



AMBER GRID AB ANNUAL REPORT 2015

Vilnius
2016

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I. GENERAL INFORMATION ABOUT THE ISSUER

The reporting period covered by the Annual Report is the year 2015.

KEY DATA

Name	AB Amber Grid (hereinafter “Amber Grid” or “the Company”)
Legal form	Public limited liability company
Date of registration and register name	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised share capital	EUR 51,730,929.06
Office address	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 236 0855
Fax number	+370 5 236 0850
Email address	info@ambergrid.lt
Website	www.ambergrid.lt

The Company’s mission: to ensure effective development of the transmission system, to secure reliable gas transmission process, to contribute actively to the development of an integrated European gas transmission system, and to create conditions for the development of a competitive gas market in order to safeguard the national strategic interests.

The Company’s vision: to create favourable conditions for the functioning of the regional gas market within an integrated European gas network by taking proactive measures and through cooperation with the gas transmission system operators across the Region.

The gas transmission system operator – Amber Grid – is a company, which plays an important role in safeguarding the national security of Lithuania. It is responsible for the transmission of natural gas, the operation and maintenance of gas pipelines, and for securing safe and reliable functioning and development of the gas transmission system. The Company’s customers are large and medium-sized entities operating in the sectors of electricity, district heating and industry, as well as natural gas supply companies that receive natural gas transmission services across the territory of Lithuania. Together with the Finnish gas company Gasum Oy, the Company controls GET Baltic UAB – a company organising trade in natural gas on the natural gas exchange. Amber Grid holds 66% of shares of GET Baltic UAB.

In 2014, the Company implemented in full the provisions of the European Union (EU) Third Energy Package, whereby the natural gas transmission activity was unbundled by way of unbundling of ownership of the transmission system from the natural gas distribution and supply activities. On 10 April 2015, after taking into consideration the European Commission’s opinion, the National Control Commission for Prices and Energy (“the Commission”) issued an open-ended licence to be engaged in the transmission activity and concluded that the Company’s model of ownership unbundling of the gas transmission activity was substantially in compliance with the requirements of the EU Third Energy Package and the Lithuanian Law on Natural Gas.

OVERVIEW OF THE COMPANY'S ACTIVITIES

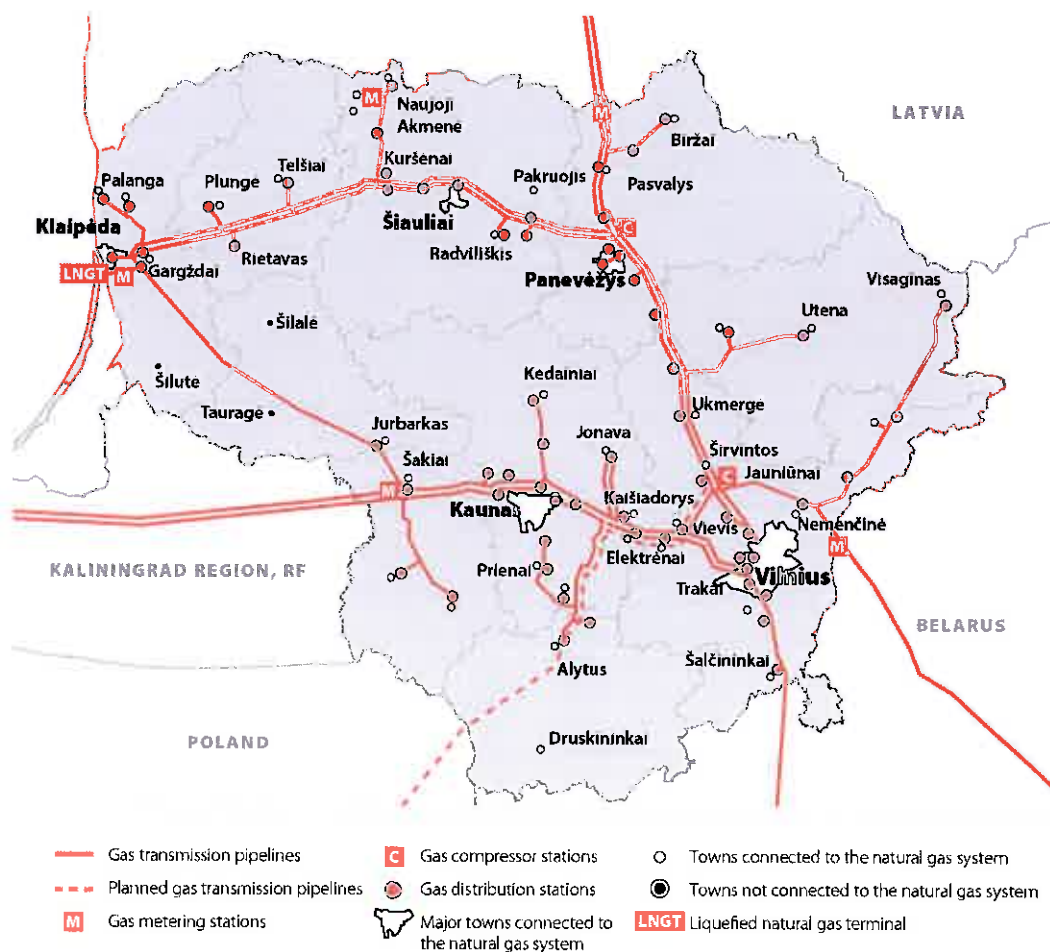
The following services are rendered by the Company to the system users, other operators and gas market participants:

- natural gas transmission services inside Lithuania;
- natural gas balancing services within the transmission system;
- administration of funds intended to compensate for the construction costs and fixed operating costs of the liquefied natural gas (LNG) terminal, its infrastructure and the connector, and for the designated supplier's reasonable supply costs of the required quantity of liquefied natural gas as from 2016.

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND ITS DEVELOPMENT

The transmission system consists of the transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, equipment for the protection of gas pipelines against corrosion, remote data transmission and communication systems and other assets belonging to the transmission system. The gas transmission system in Lithuania is connected with the gas transmission systems in the Republic of Latvia, the Republic of Belarus, and the Kaliningrad Region of the Russian Federation, and with the LNG terminal in Klaipėda (see Map 1). The length of the operated transmission pipelines is 2.113 km, and their diameter ranges between 100 and 1.220 mm. Most sections of the transmission system have the design pressure of 54 bar.



Map 1. Natural gas transmission system in Lithuania

INFRASTRUCTURE PROJECTS OF STRATEGIC IMPORTANCE

During 2015, Amber Grid implemented the following gas transmission infrastructure projects of strategic importance:

- capacity enhancement of Klaipėda–Kiemėnai pipeline (construction of gas pipeline Klaipėda–Kuršėnai) (the project was completed at the end of 2015),
- gas interconnection Poland–Lithuania.

The infrastructure projects of strategic importance – capacity enhancement of Klaipėda–Kiemėnai pipeline (construction of gas pipeline Klaipėda–Kuršėnai), the gas interconnection Poland–Lithuania, and enhancement of Latvia–Lithuania interconnection– were included in the First List of the EU Projects of Common Interest published on 14 October 2013, in the Ten-year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSO-G) published in 2015, as well as in the Gas Regional Investment Plan for 2014–2023 of the transmission system operators from the BEMIP region. These projects, alongside with other investment projects of the Company, were also included in the Natural Gas Transmission Operator’s Ten-year Network Development Plan for 2014–2023 and in the National Plan for Implementation of Priority Projects in Electricity and Natural Gas Transmission Infrastructure with subsequent amendments and supplements thereto, as approved by the Lithuanian Government Resolution No 746 of 22 July 2014 (“the National Plan”).

On 18 November 2015, the European Commission published the Second List of the EU Projects of Common Interest, which included two projects in the natural gas industry, the implementation of which involved the Company: the projects for gas interconnection Poland–Lithuania and enhancement of Latvia–Lithuania interconnection.

With a view to implement the priority projects set forth in the National Plan and intended to ensure safety and reliability of the gas transmission system, in 2015 the Company submitted the applications to the Lithuanian Business Support Agency for partial funding of eight gas transmission infrastructure projects from the EU Structural Funds for 2014–2020. Based on the Energy Minister’s Order of 12 November 2015, the projects were included in the List of National Projects Proposed for Co-financing from the EU Structural Funds.

CAPACITY ENHANCEMENT OF KLAIPĖDA–KIEMĖNAI PIPELINE (CONSTRUCTION OF GAS PIPELINE KLAIPĖDA–KURŠĖNAI (“KKP”))

In October 2015, the Company completed the construction of the Klaipėda–Kuršėnai pipeline. The second line of the pipeline of 110 km in length and 800 mm in diameter was constructed across the territories of Klaipėda, Plungė, Telšiai, Rietavas and Šiauliai district municipalities, thereby enabling to take full advantage of the capacity offered by the LNG terminal in Klaipėda (see Map 2). The main objectives of the KKP project were: to diversify the gas supply sources in the Baltic region; to create conditions allowing to use in full the capacity offered by the LNG terminal in Klaipėda; to ensure safe and reliable functioning of the natural gas system.

In April 2015, the Company together with the EU Innovation and Networks Executive Agency (INEA) signed a contract on the EU assistance to finance the KKP construction, under which the financial support of EUR 27.6 million was granted as part of the EU Connecting Europe Facility (CEF). In line with the cross-border cost allocation procedure, a part of investments (not in excess of EUR 1.8 million) will be financed by the transmission system operator in Latvia. The project investment costs totalled EUR 57.9 million. The project was implemented during 27 months after the announcement of the tender for procurement of engineering design services. The pipeline was constructed during a record short period of time – 12 months after the receipt of the first piping delivery.



