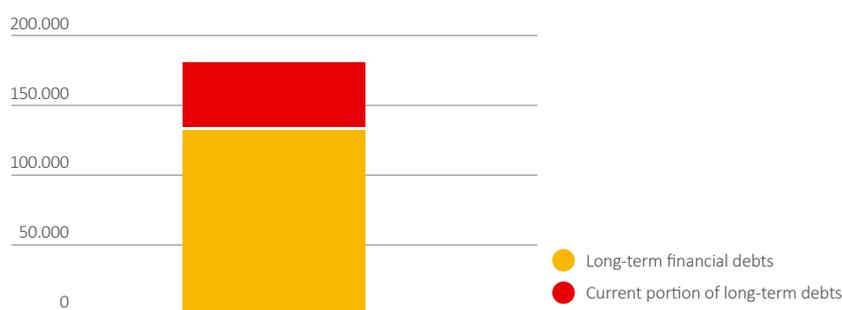


Chart 12: Financial debt structure, thousand LTL.

EQUITY AND LIABILITIES

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

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

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

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

CASH FLOWS

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

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

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

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

BUSINESS PLANS AND FORECASTS

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

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

RISK MANAGEMENT

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

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

THE MACROECONOMIC FACTORS-RELATED RISK

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

THE REGULATION-RELATED RISK

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

THE COMPETITION-RELATED RISK

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

THE TECHNOLOGY-RELATED RISK

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

THE COMPANY'S INTERNAL CONTROL SYSTEM

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

To ensure that the financial statements are prepared correctly, Amber Grid has adopted the Accounting Policies and Procedures Manual governing the principles, methods and rules of accounting and preparation and presentation of financial statements. Moreover, seeking to ensure that financial statements are prepared in a timely manner, deadlines for presentation of accounting documents and preparation of reports are regulated by internal rules approved by the Company.

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

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

The following are the main functions of the Audit Committee:

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

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

III. MANAGEMENT OF THE COMPANY

INFORMATION ON THE OBSERVANCE OF THE CODE OF GOVERNANCE

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

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

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

AUTHORIZED SHARE CAPITAL

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

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

SHAREHOLDERS

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

SHARES AND RIGHTS OF SHAREHOLDERS

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

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

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

E.ON Ruhrgas International GmbH is a holding company which is part of the E.ON Group. The E.ON Group is one of the world's largest energy companies. The activities

Table 4: Shareholders of the Company

Shareholder	Office address / company code	Number of shares held by the right of ownership, pcs.
E.ON Ruhrgas International GmbH (Germany)	Brüsseler Platz 1, 45131 Essen, Germany / HRB 21974	69,416,233
OA0 Gazprom (Russia)	16 Nametkina St., Moscow, Russian Federation / 1027700070518	66,112,761
Ministry of Energy of the Republic of Lithuania	Gedimino pr. 38, Vilnius, Lithuania / 302308327	31,575,724
Small shareholders		11,277,796
Total:		178,382,514

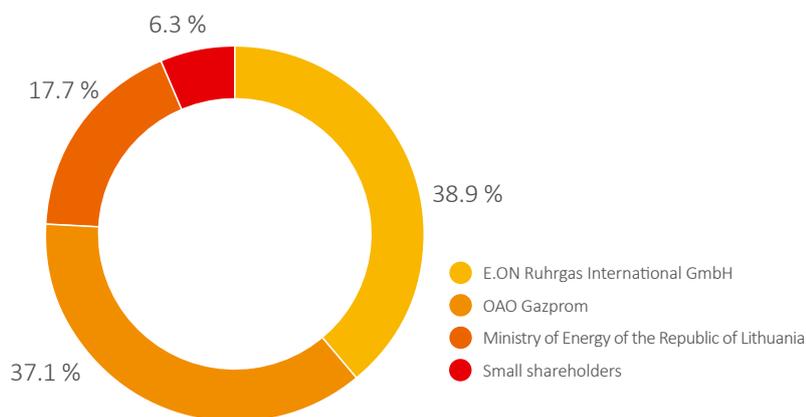


Chart 13: Structure of shareholders as of 31 December 2013.

of E.ON include, *inter alia*, energy generation from traditional and renewable energy sources as well as exploration, supply, storage, sales, distribution of natural gas and energy trading activities.

