



AB AMBER GRID

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

Vilnius
2014

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I. GENERAL INFORMATION ABOUT THE ISSUER

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

MAIN DATA

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

BUSINESS ACTIVITY OF THE COMPANY

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

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

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND THE DEVELOPMENT THEREOF

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

STRATEGIC INFRASTRUCTURE PROJECTS

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

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

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

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

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

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

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

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

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

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

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

GAS INTERCONNECTION POLAND–LITHUANIA (HEREINAFTER – THE GIPL)

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

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

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

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

RECONSTRUCTION AND MODERNIZATION

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

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

MAINTENANCE OF THE TRANSMISSION SYSTEM

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

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

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

NATURAL GAS TRANSMISSION VOLUMES

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

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

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

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

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

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

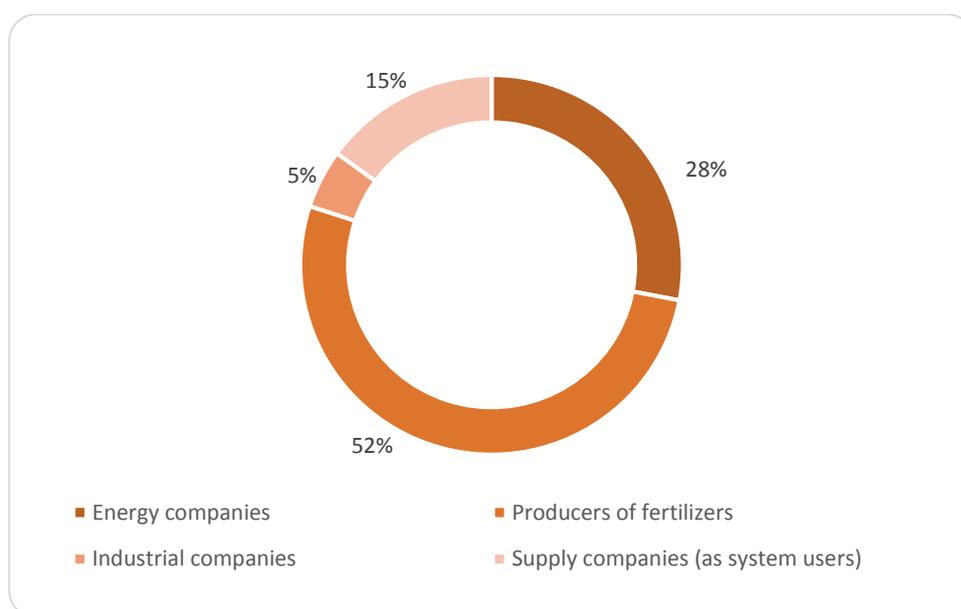


Chart 1: Structure of natural gas volumes transmitted by natural gas transmission system users in Lithuania, the first half of 2014, per cent

NATURAL GAS TARIFFS REGULATION

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

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

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

NATURAL GAS TRANSMISSION SYSTEM BALANCING

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

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

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

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

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

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

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

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

The Company collects LNG terminal funds, administers and pays them out to the company implementing the LNG terminal project or to the LNG terminal operator in the procedure prescribed by legal acts. By the decision of the NCC, a certain part of the aforesaid funds goes to cover the administration expenses incurred by the Company.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