Map 2. Project for capacity enhancement of Klaipėda–Kiemėnai pipeline (‘‘KKP’’)

THE GAS INTERCONNECTION POLAND–LITHUANIA (‘‘GIPL’’)

The purpose of the GIPL project is to integrate the gas markets of the Baltic States into a single EU gas market, to diversify the gas supply sources, and to improve the gas supply safety. Amber Grid is responsible for the implementation of the part of GIPL project pertaining to the territory of Lithuania, whereas the gas transmission system operator in Poland – GAZ-SYSTEM S.A. – is responsible for the implementation of the part of GIPL project pertaining to the territory of the Republic of Poland.

The GIPL pipeline is expected to be about 522 km in length (357 km in the territory of Poland and 165 km in the territory of Lithuania), and 700 mm in diameter. The pipeline start-up date is scheduled for 2019 (see Map 3).



Map 3. Project for gas interconnection Poland-Lithuania (GIPL)

In May 2015, the Company and the gas transmission system operator in Poland GAZ-SYSTEM S.A. signed a trilateral agreement with the INEA regarding the EU financial assistance to finance the pre-construction permits for the gas interconnection Poland-Lithuania. Under the agreement, the EU financial assistance totalled EUR 10.6 million as part of CEF. The maximum EU aid intensity was granted for the pre-construction works: Amber Grid was granted EUR 2.5 million, and GAZ-SYSTEM S.A. was granted EUR 8.1 million. The total cost of the territory planning and engineering design works in the GIPL project is expected to reach EUR 21.2 million.

In October 2015, Amber Grid, GAZ-SYSTEM S.A. and the INEA entered into the CEF financial assistance agreement, under which Amber Grid was granted EUR 55 million and GAZ-SYSTEM S.A. was granted up to EUR 240.4 million to finance the construction works of the GIPL project.

In July 2015, Amber Grid entered into the agreements with the territory planning and engineering design company, which was selected as a result of public tender procedures, for the preparation of the documents that are necessary for the fulfilment of the construction works under the GIPL project. In August 2015, the GIPL project environmental impact assessment was completed in the territory of Lithuania.

The total cost of the GIPL project is expected to reach EUR 558 million, whereof EUR 422 million for the territory of Poland and EUR 136 million for the territory of Lithuania. The EU financial support was used to finance the implementation of the project. In line with the cross-border cost allocation solution of the European Agency for the Cooperation of Energy Regulators (ACER), the costs of the GIPL project pertaining to the territory of Poland will be partly covered by the transmission system operators in Lithuania, Latvia and Estonia. The rest of the project costs pertaining to the territories of Lithuania and Poland will be financed from the funds of Amber Grid and GAZ-SYSTEM S.A., respectively.

ENHANCEMENT OF LATVIA–LITHUANIA INTERCONNECTION

This project aims at enhancing the capacity of the gas systems interconnection Latvia-Lithuania, ensuring safe and reliable natural gas supply, and achieving a more effective use of the infrastructure and better integration of the gas markets of the Baltic States. The implementation of the project will also contribute to creating better conditions for the use of the Latvian Inčukalns underground gas storage facility (Map 4).



Map 4. Enhancement of Latvia-Lithuania interconnection

The implemented project is expected to result in enhanced capacity of the Kiemėnai Gas Metering Station in the territory of Lithuania, and in construction of the missing section of the gas transmission pipeline in the territory of Latvia. The project promoters are Latvijas Gaze AS and Amber Grid.

The final decision regarding the scope and the deadlines of the project implementation will be made in view of the regional gas market formation outlooks and considering which investment projects aimed at gas supply diversification will be selected for the implementation in the region.

MAINTENANCE, RECONSTRUCTION AND MODERNISATION

The maintenance of the gas transmission pipelines is regulated by the rules and legal acts, and in strict compliance with the requirements thereof. In order to ensure safety and reliability of the transmission system, regular maintenance and repair works are carried out.

The diagnostics of the gas transmission pipeline Minsk–Vilnius–Vievis DN 1000 (24.8 km-length section) was carried out for the first time in 2015. It was aimed at eliminating the defects in the pipeline Kaunas–Šakiai DN 500, in the pipeline Pabradė–Visaginas, and in the pipeline Vilnius–Panevėžys–Riga, and at continuing the repairs of insulation of the pipelines.

During 2015, with a view to ensure a proper functioning, safety and reliability of the transmission system, the Company performed the following reconstruction and modernisation works of the natural gas transmission system:

- reconstruction of the gas interconnection crossing over the motorway Vilnius–Kaunas near Grigiškės;
- installation of 2 line block valve remote control systems (SCADA) and replacement of 5 line block valve units;
- reconstruction of the Panevėžys Gas Distribution Station No 1;
- installation of 1 online gas chromatograph to enable gas accounting in units of energy;
- renovation of equipment of 5 cathodic protection system units.

NATURAL GAS TRANSMISSION VOLUMES

In 2015, the volume of natural gas intended for local gas consumers and transported to the Company's transmission system via the Kotlovka Gas Metering Station in Belarus amounted to 44,526 GWh, and the volume of natural gas transported from the LNG terminal in Klaipėda amounted to 4,557 GWh.

In 2015, the total volume of natural gas intended for local gas consumers and transported to the gas distribution systems or to directly connected systems of gas consumers amounted to 26,183 GWh. In 2015, gas transmission volumes were lower by 1.8% compared to 2014 when natural gas transmission volume amounted to 26,650 GWh¹. The volume of natural gas transported via the transmission system to the gas consumers in the Republic of Latvia via the Kiemėnai Gas Metering Station amounted to 1,029 GWh, and the volume of natural gas transported to the Kaliningrad Region of the Russian Federation amounted to 21,779 GWh (2014: 21,584 GWh).

In 2015, the largest daily gas transmission volume from Belarus to Lithuania amounted to 213 GWh (2014: 242 GWh), the largest daily gas transmission volume to the Kaliningrad Region of the Russian Federation amounted to 100 GWh (2014: 104 GWh), the largest daily gas transmission volume from the LNG terminal in

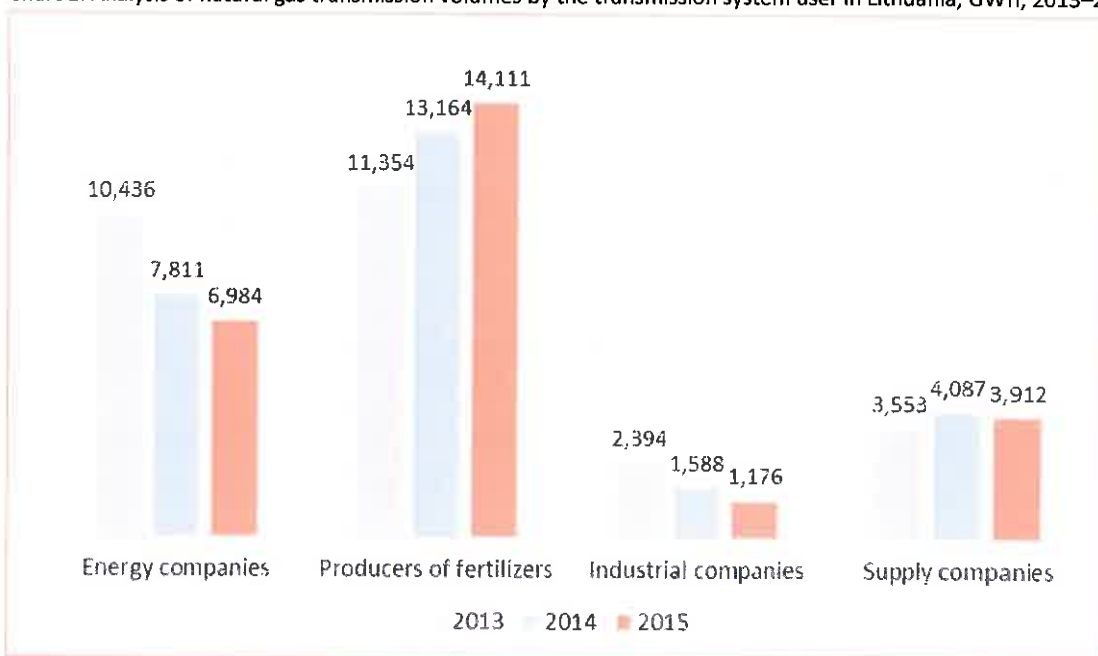
¹ As from 1 January 2015, the quantity of natural gas transported for the entry and exit points of the transmission system is accounted in the units of energy – kilowatt-hours (kWh), thereby replacing the accounting in the units of volume – cubic metres (m³). For the purpose of this Report, the previously used units of volume were converted into the units of energy using the average higher calorific value of gas of 10.4 kWh/m³, which was estimated under the standard conditions: at +25 °C combustion temperature, +20 °C metering temperature, and 101.325 kPa absolute pressure.

Klaipėda amounted to 32 GWh, and the largest daily gas transmission volume transported to gas consumers in Lithuania amounted to 130 GWh (2014: 144 GWh).

As at 31 December 2015, the Company had 89 agreements for gas transmission services with the users of the gas transmission system (natural gas consumers, natural gas distribution system operators, importers, natural gas suppliers importing gas and/or supplying gas up to the systems of gas consumers or up to other transmission systems), whereof five system users did not use gas transmission services in the course of 2015. The Company also had three agreements for natural gas balancing services with the natural gas suppliers trading in natural gas but not transporting gas via the transmission system.

Analysis of natural gas transmission volumes (for domestic exit point) by the transmission system user is given below in Chart 1.

Chart 1. Analysis of natural gas transmission volumes by the transmission system user in Lithuania, GWh, 2013–2015



On 24 December 2015, Amber Grid and PAO Gazprom signed a new long-term agreement for the transportation of natural gas via the Republic of Lithuania to the Kaliningrad Region of the Russian Federation for the period of 10 years, i.e. from 1 January 2016 to 31 December 2025. The agreement's validity period is linked to the payback period of investments aimed at gas transmission capacity enhancement to the Kaliningrad Region, which were implemented by the end of 2010. Based on the agreement, the daily volume of 10.5 million m³ (109.2 GWh) was booked for the entry point from the transmission system in Belarus, and the same daily volume was booked for the exit point to the Kaliningrad Region. Additional capacities for these points or for any other entry points can be booked in line with the procedure defined in the Rules for Access to the Transmission System.

