



AB AMBER GRID  
ANNUAL REPORT 2014

Vilnius  
2015

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## I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the annual report was drawn up: the Year 2014.

### KEY DATA

Name	AB Amber Grid (hereinafter referred to either as Amber Grid or the Company)
Legal form	Public company
Date and place of registration	25 June 2013, Register of Legal Entities
Legal Entity code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised capital	LTL 178,382,514
Registered office address	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 2360855
Fax number	+370 5 2360850
E-mail address	info@ambergrid.lt
Website	www.ambergrid.lt

**The Company's mission statement:** through the pursuit of national strategic interests to develop the Gas Transmission System in an effective manner, to transmit gas supplies in a reliable way, to make an active contribution to the development of an integrated European gas transmission system and to create conditions for the development of a competitive gas market.

**The Company's vision:** through vigorous actions, in cooperation with the region's gas transmission system operators, to create favourable conditions for the region's gas market operation in the integrated European gas network.

The Gas Transmission System Operator, AB Amber Grid, is a Lithuanian company important to ensuring national security responsible for the transmission of natural gas, for the operation and maintenance of its gas transmission pipelines, for securing safe and reliable operations and development of the Gas Transmission System. Customers of the Company are large and medium-sized electricity, district heating, industrial and natural gas supply companies that are provided with natural gas transmission services in the territory of Lithuania. Together with AB Lietuvos Dujos and the Finnish gas company Gasum Oy, the Company controls UAB GET Baltic, a company engaged in the organisation of trade on the natural gas exchange. Amber Grid owns 32% of shares of UAB GET Baltic.

In implementation of applicable requirements of the European Union (hereinafter referred to as the "EU") Third Energy Package, the natural gas transmission activity had to be unbundled from the natural gas production and supply activity through the unbundling of the ownership of the transmission system from the natural gas companies engaged in natural gas production and supply activities. Amber Grid completed the implementation of these requirements in 2014.

### COMPANY ACTIVITIES

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

- Natural gas transmission in the territory of Lithuania;
- Balancing of natural gas flows in the transmission system;

## COMPANY ACTIVITIES (CONT'D)

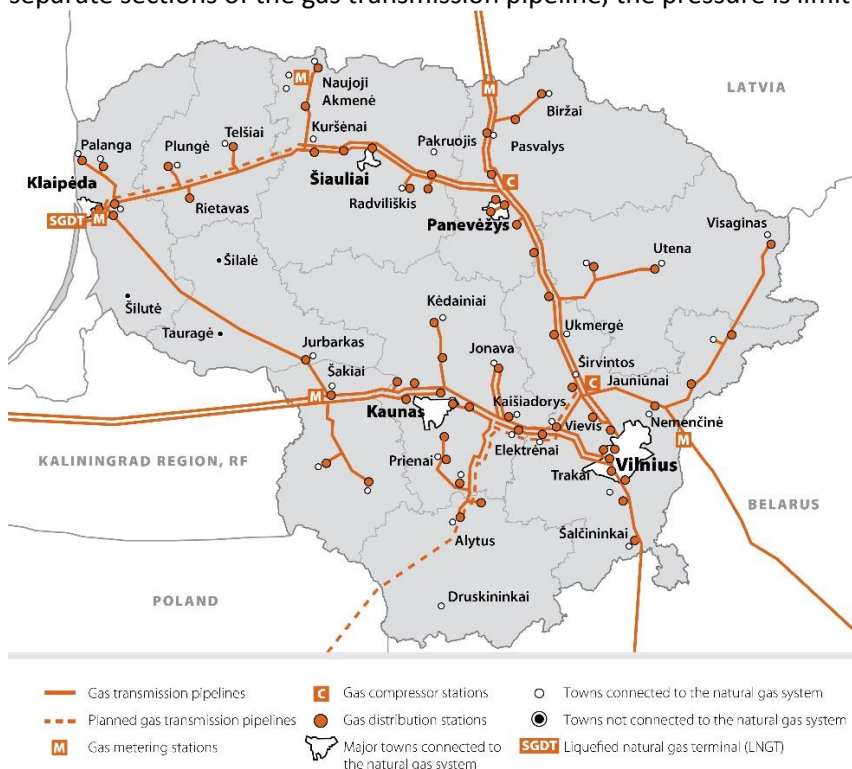
- Administration of the LNG-funds, i.e. funds intended to compensate for the costs of the construction, operation and maintenance of the Liquefied Natural Gas (hereinafter referred to as "LNG") terminal, its infrastructure and connector.

## NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

### TRANSMISSION SYSTEM AND ITS DEVELOPMENT

The Natural Gas Transmission System consists of 2,007 km of gas transmission pipelines, 66 M&R Stations, 3 Gas Metering Stations, 2 Gas Compressor Stations, gas pipeline corrosion protection equipment, remote data transmission and communication systems and other assets attributed to the Gas Transmission System (Map 1). Lithuania's Gas Transmission System is connected with the Gas Transmission Systems of the Republic of Latvia, the Republic of Belarus, and the Kaliningrad Region of the Russian Federation, with the LNG terminal in Klaipėda, with various gas distribution systems of Lithuania's gas distribution system operators and other users which are supplied with gas directly from the Transmission System.

The diameters of the gas pipelines (excluding the short branches leading to the M&R Stations) range from 250 mm to 1,200 mm, of which approximately 80% of the pipelines have the diameter ranging from 300 mm to 700 mm. The diameter of the short branches ranges from 80 mm to 700 mm (total length of such gas pipeline branches is 110 km). Permissible pressure in the bulk of the gas transmission system is 54 bar. At separate sections of the gas transmission pipeline, the pressure is limited to 46 bar.



Map 1: Lithuanian Natural Gas Transmission System

## STRATEGIC INFRASTRUCTURE PROJECTS

In 2014, Amber Grid was engaged in the implementation of the following strategic gas transmission infrastructure projects:

## STRATEGIC INFRASTRUCTURE PROJECTS (CONT'D)

- Capacity enhancement of Klaipėda–Kiemėnai pipeline (construction of a second line of Klaipėda–Kuršėnai gas pipeline),
- Gas interconnection Poland–Lithuania.

These strategic infrastructure projects, alongside with another strategic infrastructure project – Enhancement of Latvia–Lithuania interconnection – are included in the First List of EU Projects of Common Interest (published on 14 October 2013), in the European Network of Transmission System Operators for Gas (ENTSOG) Ten-year Network Development Plan for 2013–2022 and in the Gas Regional Investment Plan for 2014–2023 of the Transmission System Operators from the BEMIP region. Also, in conjunction with the Company's other investment projects they have been included in the Natural Gas Transmission System Operator Ten-year Network Development Plan (2013–2022) and in the National Plan of Implementation of Priority Projects in Electricity and Natural Gas Transmission Infrastructure as approved by the Government Resolution No. 746 as of 22 July 2014.

Two of the aforesaid projects, that are part of the First List of EU Projects of Common Interest and that will be implemented with the involvement of Amber Grid, i.e. Gas interconnection Poland–Lithuania and Enhancement of Latvia–Lithuania interconnection, are also proposed for the inclusion in the Second List of EU Projects of Common Interest, which is expected to be approved end 2015.

### CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF A SECOND LINE OF KLAIPĖDA–KURŠĖNAI PIPELINE) (HEREINAFTER REFERRED TO AS THE "KKP")

The project aims at the diversification of gas supply sources in the Baltic region, at the creation of conditions for exploiting the full potential of the capacities of the LNG terminal in Klaipėda, at ensuring the security and reliability of the natural gas system.

The project scope involves the construction of a gas transmission pipeline of 110 km in length and 800 mm in diameter from the point of interconnection of the Gas Transmission System with the Klaipėda LNG terminal (located in the vicinity of Klaipėda) to the town of Kuršėnai. The estimated cost of the project is about LTL 220 million. The pipeline is scheduled to begin operation end 2015 (Map 2).



Map 2: Project for Capacity enhancement of Klaipėda-Kiemėnai pipeline (KKP).

## CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF A SECOND LINE OF KLAIPĖDA–KURŠĖNAI PIPELINE) (CONT'D)

On 29 October 2014, the Connecting Europe Facility (hereinafter referred to as the "CEF") Energy Coordinating Committee endorsed the European Commission's (hereinafter referred to as the "EC") List of applications selected for receiving financial assistance of the EU. The KKP project was granted the full CEF financial assistance amount that was requested, i.e. LTL 95.271 million. On 4 December 2014, in cooperation with the Innovation and Networks Executive Agency (hereinafter referred to as the "INEA") we started the process for the preparation and signing of an Individual Support Contract.

In March, 2014, the Company announced open public procurement tenders for the procurement of steel pipes and for the procurement of construction and installation works. In July of 2014, in strict accordance with the schedule, all the required construction permits were duly obtained and all the contracts for the procurement of pipes and construction works were concluded. In October of 2014, the first batch of pipes was received and the KKP construction works began rapidly.

## GAS INTERCONNECTION POLAND–LITHUANIA (HEREINAFTER REFERRED TO AS THE "GIPL")

The GIPL project aims at the integration of the Baltic States gas markets into a single EU gas market, at the diversification of gas supply sources and at the enhancement of the security of gas supplies. Amber Grid implements the part of the GIPL project to be carried out in the territory of Lithuania, whereas the part of the project in the Republic of Poland is implemented by the Polish Gas Transmission System Operator, GAZ- SYSTEM S.A.

The length of the GIPL pipeline will amount to 534 km (357 km in the territory of Poland, and 177 km in the territory of Lithuania), the diameter will be 700 mm, and the commissioning is scheduled for 2019 (Map 3).



Map 3: Gas interconnection Poland-Lithuania (GIPL).

