



AB AMBER GRID
INTERIM REPORT
ON THE SIX-MONTH PERIOD
ENDED 30 JUNE 2015

Vilnius
2015

TABLE OF CONTENT

I.	GENERAL INFORMATION ABOUT THE ISSUER.....	3
	MAIN INFORMATION	3
	COMPANY ACTIVITIES	3
	RESEARCH AND DEVELOPMENT	8
	EMPLOYEES	8
	INTERNATIONAL COOPERATION	9
II.	FINANCIAL RESULTS	10
	KEY INDICATORS OF THE TRANSMISSION SYSTEM	10
	KEY FINANCIAL INDICATORS OF THE COMPANY	10
	BUSINESS PLANS AND FORECASTS.....	15
	RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM	16
III.	MANAGEMENT OF THE COMPANY	17
IV.	REGULATED INFORMATION ON THE ISSUER'S ACTIVITIES.....	23

I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the report has been prepared: 1 January – 30 June 2015

MAIN INFORMATION

Name	AB Amber Grid (hereinafter referred to as 'Amber Grid' or the 'Company')
Legal form	Public company
Registration date and register	25 June 2013, Register of Legal Persons
Business ID	303090867
Manager of the Register of Legal Persons	State Enterprise Centre of Registers
Authorised capital	EUR 51,730,929.06
Registered office address	Savanorių pr. 28, LT-03116 Vilnius
Telephone	+370 5 236 0855
Fax	+370 5 236 0850
Email address	info@ambergrid.lt
Website	www.ambergrid.lt

COMPANY ACTIVITIES

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

- Transmission of natural gas in the territory of the Republic of Lithuania;
- Balancing of natural gas flows in the transmission system;
- Administration of the funds allocated for the compensation for the costs of construction and operation of the liquefied natural gas terminal (the 'LNG terminal'), its infrastructure and connector.

At the beginning of 2015, the Board of the Company approved a long-term strategy of Amber Grid for 2015-2020, which includes the integration into a single natural gas market of the region, efficiency, modernisation, and development of infrastructure. These are essential factors in the process of attainment of the economic and strategic objectives set by the state of Lithuania.

Amber Grid's activities have already received recognition in Europe. At a prestigious European gas industry awards ceremony held end January 2015 – the European Gas Awards of Excellence, the Company was ranked, by the gas industry experts, as third in the category of the best European natural gas transmission system operator.

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND ITS DEVELOPMENT

The transmission system consists of gas transmission pipelines, gas compression stations, M&R stations, gas metering stations, equipment for the gas pipelines' protection against corrosion, data transmission and communication systems and other assets of the system. The Lithuanian gas transmission system is connected to the gas transmission systems of the Republic of Latvia, the Republic of Belarus and the Kaliningrad Region (Russian Federation) as well as the Klaipėda LNG terminal. The length of the pipelines in operation totals 2,007 km, with the diameter varying between 100 to 1,220 mm. The design pressure of the larger part of the transmission system is 54 bar.

STRATEGIC INFRASTRUCTURE PROJECTS

In the first six months of 2015, Amber Grid was implementing the following strategic gas transmission system infrastructure projects:

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

Along with another strategic infrastructure project, namely, a project on the Enhancement of Latvia–Lithuania interconnection, these strategic infrastructure projects were included in the First List of European Union (EU) Projects of Common Interest published on 14 October 2013, the European Network of Transmission System Operators for Gas (ENTSO) Ten-Year Network Development Plan (TYNDP) updated at the beginning of 2015, and the Regional Gas Investment Plan for 2014–2023 of the Transmission System Operators from the BEMIP region (*Baltic Energy Market Interconnection Plan*). In addition, these strategic infrastructure projects have been included, together with other investment projects of the Company, in the Ten-Year (2014–2023) Network Development Plan of the Natural Gas Transmission System Operator and the National Plan on the Implementation of Priority Projects on Electricity and Natural Gas Transmission Infrastructure approved by Resolution of the Government of the Republic of Lithuania No 746 of 22 July 2014.

Two projects on the First List of EU Projects of Common Interest in which Amber Grid participates, namely, Gas interconnection Poland–Lithuania and Enhancement of Latvia–Lithuania Interconnection, are proposed to be included in the Second List of EU Projects of Common Interest to be approved at the end of 2015.

CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF THE SECOND LINE OF KLAIPĖDA–KURŠĖNAI PIPELINE) ('KKP')

The KPP project is aimed at the diversification of the gas supply sources in the Baltic region, enabling the use of the Klaipėda LNG terminal's capacities in full, and securing the safety and reliability of the functioning of the natural gas system.

As part of this project, 110 km of a gas pipeline 800 mm in diameter will be constructed from the transmission system's connection point to the Klaipėda LNG terminal near Klaipėda up to Kuršėnai. The estimated project value is EUR 63.7 million. It is planned that the gas pipeline will be put into operation at the end of 2015 (Map 1).



Map 1. Capacity enhancement of Klaipėda–Kiemėnai pipeline (KKP project)

In April 2015, the Company concluded an agreement on the EU financial assistance for the KKP project with INEA, the EU Innovation & Networks Executive Agency. Under this agreement the project received a EUR 27.6 million grant under the *Connecting Europe Facility* (CEF).

GAS INTERCONNECTION POLAND–LITHUANIA ('GIPL')

The GIPL project is aimed at integrating the Baltic States' gas markets into the common EU market for gas, diversifying the gas supply sources, and increasing the security of the gas supply. Amber Grid is implementing the GIPL project part in the territory of Lithuania, and GAZ-SYSTEM S. A., the Polish gas transmission system operator, is responsible for the part of the project in the territory of Poland.

The length of the gas pipeline will be 534 km (357 km in Poland and 177 km in Lithuania), diameter 700 mm. The estimated start of operation is 2019 (Map 2).



Map 2. Gas interconnection Poland–Lithuania (GIPL) project

In May 2015, the Company and GAZ-SYSTEM S.A. concluded a trilateral agreement with INEA on the EU financial assistance for the Preparatory works for the Gas Interconnection Poland–Lithuania up to building permission(s) obtainment financing. EUR 10.6 million have been allotted under CEF in accordance with this agreement.

The preparatory works of the project were granted the maximum intensity of the EU financial assistance – 50%: EUR 2.5 million were allotted to Amber Grid and EUR 8.1 million to GAZ-SYSTEM S.A. The total estimated value of the territorial planning and design works under the GIPL project is EUR 21.2 million.

After the Company and GAZ-SYSTEM S.A. has agreed to conduct a long-term demand of the pipeline capacity (the 'Open Season Procedure'), preparatory works to start the procedure took place in the first six months of 2015.

MAINTENANCE, RECONSTRUCTION AND MODERNISATION

Maintenance of gas pipelines must take place in accordance with the strict requirements of rules and regulations. In order to secure the reliability and safety of the transmission system, maintenance and repair works are performed on a regular basis.

Works carried out in the first six months of 2015:

- works of reconstruction of the Panevėžys gas distribution station No 1,
- improvement of the information technology infrastructure,
- procurement of works and equipment for other projects included in the Company's investment programme.