NATURAL GAS TARRIF REGULATION

The prices for natural gas transmission services are subject to regulation.

The Commission approved for the Company the caps on the prices for natural gas transmission services for the entry² and exit³ points, which came into force on 1 January 2015. As part of the implementation of the EU legislation, at the end of 2014 the Commission amended the Methodology for Setting the Prices Regulated by the State in the Natural Gas Industry (“the Methodology”). According to the amendments, the transmission service pricing model, which was based on the “postage stamp” principle, was replaced with the transmission system entry and exit point-based capacity allocation and pricing model with effect from the beginning of 2015. The caps on the prices for natural gas transmission services can be adjusted annually upon the Commission’s decision in accordance with the procedure defined in the Methodology.

In addition, a two-component tariff (for booked long-term capacity levels and for transmission volumes) for natural gas transmission services for the entry and exit points of the transmission system came into force on 1 January 2015. The average tariff for the domestic exit point set by the Company’s Board of Directors and approved by the Commission for firm (uninterrupted) long-term transmission services for 2015, was 3.3% lower than the cap on the price for the transmission services set by the Commission for 2015. The tariffs set for other entry and exit points were equal to the price caps.

At the end of 2015, in order to strengthen the correlation between the incurred transmission system costs, the economic benefits obtained and the payment for the services, and in view of the fact that the amendments to the Methodology introduced by the Commission on 17 December 2015 now enable to apply a three-component tariff for the transmission services, whereby the tariff is also set for the consumer-related capacity⁴, the Board of Directors of Amber Grid made a decision on 21 December 2015 regarding the introduction of the three-component tariff for the natural gas transmission services with effect from 1 January 2016. The decision was approved by the Commission on 22 December 2015.

The three-component tariffs for the transmission services for the domestic exit point of the transmission system were approved for 2016, including:

- the tariff for the capacity booked;
- the tariff for the consumer-related capacity (the newly introduced tariff component);
- the tariff for the transmitted quantity.

The compensation for the part of transmission system costs based on the tariff for the consumer-related capacity leads to lower natural gas transmission service tariffs for the system users for the capacity level booked for the domestic exit point. Accordingly, the system users that manage to use efficiently the required capacity can benefit from lower transmission infrastructure costs.

The average tariff for gas transmission services, which was set for local system users by the Board of Directors of Amber Grid for the year 2016, is expressed as the amount in euros per unit of transported gas and is equal to 1.93 EUR/ MWh. The tariffs for the domestic exit point intended for the gas consumers in Lithuania are on

² The points of interconnection of the transmission system in Lithuania with the transmission systems in Belarus and Latvia and with the system of LNG terminal in Klaipėda.

³ The points of interconnection of the transmission system in Lithuania with the transmission systems in Latvia, Kaliningrad Region of the Russian Federation, and the domestic exit point (covering the points of interconnection of the transmission system in Lithuania with gas distribution systems or the systems of gas consumers).

⁴ Natural gas consumer-related capacity – the largest daily quantity of natural gas which is necessary for the user of the natural gas system and/or the gas consumer to meet their maximum natural gas consumption needs at each point of delivery of natural gas. Consumer-related capacity is estimated and set according to the procedure defined by the Government, which, *inter alia*, defines a mechanism whereby the system users/gas consumers are encouraged not to exceed the declared or set level of consumer-related capacity when booking the capacity.

average 4.8% lower than the price cap set by the Commission for the year 2016. The tariffs set for other entry and exit points are equal to the price caps.

For more information about the three-component tariffs for natural gas transmission services for the year 2016, see the Company's website at www.ambergrid.it (*Transportation Services/Prices/Tariffs*).

BALANCING OF NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid is responsible for balancing natural gas flows in the transmission system. In line with the Rules for Natural Gas Transmission System Balancing, the Company purchases balancing gas from the gas market participant if the market participant has caused surplus of gas in the transmission system, and the Company sells balancing gas to the gas market participant if the market participant has caused shortage of gas in the transmission system.

In 2015, as part of the transmission system balancing, the Company's purchases/sales of gas from/to the gas market participants totalled 23.8 GWh and 183.8 GWh, respectively, of which 175.7 GWh were sold for the balancing of the flows of the natural gas transmission to the Kaliningrad Region.

Besides the balancing of gas flows of system users and other gas market participants, the quantity of natural gas contained in the pipelines of the Company's transmission system (line pack) fluctuates due to technical or technological characteristics of the transmission system.

ADMINISTRATION OF FUNDS INTENDED TO COMPENSATE FOR THE CONSTRUCTION COSTS AND FIXED OPERATING COSTS OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND THE CONNECTOR, AND FOR THE DESIGNATED SUPPLIER'S REASONABLE SUPPLY COSTS OF THE REQUIRED QUANTITY OF LIQUEFIED NATURAL GAS

In order to ensure compliance with the requirements of the Lithuanian Law on LNG Terminal and its implementing legal acts, the Company collects, administers and pays out the LNG terminal funds to the terminal operator, as well as to the designated supplier (as from 1 January 2016) in accordance with the established procedure. Part of the collected funds is allocated to compensate for the administration costs of the Company.

Under its Resolution No O3-895 of 20 November 2014, the Commission approved an additional component related to the natural gas supply safety to be included in the natural gas transmission tariff for 2015, which was intended to compensate for the fixed operating costs of the LNG terminal infrastructure necessary to ensure stable operation of the LNG terminal. The LNG terminal funds pertaining to the aforementioned additional component were collected in 2015.

Under the above-mentioned Resolution, in 2015 the Commission obliged the Company to pay to the beneficiary of the LNG terminal funds the part of the funds collected during 2013 (EUR 14,472,744.2) and intended to compensate for fixed operating costs of the LNG terminal infrastructure necessary to ensure stable operation of the LNG terminal. In order to comply with this requirement, on 2 March 2015 the Company transferred to Klaipėdos Nafta AB full amount that was intended for allocation for 2015 as per the Resolution.

In 2015, the litigation process was still ongoing with Achema AB regarding the outstanding balance of LNG terminal funds. In June 2015, Achema AB made the first payment of EUR 1,634,147.99, thereby covering part of its debt. On 9 July 2015, Achema AB paid to the Company EUR 12,953,963.79, thereby covering part of the LNG terminal additional price component charged in 2013. The Commission introduced amendments to its Resolution No O3-895 of 20 November 2014, under which in 2015 the Company was permitted to pay at least EUR 14,472,744.2 to the beneficiary of the LNG terminal funds. In view of this, on 29 September 2015 the

Company paid EUR 13,072,387.02 of LNG terminal funds to Klaipėdos Nafta AB. In December 2015, Achema AB paid EUR 31,340,013.26, thereby covering the major portion of its debt to compensate for the construction costs and fixed operating costs of the LNG terminal infrastructure.

Under its Resolution No O3-683 of 23 December 2015, the Commission approved the additional component related to natural gas supply safety to be included in the natural gas transmission tariff for 2016, which is expected to be applied to the natural gas system users for the consumer-related capacity necessary to meet their maximum daily natural gas consumption needs at the delivery points. The LNG terminal funds pertaining to the aforementioned additional component and collected during 2016 will be paid to the operator of the LNG terminal and to the designated supplier.

RESEARCH & DEVELOPMENT ACTIVITIES

In 2015, the East-Baltic Transmission System Operators (EBTSO) Coordination Group, consisting of the transmission system operators from Lithuania, Latvia, Estonia and Finland, took part in the drawing of the Study on Regional Market Development in East-Baltic Region, which analyses the alternatives of the regional market development model, its costs and benefits, and will provide recommendations on the implementation structure of the best alternative for the regional market development, risk assessment and risk management plan. The Study is expected to be finalised in 1Q 2016.

CORPORATE STRATEGY

In the beginning of 2015, the Company's Board of Directors approved the Corporate Strategy for 2015–2020. The Corporate Strategy focuses on the integration into a single natural gas market of the region, as well as on the efficiency and modernisation, and the development of the infrastructure. These are the core elements in seeking to achieve the financial and strategic objectives set by the State of Lithuania. In order to comply with the Company's vision and achieve the strategic objectives set by the State of Lithuania aimed at increasing the Company's value and securing the national strategic interests, Amber Grid focuses mainly on the following three strategic directions:

- transformation into the transmission system operator operating in a single gas market;
- development of the necessary infrastructure;
- efficiency improvement and modernisation.

EMPLOYEES

As part of the implementation of one of its strategic directions, in 2015 the Company initiated a complex project aimed at enhancing HR management efficiency and modernisation. The project involved implementation of the following HR systems: general and leadership competence training, motivation systems linked to strategic planning system at the level of performance goals of individual employees, employee performance management and manager competence appraisal (using a 360-degree feedback method).

As at 31 December 2015, the Company had 363 employees, i.e. 0.6% more compared to 31 December 2014. Employee distribution by group is given below in Table 1.

Table 1. Employee distribution by group, 2014–2015

	Number of employees at 31 December 2014	Number of employees at 31 December 2015
Executives	5	5
Line managers and specialists	219	227

Workers	137	131
Total	361	363

In 2015, the Company's employee turnover rate was 4.7% compared to 1.7% in 2014. The employees who left the Company at retirement age had the major impact on the employee turnover rate.

In 2015, an average age of the Company's employees was 43.5 years (Chart 2), and an average term of service was 12.8 years (Chart 3). The Company's employees with higher education degrees account for 53% of the Company's total workforce, whereof three have doctor's degree (Chart 4). The Company has 294 (81%) male employees and 69 (19%) female employees (Chart 5).