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

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

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

RESTRUCTURING OF THE COMPANY'S CONTROL

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

Pursuant to these legal acts, members of management bodies of the Company are not entitled to be members

of a management body or the representative body of companies engaged in production or supply activities or a sole manager of these companies.

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

DATA ABOUT TRADING IN THE ISSUER'S SECURITIES ON THE REGULATED MARKETS

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

Table 5: Main data about Amber Grid shares

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

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

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

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

Opening price, LTL 01-08-2013 ⁴	Highest price per share, LTL 13-12-2013	Lowest price per share, LTL 02-09-2013	Weighted average price per share, LTL	Closing price, LTL 30-12-2013
2.341	2.517	2.141	2.366	2.517

same period. The Company's share price dynamics is presented in Table 6.

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

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

DIVIDENDS

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

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

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

On 26 June 2013, Amber Grid concluded an agreement with AB SEB bank regarding the accounting of securities

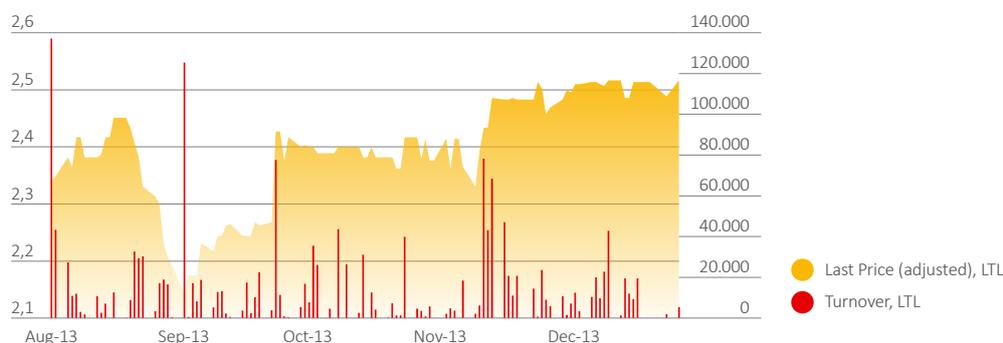


Chart 14: Amber Grid share price and turnover, August-December 2013



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

⁴ Since the trading of Amber Grid shares was started on 1 August 2013, the table indicates the closing price of the first trading day.

issued by the Company and the provision of services related to securities accounts.

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

MANAGEMENT STRUCTURE

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

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

The Bylaws provide for the following governing bodies:

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

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

The Company has no branches or representative offices.

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

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

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

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

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

Position title	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Chairman of the Board of Directors	Dr. Rainer Link	June 2013	June 2016	–	–
Deputy Chairman of the Board of Directors	Dr. Aleksandr Frolov	June 2013	June 2016	–	–
Member of the Board of Directors	Mario Nullmeier	June 2013	June 2016	–	–
Member of the Board of Directors	Dr. Aleksandras Spruogis	June 2013	June 2016	–	–
Member of the Board of Directors	Nikolay Vasilyev	June 2013	June 2016	–	–
General Manager	Saulius Bilys	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

Table 8: Information about the members of the Audit Committee

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

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

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

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

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

MATERIAL EVENTS AFTER THE END OF THE FINANCIAL YEAR

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

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

IV. MATERIAL EVENTS IN THE ACTIVITIES OF THE COMPANY

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

All public notices that are to be published in accordance with the procedure established by laws are posted in the electronic publication of the Administrator of the

Register of Legal Persons. Notifications on convening a General Meeting of Shareholders of the Company as well as other material events are published in accordance with the procedure established by the Law on Securities of the Republic of Lithuania on the Central Database of Regulated Information www.crib.lt and the Company's website www.ambergrid.lt. Where shareholders' holdings entitle them to at least 10% of the total voting rights, notices to such shareholders on convening a General Meeting of Shareholders are sent in accordance with the procedure established in the Bylaws of the Company.