REGULATION OF NATURAL GAS PRICES

Natural gas transmission service prices are subject to regulation.

On 1 January 2015, the price caps for the natural gas transmission services, set for the entry¹ and exit² points of the transmission system of the Company by the National Commission for Energy Control and Prices (NCC) took effect. In line with the provisions of the EU legal acts, at the end of 2014 the NCC made amendments to the Methodology for the Setting of the State-Regulated Prices in the Natural Gas Sector (the 'Methodology'). The 'postage stamp' service price setting methodology was abandoned and an entry-exit point-based capacity allocation and pricing model was introduced in the beginning of 2015. The service price caps may be adjusted on an annual basis by decision of the NCC according to the procedures set out in the Methodology. Furthermore, the natural gas transmission service prices approved for the entry and exit points of the transmission system by the NCC at the end of 2014, took effect on 1 January 2015.

For more detailed information on the natural gas transmission service prices, please see the website of the Company: www.ambergrid.lt/en/transportation-services/tariffs-prices/tariffs-from-01-01-2015.

NATURAL GAS TRANSMISSION VOLUMES

During the first six months of 2015, the transmission system operated by the Company received, for transmission to the system users, 23,252.4 GWh of natural gas³ from Belarus through the Kotlovka gas metering station (GMS) and 2,636.5 GWh from the Klaipėda LNG terminal.

In the same period of 2015, 14,324.3 GWh of natural gas was transported for Lithuanian customers up to the domestic exit point. Compared with the first six months of 2014 (14,401.2 GWh of natural gas), transmission quantities were similar. 508.8 GWh of natural gas was transported from the transmission system to the Republic of Latvia, via the Kiemėnai GMS.

10,966.1 GWh of natural gas was transported to the Kaliningrad Region of the Russian Federation by transit (first 6 months of 2014: 11,197.9 GWh).

¹ Points of interconnection of the Lithuanian transmission system with the systems of Belarus and Latvia and the Klaipėda LNG terminal.

² Points of interconnection of the Lithuanian transmission system with the systems of Latvia and the Kaliningrad Region of the Russian Federation and the domestic exit point (including the points of interconnection of the Lithuanian transmission system with the gas distribution systems or gas consumer systems).

³ From 1 January 2015, the gas quantities at the entry and exit points of the transmission system are measured in the energy units, kilowatt hours (kWh).

As of 1 July 2015 the Company has 83 natural gas transmission service agreements with the users of the natural gas transmission system (natural gas customers, operators of the natural gas transmission system, importers, natural gas supply companies that supply the gas up to the customers' systems) including 4 system users that have not been using the transmission service. The Company has 3 natural gas balancing agreements concluded with the natural gas supply companies that are engaged in the natural gas trade but do not transport the gas via the transmission system.

The structure of the natural gas sales (by transmission system users) at the domestic exit point is shown in Figure 1.

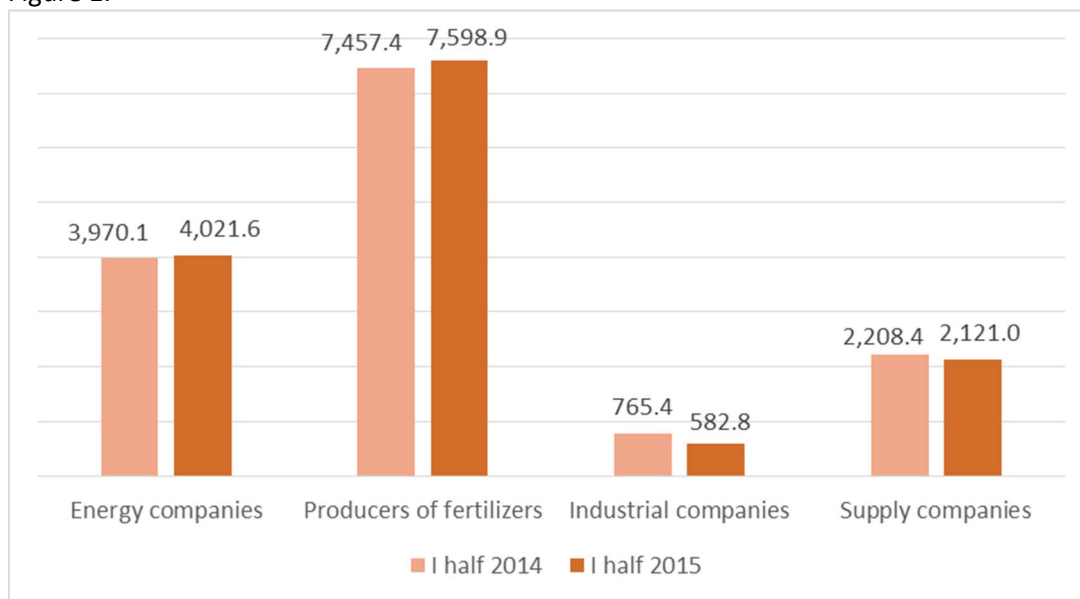


Figure 1. Natural gas sales in Lithuania, by the natural gas transmission system users, GWh, first 6 months of 2014/ first 6 months of 2015

BALANCING OF THE NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid is responsible for ensuring the balancing of the natural gas flows in the transmission system. The Company buys the balancing gas from a gas market participant that has caused a gas excess in the transmission system and sells the balancing gas to a participant that has caused a shortage of gas in the system.

In the first 6 months of 2015, the transmission system users have not achieved a balance of the gas delivered to the system and/or purchased and the gas taken from the system and/or sold. As a result of the imbalance the Company purchased 13 GWh and sold 7.3 GWh of gas.

The gas quantities in the pipelines of the Company's transmission system vary not only due to the balancing of the system users' and other gas market participants' flows but also due to the technical and technological features of the transmission system.

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

In accordance with the provisions of the Republic of Lithuania Law on the LNG terminal and the relevant regulations, the Company is responsible for the collection, administration and payment of the funds to the operator of the LNG terminal. By decision of the NCC, part of the collected funds is earmarked for the payment for the administration costs incurred by the Company.

By its resolution No O3-895 of 20 November 2014, the NCC approved an additional component of the natural gas transmission price for 2015, designed for compensating for the fixed operating costs of the LNG terminal's infrastructure that are essential for the operation of the terminal. In the first 6 months of 2015, the LNG terminal funds related to this additional component were collected.

By the same resolution, the NCC obligated the Company to pay to the LNG terminal funds recipient a part of the funds collected in 2013 (EUR 14,472,744.2) in order to compensate for the fixed operating costs of the LNG terminal's infrastructure that are required for the operation of the terminal in 2015. The Company fulfilled this requirement by transferring to AB Klaipėdos Nafta the full amount specified in the resolution on 2 March 2015.

In the first 6 months of 2015, litigation with AB Achema concerning non-payment of the LNG terminal funds continued. In June 2015 AB Achema made the first payment of EUR 1,634,147.99 as a partial repayment of the debt.