Chart 2. Employee distribution by age group, 2015

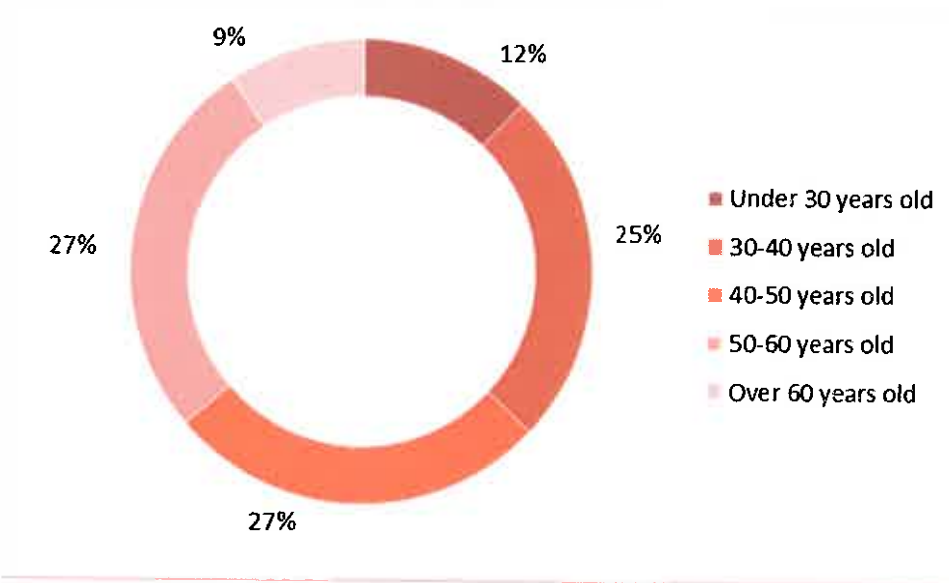


Chart 3. Employee distribution by term of service, 2015

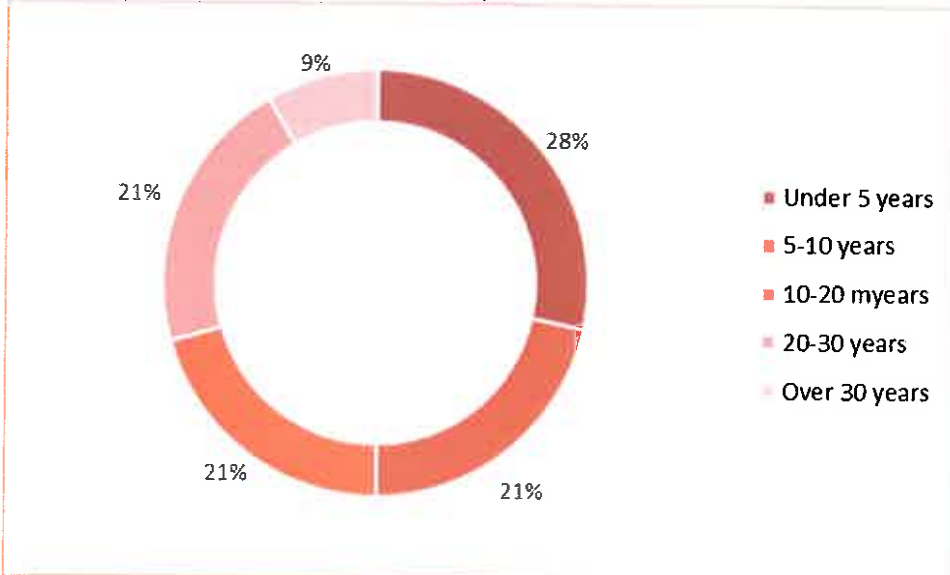


Chart 4. Employee distribution by education, 2015

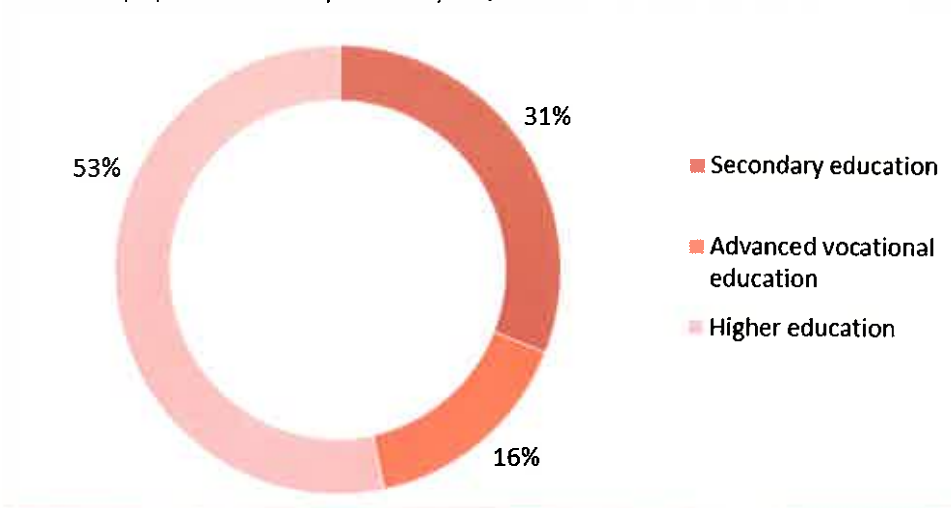
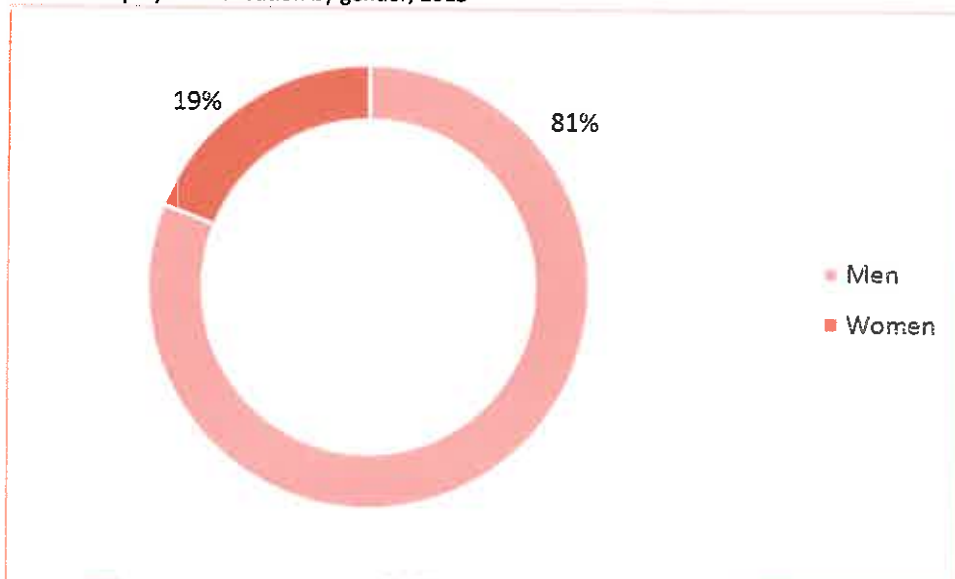


Chart 5. Employee distribution by gender, 2015



In 2015, the average monthly salaries by each group of employees at the Company is presented below in Table 2.

Table 2. Average monthly salary by group of employees, 2014–2015

	Average monthly salary (gross, EUR), 2014	Average monthly salary (gross, EUR), 2015
Executives	5.588	5.884
Line managers and specialists	1.414	1.501
Workers	898	933
Average	1.270	1.348

COLLECTIVE EMPLOYMENT AGREEMENT

The Company is subject to the collective employment agreement, which was updated and extended at the end of 2015 to be valid until 31 December 2016. The individual employment agreements and the collective employment agreement contain the rights and obligations of the Company and its employees that are normally used in practice.

PROFESSIONAL DEVELOPMENT AND TRAINEESHIP OPPORTUNITIES

The Company pays considerable attention to the professional development and training of its employees in order to make sure that they hold appropriate qualification and have obtained all the attestation and qualification certificates that are required by law. The Company offers soft and technical skill training for its employees and encourages them to pursue continuing professional development.

During 2015, the Company organised 545 professional and technical training courses attended by 250 employees, and 286 general competence training courses (in law, public procurement, tax, accounting, etc.) attended by 97 employees. The mandatory training courses were attended by 363 employees. In 2015, as part of the complex HR project, the target groups of employees, manager discussion sessions and employee training courses were held in order to create and implement the model of competences and define the guidelines for employee performance management, motivation and professional development systems.

SOCIAL RESPONSIBILITY, ENVIRONMENTAL PROTECTION AND WORK SAFETY

The Company, as a socially responsible entity, acts in a transparent manner by taking into account the social, environmental and work safety issues to ensure their effective management. The Company's operation processes are organised by taking into consideration their impact on environment and on stakeholders.

The Company further improves its environmental management system in accordance with ISO 14001 requirements, monitors the condition of environment when conducting production and organisation activities, and focuses on education of employees in this field. In 2015, the major attention was devoted to the environmental protection during the construction of the gas transmission pipeline Klaipėda–Kuršėnai, when the Company's specialists were continuously monitoring compliance of the work of the contracting entities with the environmental protection and work safety requirements.

In order to ensure effective management of work safety issues, in 2015 the Company started implementing occupational health and safety management system under OHSAS 18001 requirements by integrating it into the already functioning environmental protection system. The Company provides safe work conditions for its employees, informs its partners about potential threats in individual objects of the gas transmission system by identifying the potential risks and threats and taking effective measures to eliminate or mitigate them.

The Company understands the importance of ensuring safety of the gas systems, the damage caused to environment by accidents and breakdowns, as well as the negative economic and social outcomes, and takes the following preventive measures: reliable operation of the gas system, regular emergency training of employees, monitoring of work of the contracting entities.