In 2013, Amber Grid⁵ published the following information on material events:

Date	Material event
31-01-2013	Regarding the Terms and Conditions of the Spin-off of AB Lietuvos Dujos prepared and submitted to the NCCPE for approval
28-02-2013	The Commission approved the Terms and Conditions of the Spin-off of the natural gas transmission activity of AB Lietuvos Dujos
07-03-2013	Regarding the publication of the Terms and Conditions of the Spin-off of AB Lietuvos Dujos
15-05-2013	On convening the first General Meeting of shareholders of AB Amber Grid
11-06-2013	Regarding the resolution adopted by the First Meeting of shareholders of AB Amber Grid
11-06-2013	Regarding resolutions of the Board of Directors of AB Lietuvos Dujos
19-06-2016	Regarding the consideration of information submitted in the documentation on the Spin-off of AB Lietuvos Dujos to be equivalent to the information of the prospectus of AB Amber Grid
26-06-2013	Regarding the registration of a new company AB Amber Grid established following the Spin-off of AB Lietuvos Dujos and its Bylaws
27-06-2013	Regarding the AB Lietuvos Dujos transmission price cap and specific natural gas transmission service tariffs effective to the new company AB Amber Grid
11-07-2013	Notice regarding changing the accounting records of AB Lietuvos Dujos shares
18-07-2013	Regarding the revocation of natural gas transmission license for AB Lietuvos Dujos and issuance of a fixed-term natural gas transmission license to AB Amber Grid
01-08-2013	Notice regarding the inclusion of AB Amber Grid shares in the Secondary List of NASDAQ OMX Vilnius
02-08-2013	Notification on the Spin-off of the assets, rights and obligations of AB Amber Grid from AB Lietuvos Dujos
21-08-2013	On the preparation of the final Spin-off Balance Sheet
11-10-2013	On the natural gas price cap for 2014
31-10-2013	Pre-audited results of AB Amber Grid for Q3 of 2013
31-10-2013	Regarding new Tariffs for natural gas transmission services
31-10-2013	On convening an extraordinary General Meeting of Shareholders of AB Amber Grid
19-11-2013	New Tariffs set for natural gas transmission services
11-12-2013	Regarding resolution adopted by the Extraordinary General Meeting of shareholders of AB Amber Grid

⁵ During the period from 1 January 2013 till 31 July 2013 notices on material events related to natural gas transmission activities were published by AB Lietuvos Dujos

AB AMBER GRID

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





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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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

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

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

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



Report on Other Legal and Regulatory Requirements

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

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

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

Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 5 March 2014.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2013	As at 31 July 2013
ASSETS			
A.	Non-current assets	1,583,740	1,576,673
I.	Intangible assets	4	1,679
II.	Property, plant and equipment	5	1,581,582
II.1.	Land		387
II.2.	Buildings and structures		1,320,544
II.2.1.	Buildings		27,898
II.2.2.	Transmission networks and related installations		1,271,669
II.2.3.	Distribution networks and related installations		379
II.2.4.	Other buildings and structures		20,598
II.3.	Machinery and equipment		230,417
II.4.	Vehicles		5,172
II.5.	Other equipment, tools and devices		13,845
II.6.	Other property, plant and equipment		886
II.7.	Construction in progress		10,331
III.	Non-current financial assets		479
III.1.	Investment into joint venture	1	479
B.	Current assets	165,187	119,123
I.	Inventories and prepayments		26,862
I.1.	Inventories	6	26,714
I.1.1.	Raw materials, spare parts and other inventories		4,541
I.1.2.	Natural gas		22,173
I.2.	Prepayments		148
II.	Accounts receivable	7	73,302
II.1.	Trade receivables		16,169
II.2.	Other receivables		57,133
III.	Prepaid income tax		–
IV.	Other current assets	8	45,305
V.	Cash and cash equivalents	9	19,718
Total assets		1,748,927	1,695,796

(cont'd on the next page)