RESEARCH AND DEVELOPMENT

In the first 6 months of 2015, the Company made improvements in the system for the natural gas measurement in energy units and continued its strategic infrastructure projects that are essential for the integration of the Lithuanian natural gas market in the single market of the region. An environmental impact assessment procedure was carried out for the construction of the gas pipeline under the GIPL project. Alternative options for the connection of a new Tauragė gas distribution system to the transmission system were examined and the draft connection specifications were presented to the builder of the system – AB Lietuvos Dujos, the winner of the tendering procedure for the gasification of the territory of Tauragė municipality (the estimated time of connection: 2017).

The East Baltic Transmission System Operators Coordination Group (EBTSO) consisting of the Lithuanian, Latvian, Estonian and Finnish transmission system operators intends to conduct a Study on the development of the regional market of the East Baltics. It is expected that the preliminary results will be known at the end of 2015.

EMPLOYEES

As of 30 June 2015 the Company employed 360 people. The employee turnover rate during first 6 months of 2015 was 2.2 %.

Table 1. Number of employees by employee groups

	Number of employees, 30 June 2015	Number of employees, 30 June 2014
Top-level managers	5	5
Mid-level managers, specialists	221	217
Workers	134	137
Total:	360	359

The average monthly pay at the Company is shown in Table 2, by employee groups.

Table 2. Average monthly pay by employee groups

	Average monthly pay, first 6 months of 2015, EUR
Top-level managers	5,541
Mid-level managers, specialists	1,344
Workers	885
Total:	1,228

The employee structure by educational attainment has remained substantially unchanged compared with the one presented in the 2014 Annual Report.

Employee training and development and maintaining of professional competences is in the focus of attention. In the first 6 months of 2015, 277 employees of the Company took part in training on professional and technical subjects and 88 employees took part in the general training.

The Company has a collective agreement in place. Its term expires on 31 December 2015. Neither the collective agreement nor employment contracts contain any special rights or responsibilities of employees that would contradict the usual practices.

INTERNATIONAL COOPERATION

The Company participates in two international working groups on the development of the regional gas market, namely, the East Baltic Sea Region Gas Transmission System Operators (EBTSO) Coordination Group and the Regional Gas Market Coordination Group (RGMCG).

Formed in 2013, EBTSO includes the transmission system operators of the countries in the East Baltic region: Lithuania, Latvia, Estonia and Finland. In 2015 EBTSO intends to prepare a Study on the development of the regional market of East Baltics (hereinafter referred to as the 'Study') to be financed by BASREC (Baltic Sea Region Energy Cooperation). During the first 6 months of 2015, an evaluation of the proposals submitted by the potential preparers of the Study was made and the winner was selected by the BASREC Executive Committee. It is expected that the preliminary results of the Study will be known at the end of 2015.

The RGMCG, which was founded in January 2015, is formed of the representatives of the East Baltic ministries for energy, regulators, natural gas transmission system operators, and operators of LNG terminals. In the first 6 months of 2015, the RGMCG compiled and approved a list of short- and medium-term measures aimed at the improvement of the functioning of the regional gas market, and a related action plan. The main objective of RGMCG is to design and implement an action plan on the development of regional gas market based on the Study being prepared by the transmission system operators and financed by BASREC.

The Company is an associated partner of ENTSOG (www.entsog.eu), established according to the Regulation of the European Parliament and of the Council No 715/2009 as an organisation designed for the Community-level cooperation of gas transmission system operators.

II. FINANCIAL RESULTS

KEY INDICATORS OF THE TRANSMISSION SYSTEM

Table 3. The Company's performance indicators

	First 6 months 2015	First 6 months 2014
Quantities of natural gas transported		
Entered in Lithuania, GWh	25,888.9	25,599.1
including from Klaipėda LNG terminal	2,636.5	–
including from Republic of Belarus	23,252.4	25,599.1
including from Republic of Latvia	0	0
Quantities of gas transmitted (to domestic exit point), GWh	14,324.3	14,401.2
Quantities of gas transmitted (to the Republic of Latvia), GWh	508.8	0
Quantities of gas transported by transit, GWh	10,966.1	11,197.9
Number of system users at period end	83	57
System being operated		
Length of gas transmission pipelines, km	2,007	2,007
Number of M&R Stations and Gas Metering Stations, pcs.	69	69
Employees		
Number of employees at period end	360	359

KEY FINANCIAL INDICATORS OF THE COMPANY

Table 4. Financial indicators of the Company

	First 6 months 2015	First 6 months 2014
Financial results (thousand EUR)		
Revenue	27,306	24,885
EBITDA	14,503	14,745
EBIT	7,060	3,789
Profit before tax	6,962	3,384
Net profit	8,402	3,536
Net cash flows from operating activities	16,458	15,448
Investments	33,605	4,187
Financial debt	113,022	45,661
Net financial debt	109,933	35,572
Profitability ratios (%)		
EBITDA margin	53.11	59.25
EBIT margin	25.86	15.22
Profit before tax margin	25.50	13.60
Net profit margin	30.77	14.21
Return on assets (ROA)	2.40	0.74
Return on equity (ROE)	3.97	1.01
Return on capital employed (ROCE)	2.35	0.95
Liquidity ratios		
Current ratio	0.46	1.16
Quick ratio	0.28	0.78

Leverage ratios (%)		
Equity to total assets ratio	52.34	74.87
Financial debts to equity ratio	60.41	12.91
Net financial debt to equity ratio	58.76	10.06
Market value ratios		
Price-earnings ratio (P/E), times	21.44	38.43
Net earnings per share, EUR	0.05	0.02

Financial indicators of the Company have been calculated upon elimination of the assets/ liabilities resulting from the LNG terminal funds.

The condensed financial statements of the Company as of 30 June 2015 disclose the results of UAB GET Baltic, a joint venture under the common control of AB Amber Grid, AB Lietuvos Dujos and Gasum Oy, a Finnish company, accounted for by the equity method.

REVENUE

In the first 6 months of 2015, the Company's revenue totalled EUR 27,306 thousand which means a 9.7% increase compared with the same period of 2014. There were no substantial changes in the revenue structure compared with 2014 (Figure 2). Income from the transmission of natural gas via gas transmission pipelines to the system users and from transit to the Kaliningrad Region of the Russian Federation accounts for the majority of total income (95%). There has been a 6.5% increase in this income.

Other revenue consists of balancing income and grants recognised as income as well as income from the administration of the LNG terminal funds. An increase in other revenue has been determined by the 2.5 times increase in the balancing income.