In 2015, there were no accidents or breakdowns resulting in considerable natural gas emissions or causing damage to the environment.

Similarly as in the previous year, Amber Grid participated in various sponsorship programmes as a partner in social projects, thereby providing new life and activity opportunities for those who need them. During 2015,

Amber Grid provided support to more than 30 institutions, organisations or the projects initiated by them, and contributed significantly to the following initiatives:

- *Improvement of the living environment for socially sensitive groups of the community, meeting their social needs and health enhancement:* Order of Malta Relief Organisation in Lithuania, public institution *Mažoji Gubija*, Vilnius Youth School *Gija*, Sports Club for People with Disabilities in Vilnius City *Feniksas*, Association *RED NOSES Clowndoctors*, public institution *Vilnius University Hospital Santariškių Klinikos*.
- *Projects on culture, education and science at national level and their promotion:* M.K. Čiurlionis Foundation, Estonian Chamber of Commerce in Lithuania, public institution Eastern Europe Studies Centre, Association *Lithuanian-German Forum*, public institution *JJazz*, public institution *Film Jam*.
- *Support for sports community groups:* Šarūnas Marčiulionis Basketball Academy, sports club *Cosma*, public institution *Automotoprojektai*, sports club *Salilita*, volleyball and beach volleyball sports club AUKSMA.
- *Support for local communities:* Širvintai District Municipality Administration, public institution *Rietavo Žirgynas*.

INTERNATIONAL COOPERATION

The Company demonstrates active participation in two international work groups: East Baltic Transmission System Operators Coordination Group (EBTSO) and Regional Gas Market Coordination Group (RGMCG).

EBTSO was founded in 2013 and it encompasses the transmission system operators in the countries of East Baltic region: Lithuania, Latvia, Estonia and Finland. The purpose of this work group is to improve cooperation and knowledge sharing among the transmission system operators, and develop an effectively functioning regional gas market.

In 2015, EBTSO contributed significantly to the Study on Regional Gas Market Development in the Eastern Baltic Sea Region (“the Study”), which is financed by the Baltic Sea Region Energy Cooperation (BASREC). The purpose of the Study is to analyse the alternatives for the regional gas market development model, the costs and benefits of the alternatives, and give recommendations on the scheme of implementation of the best alternative, on assessment of risks and the implementation plan. The Study is expected to be completed in 1Q 2016.

RGMCG was founded in January 2015 and it consists of the representatives from the Ministries in Lithuania, Latvia, Estonia and Finland responsible for the energy policy, the energy regulatory bodies and the representatives of gas infrastructure operators from these countries. The main task of RGMCG is to draw up and implement the Action Plan on Eastern-Baltic Regional Gas Market Development, which will serve as the basis for the preparation of the Study by the transmission system operators.

In 2015, RGMCG approved short-term and mid-term measures for improving functioning of the Eastern-Baltic regional gas market. These measures contain specific steps to be taken by the group members during 2015-2017, which are aimed at developing an effectively functioning regional gas market.

The Company’s full compliance with the requirements of the EU Third Energy Package was acknowledged and in 2015 Amber Grid became a full Member of ENTSOG. ENTSOG was founded under the European Parliament and Council Regulation No 715/2009 as an organisation that facilitates cooperation among the gas transmission system operators on European Community level. Prior to becoming a Member, Amber Grid had the status of an Associated Partner with no voting right during decision-making processes. The status of a full Member entitles the Company to contribute actively to the European gas market development and join the efforts of the gas transmission system operators from other countries.

II. FINANCIAL RESULTS

KEY PERFORMANCE INDICATORS FOR THE TRANSMISSION SYSTEM

Table 3. Company's key performance indicators

	2015	2014
Quantities of natural gas transported		
Quantity of gas transported to internal exit point, GWh	26,183	26,650
Quantity of gas transported to adjacent transmission systems, GWh	22,808	21,588
Number of system users, at the end of the period	89	59
System in operation		
Length of gas transmission pipelines, km	2,113	2,007
Number of gas distribution stations and gas metering stations, units	69	69
Employees		
Number of employees, at the end of the period	363	361

COMPANY'S FINANCIAL KEY PERFORMANCE INDICATORS

Table 4. Company's financial key performance indicators

	2015	2014
Financial results (EUR '000)		
Revenue	55,800	51,791
EBITDA	30,060	28,546
Profit (loss) before tax	14,687	-136,004
Net profit (loss)	15,978	-113,408
Net cash flows from operating activities	28,889	26,491
Investments	49,497	25,869
Net financial debt	111,041	37,418
Profitability ratios (%)		
EBITDA margin	53.87	55.12
Gross profit (loss) margin	26.32	-262.60
Net profit (loss) margin	28.63	-218.97
Average return on assets (ROA)	4.24	-27.72
Average return on equity (ROE)	7.41	-38.66
Return on capital employed (ROCE)	4.55	-49.11
Liquidity ratios		
Current ratio	1.56	0.72
Quick ratio	1.48	0.46
Leverage ratios (%)		
Equity to total assets ratio	47.19	69.32
Financial debt to equity ratio	70.9	16.54
Debt ratio	52.75	30.67

Market value ratios		
Price/earnings ratio (P/E), times	13.29	-
Net earnings (loss) per share, EUR	0.09	-0.64

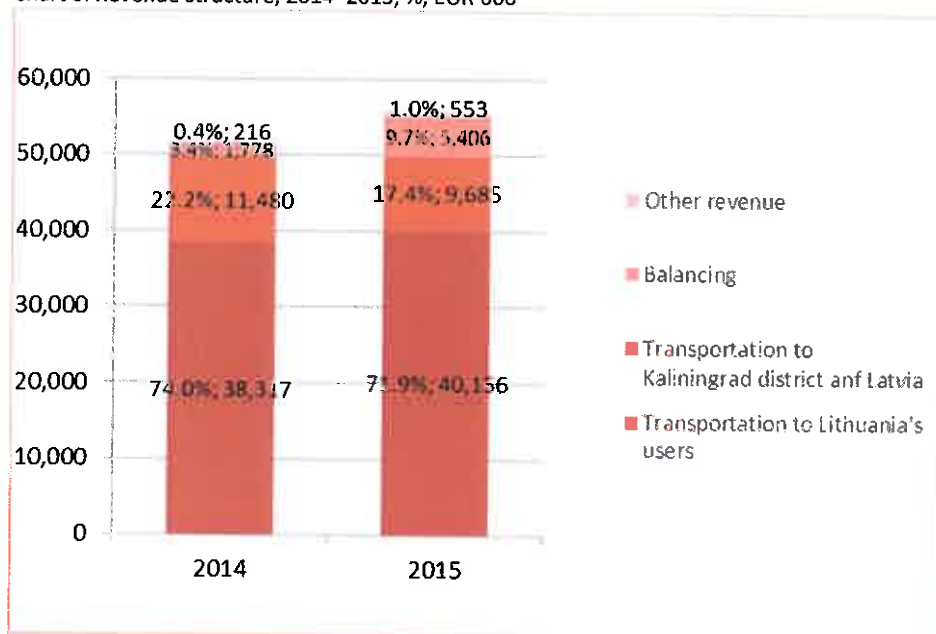
The Company's financial ratios were estimated after eliminating the assets and liabilities arising from the LNG terminal funds.

The Company's financial statements for 2015 reflect the operation results of GET Baltic UAB, an entity jointly controlled with the Finnish gas company Gasum Oy, which were accounted for using the equity method. On 6 November 2015, Amber Grid acquired from Lietuvos Dujos AB a 34% stake in GET Baltic UAB, and at the end of 2015 its ownership interest in GET Baltic UAB was 66%.

REVENUE

In 2015, the Company's revenue totalled EUR 55,800 thousand, i.e. 7.7% higher compared to 2014. Revenue from natural gas transmission services accounted for 89.3% of total revenue. Revenue from gas transportation to the Kaliningrad Region of the Russian Federation decreased due to prior period revenue restatement in view of the lower actual gas market prices that affect the costs and the prices of gas transportation services. Revenue from natural gas balancing services increased by EUR 3.6 million (or 3 times) as a result of larger balancing volumes. Other revenues consisting of revenue from the administration of the LNG terminal funds and other income amounted to EUR 553 thousand in 2015.

Chart 6. Revenue structure, 2014–2015, %, EUR'000



Balancing revenue includes as follows:

- 1) balancing of gas flows for the system users and other gas market participants involved in the balancing of the transmission system;
- 2) operational balancing of the transmission system determined by the technical characteristics of the transmission system and gas flow deviations (imbalances) due to technological reasons.

The Company is obliged to administer the LNG terminal funds under the requirements of the legal acts. For more information and disclosures about the calculation of the LNG terminal funds, see the Company's financial statements for 2015.

EXPENSES

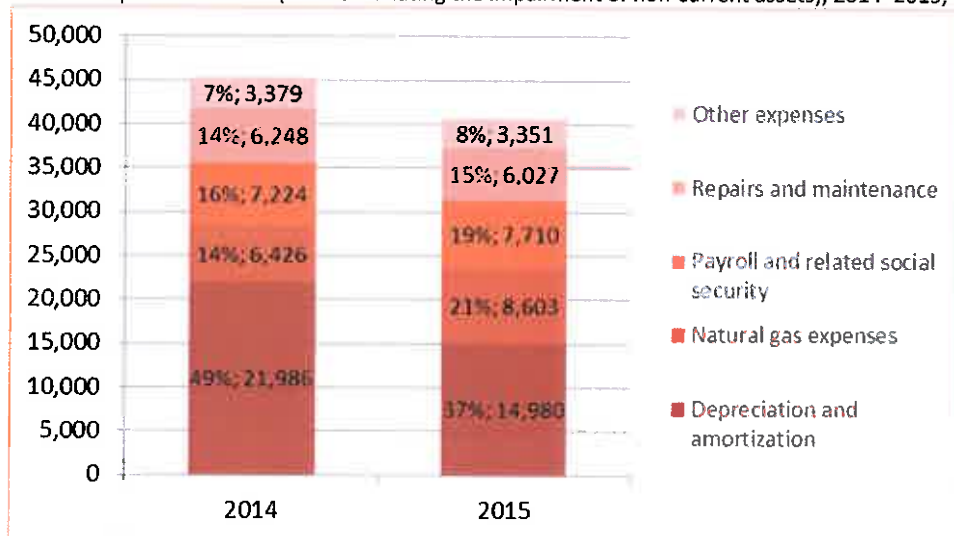
In 2015, the Company's expenses totalled EUR 40,671 thousand, i.e. 4.6 times lower compared to 2014. The main reason for such change was impairment of non-current assets of EUR 141,937 thousand which was recognised in 2014. After eliminating the effects of the impairment of non-current assets in 2014, the decrease in expenses in 2015 would be 10.1%.