EMPLOYEES

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

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

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

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

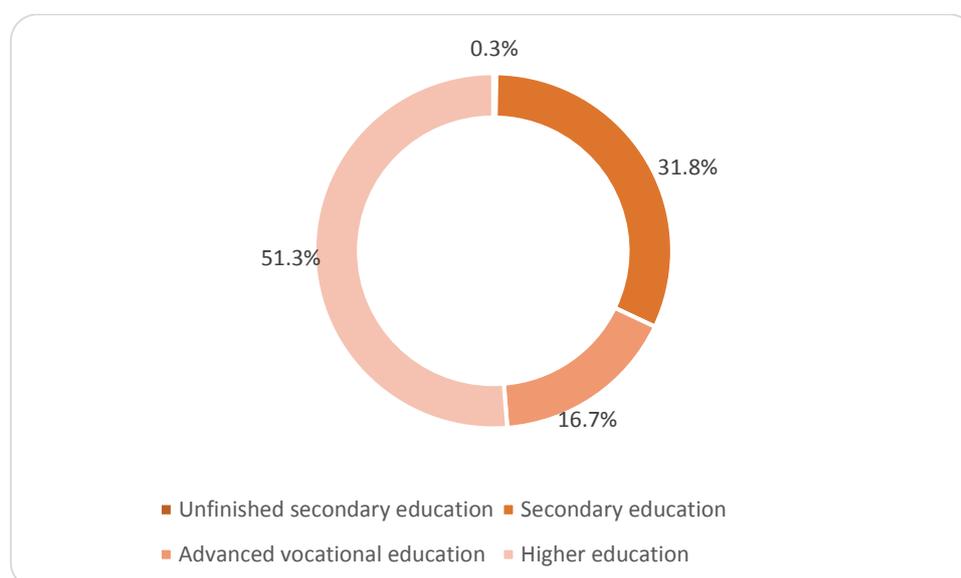


Chart 2: Employee distribution by education, the first half of 2014, per cent

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

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

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

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

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

INTERNATIONAL COOPERATION

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

II. FINANCIAL RESULTS

MAIN INDICATORS FOR THE TRANSMISSION SYSTEM

Table 3: The Company's performance indicators

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

THE COMPANY'S KEY FINANCIAL INDICATORS

Table 4: The Company's financial indicators

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

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

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

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

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

REVENUE

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

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

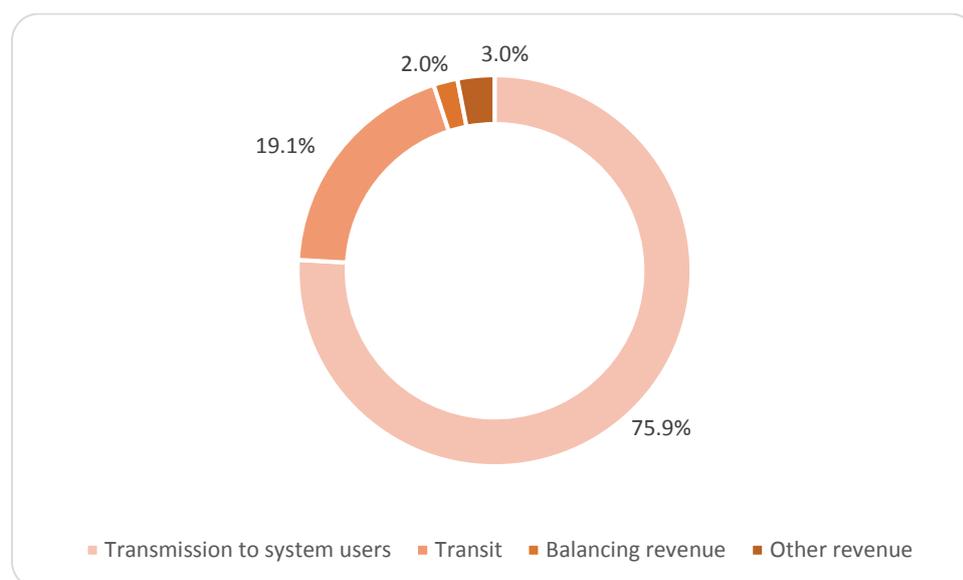


Chart 3: Revenue structure, the first half of 2014, per cent

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

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

EXPENSES

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

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