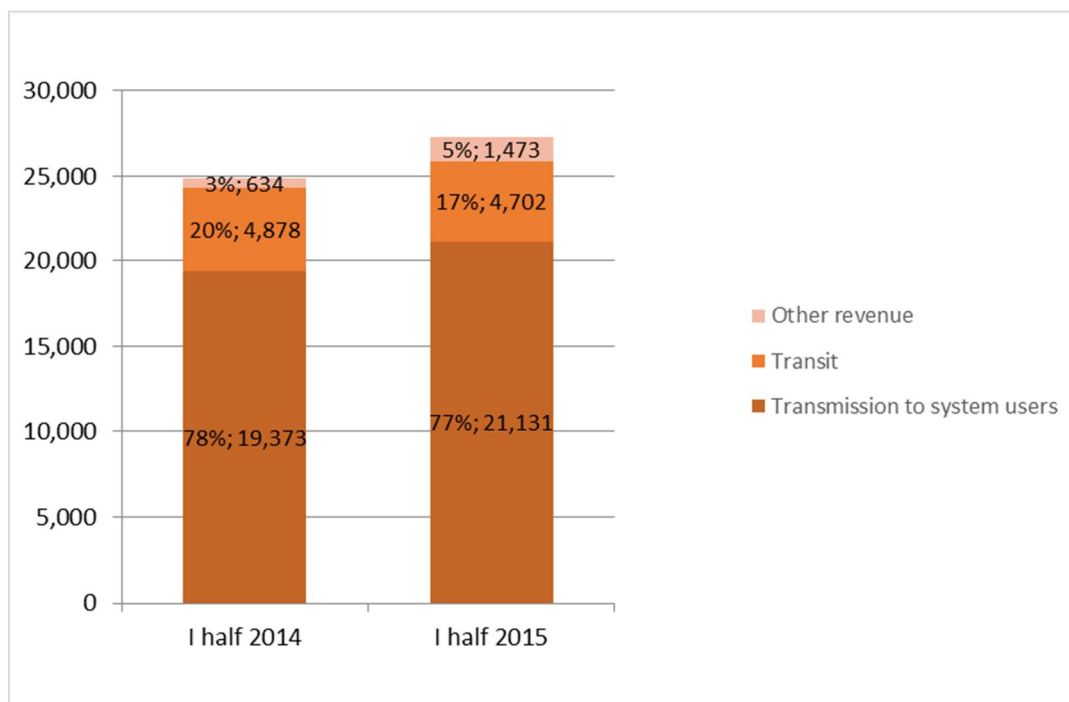


Figure 2. Revenue structure, first 6 months of 2014 / first 6 months of 2015, thousand EUR.

Balancing income is earned:

- 1) from the balancing of the gas flows of the system users and other participants in the gas market involved in the transmission system balancing;
- 2) from the technical balancing of the transmission system resulting from the transmission system technology and the gas flow deviations (imbalance) arising for technical reasons.

EXPENSES

The Company's expenses totalled EUR 20,266 thousand in the first 6 months of 2015 (a 4% decrease compared with the same period of 2014).

Non-current asset depreciation and amortisation expenses accounted for the largest part of the Company's expenses: EUR 7,443 thousand or 36.7 % of total expenses, which is a 32% decrease compared with the first 6 months of 2014. This decrease in the depreciation and amortisation expenses has been determined by a lower value of non-current assets recorded at the end of 2014, with the relevant reduction of the asset value carried in the balance sheet.

Natural gas expenses totalled EUR 5,909 thousand (29% of total expenses), which is a nearly 2 times increase compared with the same period of 2014, resulting from the increased balancing volumes. Payroll and related social security costs totalled EUR 3,865 thousand (19% of total expenses) and repair and maintenance expenses amounted to EUR 1,593 thousand (8%) (Figure 3). The Company bought 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.

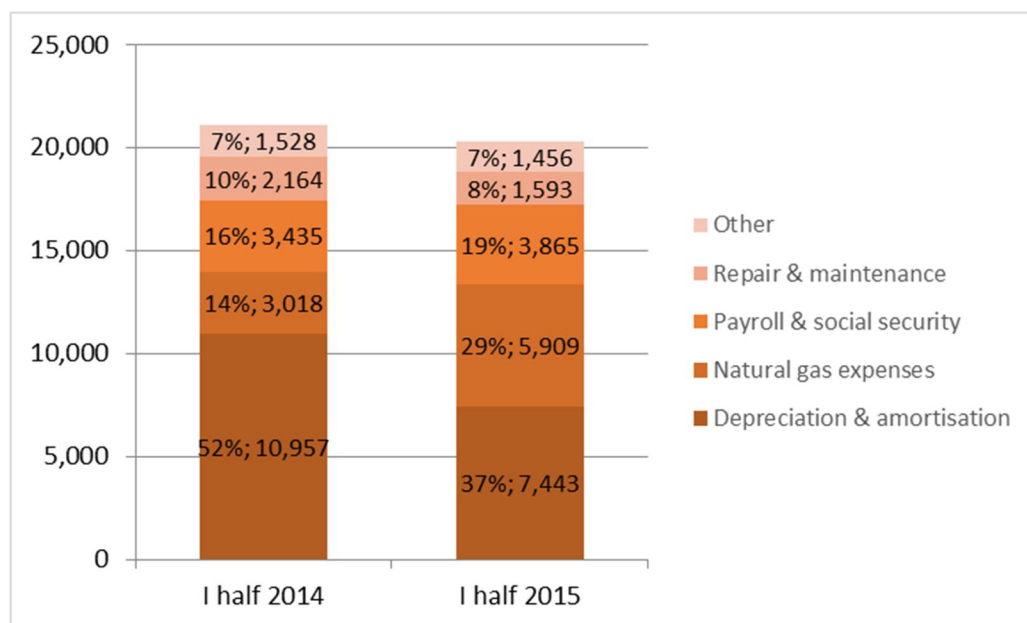


Figure 3. The expense structure, first 6 months of 2014 / first 6 months of 2015, EUR thousand

ACTIVITY RESULTS

In the first 6 months of 2015, profit before tax was EUR 6,962 thousand (same period of 2014: EUR 3,384 thousand), and earnings before interest, tax, depreciation and amortisation (EBITDA) was EUR 14,503 thousand (same period of 2014: EUR 14,745 thousand) (Figure 4).

Net profit of the Company for the first 6 months of 2015 was EUR 8,402 thousand (same period of 2014: EUR 3,536 thousand), which is EUR 1,440 thousand more than profit before tax. The better net results has been determined by the application of income tax exemption for new investment.

The main factor that has determined a higher profitability compared with the same period of last year: lower depreciation and amortisation expenses resulting from the reduction of the asset value.