In 2015, depreciation and amortisation expenses of non-current assets amounted to EUR 14,980 thousand and accounted for 36.8% of total expenses. Compared to 2014, depreciation and amortisation expenses of non-current decreased by 31.9% (Chart 7). Depreciation and amortisation expenses were lower mainly due impairment of non-current assets, which was recognised at the end of 2014, whereby the carrying amount of the asset was reduced by the amount of the impairment loss.

In 2015, cost of natural gas amounted to EUR 8,603 thousand and accounted for 21.2% of total expenses. Compared to 2014, cost of natural gas increased by 33.9% due to larger balancing volumes. The Company purchased natural gas for its technological needs, for the balancing of gas flows for the system users and other gas market participants involved in the balancing of the transmission system, and for the technical balancing.

Payroll and social security tax expenses amounted to EUR 7,710 thousand and accounted for 19% of total expenses. This group of expenses increased by 6.7% in 2015 as a result of increase in the number of employees and the average salary. Repair and technical maintenance expenses amounted to EUR 6,027 thousand and accounted for 14.9% of total expenses. Compared to 2014, these expenses decreased by 3.5%.

Chart 7. Expense structure (after eliminating the impairment of non-current assets), 2014–2015, %, EUR '000



RESULTS OF OPERATIONS

In 2015, profit before tax totalled EUR 14,687 thousand compared to loss of EUR 136,004 thousand incurred in 2014 (Chart 8). Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 30,060 thousand, i.e. increased by 5.3% compared to EUR 28,546 thousand in 2014.

In 2015, the Company's net profit reached EUR 15,978 thousand compared to loss of EUR 113,408 thousand incurred in 2014 due to impairment of non-current assets recognised in 2014.

Chart 8. Financial results, EUR '000, 2014–2015

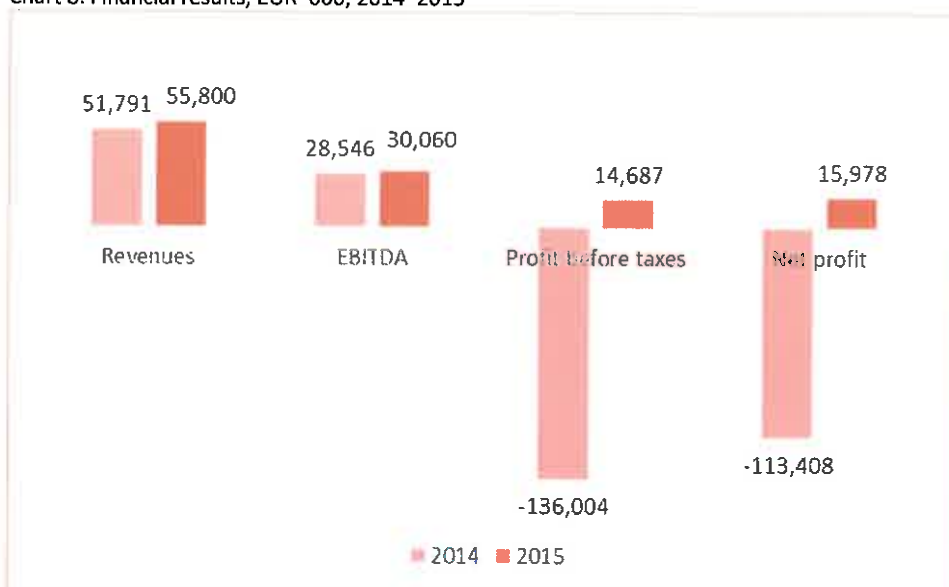
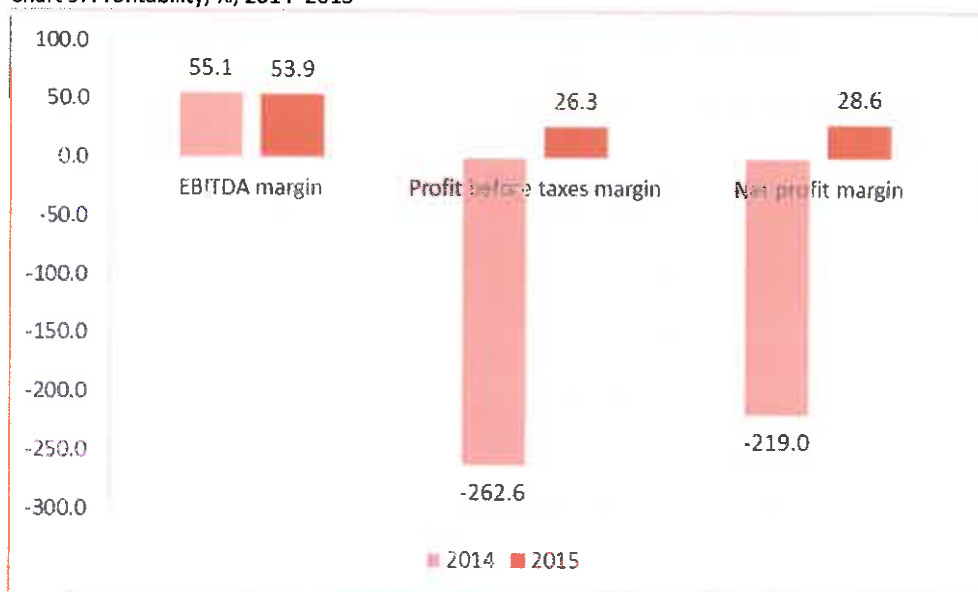


Chart 9. Profitability, %, 2014–2015



INVESTMENTS

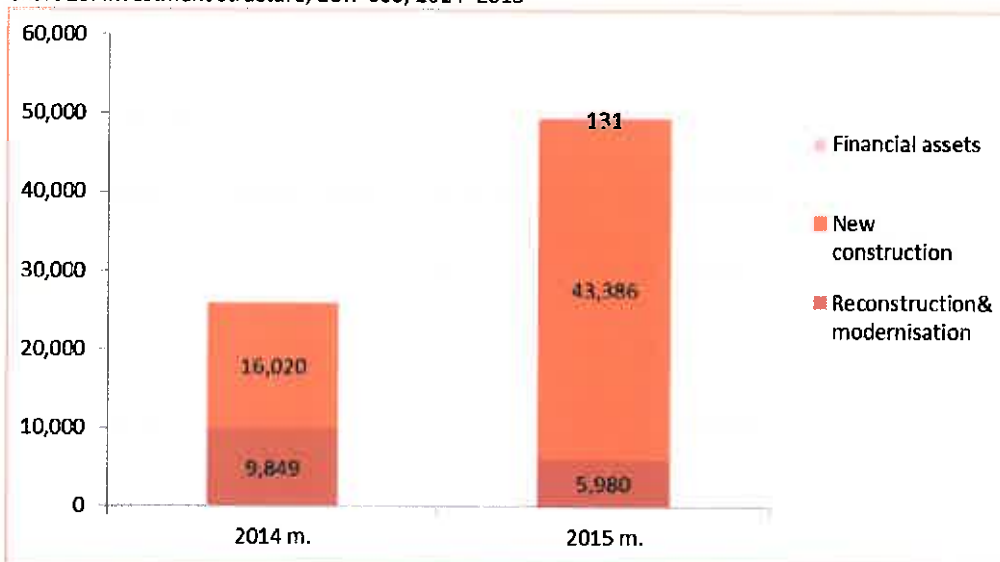
In 2015, the Company's investments amounted to EUR 49,497 thousand.

In 2015, investments in the transmission system development and modernisation totalled EUR 49,366 thousand compared to EUR 25,869 thousand in 2014. In 2015, construction of new gas systems accounted for the major portion (87.7%) of the Company's total investments in 2015, and amounted to EUR 43,386 thousand. In April 2015, the KKP project was completed with the total cost of EUR 57,927 thousand (the respective investments in 2015 amounted to EUR 41,959 thousand). The KKP project was partly financed from the EU funds (the EU funds actually accounted for 42.45%). Based on the cross-border cost allocation solution, a part of investments will be financed by the transmission system operator in Latvia.

In 2015, investments in reconstruction and modernisation totalled EUR 5,980 thousand and were EUR 3,869 thousand lower compared to 2014. The change was driven by smaller investment volumes in the gas transmission pipelines.

In 2015, investments in financial assets amounted to EUR 131 thousand. Amber Grid acquired from Lietuvos Dujos AB a 34% stake in GET Baltic UAB.

Chart 10. Investment structure, EUR '000, 2014–2015



ASSETS

At the end of 2015, total assets amounted to EUR 453,353 thousand. Non-current and current assets accounted for 78.3% and 21.7% of the Company's total assets, respectively.

In 2015, non-current assets increased by 10% or EUR 33,149 thousand mainly due to the investments in the gas transmission pipelines. Current assets increased by 91% or EUR 46,900 thousand as a result of accounting for the receivable grant for the KKP project, higher LNG terminal funds and higher cash balance.