On 19 August 2014 Amber Grid and GAZ-SYSTEM S.A., submitted to the INEA joint applications for the co-financing of the GIPL project under the CEF. The right to submit applications for the funding under the CEF

## GAS INTERCONNECTION POLAND–LITHUANIA (CONT'D)

was granted by the decision of the Agency for the Cooperation of Energy Regulators (hereinafter referred to as the "ACER") on the cross-border cost allocation of the GIPL (adopted on 11 August 2014), which indicated the specific shares by which the Baltic States (Lithuania, Latvia, and Estonia) and Poland shall

finance the GIPL project. In accordance with the ACER's decision, the Baltic States should have to compensate to Poland a total amount of LTL 296.3 million: Lithuania – LTL 189.6 million, Latvia – LTL 101.5 million and Estonia – LTL 5.2 million.

On 29 October 2014, the CEF Energy Coordinating Committee endorsed EC's List of applications selected for granting financial assistance from the EU funds, according to which the GIPL construction in the Polish and Lithuanian territories was granted LTL 1.019 billion, and the preparatory works were granted LTL 36.599 million. On 19 December 2014, we started with the INEA the procedure for the preparation and signing of an Individual Support Contract.

The year 2014 saw the continuation of the GIPL environmental impact assessment procedures in the Lithuanian territory (launched in the second half of 2013), and they are scheduled for completion in 2015. On 5 November 2014, the Government of the Republic of Lithuania recognized the part of the GIPL project in the territory of the Republic of Lithuania as an economic project important to the state.

## ENHANCEMENT OF LATVIA–LITHUANIA INTERCONNECTION

This project aims to enhance capacity of the gas systems interconnection between Latvia and Lithuania, to ensure the security and reliability of gas supplies and to achieve integration of the Baltic gas markets. It will also further facilitate the use of the Latvian Incukalns Underground Gas Storage Facility (Map 4).



Map 4: Enhancement of Latvia-Lithuania interconnection.

Expected project outcomes: in the Republic of Lithuania – enhancement of the capacity of the Kiemėnai Gas Metering Station and in the territory of the Republic of Latvia – construction of a relevant section of the gas transmission pipeline. The promoters of this project are AS Latvijas Gaze and Amber Grid.



## ENHANCEMENT OF LATVIA–LITHUANIA INTERCONNECTION (CONT'D)

The final decision on the project scope and the deadlines is expected to be adopted when it is decided as to which specific investment projects aimed at gas supply diversification will be actually implemented in the region.

## RECONSTRUCTION AND MODERNISATION

In 2014, in order to ensure adequate gas transmission system operations, security and reliability, the Company performed the following works for the reconstruction and modernisation of the Natural Gas Transmission System:

- installation of intelligent pig launchers and receivers on the gas pipelines leading to the M&R Stations of Alytus and Marijampolė and intelligent pig launcher on the Panevėžys–Šiauliai–Klaipėda Gas Transmission Pipeline;
- installation of 11 line block valve remote control systems (SCADA) and 14 line block valve units;
- installation of 2 gas pressure relief units;
- reconstruction of the Klaipėda M&R Station No. 1 through the modernisation of its gas metering and pressure reduction equipment;
- installation of 7 online gas chromatographs required for gas accounting in units of energy;
- works for the renovation of the equipment of two cathodic protection system units and works for the installation of 26 control and measurement posts.

The project for the conversion of the natural gas accounting system was fully implemented. Following the conversion, the system fully complies with the new legislative requirements. From 2015 onwards, natural gas volumes are recorded under the standard conditions that are usually used by the EU member states (at 0°C, instead of the previously used 20°C), in addition to this, the accounting is also performed in units of energy<sup>1</sup>. Accounting data are posted daily on the Company's website [www.ambergrid.lt/en/gas](http://www.ambergrid.lt/en/gas). As part of the implementation of this project, all base gas calorific value metering points were equipped with appropriate chromatographs, the M&R Stations were equipped with 51 new gas volume computers-correctors, the measurement data transmission and processing systems were installed, and the existing metering systems were reprogrammed.

## MAINTENANCE OF THE TRANSMISSION SYSTEM

In order to ensure transmission system reliability and security, in 2014 we carried out the planned repairs, diagnostics and maintenance works.

In 2014 the Company carried out works for the intelligent pigging (internal diagnostics) of the Pabradė–Visaginas Gas Transmission Pipeline (a 89.2 km stretch). Thus, the total length of the gas pipelines subjected to the aforesaid inspections amounts to 618 km.

A few problematic gas pipeline sections whose state did not permit the intelligent pigging were subjected to inspections by an innovative *Nopig* technology, not requiring a pig insertion into the pipeline. By this method we inspected 5.4 km of gas pipelines located in the municipalities of Vilnius and Ukmergė Districts and the town of Elektrėnai.

2014 saw the completion of the elimination of the defects identified during the intelligent pigging on the Minsk–Vilnius pipeline, on the gas pipeline directed to Kaliningrad, on the gas pipeline directed to the Utena

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<sup>1</sup> Further in the text, in the conversion of units of volume to units of energy we use the average upper calorific value of gas of 10.4 kWh/ m<sup>3</sup> (of 2014) measured and calculated under normal conditions: at combustion temperature of +25°C, measurement temperature of +20°C and absolute pressure of 101,325 kPa.



## MAINTENANCE OF THE TRANSMISSION SYSTEM (CONT'D)

M&R Station and on the Vilnius–Riga–Panevėžys pipeline. We also continued with the works for the repairs of the coating of the Ivatsevichi–Vilnius–Riga pipeline, of the Vilnius–Kaunas pipeline, of the loop line and the first gas pipeline branch directed towards the Jonava M&R Station.

## NATURAL GAS TRANSMISSION VOLUMES

In 2014, the Company's gas transportation to Lithuania's consumers via the Company's Natural Gas Transmission System amounted to 2,562.5 MCM (26.7 TWh), in 2013 – 2,667.1 MCM (27.7 TWh). Even though in 2014 the demand for natural gas for fertilizer production increased by 16.2 % as compared to 2013, the total natural gas transmission quantity decreased by 3.9 %. The main causes behind the overall natural gas transmission quantity decrease for Lithuania's gas market needs, are by 0.5°C higher yearly mean temperature and the increased use of alternative fuels for heat and electricity generation.

In 2014, the largest daily volume of gas transported from Belarus to Lithuania was 23.3 MCM (242.3 GWh), the largest daily volume transported to the Kaliningrad Region of the Russian Federation by transit through Lithuania amounted to 10.0 MCM (104.0 GWh) and the largest daily gas volume transmitted to consumers of Lithuania was 13.8 MCM (143.5 GWh).

In 2014, gas transit to the Kaliningrad Region of the Russian Federation amounted to 2,075.4 MCM (21.6 TWh), in 2013 it was 2,152 MCM (22.4 TWh). In 2014, gas transmission to the Republic of Latvia amounted to 0.4 MCM (4.2 GWh). It is planned that in 2015 the transmission of natural gas to the Republic of Latvia will see a significant increase and can reach up to 50 MCM (520 GWh).

As of end 2014, the Company had entered into 59 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 the consumers' systems). The Company had entered into 12 natural gas balancing agreements with natural gas supply companies which trade in natural gas but do not transport it via the Transmission System.

The structure of natural gas transmission quantities for the needs of Lithuania's gas market by system users is shown in Chart 1.

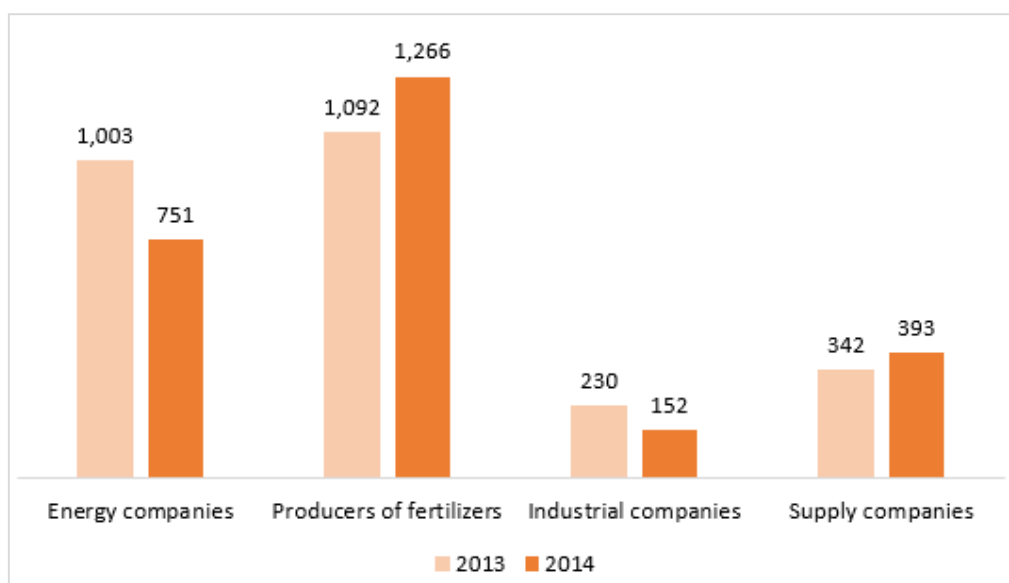


Chart 1: Breakdown of natural gas transmission quantities (in MCM) by natural gas transmission system users in Lithuania, 2013–2014.

## NATURAL GAS TARIFFS REGULATION

Natural gas transmission service prices are subject to regulation.