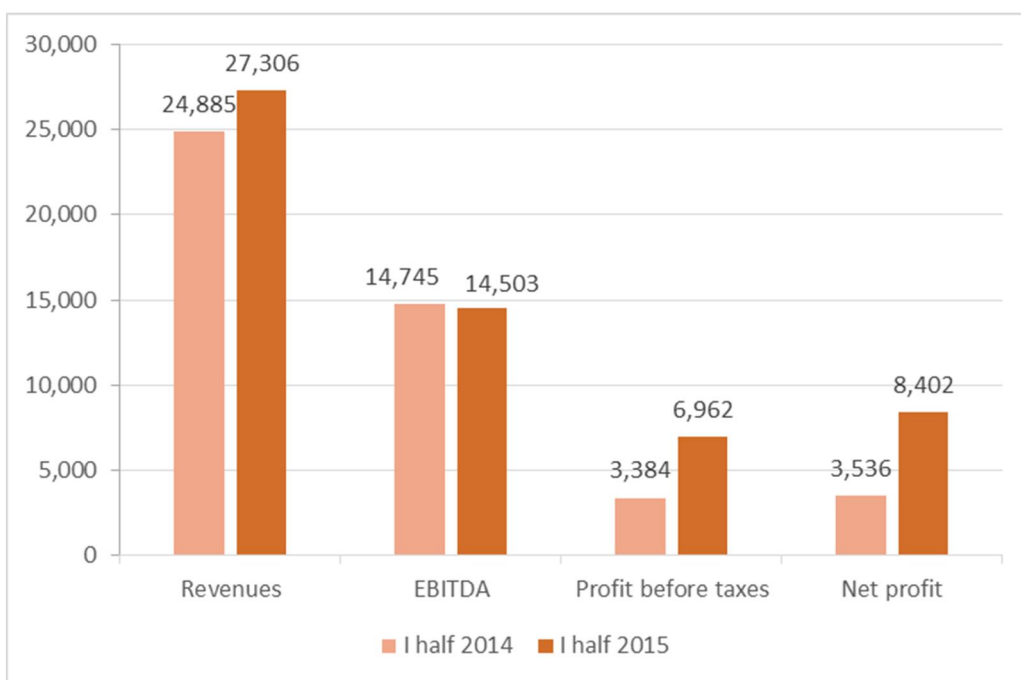


Figure 4. Financial results, first 6 months of 2014 / first 6 months of 2015, EUR thousand

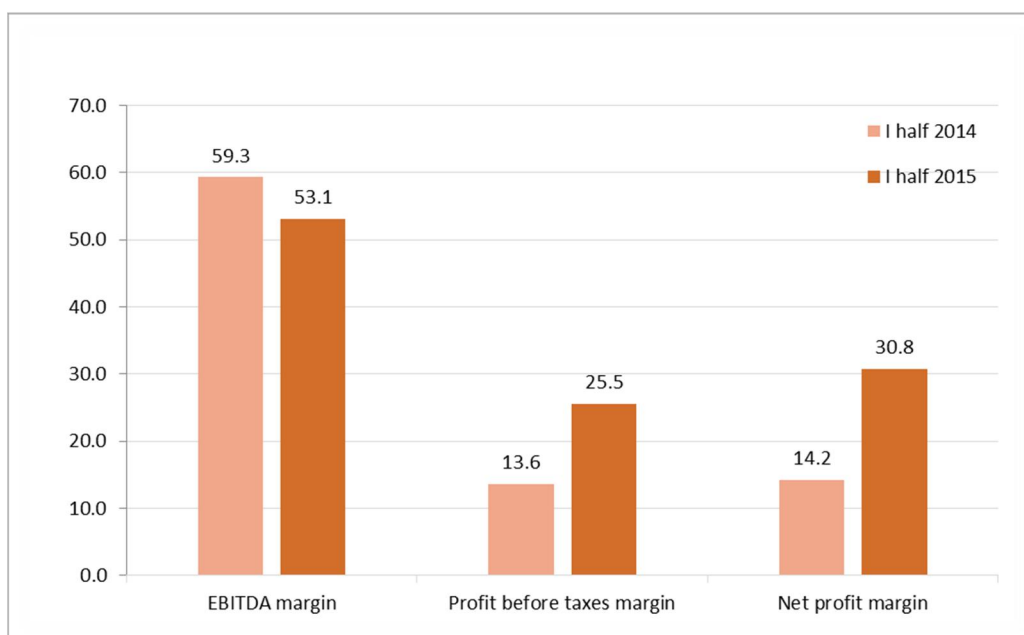


Figure 5. Profitability, first 6 months of 2014 / first 6 months of 2015, %

INVESTMENTS

During the first 6 months of 2015, EUR 33,605 thousand were invested in the transmission system development and modernisation, compared with EUR 4,187 thousand in the same period of 2014. In 2015, EUR 32,368 thousand (or 96.3 % of the investments) were invested in the new gas systems' construction projects including an investment in the KKP project EUR 32,184 thousand (Figure 6).

The KKP project is co-financed by the EU funds (45.5 %).

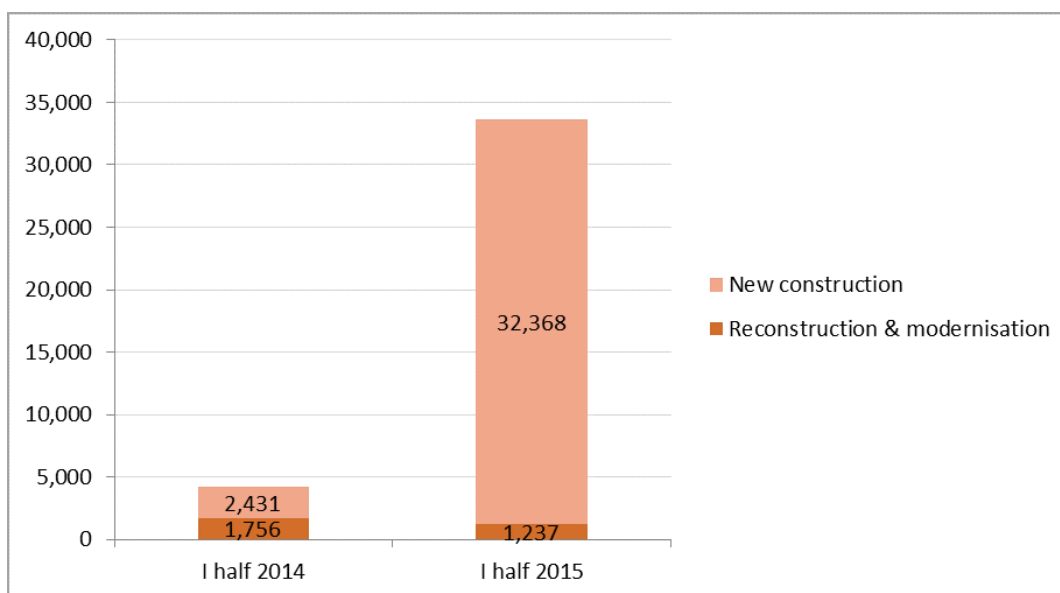


Figure 6. Investment structure, first 6 months of 2014 / first 6 months of 2015, EUR thousand

ASSETS

As of 30 June 2015, the asset value was EUR 417,466 thousand. Non-current assets accounted for 83% and current assets for 17% of total assets of the Company.

The value of non-current assets increased 8% or EUR 25,487 thousand, mainly due to investments in the gas transmission pipelines. The value of current assets grew 34.6% (EUR 18,675 thousand), which has been determined by the inclusion of the receivable grants for the KKP project and an increase in the accounts receivable from the LNG terminal.

EQUITY AND LIABILITIES

During January–June 2015, the value of the Company’s equity decreased 20.9% (by EUR 49,527 thousand) as a result of an increase in the profit for allocation (by a transfer from reserves) and the payment of dividends for the year 2014. As of the end of the reporting period the equity was EUR 187,088 thousand.

Accounts payable and liabilities increased 1.7 times (by EUR 93,689 thousand) during January–June 2015 and totalled EUR 230,378 thousand as of the end of the reporting period. Such increase in accounts payable and liabilities resulted from a new financial loan and grants to the KKP project. In addition, short-term accounts payable grew due to increased payments for the acquisition of non-current assets and larger accrued LNG terminal funds.