EQUITY AND LIABILITIES

In 2015, the Company's equity decreased by 17.7% (or EUR 41,951 thousand) compared to 2014 due to the dividends declared for 2014 (EUR 57,997 thousand), and totalled EUR 194,664 thousand as at the end of 2015. Equity at the end of 2015 accounted for 42.9% of the Company's total assets.

In 2015, amounts payable and liabilities increased 1.9 times (EUR 122,000 thousand) and totalled EUR 258,689 thousand at the end of the reporting period. The growth was driven by additional borrowings and the grant for the KKP project. In addition, current amounts payable increased due to increase in accrued LNG terminal funds.

As at 31 December 2015, the Company's financial debt amounted to EUR 138,010 thousand and increased by EUR 98,877 thousand during the reporting period. Financial debt to equity ratio reached 70.9%.

CASH FLOWS

In 2015, the Company's cash flows from operating activities totalled EUR 28,889 thousand (2014: EUR 26,491 thousand). Additions in non-current assets amounted to EUR 52,960 thousand (2014: EUR 17,507 thousand), dividends paid amounted to EUR 57,870 thousand (no dividends were paid in 2014). In 2015, the EU financial support received to finance the investment projects amounted to EUR 9,089 thousand. In 2015, repayments of borrowings amounted to EUR 39,123 thousand. The major portion of repayments of borrowings, i.e. EUR 39,098 thousand, was related to refinancing of long-term loans. In order to ensure the implementation of

the investment programme, and maintain its financial liquidity and solvency, the Company's additional borrowings during 2015 totalled EUR 138,000 thousand.

REFERENCES TO AND ADDITIONAL EXPLANATIONS OF DATA REPORTED IN THE ANNUAL FINANCIAL STATEMENTS

Other information is disclosed in the notes to the audited financial statements of Amber Grid for 2015.

OPERATION PLANS AND PROJECTIONS

It is projected that in 2016 the Company will transport about 21,7 TWh of natural gas to the domestic exit point via the transmission system to the system users in Lithuania, 0.5 TWh of natural gas to the Republic of Latvia, and 21.8 TWh of natural gas to the Kaliningrad Region of the Russian Federation.

It is expected that the major portion of gas will be transported to the transmission system via the Kotlovka and LNG terminal entry points. The transportation volume via these points is expected to depend on the market conditions.

RISK MANAGEMENT

In pursuing its activities, the Company is exposed to the following key risks: macroeconomic factor-related risk, regulatory risk, competition risk, technology risk, and financial risks.

Information about the financial risks is disclosed in the Company's financial statements for 2015. The Company is exposed to the following financial risks: liquidity risk, credit risk, interest rate risk, gas price risk, and concentration risk.

MACROECONOMIC FACTOR-RELATED RISK

Lithuania's economic situation and its economy development trends, as well as integration of the transmission systems in the Baltic region to a single EU gas system, and the price for natural gas (as a product) charged to the end users – all these have impact on the gas transmission quantities and on the investments in the development of gas transmission pipelines. Recently, there has been a decline in natural gas transmission quantities in Lithuania, which had a negative impact on the Company's financial performance. The Company's activities are subject to regulation, and accordingly, the Company takes all measures that are necessary to ensure the stability of its operations and sustainable development under the supervision of the Commission.

REGULATORY RISK

Regulatory risk is closely related to changes in the regulatory environment and the decisions made by the regulatory authorities. Recently, there has been a growing number of new regulations and other legislation regulating the natural gas sector in the EU that are applicable to the EU Member States. The Company's operations and performance becomes more and more exposed to the effects of the decisions made by the EU authorities. The tariffs for natural gas transmission services and the investments in natural gas transmission systems are regulated by the State. The Company directly cooperates with the regulatory authorities, takes part in the drafting of legal acts, actively presents its own position, and assesses the impact on its performance.

COMPETITION RISK

The Company's performance is affected by the competition in the fuel market. A considerable decline in the demand for natural gas is expected to occur among the companies in the energy industry as a result of efficiency improvement of the thermal energy generation processes and use of the alternative fuel types (biomass, solar, wind, geothermal energy). The use of the alternative technology (based on renewable energy sources) is encouraged by the EU and national strategic documents projecting a bigger share of the alternative energy sources in an overall energy balance, thereby leading to a smaller share of fossil fuel.

The decline in the quantities of natural gas transportation may also be driven by reasons other than those related to the transition to the alternative fuel types. As part of the implementation of the tasks formulated in view of the defined strategic directions (*Transformation into the transmission system operator operating in a single gas market; Development of the necessary infrastructure*), the Company seeks to mitigate the risks and consequences of lower natural gas consumption and gas transportation levels in the future.

TECHNOLOGY RISK

One of the main objectives of the Company is to ensure safe, reliable and efficient functioning of the natural gas transmission system. Overall 57% of gas pipelines operated by the Company are more than 25 years old, therefore, it is necessary to focus on maintaining a proper technical condition of the transmission system. In view of the Strategy for Securing Safety and Reliability of the Transmission System, the Company implements an action plan aimed at securing safety and reliability. In addition, the risk is managed through installation of specialised information systems, new modern business management automation systems ensuring integration of the systems with the help of modern integration platforms.

INTERNAL CONTROL SYSTEM

The Company's financial statements are prepared according to the International Financial Reporting Standards as adopted by the EU.

To ensure that the financial statements are prepared properly, Amber Grid has approved the Manual of Accounting Procedures and Policies, which defines the principles, methods and rules of accounting, financial reporting, and presentation. To ensure timely preparation of the financial statements, the Company follows the internal rules defining the deadlines for the submission of accounting documents and preparation of the financial statements.

A "four-eye" principle is followed when preparing the financial statements. The Accounting Unit is responsible for overseeing the preparation of the financial statements and the final review thereof. The Audit Committee is also involved in overseeing the preparation of the Company's financial statements.

By the decision of the General Meeting of Shareholders, the shareholders of Amber Grid formed an Audit Committee and approved its formation and work regulations. The Audit Committee's composition is described in more detail in Part III *Corporate Governance* of the Annual Report.

The main functions of the Audit Committee are as follows:

- oversee the preparation of the Company's financial statements;
- give recommendations to the Board of Directors regarding the selection of an independent audit company;
- monitor the effectiveness of the Company's internal control and risk management systems;
- monitor compliance of an independent auditor and audit company with the principles of independence and objectivity, and oversee the Company's audit processes.

The Company has a job position of Internal Auditor. The main objective of the Internal Auditor is to render assistance in achieving the Company's operation goals through a systematic and comprehensive assessment of risk management and internal controls.

III. CORPORATE GOVERNANCE

INFORMATION ON COMPLIANCE WITH THE GOVERNANCE CODE

The Company has disclosed its compliance with the requirements of the Governance Code. All relevant information is available on the Company's website at www.ambergrid.it and in the Central Storage Facility at www.crib.it.

SHARE CAPITAL

After Lithuania joined the euro zone on 1 January 2015, the entities were obliged to amend their Articles of Association, whereby the share capital and the nominal value of shares were re-denominated into euros. The deadline for the submission of the amended Articles of Association to the Administrator of the Register of Legal Entities is 31 December 2016.

By the decision of the Company's ordinary General Meeting of Shareholders held on 23 April 2015, the Company registered with the Register of Legal Entities its authorised share capital of EUR 51,730,929.06 on 30 April 2015. The authorised share capital is divided into 178,382,514 ordinary registered shares with the par value of EUR 0.29 each. One ordinary registered share with the par value of EUR 0.29 entitles its holder to one vote at the General Meeting of Shareholders. All the shares have been fully paid.

There were no changes in the Company's shareholder structure during 2015. EPSO-G UAB retained its 96.58% shareholding in the Company and was the only shareholder holding more than 5% of the Company's shares. EPSO-G UAB has a casting vote in the decision-making process during the General Meeting of Shareholders.

SHARES AND SHAREHOLDER RIGHTS

The number of the Company's shares that entitle their holders to vote at the General Meeting of Shareholders coincides with the numbers of shares in issue, which is equal to 178,382,514. All the shareholders of the Company have equal property and non-property rights conferred by the shares of Amber Grid, and none of the Company's shareholders has special control rights. Based on the Company's Articles of Association, only the General Meeting of Shareholders can make the decisions on issuing new shares and on acquisition of own shares.

To the best knowledge of the Company, there are no mutual agreements between the shareholders that might result in restrictions on the transfer of securities and/or on voting rights. The Company has no restrictions on voting rights.

In 2015, the Company did not acquire its own shares and had no transactions relating to acquisition or disposal of its own shares during 2015.

SHAREHOLDERS

As at 31 December 2015, Amber Grid had in total 1,538 shareholders (Lithuanian and foreign natural and legal persons), whereof one shareholder held more than 5% of the shares of the Company.