On 13 October 2014, the National Commission for Energy Control and Prices (hereinafter referred to as the "NCC") by Resolution No. O3-839 amended the Methodology for the Setting of Natural Gas Prices Subject to State Regulation as approved by the NCC Resolution No. O3-367 as of 13 September 2013 (hereinafter referred to as the "Methodology"). The amended Methodology (effective as of 1 January 2015) introduces changes to the natural gas transmission service pricing system and implements other significant changes related thereto:

- as part of the implementation of EU legislation, the gas transmission service pricing model, which so far used to be based on the so-called "postage stamp" principle, will be discarded and will be replaced by a new model of transmission system entry and exit point-based capacity allocation and pricing. According to the new model, natural gas transmission service prices will be set and adjusted for gas transmission system entry and exit points:
  - at the entry points: at the points of interconnection of Lithuania's Gas Transmission System with the Gas Transmission Systems of Belarus and Latvia and at the point of interconnection with the system of the LNG terminal in Klaipėda;
  - at the exit points: at the points of interconnection of Lithuania's Gas Transmission System with the Gas Transmission Systems of Latvia and the Kaliningrad Region of the Russian Federation as well as the domestic exit point (covering the points of the interconnection of Lithuania's Gas Transmission System with the gas distribution systems or gas consumer systems).
- natural gas transmission service price caps shall be set and adjusted not per gas quantity (volume) units (as it used to be until now) but per capacity unit;
- another change that was introduced is the conversion from the system of accounting and pricing of natural gas transmission services under which gas transmission service prices used to be expressed in quantity (volume) unit (per thousand cubic meters) to a new system of prices per unit of energy (MWh) based on upper calorific value.

Acting in accordance with the new Methodology, the NCC, when adjusting the income levels of gas transmission operations that were originally set in respect of the Company for the year 2014, by Resolution No. O3-881 as of 30 October 2014 set gas transmission service price caps for the year 2015 for the gas transmission system entry and exit points, which by a NCC's decision may be adjusted on an annual basis according to procedures provided for by the Methodology.

On 20 November 2014, the NCC approved the specific natural gas transmission service tariffs for the year 2015 as set by the Company's Board of Directors on 5 November 2014. The average tariff of firm (uninterruptible) long-term transmission services of Amber Grid as approved by the NCC in respect of the Company for the internal (domestic) exit point is by 3.3 percent lower than the gas transmission service price cap set by the NCC for the year 2015. Tariffs set for other entry and exit points are equal to the price caps.

In view of the provisions of the new Methodology and the fact that from 1 January 2015 Lithuania's official currency is the Euro, all prices for the capacities for the transmission system entry and exit points for the year 2015 shall be expressed in Euro per MWh per day per capacity booking period (e.g., per year, per quarter, per month). In addition to that, for the exit points, prices shall also be set for gas quantities transmitted through these exit points, these tariffs shall be expressed in Euro per MWh.

For more detailed information on the natural gas transmission service prices see the Company website [www.ambergrid.lt/en/transportation-services/tariffs-prices/tariffs-from-01-01-2015](http://www.ambergrid.lt/en/transportation-services/tariffs-prices/tariffs-from-01-01-2015).

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

Amber Grid ensures the balance in the Natural Gas Transmission System. The Company purchases balancing gas at a price set by the NCC from a gas market participant, where the gas market participant in question has caused excess of gas in the Transmission System, and sells balancing gas to a market participant where the as market participant in question has caused a shortage of gas in the Transmission System.

In 2014, when performing gas flow balancing activities, the Company purchased from system users a total of 1,620.4 thousand m<sup>3</sup> (16,852.2 MWh) and sold 202.2 thousand m<sup>3</sup> (2,102.9 MWh) of balancing gas.

Besides the balancing of gas flows of system users and other gas market participants, the gas line pack in the Company's Transmission System pipelines also fluctuates due to technological peculiarities of the Transmission System as well as due to technical causes due to gas flow deviations.

## **ADMINISTRATION OF FUNDS AIMED TO COMPENSATE FOR THE COSTS OF THE CONSTRUCTION, OPERATION AND MAINTENANCE OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND CONNECTOR**

The NCC by Resolution No. O3-445 of 11 October 2013 approved the natural gas supply security-related additional price component to the natural gas transmission tariff aimed to compensate for the LNG terminal infrastructure fixed operating costs necessary to ensure the operations of the LNG terminal, which in 2014 was applied from 3 December 2014 until 31 December 2014. System users started paying the LNG terminal funds charged for the additional price component for the December 2014 in January 2015. During the course of the year 2014 the Company collected the LNG terminal funds accrued for December 2013 as well as the debt amount accrued for previous periods.

The year 2014 saw continued litigation with AB Achema regarding the use of the LNG terminal funds. 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 the LNG funds and then pays them out to the LNG terminal operator in accordance with 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**

Until the year 2015 natural gas was accounted in units of volume, in cubic meters. From 2015 onwards the accounting is performed in energy units, in kilowatt-hours (kWh). For this purpose, in 2014, the Gas Transmission System was equipped with the necessary metering devices for the gas composition determination and calorific value calculation. The new accounting system that was installed fully complies with requirements of the Natural Gas Accounting Procedure as approved by the Minister of Energy.

A few problematic gas pipeline sections whose state did not permit the intelligent pigging (internal diagnostics) were subjected to inspections by an innovative *Nopig* technology. For gas system repairs the Company started using a natural gas pumping technology – i.e. from the gas pipeline sections subjected to repairs gas is pumped into the other sections of the operational gas pipelines.

In 2014 we continued with the implementation of strategic infrastructure projects important for the integration of Lithuania's natural gas market into the regional market.

## CORPORATE STRATEGY 2015–2020

At the beginning of 2014, an Amber Grid Strategy Development Project was launched, which is aimed at the identification of the Company's values, at the selection of its strategic directions for the further development of the Company, aimed at team building and at the creation of Amber Grid's corporate culture that would help the Company achieve its strategic objectives. The Company's Long-term Corporate Strategy for the period 2015–2020 was approved by the Company's Board of Directors at the beginning of 2015.

Amber Grid's Corporate Strategy is based on the integration into a single natural gas market of the region, on efficiency, modernization and development of the infrastructure. These elements are essential for the attainment of the financial and strategic objectives set out by the state of Lithuania.

Amber Grid will focus on three strategic directions:

- transformation into a Transmission System Operator operating in the single gas market;
- the creation of the necessary infrastructure;
- increasing the efficiency and modernisation.

## EMPLOYEES

The Company employed 361 employees as of 31 December 2014 (as of 31 December 2013 - 356 employees). Employee change, compared with 2013, was 1.4 percent. Distribution of employees by groups is presented in Table 1.

1 table. Employee distribution by groups, 2013–2014.

	Number of employees 31 December 2014	Number of employees 31 December 2013
Top executives	5	5
Specialists <sup>2</sup>	219	217
Workers	137	134
Total:	361	356

The average age of the Company's employees was 44.8 years (Chart 2), and the average seniority was 12.6 years (Chart 3). The Company's employees with higher education degrees accounted for 51.5 % of the total workforce (Chart 4). Males accounted for 81.7 % and females for 18.3 % of the total Company's workforce.

<sup>2</sup> Including the heads of divisions and departments, who in 2013 were attributed to the managerial staff group.

**EMPLOYEES (CONT'D)**

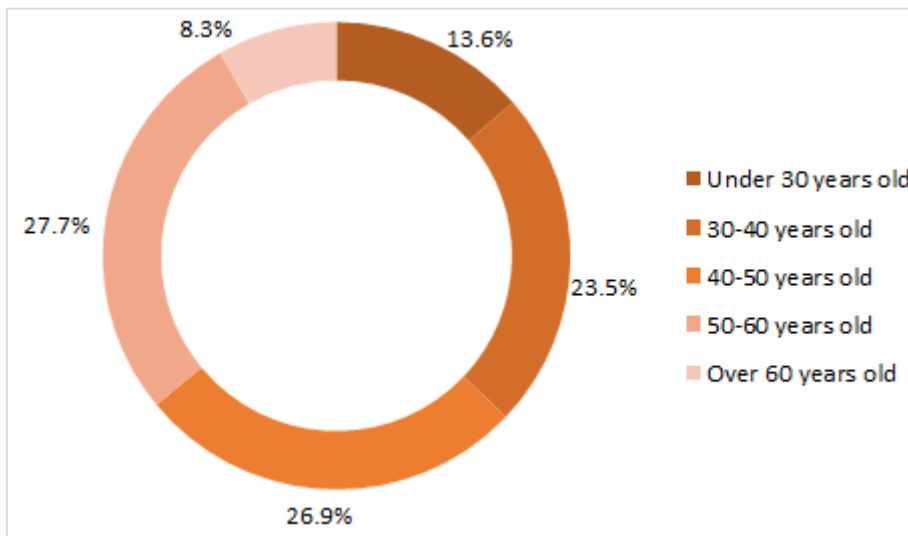


Chart 2: Employee distribution by age groups, 2014

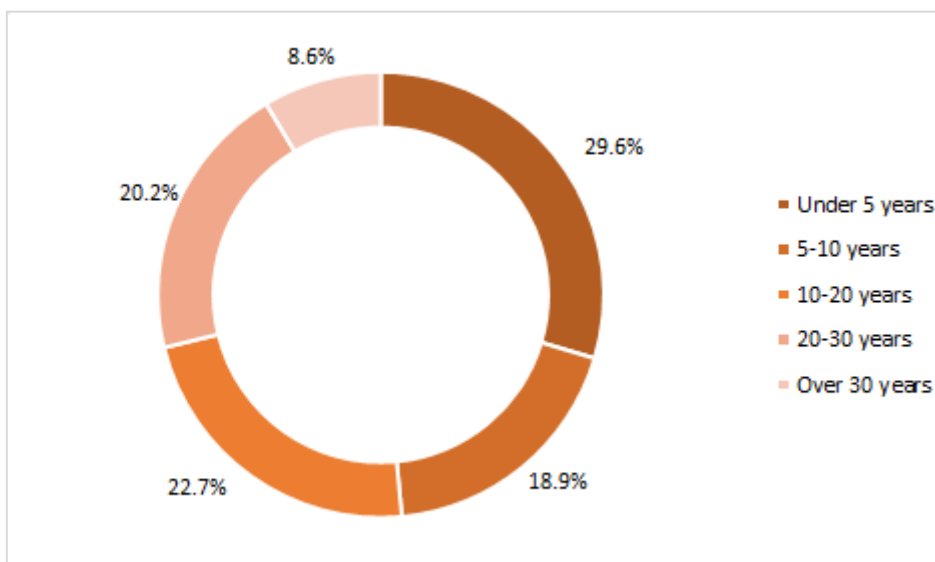


Chart 3: Employee distribution by seniority, 2014.