The Company’s financial debt totalled EUR 113,022 thousand as of 30 June 2015, upon increasing by EUR 73,889 thousand during the reporting period. The ratio between liabilities to credit institutions and equity was 60%.

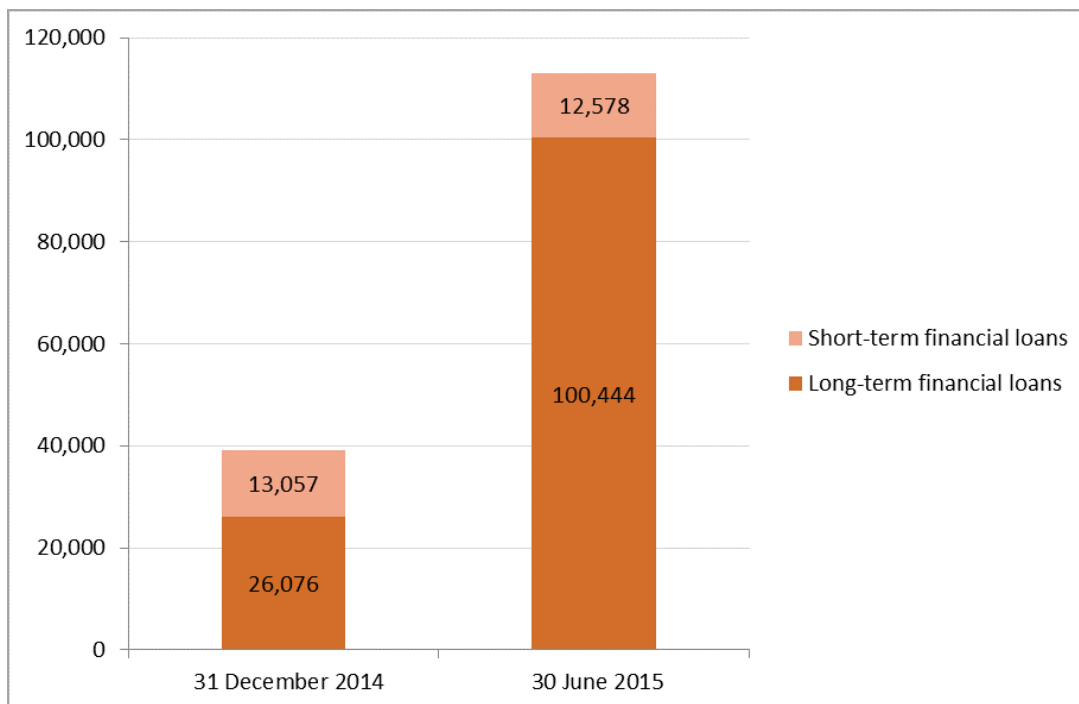


Figure 7. Structure of financial loans, EUR thousand

CASH FLOWS

Net cash flows from operations of the Company totalled EUR 16,458 thousand in the first 6 months of 2015 (same period of 2014: EUR 15,448 thousand). EUR 30,971 thousand were used for the acquisition of non-current assets (same period of 2014: EUR 4,601 thousand) and EUR 57,837 thousand for payment of dividend (no payment was paid in the first 6 months of 2014). No significant EU assistance funds were received in the first 6 months of 2015. During the same period, EUR 39,111 thousand of loans were repaid. Long-term loan refinancing accounted for the largest part of the repayments (EUR 39,098 thousand). In order to secure the implementation of the investment programme as well as financial liquidity and solvency, the Company borrowed EUR 113,000 thousand in the first 6 months of 2015.

REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT THE DATA IN THE CONDENSED FINANCIAL STATEMENTS

Other information is presented in the Notes to the Condensed Financial Statements of Amber Grid as of 30 June 2015.

BUSINESS PLANS AND FORECASTS

It is forecasted that in 2015 the Company will transport to the Lithuanian system users, at the domestic exit point of the transmission system, approx. 24.7 TWh of natural gas, to the Republic of Latvia 0.8 TWh of natural gas, and by transit to the Kaliningrad Region 21.8 TWh of natural gas.

It is estimated that in 2015 approx. 6 TWh of natural gas will be received in the transmission system from the Klaipėda LNG terminal (mandatory quantity required for the maintenance of the terminal); all the remaining amount that is required – 42 TWh will be received through Kotlovka or Kiemėnai entry points.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

There have been no substantial changes in the information on risk management and the internal control system of the Company during the reporting period compared with the information provided in the 2014 Annual Report.

III. MANAGEMENT OF THE COMPANY

SHARE CAPITAL

Upon Lithuania's joining the euro zone on 1 January 2015, companies were obliged to denominate the size of the authorised capital and the share par value in Euro and to present the data to the Manager of the Register of Legal Persons by 31 December 2016.

According to Resolution of the General Meeting of Shareholders of AB Amber Grid held on 23 April 2015, the authorised capital of the Company registered in the Register of Legal Persons of the Republic of Lithuania as of 30 April 2015 totals EUR 51,730,929.06. It has been divided into 178,382,514 ordinary registered shares of EUR 0.29 par value. An ordinary registered share of EUR 0.29 par value grants its holder one vote at the General Meeting of Shareholders. All the shares are fully paid.

SHARES AND RIGHTS OF SHAREHOLDERS

There are 178,382,514 shares in the Company that grant voting rights at the General Meeting of Shareholders. All the shareholders of Amber Grid have equal property and non-property rights. According to the Bylaws of the Company, only the General Meeting of Shareholders has the right to make decisions on the issue of new shares and the purchase of own shares.

The Company is not aware of any mutual agreements of the shareholders due to which transfer of securities and/or the voting rights could be restricted. There are no restrictions of voting rights in the Company.

The Company has not acquired its own shares and has concluded no transactions on the acquisition/disposal of own shares in the first 6 months of 2015.

SHAREHOLDERS

There have been no changes in the Company's shareholding structure during the first 6 months of 2015. UAB EPSO-G retained the controlling block of shares (96.58 %), remaining the only shareholder controlling more than 5% of the Company's shares. UAB EPSO-G has a casting vote in the passing of resolutions at the General Meeting of Shareholders.

Due to the share trading on the exchange, the number of shareholders of Amber Grid is changing all the time. Based on the information received from the securities brokers, over 2,300 of Lithuanian and foreign natural and legal persons are shareholders of the Company.