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

STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	As at 31 December 2013	As at 31 July 2013
EQUITY AND LIABILITIES			
C. Equity		1,208,560	1,203,489
I. Share capital	1	178,382	178,382
II. Reserves	10	1,015,111	1,015,111
II.1. Legal reserve		17,838	17,838
II.2. Other reserves		997,273	997,273
III. Retained earnings		15,067	9,996
D. Liabilities		540,367	492,307
I. Non-current liabilities		374,872	392,271
I.1. Non-current borrowings	11	135,118	157,500
I.2. Grants (deferred revenue)	12	131,072	122,053
I.3. Non-current employee benefits	13	1,131	1,133
I.4. Deferred income tax liability	18	107,551	111,585
II. Current liabilities		165,495	100,036
II.1. Current portion of non-current borrowings	11	45,083	23,572
II.2. Current portion of employee benefits	13	260	-
II.3. Trade payables	14	12,673	8,528
II.4. Income tax payable		1,388	-
II.5. Payroll related liabilities		2,224	1,129
II.6. Other payables and current liabilities	15	103,867	66,807
Total equity and liabilities		1,748,927	1,695,796

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

INCOME STATEMENT

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

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

STATEMENT OF COMPREHENSIVE INCOME

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

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

STATEMENT OF CHANGES IN EQUITY

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

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

STATEMENT OF CASH FLOWS

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

(cont'd on the next page)

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

STATEMENT OF CASH FLOWS (CONT'D)

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

1 GENERAL INFORMATION (CONT'D)

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

	Number of shares held	Percentage of ownership (%)
E.ON Ruhrgas International GmbH	69,416,233	38.9
OAD Gazprom	66,112,761	37.1
Ministry of Energy of the Republic of Lithuania	31,575,724	17.7
Other shareholders	11,277,796	6.3
	178,382,514	100.0

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

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

UAB GET Baltic data as at 31 December 2013:

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

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

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

2 ACCOUNTING PRINCIPLES

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

2.1. BASIS OF PREPARATION

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

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

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

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

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

Standards issued but not yet effective

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

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

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

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

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

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.2. MEASUREMENT AND PRESENTATION CURRENCY

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

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

2.3. INVESTMENT IN A JOINT VENTURE

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

2.4. INTANGIBLE ASSETS

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

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

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

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

2.5. PROPERTY, PLANT AND EQUIPMENT

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

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

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

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

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

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

2.6. FINANCIAL ASSETS

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.6. FINANCIAL ASSETS (CONT'D)

Receivables

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

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

Available-for-sale financial assets

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

2.7. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

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

Financial liabilities

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.8. INVENTORIES

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

2.9. CASH AND CASH EQUIVALENTS

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

2.10. BORROWINGS

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

2.11. BORROWING COSTS

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

2.12. GRANTS (DEFERRED REVENUE)

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

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

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.13. NON-CURRENT EMPLOYEE BENEFITS