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

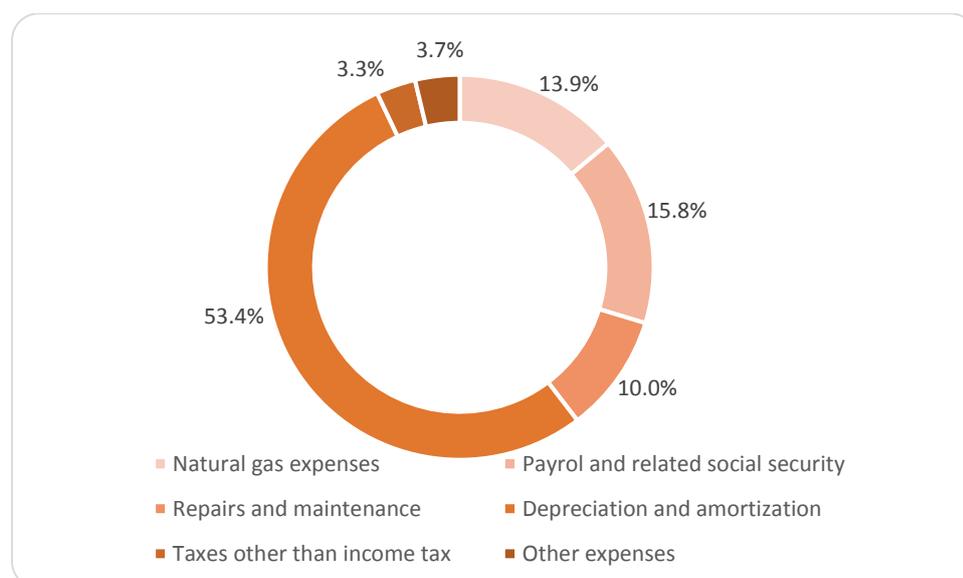


Chart 4: Structure of expenses, the first half of 2014, per cent

ACTIVITY RESULTS

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

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

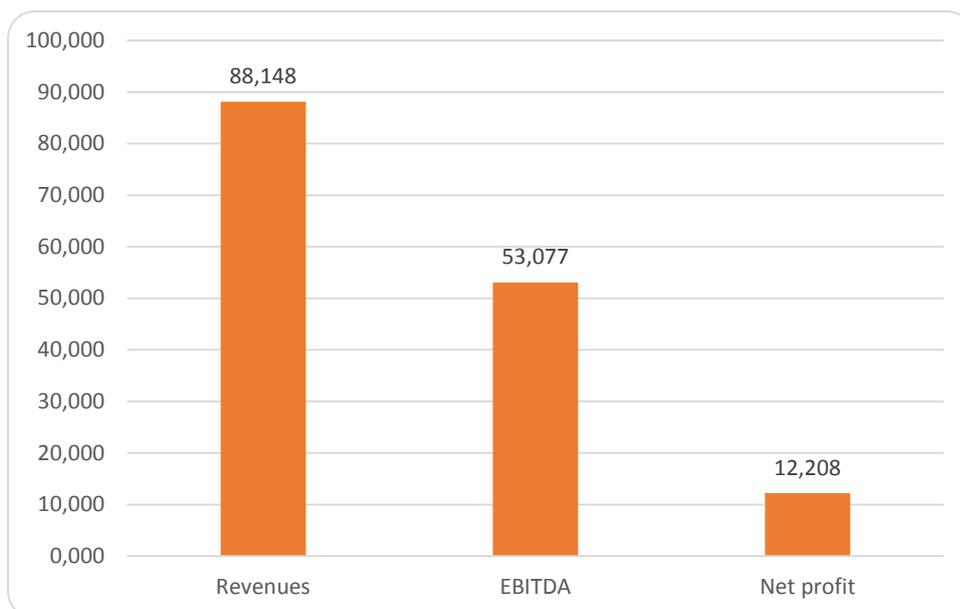


Chart 5: Financial results, the first half of 2014, thousand LTL

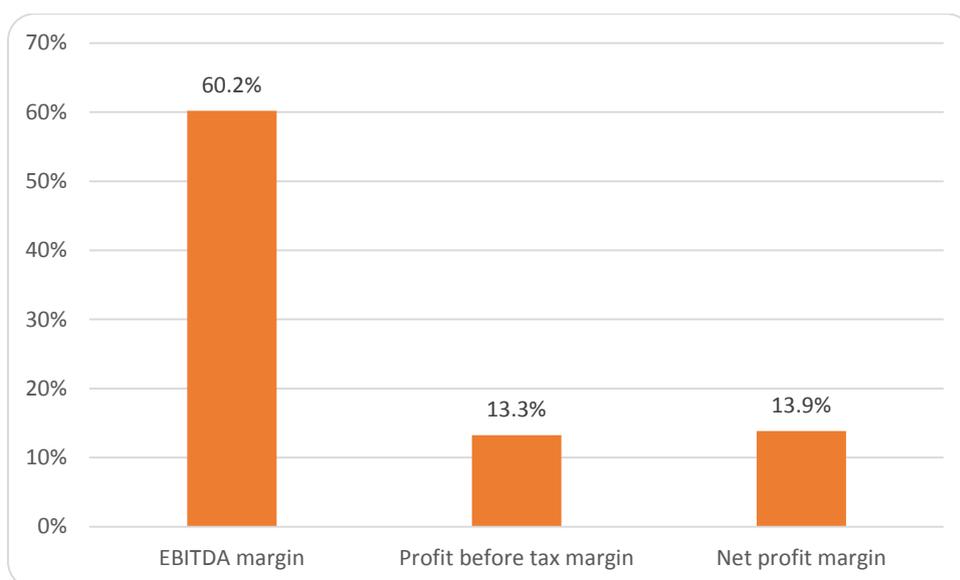


Chart 6: Profitability, the first half of 2014, per cent

INVESTMENTS

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

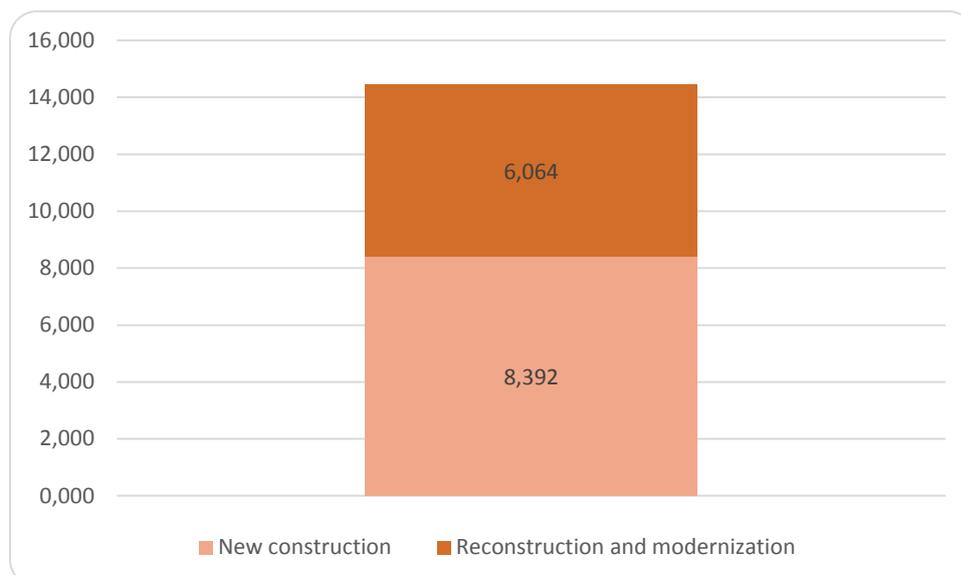


Chart 7: Investment structure, the first half of 2014, thousand LTL

ASSETS

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

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

EQUITY AND LIABILITIES

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

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

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

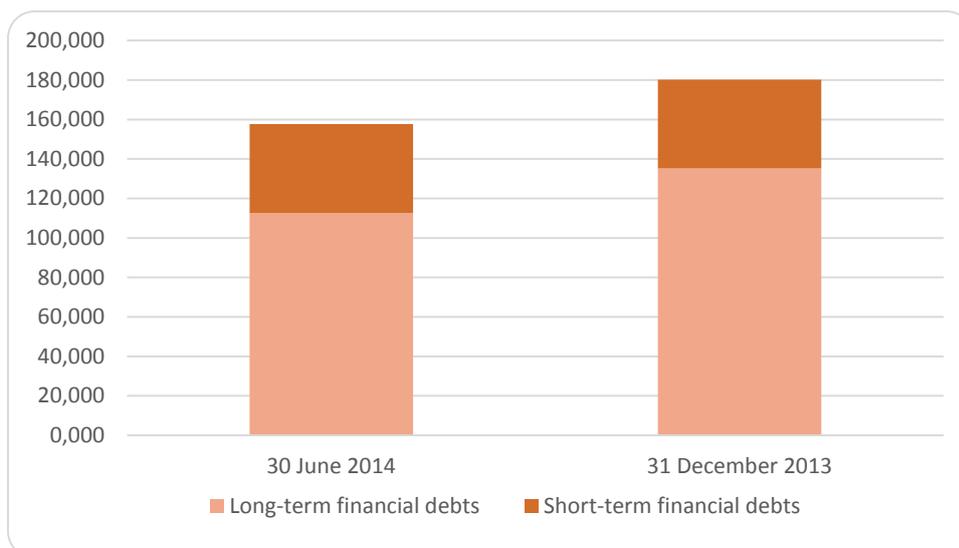


Chart 8: Financial debt structure, thousand LTL

CASH FLOWS

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

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

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

BUSINESS PLANS AND FORECASTS

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

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

RISK MANAGEMENT

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

REGULATION-RELATED RISK

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

COMPETITION-RELATED RISK

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

NATURAL GAS PURCHASE PRICE RISK