Table 5. Shareholders of the Company (30 June 2015)

Shareholder	Registered office/business ID	Number of the shares held
UAB EPSO-G	A. Juozapavičiaus g. 13 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
Total:		178,382,514

The shareholding structure of the Company is shown in Figure 8:

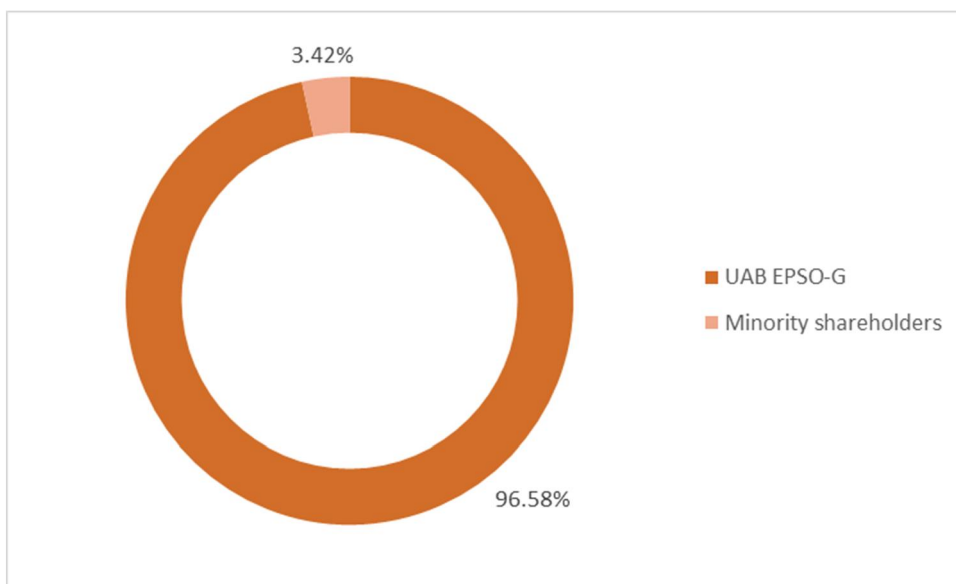


Figure 8. Shareholding structure as of 30 June 2015, %

RESTRUCTURING OF THE COMPANY'S CONTROL

In 2014 the Company completed the implementation of the provisions of the EU Third Energy Package, i. e. the unbundling of the natural gas transmission activity and the transmission system's ownership from the natural gas distribution and supply activity. On 10 April 2015, upon receipt of the European Commission's opinion on the draft decision's compliance with the EU law, NCC adopted a resolution stating that the unbundling of the natural gas transmission activity and the natural gas supply activity of Amber Grid is in line with the provisions of the Natural Gas Law. The Company was issued an open-ended licence of a transmission system operator and was appointed as a transmission system operator.

DATA ON SECURITIES TRADING IN REGULATED MARKETS

Since 1 August 2013, the shares of the Company are traded in a regulated market and listed on the Secondary List of the NASDAQ Vilnius Stock Exchange.

Table 6. Main information on Amber Grid shares

Main information on Amber Grid shares	
ISIN	LT0000128696
Symbol	AMG1L
Issue size (pcs.)	178,382,514

The turnover of trading in the Company's shares amounted to EUR 1.3 million in the first six months of 2015, with a total of 1,115,201 shares transferred under the transactions.

The dynamics of prices for the Company's shares is presented in Table 7 and data on the share prices and turnover (January–June 2015) is presented in Figure 9.

Table 7. Share price dynamics on NASDAQ Vilnius, January–June 2015

Opening price, EUR 01-01-2015	Highest share price, EUR 30-04-2015	Lowest share price, EUR 16-01-2015	Weighted average share price, EUR	Closing price, EUR 30-06-2015
0.898	1.41	0.877	1.152	1.01

As of 30 June 2015, capitalisation of Amber Grid’s shares amounted to EUR 174 million.

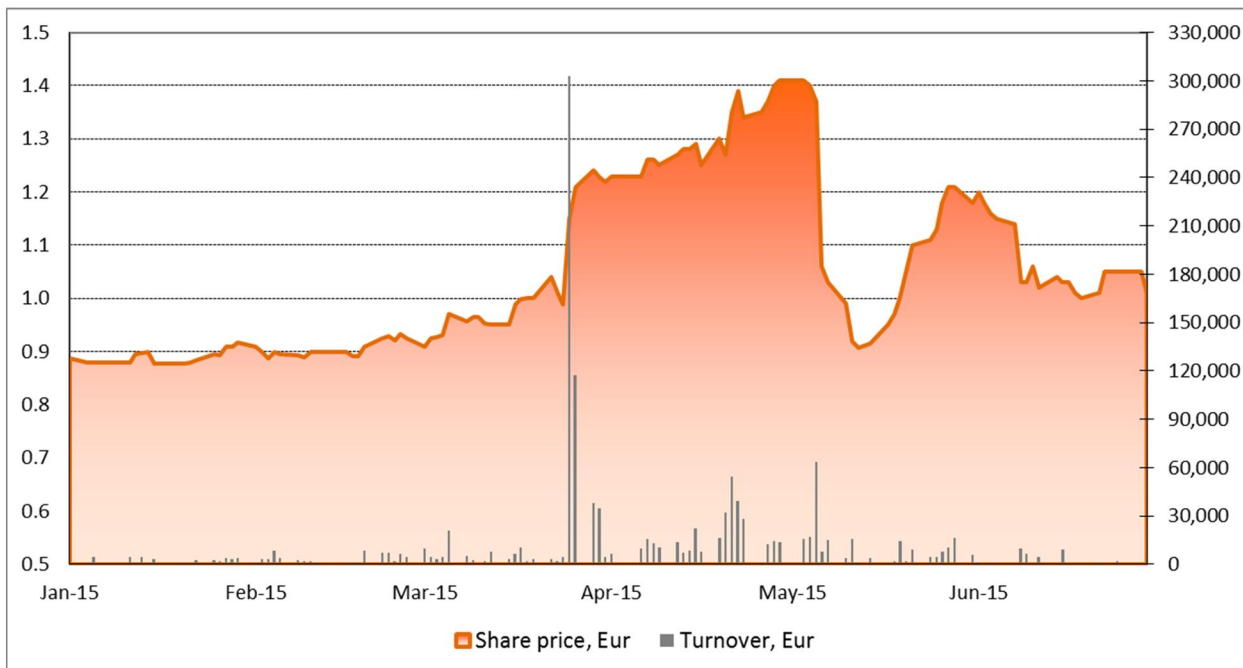


Figure 9. Amber Grid share price and turnover, January–June 2015

During the period January–June 2015, NASDAQ OMX’s comparative price indexes OMX Baltic PI and OMX Vilnius reflecting changes in the prices for the shares of companies listed on the securities exchanges of the Baltic States and Vilnius, have increased 6.71% and 9.96% respectively. The price for the Company’s shares has increased 12.47% in the same period. The prices of the Company’s shares and the changes in OMX Vilnius and OMX Baltic PI (January–June 2015) are shown in Figure 10.