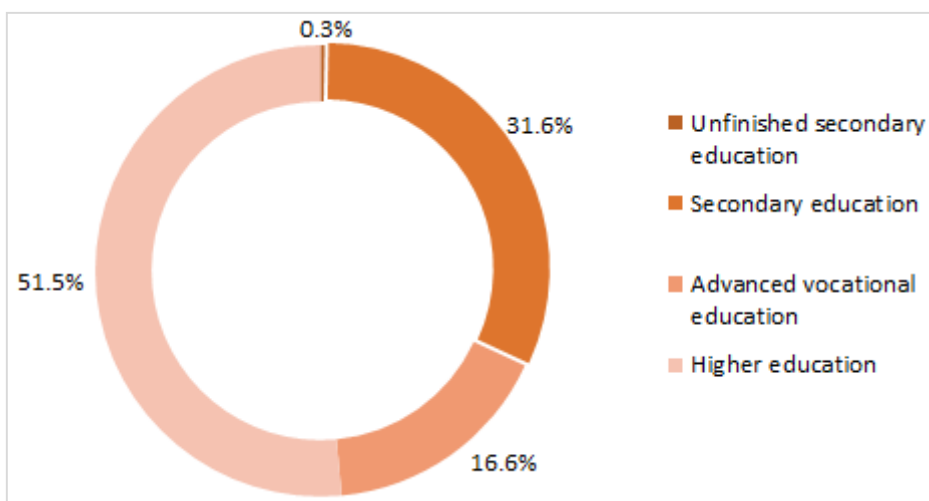


Chart 4: Employee distribution by education, 2014.

## EMPLOYEES (CONT'D)

For average monthly salaries at the Company by employee groups see Table 2.

2 table. Average monthly salary by employee groups, 2014.

	Average monthly salary (gross, LTL) 2014
Top executives	19,293
Specialists <sup>3</sup>	4,883
Workers	3,100
Average	4,386

## COLLECTIVE BARGAINING AGREEMENT

The Company is covered by a Collective Bargaining Agreement, which end 2014 was updated in line with the changes introduced to the Labour Code of the Republic of Lithuania; and the current version will be valid until 31 December 2015. The Collective Bargaining Agreement provides for the Company's and its employees' rights and responsibilities that are usually used in practice.

## TRAININGS AND TRAINEESHIP OPPORTUNITIES

The Company devotes great attention to its employee training, to the upgrading and maintaining of skills and qualifications thereof. The Company makes sure that its employees are in possession of all the mandatory statutory attestation certificates and qualification certificates. Its employees' competencies and skills determine their ability to carry out their work professionally, be experts in their respective fields and contribute to the overall success of the Company's operations.

In 2014, various professional and technical trainings were attended by 271 employees, other mandatory trainings were attended by 351 employees, and various general trainings (in law, public procurement, tax, accounting, etc.) were attended by a total of 187 employees.

## ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

The Company has implemented an environmental management system and in 2014 obtained the ISO 14001:2004 certificate, putting the Company under the obligation to seek a continuous improvement of the environmental situation when pursuing its industrial and organisational activities. Environmental protection and social responsibility constitute an integral part of the Company's strategic goals and objectives, whose efficiency and effectiveness are subjected to a regular and methodical evaluation.

In 2014, the focus was on administrative and technological measures aimed to reduce emissions of natural gas in the process of the operation and maintenance of the gas system. During the repair works, by employing the natural gas pumping technology, in 2014, a total of 90 thousand m<sup>3</sup> (936 MWh) of natural gas supplies were saved because the gas supplies were pumped into another section of the gas system.

The Company pays great attention to ensuring security of its gas systems, because any accidents or instances of an improper operation of the gas system would result in environmental damage and economic

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<sup>3</sup> Including the heads of divisions and departments, who in 2013 were attributed to the managerial staff group.

## ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY (CONT'D)

and social losses. In 2014, there were no accidents involving significant emissions of natural gas into the atmosphere and causing environmental damage.

## SPONSORSHIP PROGRAMMES

In 2014, Amber Grid participated in various sponsorship and support programmes, thus becoming a partner in social projects and creating new life and activity opportunities for the needy. Last year, Amber Grid rendered support to more than 20 different institutions, organisations and their projects: Vilnius University Hospital, Public Agency Children's Hospital Support Fund, Lithuanian Special Creative Association *Guboja*, Assistance Service of the Order of Malta, Vilnius *Gija* Youth School, Vilnius Disabled Athletes Sports Club *Feniksas*, Vilnius Jonas Laužikas General Education Centre, Sports Veterans Association *The Five Rings* and Beach Volleyball Sports Club *AUKSMA*, etc. Being well aware of the importance of sponsorship activities, the Company intends to continue its participation in various purposeful sponsorship projects and will seek to ensure that its support brings the maximum possible public benefit.

## INTERNATIONAL COOPERATION

The Company is Associated Partner of ENTSOG ([www.entsog.eu](http://www.entsog.eu))

On 14 May 2014, the Company, in cooperation with other transmission system operators from the region of the Baltic Energy Market Interconnection Plan (BEMIP) adopted the second Ten-Year (2014–2023) Gas Regional Investment Plan. 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). In 2014 the Company was the coordinator of the preparation of this Plan.

In 2014, the Company, alongside with other transmission system operators of East Baltic region countries (Estonia, Finland, Latvia) cooperated on regional market development issues: a TSOs coordination group was set up; also underway is the preparation of the terms of reference for a study on regional market development opportunities.



## II. FINANCIAL RESULTS

### IMPACT OF IMPAIRMENT OF NON-CURRENT ASSETS

The International Accounting Standard 36 provides for mandatory procedures to be applied by the Company in order to ensure that its assets are not recognized at a value exceeding the recoverable amount. Assets are accounted at value exceeding the recoverable value where the book value of the assets exceeds the amount expected to be recovered through the use or sale of the assets in question. In this case, it is necessary to recognize impairment loss.

In case of indications that the long-term tangible asset value may have impaired, the non-current assets shall be subject to valuation based on the Company's discounted cash flows. The assessment of the discounted cash flows is based on a discount rate the assumptions for the setting whereof are broadly consistent with the rate of return assumptions applied in the NCC price regulation.

The Company carried out an impairment test as of 31 December 2014 and found non-current assets impairment loss in amount of LTL 490 million, which was accounted end 2014 through the reduction by a respective amount of the values of assets items accounted in the balance sheet.

The impairment loss of the non-current assets radically changes the Company's financial results for 2014 and has a negative impact on them. However, the impairment will have a positive impact on the Company's financial results in the future, since the impaired value of assets will result in lower depreciation costs, which account for the largest share of total costs incurred by the Company. It will also reduce the discrepancy between the Company's regulatory accounting result and financial accounting result.

For more information about the non-current asset value assessment assumptions and other assumptions see other chapters of the present annual report or see the Company's financial statements for the year 2014.

### MAIN INDICATORS FOR THE TRANSMISSION SYSTEM

3 table. The Company's performance indicators

	2014	2013
<b>Quantities of natural gas transported</b>		
Quantities of natural gas transmitted (out of which by the Company), million m <sup>3</sup> /GWh	2,562.5/ 26,650	2,667.1 (934)/ 27,737.8 (9,718)
Quantity of gas transported by transit (out of which by the Company), million m <sup>3</sup> /GWh	2,075.4/ 21,584	2,152.4 (935)/ 22,385.0 (9,721)
Number of system users, at the end of the period	59	87
<b>System in Operation</b>		
Length of gas transmission pipelines, km	2,007	2,007
Number of M&R Stations and Gas Metering Stations, pcs.	69	69
<b>Employees</b>		
Number of employees, at the end of the period	361	356

## COMPANY'S KEY FINANCIAL INDICATORS

4 table. The Company's financial indicators

	2014	2013 <sup>4</sup>
<b>Financial results (thousand LTL)</b>		
Revenue	178,823	74,101
EBITDA	98,562	35,818
Profit (loss) before tax	-469,593	2,425
Net profit (loss)	-391,574	5,071
Net cash flows from operating activities	91,469	33,221
Investments	89,320	39,381
Net financial debt	129,198	160,483
<b>Profitability ratios (%)</b>		
EBITDA margin	55.12	48.34
Profit (loss) before tax margin	-262.60	3.27
Net profit (loss) margin	-218.97	6.84
Return on assets (ROA)	-27.72	0.31
Return on equity (ROE)	-38.66	0.42
Return on capital employed (ROCE)	-49.11	0.25
<b>Liquidity ratios</b>		
Current ratio	0.82	0.99
Quick ratio	0.55	0.57
<b>Leverage ratios (%)</b>		
Equity to total asset ratio	69.32	73.37
Financial debt to equity ratio	16.54	14.91
Debt ratio	30.67	26.65
<b>Market value ratios</b>		
Price-earnings ratio (P/E), times	-	88.54
Net earnings (loss) per share, LTL	-2.20	0.03

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

The financial statements for 2013 and 2014 of the Company 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 have been accounted for under the equity method.