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

FINANCIAL RISK

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

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

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

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

MACROECONOMIC FACTORS-RELATED RISK

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

TECHNICAL RISK

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

THE COMPANY'S INTERNAL CONTROL SYSTEM

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

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

III. MANAGEMENT OF THE COMPANY

AUTHORIZED SHARE CAPITAL

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

During the first half of 2014, the Company's structure of shareholders has changed significantly. On 21 May 2014, UAB EPSO-G (controlled by the Ministry of Energy of the Republic of Lithuania), acquired from E.ON Ruhrgas International GmbH 69,416,233 ordinary shares of the Company. With this transaction, E.ON Ruhrgas International GmbH transferred all the Company's shares held thereby, and UAB EPSO-G has increased its shareholding in the Company to 100,991,957 units, i.e. up to 56.6 % of the total number of the Company's shares. Since UAB EPSO-G exceeded the threshold of 1/3 votes in the General Meeting of Shareholders, the takeover bid for the purchase of the remaining shares of the Company providing 43.4 % of the vote in the General Meeting of Shareholders was made. On 19 June 2014, OAO Gazprom sold 66,112,761 units of ordinary shares at the time of the takeover bid, and UAB EPSO-G acquired 71,287,168 units of the Company's ordinary shares. OAO Gazprom transferred all the Company's shares held. Minority shareholders of the Company at the time of the takeover bid transferred to UAB EPSO-G 5,174,407 units of shares representing 2.9 % of the total number of shares of the Company.

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

SHARES AND RIGHTS OF SHAREHOLDERS

The number of shares granting votes in the General Meeting of Shareholders coincides with the number of shares issued and amounts to 178,382,514. Property and non-property rights granted by shares of Amber Grid for all the shareholders of the Company are equal. In accordance with the Bylaws of the Company, decisions on issuing new shares and on acquisition of own shares shall be adopted exclusively by a decision of the General Meeting of Shareholders.

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

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

SHAREHOLDERS

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

Table 5: Shareholders of the Company

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

The structure of shareholders of the Company is illustrated in Chart 9.



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

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

RESTRUCTURING OF THE COMPANY'S CONTROL

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

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

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

by the Ministry of Energy of the Republic of Lithuania), and when on 30 June 2014 the composition of the Board of Directors of the Company was changed by respective decisions of the Extraordinary General Meeting of Shareholders.