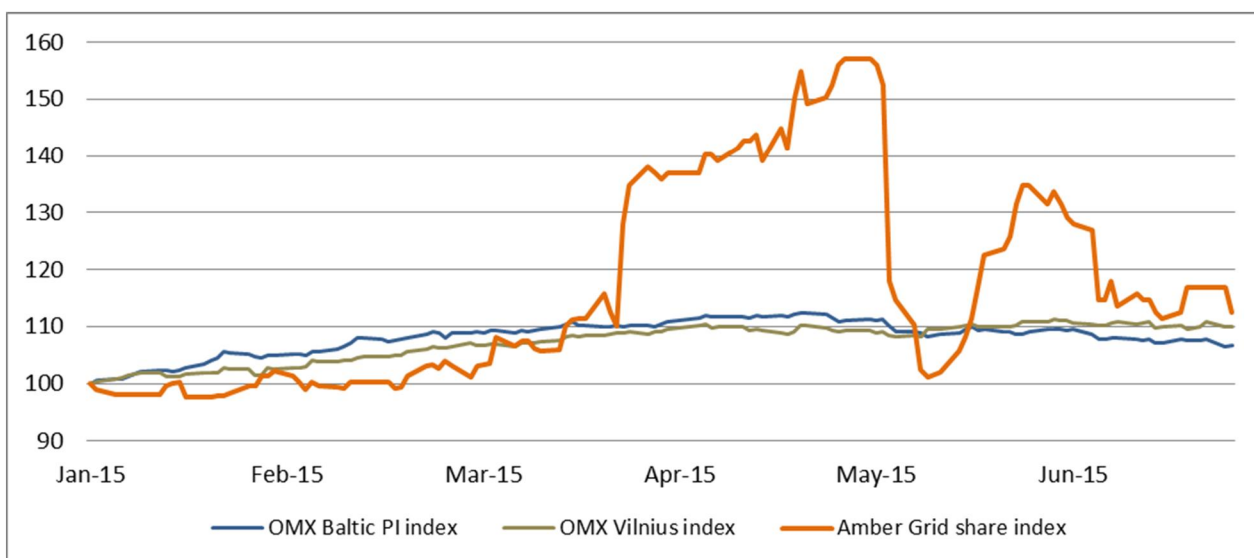


Figure 10. Amber Grid share prices and dynamics of OMX Vilnius and OMX Baltic PI, January–June 2015

DIVIDEND

The General Meeting of Shareholders held on 23 April 2015 passed a decision to pay dividends totalling EUR 57,996,885 (LTL 200,251,645) or EUR 0.3251 (LTL 1.1226) per share.

AGREEMENTS WITH SECURITIES BROKERS

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

On 15 May 2015, the Company concluded an agreement with AB SEB bank on the payment/allocation of dividend to minority shareholders. Under this agreement, AB SEB bank determines and pays dividend to all shareholders of the Company except UAB EPSO-G.

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

MANAGEMENT STRUCTURE

The Company operates in accordance with the provisions of the Law on Companies, Law on Securities, other Lithuanian legal acts and the Articles of Association of the Company. The scope of competence of the General Meeting of Shareholders and the rights of shareholders are defined in the Law on Companies and the Articles of Association of the Company.

Management bodies of the Company according to the Articles of Association:

- the Board, and
- the Company's head – General Manager (Chief Executive Officer).

According to the Articles of Association of the Company, the Board consists of 5 (five) members elected for the term of office of three years according to the procedure prescribed by the Law on Companies. The Chairperson of the Board is elected by the Board Members. The Chairperson and his/her deputy are elected for two years on rotation basis. The Board Members may be re-elected for another term of office. Powers of the Board Members and the scope of competence of the Chief Executive Officer are defined in the Law on Companies and the Articles of Association of the Company. There are no exceptions concerning powers of the Board Members and the Chief Executive Officer's scope of competence that should be mentioned separately.

The Company has no branch offices or representative offices.

Information on Amber Grid's Board Members, General Manager and Chief Accountant is provided in Table 8 below.

Table 8. Information on Board Members, General Manager and Chief Accountant

Position	Name	Date of start of term	Date of end of term	Participation in the Issuer's capital	
				Share of authorised capital held, %	Share of votes held, %
Chairman of the Board	Dr Aleksandras Spruogis	June 2014	June 2016	–	–

Deputy Chairman of the Board	Agnė Petravičienė	June 2014	June 2016	–	–
Board Member	Dainius Bražiūnas	June 2014	June 2016	–	–
Independent Board Member	Nerijus Datkūnas	June 2014	June 2016	–	–
Board Member	Rolandas Zukas	April 2015	June 2016		
General Manager (Chief Executive Officer)	Saulius Bilys	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

During the reporting period the gross remuneration for the Independent Board Member amounted to EUR 4,344.

During the reporting period the gross pay for the Company's General Manager and the Chief Accountant totalled EUR 88,150; the average gross pay per person (General Manager and Chief Accountant) was EUR 44,075.

Information on members of the Audit Committee is provided in Table 9.

Table 9. Information on Members of the Audit Committee

Position	Name	Date of start of term	Date of end of term	Participation in the Issuer's capital	
				Share of authorised capital held, %	Share of votes held, %
Independent member, UAB AV Auditas	Vaida Kačergienė	December 2013	June 2016	–	–
Member, Amber Grid	Valdemaras Bagdonas	December 2013	June 2016	–	–

INFORMATION ON RELATED PARTY TRANSACTIONS, MATERIAL AGREEMENTS AND DETRIMENTAL TRANSACTIONS

Information on related party transactions is provided in the Company's financial statements for the first 6 months of 2015.

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

During the reporting period, the Company did not conclude any detrimental transactions (not in line with the Company's objectives or the current 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 REPORTING PERIOD

On 31 July 2015, AB Amber Grid and GAZ-SYSTEM S.A. – companies implementing the Gas Interconnection Poland–Lithuania project decided to conduct the Non-Binding Open Season Procedure. The main purpose is to identify market participants' demand in the long-term use of the pipeline capacity as well as to define the optimal way of financing of the project.

The results of this Non-Binding phase of the Open Season Procedure will determine decisions on the conduct of the binding phase, when the legally binding orders for capacities will be collected.

More information on materials events after the reporting period is provided in the Company's financial statements for the first 6 months of 2015.

IV. REGULATED INFORMATION ON THE ISSUER'S ACTIVITIES

In the fulfilment 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/en/about-us/investors-relations/materialevents) and on the website of AB NASDAQ OMX Vilnius (www.nasdaqbaltic.com).

During the first 6 months of 2015, Amber Grid published the following regulated information:

Date	Regulated information
13 01 2015	Adoption of a preliminary decision on the unbundling of the natural gas transmission activity and designation of a transmission system operator
27 02 2015	Unaudited results of AB Amber Grid for 2014
25 03 2015	On Convention an Annual General Meeting of Shareholders of AB Amber Grid
08 04 2015	On amendment of Agenda of Annual General Meeting of Shareholders of AB Amber Grid
10 04 2015	Adoption of Decision on the Issuance in Respect of AB Amber Grid of an Open-ended Natural Gas Transmission System Operator's Licence
23 04 2015	Resolutions adopted by the Ordinary Meeting of Shareholders
23 04 2015	Amber Grid AB Annual Information for 2014
29 04 2015	AB Amber Grid signed an agreement on the EU financial support for the construction of the Klaipėda-Kuršėnai gas transmission pipeline
13 05 2015	AB Amber Grid signed an agreement on the financial assistance of the EU for the spatial planning and engineering design works of the Gas Interconnection Poland-Lithuania
29 05 2015	Pre-audited results of AB Amber Grid for the 1st quarter of 2015

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 convention of the 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. Notifications on the General Meetings of Shareholders to shareholders whose shares entitle them to at least 10% of the total voting rights are sent in accordance with the procedure established in the Articles of Association of the Company.