<sup>4</sup>Financial indicators cover the period from Amber Grid's founding until 31 December 2013.

## REVENUE

In 2014, the Company's revenue amounted to LTL 178,823 thousand, of which 96.2% were revenues from the transmission of natural gas via gas transmission pipelines to system users in Lithuania and gas transit to the Kaliningrad Region of the Russian Federation.

The remaining part was the revenue from balancing and revenue from the administration of funds of the LNG terminal and other revenue (Chart 5).

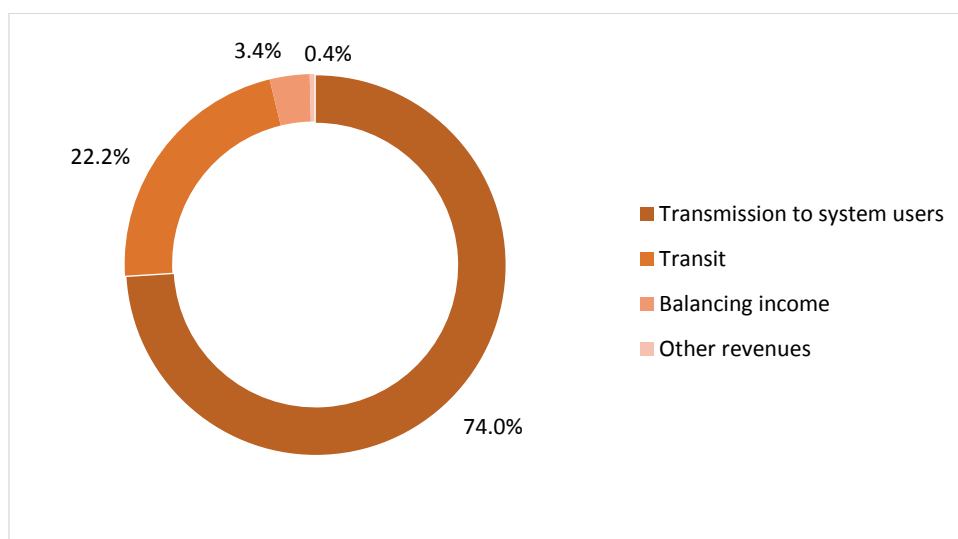


Chart 5: Revenue structure, 2014.

Balancing revenue came from the balancing of the gas flows for system users and other gas market players participating in the balancing of the Transmission System and from the operational balancing of the Transmission System, which was determined by gas Transmission System's technology peculiarities and gas flow deviations (imbalances) which are attributable to technological causes.

The LNG terminal funds are administered by the Company under statutory obligation imposed by applicable legislative provisions. For more information and disclosures about the accounting of the LNG terminal funds see the financial statements of the Company for 2014.

## EXPENSES

The Company's expenses, upon taking into account the aforesaid asset impairment costs of LTL 490,079 thousand, in 2014 amounted to LTL 646,365 thousand.

Excluding the asset impairment costs, the major share of the Company's expenses were incurred as a result of the depreciation of the non-current assets – LTL 75,914 thousand (or 48.6% of the expenses excluding the impairment loss), employee benefits and social security – LTL 24,943 thousand (16.0%), repairs and maintenance – LTL 21,573 thousand (13.8%), natural gas costs LTL 22,189 thousand (14.2%) (Chart 6).

Natural gas was purchased by the Company 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.

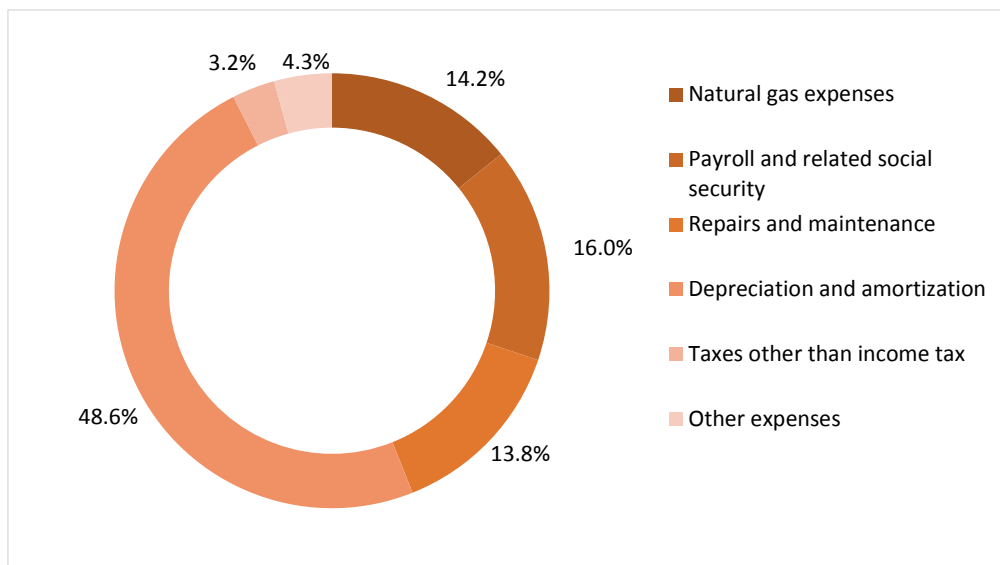


Chart 6: The expense structure (calculated after eliminating the asset impairment costs), 2014.

## ACTIVITY RESULTS

Devaluation of assets affected the Company's results: in 2014, loss before tax reached LTL 469,593 thousand and net loss amounted to LTL 391,574 thousand. The positive annual result was determined by the application of income tax exemption for new investments and the positive effect of the deferred income tax. From the impairment amount deferred profit tax assets were formed, which reduced the deferred tax liability by LTL 73,500 thousand. After eliminating the impact of the asset impairment, profit before interest, taxes, depreciation and amortization (EBITDA) amounted to LTL 98,562 thousand (Chart 7).

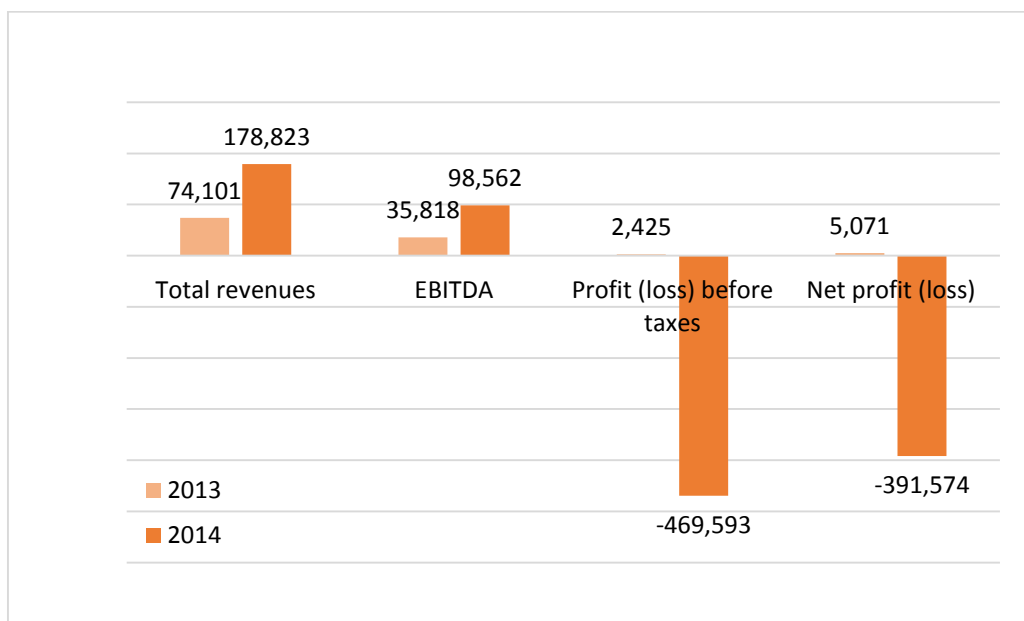


Chart 7: Financial results, thousand LTL, 2013–2014.

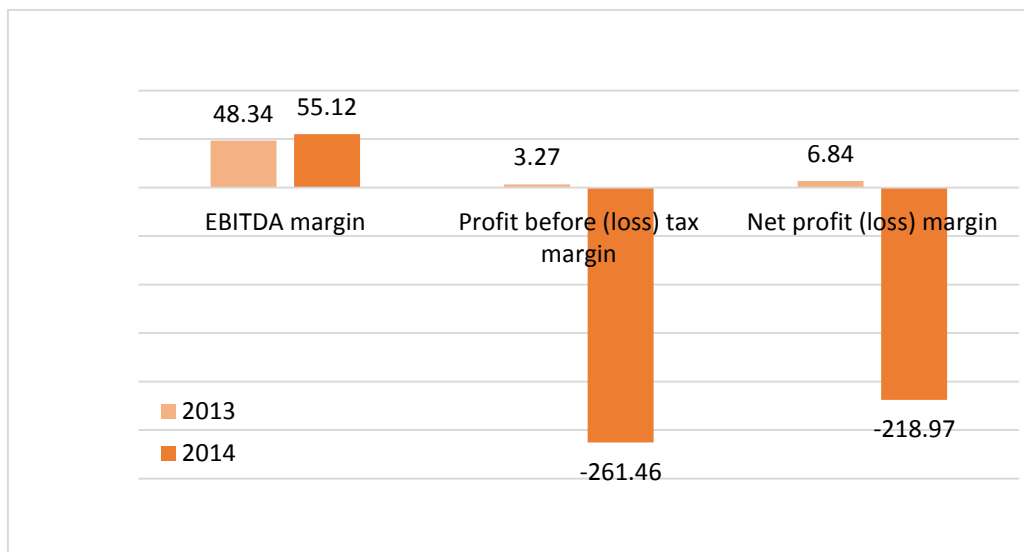


Chart 8: Profitability, percent, 2013–2014.