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

DATA ABOUT TRADING IN SECURITIES ON THE REGULATED MARKETS

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

Table 6: Main data about Amber Grid shares

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

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

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

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

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

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

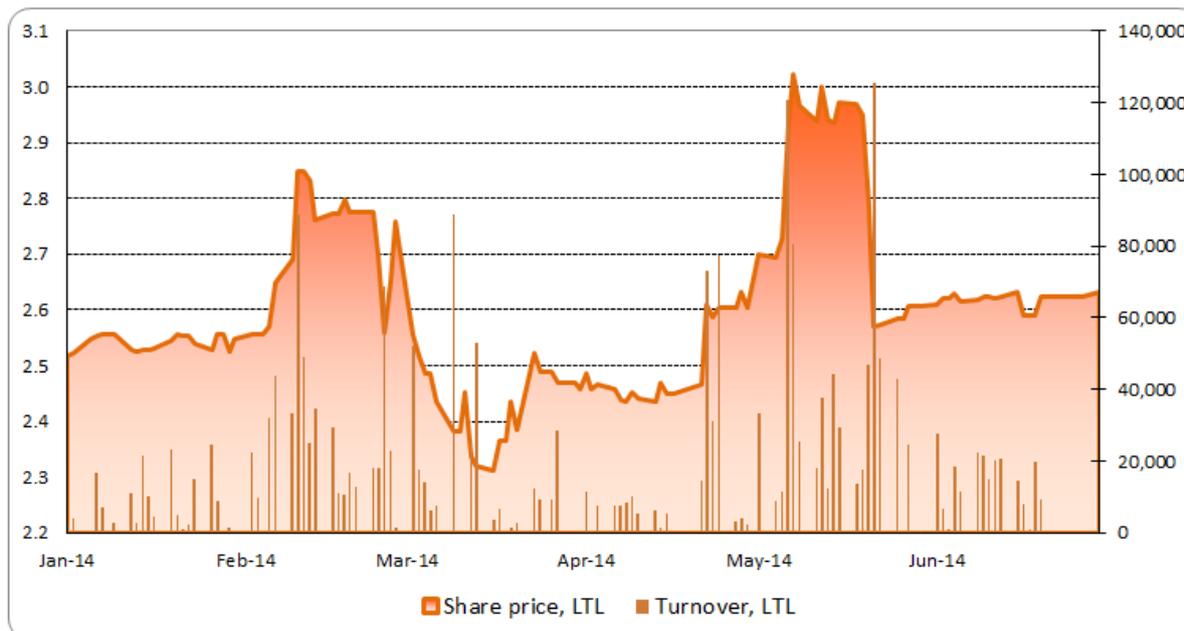


Chart 10: Amber Grid share price and turnover, January–June 2014

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

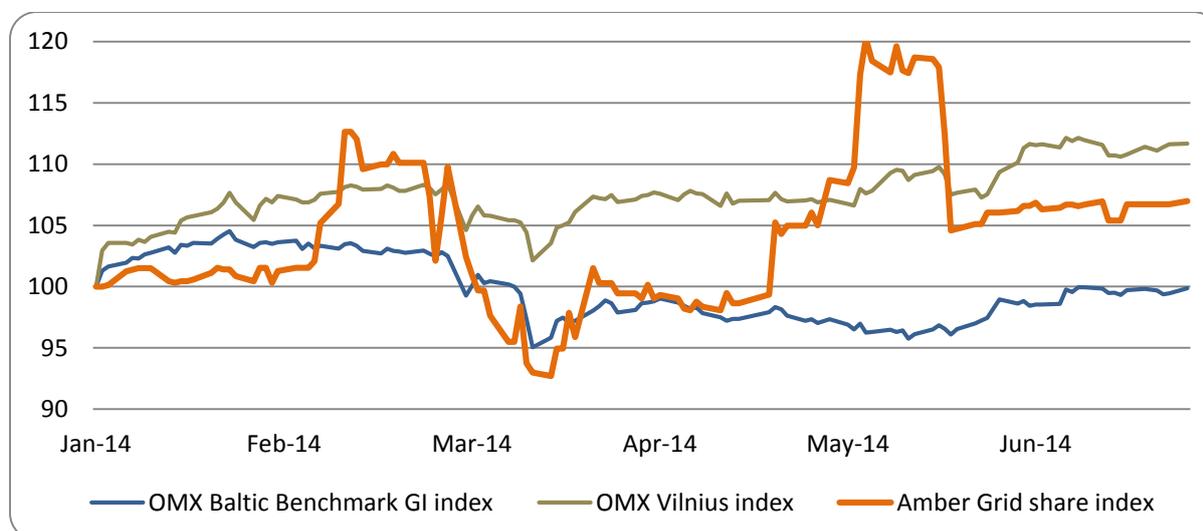


Chart 11: Fluctuations of Amber Grid share price, OMX Vilnius and OMX Baltic Benchmark PI Indices, January–June 2014

DIVIDENDS

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

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

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

MANAGEMENT STRUCTURE

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

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

The Bylaws provide for the following governing bodies:

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

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

The Company has no branches or representative offices.

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

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

Position title	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Chairman of the Board of Directors	Dr. Rainer Link	June 2013	June 2014	–	–
Deputy Chairman of the Board of Directors	Dr. Aleksandr Frolov	June 2013	June 2014	–	–
Member of the Board of Directors	Mario Nullmeier	June 2013	June 2014	–	–
Member of the Board of Directors	Dr. Aleksandras Spruogis	June 2013	June 2014	–	–
Member of the Board of Directors	Nikolay Vasilyev	June 2013	June 2014	–	–
Chairman of the Board of Directors	Dr. Aleksandras Spruogis	June 2014	June 2016	–	–
Deputy Chairman of the Board of Directors	Agnė Petravičienė	June 2014	June 2016	–	–
Member of the Board of Directors	Dainius Bražiūnas	June 2014	June 2016	–	–
Independent Member of the Board of Directors	Nerijus Datkūnas	June 2014	June 2016	–	–
General Manager	Saulius Bilys	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

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

Table 9: Information about the members of the Audit Committee

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

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

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

INFORMATION ABOUT RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND HARMFUL TRANSACTIONS

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

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

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

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

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

IV. REGULATED INFORMATION ON THE ACTIVITIES OF THE ISSUER

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

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

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

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

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