Defined benefit plan – post employment benefits

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

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

Other long-term employee benefits

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

2.14. INCOME TAX

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

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

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

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

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.15. LEASES

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

Financial lease

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

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

Operating lease

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

2.16. REVENUE RECOGNITION

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

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

2.17. FOREIGN CURRENCIES

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.18. IMPAIRMENT OF ASSETS

Financial assets

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

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

Other assets

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

2.19. FAIR VALUE MEASUREMENTS

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

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

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

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

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

2.20. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

2 ACCOUNTING PRINCIPLES (CONT'D)

2.20. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

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

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

2.21. CONTINGENCIES

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

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

2.22. SUBSEQUENT EVENTS

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

2.23. OFFSETTING

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

2.24. ADMINISTRATION OF THE FUNDS OF THE LIQUEFIED NATURAL GAS TERMINAL

On 12 June 2012 the Seimas of the Republic of Lithuania adopted the Law on the Liquefied Natural Gas Terminal (hereinafter, LNGT), which set forth that LNGT, its infrastructure and connector installation and operation may be financed by including its expenses in the price for the natural gas transmission service. Accordingly, on 9 October 2012 National Commission for Energy Control and Prices ((hereinafter, NCC) passed a Resolution No O3-294 on the Approval of the Procedure for the Administration of the Funds Allocated to the Installation and Operation Expenses of the Liquefied Natural Gas Terminal, its infrastructure and connector, which set forth the procedure for the administration of the above expenses. With its Resolution No O3-275 of 28 September 2012 Amending the Resolution No O3-106 of 8 August 2008 of the NCC on the Approval of the Methodology for the Calculation of Price Caps on Natural Gas Transmission and Distribution, NCC set forth that funds allocated for the compensation of the expenses or a part thereof from natural gas terminal, its infrastructure and connector installation may be established as a secondary and integral component of the natural gas transmission price cap – LNGT supplement. With its Resolution No O3-330 of 26 October 2012 NCC approved the LNGT supplement – 37.53 LTL/1000 m³, whereas with the Resolution of 11 October 2013, instead of the LNGT supplement, it approved a secondary gas supply security component of 39.36 LTL/1000 m³ for the period of 3-31 December 2014.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.24. ADMINISTRATION OF THE FUNDS OF THE LIQUEFIED NATURAL GAS TERMINAL (CONT'D)

Following the requirements of the above legal acts, the Company collects and administrates LNGT funds. In the collection and administration of the LNGT funds, the Company acts as an intermediary on behalf of the state, and this activity does not generate operating income/profit for the Company, except for the share of the LNGT funds allocated to cover the administration expenses of LNGT funds, which is considered as the Company's income (17 Note). LNGT funds collected from the payers of LNGT funds and transferred to the recipients of LNGT funds (LNGT project implementing company or LNGT operator) are not considered as the Company's income/expenses, but are accounted for as other receivables/other payables and other financial assets.

3 SEGMENT INFORMATION

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

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

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

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

- ▶ Customer A- LTL 20,166 thousand;
- ▶ Customer B- LTL 9,661 thousand;
- ▶ Customer C- LTL 9,314 thousand;
- ▶ Customer D- LTL 8,243 thousand.

4 INTANGIBLE ASSETS

Movement of intangible assets for the current periods:

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

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

5 PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings	Transmission networks and related installations	Distribution networks and related installations	Other buildings and structures	Machinery and equipment	Vehicles	Other equipment, tools and devices	Other property, plant and equipment	Construction in progress	Total
Cost:											
As at 31 July 2013	387	34,312	1,572,534	412	27,526	316,639	16,018	51,822	1,435	107,486	2,128,571
Additions during the period of 5 months ended on 31 December 2013	-	-	-	-	21	9	866	397	266	37,461	39,020
Reclassification during the period of 5 months ended on 31 December 2013	-	1,173	116,775	-	624	11,968	-	3,977	-	(134,517)	-
As at 31 December 2013	387	35,485	1,689,309	412	28,171	328,616	16,884	56,196	1,701	10,430	2,167,591
Accumulated depreciation:											
As at 31 July 2013	-	7,110	396,826	29	6,957	90,757	11,022	40,463	735	-	553,899
Charge for period of 5 months ended on 31 December 2013	-	467	20,814	4	626	7,442	690	1,888	80	-	32,011
Reclassification during the period of 5 months ended on 31 December 2013	-	10	-	-	(10)	-	-	-	-	-	-
As at 31 December 2013	-	7,587	417,640	33	7,573	98,199	11,712	42,351	815	-	585,910
Impairment:											
Balance as at 31 July 2013	-	-	-	-	-	-	-	-	-	-	-
Impairment formed during 5 months period ended on 31 December 2013	-	-	-	-	-	-	-	-	-	99	99
Net book value as at 31 July 2013	387	27,202	1,175,708	383	20,569	225,882	4,996	11,359	700	107,486	1,574,672
Net book value as at 31 December 2013	387	27,898	1,271,669	379	20,598	230,417	5,172	13,845	886	10,331	1,581,582