## INVESTMENTS

In 2014, investments in the Gas Transmission System development and modernisation totalled LTL 89,320 thousand, and in 2013 they amounted to LTL 91,840 thousand and including the investments in gas transmission activity of 2013 of AB Lietuvos Dujos made in 2013 they amounted to LTL 52,459 thousand. In 2014, LTL 55,315 thousand, or 61.9 % of the investment funds were invested in the construction of new gas system facilities (investments in KKP amounted to LTL 55,135 thousand) and LTL 34,005 thousand (or 38.1 % of the funds) were devoted to the investments in the reconstruction and modernisation of gas systems (Chart 9).

The KKP project is co-funded by with the EU grants – in 2014, 26.6% of the investments in the Gas Transmission System were granted a financial assistance of the EU.

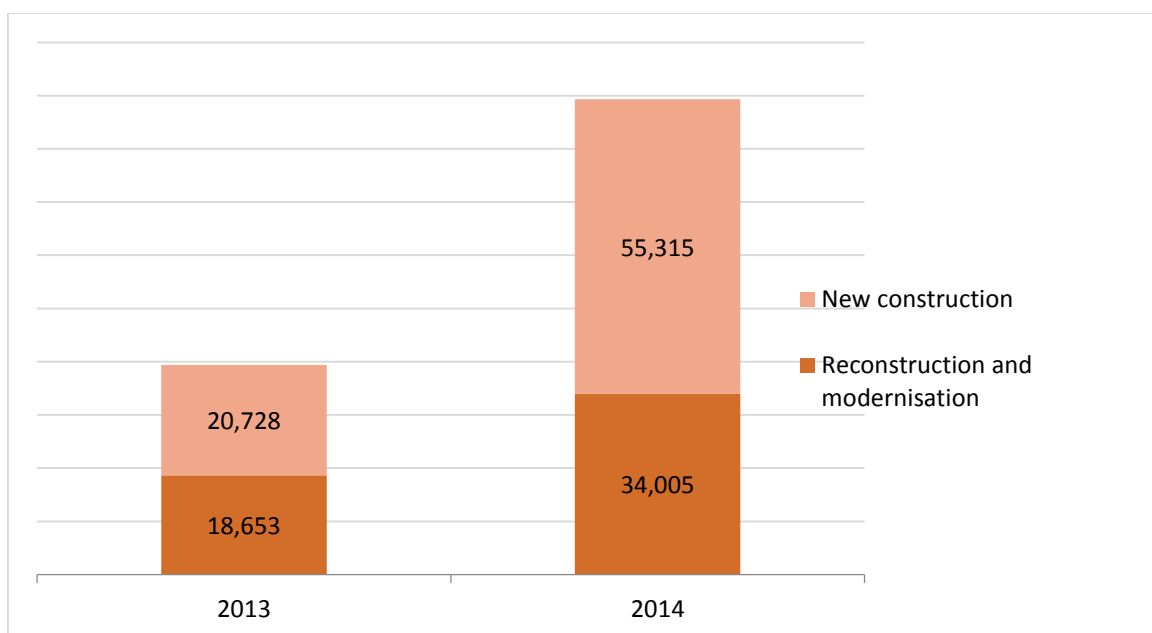


Chart 9: Investment structure, thousand LTL, 2013–2014.

## ASSETS

As of end 2014, the value of assets (taking into account the aforesaid asset value impairment) stood at LTL 1,288,945 thousand. As of end 2014, the non-current assets accounted for 85.5 % and the current assets accounted for 14.5 % of the total assets of the Company.

During the course of 2014, excluding the asset impairment impact, the value of the Company's non-current assets increased by 0.5 %, or by LTL 8,699 thousand, which mainly came as a result of investments in gas transmission pipelines and their facilities. The value of current assets increased by 12.9 %, or by LTL 21,348 thousand. The increase in the value of current assets was determined by the accounted receivables – the KKP project grants. Other accounts receivable and other financial assets increased mainly due to the increase in the LNG terminal funds-related accounts receivable and LNG terminal funds collected. As of 2014, compared with end 2013, cash balance decreased by LTL 13,798 thousand.

## EQUITY AND LIABILITIES

In 2014, the Company's equity, due to the negative result determined by asset impairment, decreased by 32.4 %, or by LTL 391,574 thousand, and as of end of 2014 amounted to LTL 816,986 thousand. Equity as of end of the reporting period accounted for 63.4 % of the total assets of the Company.

In 2014, accounts payables and liabilities decreased by 12.7 %, or by LTL 68,408 thousand, and as of end of 2014 amounted to LTL 471,959 thousand. Short term accounts payables increased by LTL 38,338 thousand, which came as a result of the increase in accounts payables for the acquisition of non-current assets and the increase LNG terminal funds accrued but not paid out yet. Long-term accounts payables decreased by LTL 106,746 thousand, which came as a result of the decrease in the deferred tax liability and the partial repayments of the long-term financial debt.

As of end 2014, the Company's financial debt amounted to LTL 135,118 thousand, and during the course of 2014 it decreased by LTL 45,083 thousand.

## CASH FLOWS

In 2014, the Company's cash flows from its operating activities, excluding the change in working capital were positive and amounted to LTL 98,923 thousand. Acquisition of non-current assets was LTL 60,449 thousand, and the amount used for the financial debt repayment was LTL 45,083 thousand. During the 2014 the Company have not received significant amounts from grants (LTL 2,701 thousand), but in the future during implementation of projects like KKP or GIPL, Company expects to receive significant amounts from grants, what will allow to balance the cash flows of the Company.

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

Other information is presented in the notes to the audited annual financial statements of Amber Grid for 2014.

## BUSINESS PLANS AND FORECASTS

The year 2015 will see the continuation of the implementation of the strategic infrastructure projects and other projects aimed at the enhancement of the efficiency of the Company's activities and cost optimisation. By end 2015 there are plans to complete the implementation of the KKP project, and in 2019 there are plans to complete the implementation of the GIPL project.

## **BUSINESS PLANS AND FORECASTS (CONT'D)**

It is forecast that in 2015 the Company will transport via the Gas Transmission System approximately 46.6 TWh of natural gas, of which gas transmission to the Kaliningrad Region of Russian Federation will make up 21.8 TWh.

## **RISK MANAGEMENT**

In pursuing its operations, the Company faces the following main risks: macroeconomic factors-related risk, regulation-related risk, competition-related risk, technology-related risk and financial risk.

Information on financial risks is presented in financial statements of the Company for 2014. The Company's financial risks consist of the liquidity risk, credit risk, interest rate fluctuations risk, gas purchase price fluctuation risk, and the concentration risk.

### **MACROECONOMIC FACTORS-RELATED RISK**

Lithuania's economic situation and economic development trends, prices of natural gas as the product for the end user, all impact gas transmission quantities and investments in the development of gas transmission pipelines. The decline in natural gas transmission quantities in Lithuania of the past years has had a negative impact on the financial results of the Company. Nevertheless, the Company's activity is subject to regulation, therefore the Company, under the supervision of the NCC, is undertaking all measures necessary in order to safeguard stability, sustainability and development of the Company's operations.

### **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 in 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. The increase in the consumption of alternative fuels replacing natural gas leads to the decrease in demand for natural gas. Natural gas prices also have impact decision regarding the selection of alternative fuels. The putting into operation of the LNG terminal in Klaipėda end 2014, the prevailing oil and oil product price trends in global commodity exchanges in the near future can have a positive impact on the natural gas as a commodity price competitiveness, so natural gas consumption in Lithuania and the Baltic region can increase.

### **TECHNOLOGY-RELATED RISK**

One of the main objectives of the Company is to ensure safe, reliable and efficient operations of the Natural Gas Transmission System. A total of 60 % of gas pipelines operated by the Company are over 25 years old, thus proper maintenance of the transmission system requires special attention. Acting in pursuance of the Strategy to Secure Safety and Reliability of the Transmission System, the Company implements an Action Plan to secure safety and reliability thereof. The management of the assets used by Company has been subject to analysis, which made a basis for the development of a Technology Asset Management Information System.



## THE COMPANY'S INTERNAL CONTROL SYSTEM

The Company's financial statements were 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 an Accounting Policies and Procedures Manual governing the principles, methods and rules of accounting as well as preparation and presentation of financial statements. Moreover, in order 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.

In the preparation of the financial statements the "four-eyes" principle is followed. The Accounting Department is in charge of overseeing the preparation of financial statements and final review thereof. The process of the preparation of the Company's financial statements is also monitored by the Audit Committee.

Shareholders of Amber Grid by a decision of a General Meeting of Shareholders formed an Audit Committee and approved the Regulations on the Formation of the Audit Committee and Activities Thereof. The composition of the Audit Committee is presented in Part III of the present Annual Report, *Corporate Governance*.

The main functions of the Audit Committee are as follows:

- monitor the process for the preparation of the Company's financial statements;
- 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 the independent auditor and audit company comply with the principles of independence and objectivity, oversee the Company's audit processes.

