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PRESS RELEASE

### **Interim unaudited operating results of 2018 of Amber Grid**

Continuing active implementation of strategic projects, 2018 AB Amber Grid performed stably, providing services to system users significantly cheaper for the second consecutive year, and continued targeted improvement of its activities.

*‘The year 2018 is important in terms of the breakthrough in the implementation of the strategic project of the Gas Interconnection Poland–Lithuania (GIPL) – the Connection Agreement by which the final investment decision was taken and the tenders for construction and supply of pipes were announced. In 2018, prices of services provided by the Company to the Lithuanian consumers kept reducing already for the second year in a row. Such results were achieved through transparent and responsible natural gas transmission activities based on continuous development and improvement of business efficiency’, – said Saulius Bilys, CEO of Amber Grid.*

### **IMPAIRMENT OF ASSETS**

The International Financial Reporting Standards establish the procedures which must be applied by the Company in order to guarantee the registration of its assets at fair value. One of such procedures is a regular assessment of internal and external indications of the possible value impairment. In the assessment of the Company, there were changes in the regulatory environment – in 2019, at the beginning of a new period of regulation of natural gas transmission prices, the regulated rate of return on investments was reduced more significantly than previously considered.

Therefore, after testing the assets for impairment – assessing the recoverable amount of fixed assets according to the discounted cash flow method, the impairment of assets amounting to EUR 37.7 million was established which was recorded in the profit (loss) statement, reducing by the respective amount the values of the units of assets recorded in the balance sheet at the end of 2018. The impairment of fixed assets was mainly predetermined by the aforementioned reduction in the regulated rate of return on investments.

This change affected the pre-tax and net profit of the Company of 2018.

### **OPERATING RESULTS**

#### **Revenues**

In 2018, revenues of the Company totalled EUR 54.3 million (reduced by 15.6%, compared with 2017). This was mainly influenced by 36.5% reduction of the price of gas transmission services to the country’s consumers. Income from natural gas transmission services made up 81% of total revenues. The amount of revenues was also influenced by lower consumption of gas in the sectors of fertilisers and energy.

#### **Expenses**

In 2018, expenses of the Company (net of the costs of impairment of fixed assets of EUR 37.7 million) totalled EUR 42.3 million (increased by 4%, compared with 2017). This was mainly influenced by the increase in the costs of purchase of natural gas.

Due to revaluation of fixed assets performed in the end of 2018, operations of the Company in 2018 were unprofitable. Net loss amounted to EUR 21.6 million. Without considering a one-off effect of revaluation of assets, net profit of 2018 totalled EUR 10.4 million (in 2017, net loss was EUR 9.9 million as a result of revaluation of fixed assets and registered value impairment, excluding the revaluation effect, net profit of the last year amounted to EUR 20.3 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 24.6 million and, compared with 2017 (EUR 38.3 million), reduced by 35.8%. In 2018, investments of Amber Grid amounted to EUR 15.9 million (in 2017 – EUR 12.4 million).

## SERVICES

In 2018, 14.4 TWh (in 2017 – 14.7 TWh) of natural gas were injected into the transmission system controlled by Amber Grid for consumers of Lithuania and other Baltic States from Belarus, 8.8 TWh (in 2017 – 12.4 TWh) – from the Liquefied Natural Gas (LNG) terminal of Klaipėda and 1.8 TWh (in 2017 – 0.3 TWh) were transported to Lithuania from Latvia. Last year, 22.3 TWh of natural gas were transported to consumers of Lithuania to the domestic exit point. Compared with 2017, transmission quantities to Lithuania's consumers reduced by 8.1%. The natural gas quantity of 2.3 TWh, or by 11.2% less than in 2017, was transmitted to system users from the transmission system to Latvia through Kiemėnai gas accounting station. During the reporting period, the quantity of gas transported to the Kaliningrad Region of the Russian Federation increased by 8.4% to 27.8 TWh of natural gas (in 2017 – 25.7 TWh).

## OTHER ESSENTIAL INFORMATION

In 2018, Amber Grid implemented two strategic projects of gas transmission infrastructure: The Gas Interconnection Poland–Lithuania (GIPL) and Enhancement of Latvia-Lithuania Interconnection. In 2018, the public procurements of construction operations and pipes necessary for construction for the part of the GIPL project in the territory of Lithuania were started. In 2018, the Feasibility Study and Cost-Benefit Analysis of the project of the enhancement of Latvia-Lithuania interconnection was prepared. In 2019, a new 5-year period (2019-2023) of the regulation of natural gas transmission service prices began and a new rate of return on investments of 3.33% from assets attributable to regulated activities was set for the Company. It is significantly lower than the rate of return (7.09%) applicable during 2014-2018 regulation period and it will be adjusted annually according to the Methodology for the Calculation of the Investment Rate of Return approved by the NCCEP considering the actual borrowing costs of the Company.

### *Background information on AB Amber Grid:*

*AB Amber Grid, a gas transmission system operator, ensures a reliable and secure transmission of natural gas through high-pressure pipe-systems to system users, as well as operation, maintenance, and development of the natural gas infrastructure. AB Amber Grid is listed on the supplementary trading list of the Baltics at NASDAQ Vilnius Stock Exchange. Controlling interest of AB Amber Grid is with UAB EPSO-G, a holding company which further holds controlling interests at AB Litgrid, electricity transmission system operator, and UAB BALTPool, energy resources exchange operator. UAB EPSO-G, which is 100-percent controlled by the Ministry of Energy of the Republic of Lithuania, is in charge of the implementation of strategic tasks of the development of Lithuania's gas and electricity infrastructure, it also manages projects dedicated to the integration into the EU energy markets, and seeks implementation of goals of the EU energy union.*

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