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

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

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

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

Object	31 December 2013	31 July 2013
Construction of gas transmission pipeline Jurbarkas–Klaipėda:	–	98,984
<i>Construction of gas transmission pipeline from the branch to gas distribution station (GDS) in Tauragė to the branch to GDS in Šilutė</i>	–	54,152
<i>Construction of gas transmission pipeline from the branch to GDS in Šilutė to the branch to GDS-2 in Klaipėda, the branch to GDS-2 in Klaipėda and GDS-2 in Klaipėda</i>	–	44,832
Reconstruction of GDS containers	–	3,988
Construction of gas transmission pipeline to Alytus GDS, acquisition of intelligent pig launcher and receiver chambers and replacement works of line block valves with bypasses No. 2; 3	1,742	–
Construction of gas transmission pipeline to Marijampolė GDS, acquisition of intelligent pig launcher and receiver chambers and replacement works of line block valves with bypass No. 3	1,598	–
Acquisition of pollution reduction equipment	1,395	–
Replacement works of line block valves in gas transmission pipelines to Pajiešmeniai and Biržai GDS and integration into SCADA system	941	–
Acquisition of intelligent pig launcher chambers for Panevėžys–Šiauliai–Klaipėda gas transmission pipeline	762	–
Reconstruction of odorant warehouse	967	–
Other	2,926	4,514
	<u>10,331</u>	<u>107,486</u>

6 INVENTORIES

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

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

7 ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

	Trade and other receivables neither past due nor impaired	Less than 30 days	31–90 days	91–180 days	181–360 days	more than 360 days	Total
31 July 2013	16,828	5,480	10,832	16,814	2,730	–	52,684
31 December 2013	<u>26,251</u>	<u>3,149</u>	<u>5,523</u>	<u>5,347</u>	<u>33,032*</u>	–	<u>73,302</u>

*Administrated LNGT receivables from Achema AB (Note 22)

8 OTHER FINANCIAL ASSETS

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

9 CASH AND CASH EQUIVALENTS

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

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

10 RESERVES

Legal reserve

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

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

Other reserves

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

11 BORROWING

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

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

11 BORROWING (CONT'D)

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

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

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

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

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

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

12 GRANTS (DEFERRED REVENUE)

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

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

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

13 NON-CURRENT EMPLOYEE BENEFITS

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

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

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

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

14 TRADE PAYABLES

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

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

15 OTHER PAYABLES AND CURRENT LIABILITIES

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

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

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

16 INCOME

The Company's income consists of the following:

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

17 FINANCIAL ACTIVITY

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

18 INCOME TAX

	Period of 5 months ended on 31 December 2013
Income tax:	
Profit before tax	2,425
Changes in temporary differences	15,810
Permanent differences	277
Taxable income for the year	18,512
Current year income tax	2,776
Current year income tax incentive	(1,388)
Current year income tax after applying income tax incentive	1,388
Change in deferred income tax during the year	(4,034)
Income tax expense (income) charged to the income statement	<u>(2,646)</u>

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

18 INCOME TAX (CONT'D)

	Period of 5 months ended on 31 December 2013	31 July 2013
Deferred tax asset:		
Vacation accrual	160	147
Accrual for non-current employee benefit	208	170
Unused income tax incentive	4,271	2,625
	<hr/>	<hr/>
Deferred tax asset before valuation allowance	4,639	2,942
Less: valuation allowance	–	–
Less: deferred tax asset netted with deferred tax liability	(4,639)	(2,942)
Deferred tax asset, net	–	–
	<hr/>	<hr/>
Deferred tax liability:		
Difference in tax base of property, plant and equipment	(112,190)	(114,527)
Deferred tax liability, net	(107,551)	(111,585)
	<hr/>	<hr/>

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

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

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

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

19 EARNINGS PER SHARE

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

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

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

20 CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES

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

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

21 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

Liquidity risk

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

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

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

*LNGT funds

21 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Credit risk

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

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

The Company does not guarantee obligations of other parties.

Interest rate risk

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

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

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

Gas import price fluctuation risk

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

Concentration risk

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

Fair value of financial instruments

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

21 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

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

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

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

22 COMMITMENTS AND CONTINGENCIES

Legal disputes

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

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

22 COMMITMENTS AND CONTINGENCIES (CONT'D)

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

Commitments for non-current assets acquisition

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

23 RELATED PARTY TRANSACTIONS

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

The related parties of the Company, transaction amounts and debts as at 31 December 2013 were as follows:

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

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

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

23 RELATED PARTY TRANSACTIONS (CONT'D)

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

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

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

Management remuneration

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

24 CAPITAL MANAGEMENT

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

25 SUBSEQUENT EVENTS

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

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

**Amber
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