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

### III. CORPORATE GOVERNANCE

#### INFORMATION ON THE OBSERVANCE OF THE CODE OF GOVERNANCE

The Company has disclosed the information regarding its observance of the provisions of the Code of Governance. All the information is available on the Company's website [www.ambergrid.lt](http://www.ambergrid.lt) and the Central Database of Regulated Information [www.crib.lt](http://www.crib.lt).

#### AUTHORISED SHARE CAPITAL

In 2014, Amber Grid's authorised capital remained unchanged and stood at LTL 178,382,514. It consists of 178,382,514 ordinary registered shares with par value of LTL 1 each. In 2014, there were no changes in the par value of a share. All the shares are fully paid.

In 2014, there were significant changes in the Company's shareholder structure. 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 registered shares of the Company. With this transaction, E.ON Ruhrgas International GmbH transferred all the Amber Grid's shares held thereby, and UAB EPSO-G increased its shareholding in the Company to 100,991,957 units, i.e. up to 56.6 % of Amber Grid's authorised share capital.

Since UAB EPSO-G exceeded the threshold of 1/3 votes in Amber Grid's General Meeting of Shareholders, the takeover bid for the purchase of the remaining shares of the Company was made entitling it to purchase 43.4 % of the voting rights at Amber Grid's General Meeting of Shareholders.

On 19 June 2014, during the takeover bid, OAO Gazprom sold 66,112,761 ordinary registered shares, and UAB EPSO-G acquired 71,287,168 ordinary registered shares from OAO Gazprom and from other, minority, shareholders. The par value of the shares transferred by OAO Gazprom amounted to 37.1 % Amber Grid's authorised share capital. By this transaction, OAO Gazprom transferred all the shares of Amber Grid controlled thereby before the transaction.

After the takeover bid UAB EPSO-G increased its stake in the authorised share capital of Amber Grid to 172,279,125 shares, i.e. up to 96.58 %.

#### SHARES AND RIGHTS OF SHAREHOLDERS

The number of shares entitled to vote in the General Meeting of Shareholders coincides with the number of shares issued and amounts to 178,382,514. Shares of Amber Grid entitle to equal property and non-property rights and not a single shareholder of the Company holds any special control rights. In accordance with the Bylaws of the Company, decisions on issuing new shares and on the acquisition of own shares may 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. The Company has no restrictions of voting rights.

In 2014, the Company did not acquire its own shares and it did not conclude any transactions related either to the acquisition or to disposal of its own shares.

## SHAREHOLDERS

As of 31 December 2014, Amber Grid's shares were held by a total of 1,541 Lithuanian and foreign natural and legal persons, of which, there was one shareholder with an ownership stake in excess of 5 % Company's stock.

5 table. Shareholders of the Company

Shareholder	Registered 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 10.

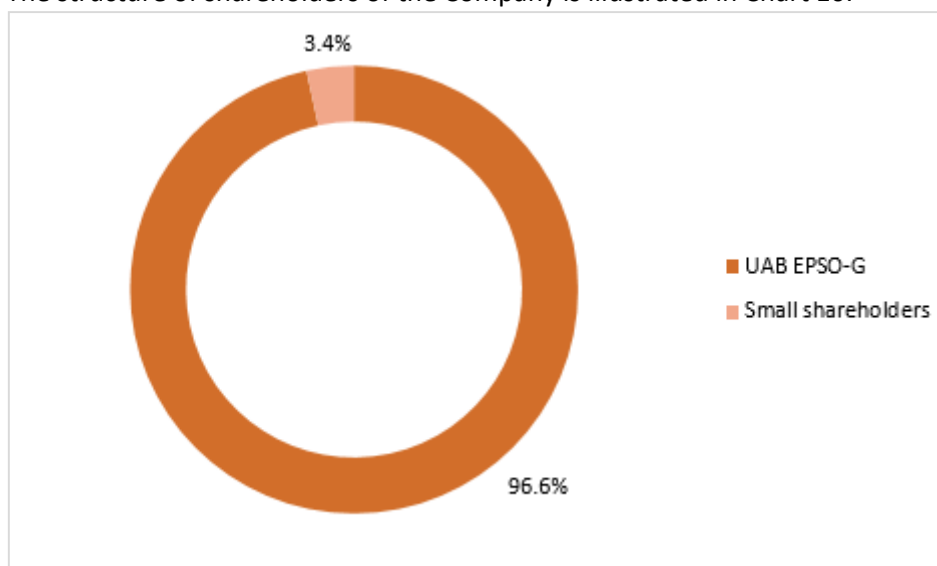


Chart 10: Structure of shareholders as of 31 December 2014.

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 Third Energy Package and the Law on Natural Gas of the Republic of Lithuania, natural gas transmission activity carried out by the Company had to be unbundled from the natural gas production and supply activity by 31 October 2014 through the unbundling of the ownership of the transmission system from natural gas companies engaged in production and supply activities. Pursuant to the aforesaid legal acts, membership of the governing bodies of the Company could not be held by members of any governing bodies or representative bodies of companies engaged in the production or supply activities or by sole managers of any such companies.

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

## DATA ABOUT TRADING IN SECURITIES ON THE REGULATED MARKETS

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

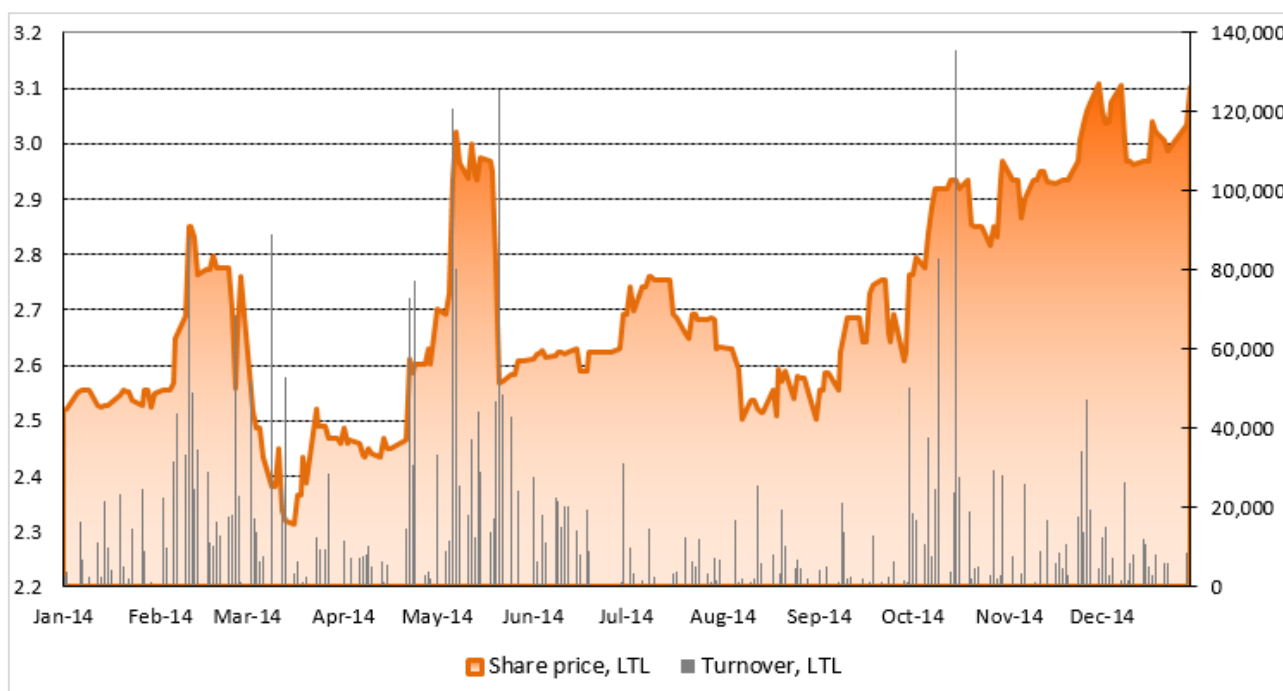


Chart 11: Amber Grid share price and turnover, 2014.

In 2014, the turnover of the trading in the Company's shares amounted to LTL 3.52 million; the number of shares disposed of through the transactions concluded totalled 1,303,821 (Chart 11).

6 table. Share price dynamics at NASDAQ Vilnius, 2014.

Opening price, LTL as of 01/01/2014	Highest price per share, LTL as of 01/12/2014	Lowest price per share, LTL as of 17/03/2014	Weighted average price per share, LTL	Closing price, LTL as of 30/12/2014
2.517	3.108	2.161	2.708	3.101

Amber Grid share capitalization as of 31 December 2014 amounted to LTL 553.1 million. During the course of 2014, the price per share on the stock exchange and *ipso facto* the capitalisation saw an increase of 23.18 %.

After UAB EPSO-G started controlling 96.58 % of Amber Grid's shares, the Company's shares have no longer been included in the stock exchange indices calculated by the NASDAQ Stock Exchange. In accordance with the Methodology, data on shares of companies where more than 90 % of the total shares issued are held by a sole shareholder are not used for the calculation of indices. However, if we compare the NASDAQ indices of OMX Baltic PI and OMX Vilnius (which reflect changes in liquid stock prices of companies listed on the Baltic countries and Vilnius Stock Exchanges) with the index of shares of Amber Grid, we see that the shares of Amber Grid showed a bigger increase.

## DATA ABOUT TRADING IN SECURITIES ON THE REGULATED MARKETS (CONT'D)

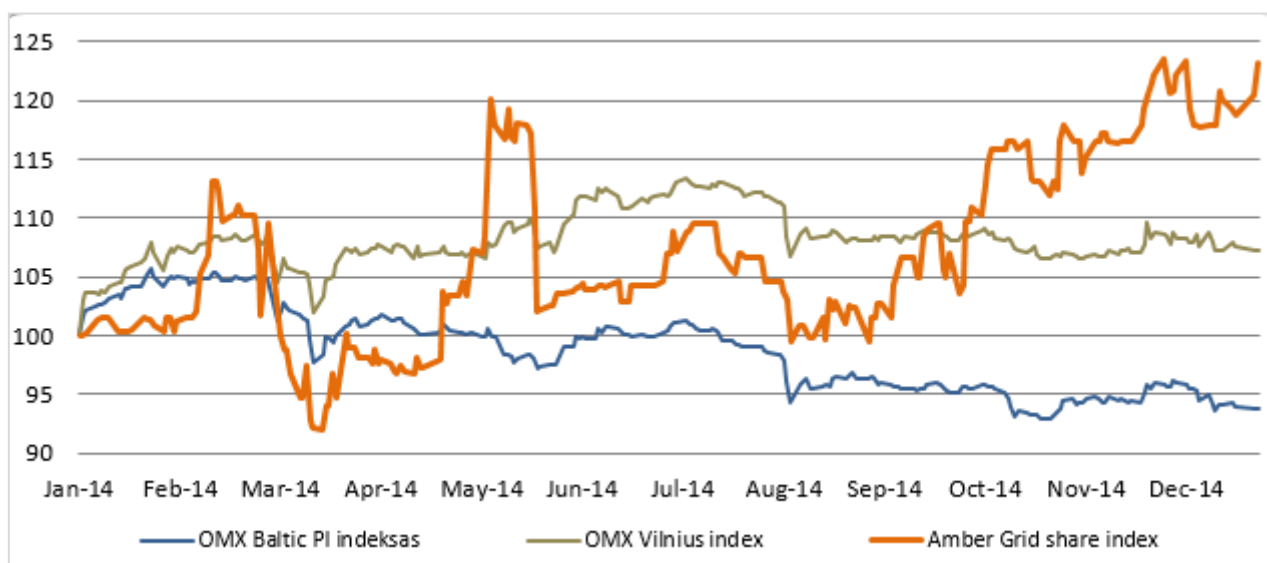


Chart 12: Fluctuations of Amber Grid share price, OMX Vilnius and OMX Baltic Benchmark PI Indices, 2014.

## DIVIDENDS

The Government of the Republic of Lithuania, which indirectly, through UAB EPSO-G, controls 96.58% of the shares of the Company, by its Resolution No. 20 as of 14 January 1997 (version of the Resolution No. 359 of 4 April 2012) set out the principles of the appropriation of dividends for state-owned shares. The General Meeting of Shareholders of the Company held on 30 April 2014 adopted no decision on the distribution of profits.

## 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 2682800, the short number 1518
E-mail	info@seb.lt
Website	www.seb.lt

## MANAGEMENT STRUCTURE

The Company's activities are guided by the Law on Companies, Law on Securities, the Company's Bylaws and other legislation of the Republic of Lithuania. The competence of the General Meeting of Shareholders, the shareholders' rights and their implementation are as defined by the Law on Companies and the Company's Bylaws.

The Bylaws provide for the amendment of the Bylaws by a resolution adopted by a majority vote of 2/3 of shareholders participating in the General Meeting of Shareholders.

## MANAGEMENT STRUCTURE (CONT'D)

The Bylaws provide for the following governing bodies:

- Board of Directors;
- The Company's head – General Manager (Chief Executive Officer).

The Bylaws stipulate that the Company's Board of Directors shall consist of five (5) members elected for a three-year period in accordance with the procedure provided for by the Law on Companies. Members of the Board of Directors shall elect the Chairperson. The Chairperson of the Board of Directors and his/her deputy shall be elected by rotation for a period of two years. Members of the Board of Directors may be re-elected for another term. Powers of the members of the Board of Directors and the fields of activities of the Chief Executive Officer are as defined in the Law on Companies and the Company's Bylaws, and as to any exceptions to the powers of the members of the members of the Board of Directors or any fields of activity of the Chief Executive Officer that would require additional notification, there are none.

The Company has no branches or representative offices.

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

7 table. Information about the members of the Board of Directors, the General Manager and the Chief Accountant

Position	Full name	Date of start of term	Date of 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	–	–

## MANAGEMENT STRUCTURE (CONT'D)

Position	Full name	Date of start of term	Date of end of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
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 (Chief Executive Officer)	Saulius Bilys	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

Remuneration to the independent member of the Board of Directors imputed during the reporting period amounted to LTL 14,975.

Remuneration to the Company's General Manager and the Chief Accountant imputed during the reporting period amounted to LTL 509,174, and average remuneration imputed per person (the General Manager and the Chief Accountant) amounted to LTL 254,587.

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

8 table. Information about the members of the Audit Committee

Position	Full name	Date of start of term	Date of 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

## INFORMATION ABOUT RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND HARMFUL TRANSACTIONS

Information on the transactions between associated parties is presented in the financial statements of the Company for 2014.

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.



## **INFORMATION ABOUT RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND HARMFUL TRANSACTIONS (CONT'D)**

During the reporting period, the Company did not conclude 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 13 January 2015, the NCC stated that the unbundling of Amber Grid's transmission activity complied with the EU Third Energy Package and the Law on Natural Gas and that Amber Grid could be designated as the Natural Gas Transmission System Operator. The NCC notified the EC of the aforesaid decision taken thereby and furnished supporting documents. Within two months of receiving the opinion of the EC, the NCC will make the final decision on the Transmission System Operator certification. Should the EC raise any objections, when the Transmission System Operator eliminates the defects, the final decision would be made no later than within 2 months. When Amber Grid is assigned a certified Operator of the Gas Transmission System, the Company will be issued with an open-ended Natural Gas Transmission Operator's license.

Lithuania's Natural Gas Transmission System Operator's, Amber Grid's, operating performance gained a high award in Europe. At the prestigious European gas industry awards, the European Gas Awards of Excellence, held end January 2015 in Vienna (Austria), the Company was awarded by gas industry experts the third place in Europe's best natural gas transmission system operator's category.

#### IV. REGULATED INFORMATION ON THE ACTIVITIES OF THE ISSUER

In performing its duties according to applicable securities market legislation, the Company publishes information on its material events and other regulated information on the EU-wide scale. Information published by the Company can be found on the Company's website ([www.ambergrid.lt/en/about-us/investors-relations/materialevents](http://www.ambergrid.lt/en/about-us/investors-relations/materialevents)) and on the website of NASDAQ Vilnius Stock Exchange [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com).

In 2014, Amber Grid posted the following regulated information:

Date	Regulated information
14/02/2014	On the state-owned shares of AB Amber Grid
24/02/2014	Notice of acquisition of a block of shares of the Issuer
25/02/2014	CORRECTION: Notice of acquisition of a block of shares of the Issuer
27/02/2014	Notice on disposal of a block of shares of the Issuer
28/02/2014	Pre-audited results of AB Amber Grid for year 2013
28/03/2014	On Convening an Ordinary General Meeting of Shareholders of AB Amber Grid, Draft Agenda and Draft Resolutions of the Meeting
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
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
30/04/2014	Resolutions adopted by the Ordinary General Meeting of Shareholders of AB Amber Grid
30/04/2014	Annual Information of AB Amber Grid for 2013
02/05/2014	Re Partial redemption of shares of AB Amber Grid
05/05/2014	Notice of information on the material event regarding the acquisition of AB Amber Grid shares
14/05/2014	Notice of information on the material event regarding the consent of NCC for the transfer of AB Amber Grid shares
19/05/2014	Pre-audited results of AB Amber Grid for the 1st quarter of 2014
20/05/2014	Regarding the clearance of Competition Council for UAB EPSO-G to acquire shares of AB Amber Grid
21/05/2014	Notification on disposal and acquisition of a block of shares of the Issuer
21/05/2014	Notification on transaction concluded by managers of the company
22/05/2014	Notification on resignation of the members of the Management Board of the Issuer
22/05/2014	Regarding the intention to submit a takeover bid
28/05/2014	Regarding approval of the circular of the mandatory takeover bid
06/06/2014	On Convening an Extraordinary General Meeting of Shareholders of AB Amber Grid
06/06/2014	Regarding the opinion of the Board of Directors of AB Amber Grid on the takeover bid
13/06/2014	Notification on the intention of Gazprom to sell the 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
20/06/2014	Notice of acquisition of a block of shares of the Issuer
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 the statement on the implementation of the mandatory non competing takeover bid
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)
25/06/2014	Notice on disposal of a block of shares of the Issuer

Date	Regulated information
30/06/2014	Resolutions adopted by the Extraordinary General Meeting of Shareholders of AB Amber Grid
03/07/2014	Regarding publicly published information on dividends
10/07/2014	Regarding Chairman of the Board elections of AB Amber Grid
11/07/2014	Notice on concluded contracts
31/07/2014	Pre-audited results of AB Amber Grid for the 1st half of 2014
21/08/2014	AB Amber Grid unaudited condensed financial statements and interim report for the first half of 2014
29/09/2014	Regarding AB Amber Grid borrowing
30/10/2014	Decision of the Connecting Europe Facility Coordination Committee
30/10/2014	On Natural Gas Transmission Price Caps for 2015 and Changes in Pricing Model
31/10/2014	AB Amber Grid operating results and unaudited condensed financial statements of for 9 months of 2014
05/11/2014	New Prices for Natural Gas Transmission Services
20/11/2014	Prices for Natural Gas Transmission Services Are Set for 2015
05/12/2014	CORRECTION: AB Amber Grid operating results and unaudited condensed financial statements of for 9 months of 2014
30/12/2014	Regarding conclusion of long-term loan agreement

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](http://www.crib.lt) and the Company's website [www.ambergrid.lt](http://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.