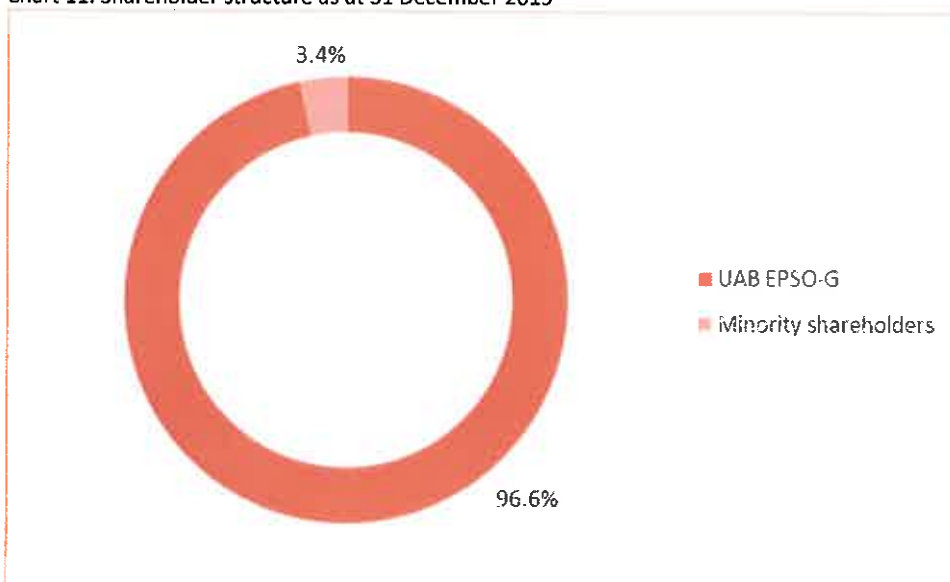
Table 5. The Company's shareholders

Shareholder	Address and code	Number of shares held
UAB „EPSO-G“	A. Juozapavičiaus g. 13 Vilnius, Lietuva/ 302826889	172,279,125

Minority shareholders	6,103,389
Total	178,382,514

The Company's shareholder structure is given in Chart 11:

Chart 11. Shareholder structure as at 31 December 2015



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

RESTRUCTURING OF THE COMPANY'S CONTROL

In 2014, the Company implemented in full the provisions of the EU Third Energy Package – to unbundle the natural gas transmission activity by unbundling the ownership of the transmission system from the natural gas distribution and supply activity. After the Commission received the European Commission's opinion regarding the compliance of the anticipated resolution of the Commission with the requirements of the EU legal acts, on 10 April 2015 the Commission adopted the resolution, whereby it concluded that the unbundling of the natural gas transmission activity of Amber Grid from the natural gas supply activity was in compliance with the requirements of the Lithuanian Law on Natural Gas. The Company was issued an open-ended transmission system operator's licence and the Company was designated as the transmission system operator.

DATA ON TRADING IN SECURITIES ON 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 *NASDAQ Vilnius* Stock Exchange.

Table 6. Main data on the shares of Amber Grid

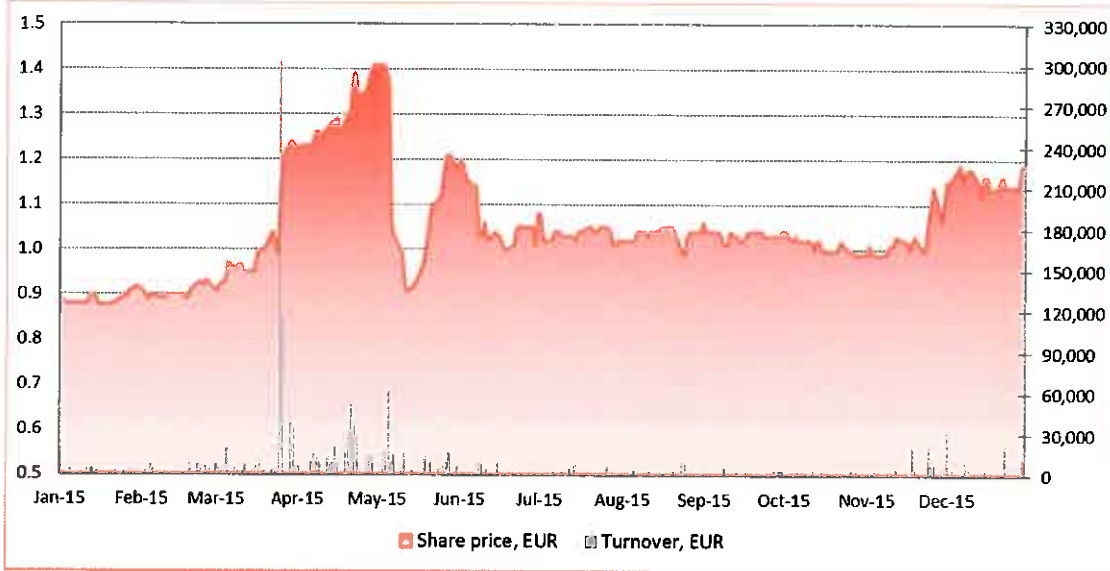
Key data about the shares of Amber Grid	
ISIN code	LT0000128696
Ticker	AMG1L
Issue size (number of shares)	178,382,514

In 2015, the trading turnover in the Company's shares reached EUR 1.62 million, and 1,431,577 shares were sold through transactions. The Company's share price dynamics is presented in Table 7, and data on the price and turnover of the Company's shares (in 2015) is presented in Chart 12.

Table 7. Share price dynamics at NASDAQ Vilnius, 2015

Opening price, 1 January 2015	Highest price per share, 30 April 2015	Lowest price per share, 16 January 2015	Weighted average price per share	Closing price, 30 December 2015
EUR 0.898	EUR 1.410	EUR 0.877	EUR 1.132	EUR 1.190

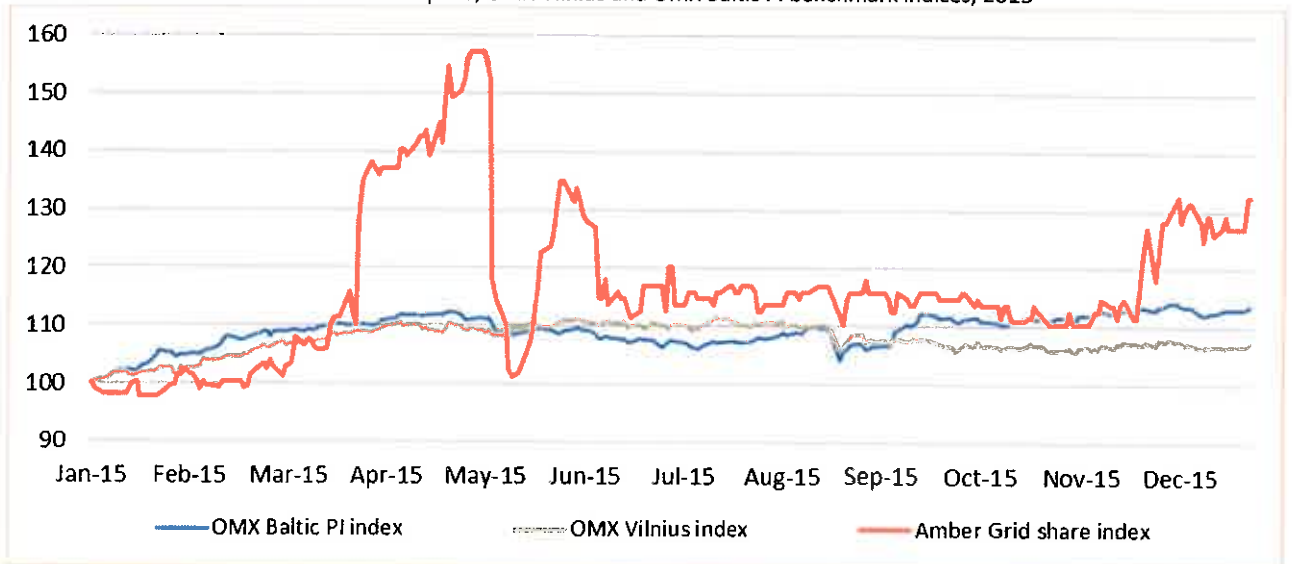
Chart 12. Amber Grid share price and turnover, 2015



As at 31 December 2015, Amber Grid stock capitalisation amounted to EUR 212.28 million. The price per share on the stock exchange and the capitalisation increased by 32.52% during 2015.

In 2015, the benchmark indices OMX Baltic PI and OMXV calculated at NASDAQ Stock Exchange (which reflect changes in stock prices of companies listed on the Baltic and Vilnius Stock Exchanges), increased by 13.78% and 7.42%, respectively. The fluctuations in the Company's share price, OMX Vilnius and OMX Baltic PI benchmark indices during 2015 are given in Chart 13.

Chart 13. Fluctuations in Amber Grid share price, OMX Vilnius and OMX Baltic PI benchmark indices, 2015



DIVIDENDS

The Company's General Meeting of Shareholders held on 23 April 2015 adopted a decision on payment of dividends in amount of EUR 57,996,885 or EUR 0.3251 per share.

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

On 15 May 2015, the Company signed an agreement with AB SEB bank on the payment/distribution of dividends to minority shareholders, under which AB SEB bank calculates and pays out dividends to all shareholders of the Company, excluding the controlling shareholder – EPSO-G UAB.

AB SEB bank data	
Company's code	112021238
Address	Gedimino pr. 12, Vilnius, Lietuva
Phone number	+370 5 268 2800, short 1518
E-mail	info@seb.lt
Website	www.seb.lt

MANAGEMENT STRUCTURE

In pursuing its activities, the Company follows the Law on Companies, the Law on Securities, the Company's Articles of Association and other Lithuanian legal acts. The powers of the General Meeting of Shareholders, the rights of shareholders and their implementation have been defined in the Law on Companies and the Company's Articles of Association.

Based on the provisions of the Articles of Association, any amendments to the Articles of Association can be made by the decision of the General Meeting of Shareholders approved by a majority vote of 2/3 of all shareholders present at the General Meeting of Shareholders.

The Articles of Association provide for the following management bodies:

- Board of Director,
- Head of the Company – General Manager.

Based on the Articles of Association, the Company's Board of Directors consists of 5 (five) members elected for the term of three years in accordance with the procedure established by the Law on Companies. The members of the Board of Directors elect the chairman of the Board of Directors. The chairman of the Board of Directors and the deputy chairman are elected by rotation for the term of two years. The members of the Board of Directors can be re-elected for the next term of office. The powers of the members of the Board of Directors and the area of competence of the head of the Company have been defined in the Law on Companies and in the Company's Articles of Association. There are no exceptions pertaining to the powers of the members of the Board of Directors and the area of competence of the head of the Company that require additional notification.

The Company has no branches and representative offices.

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

Table 8. Information about the members of the Board of Directors, the General Manager and the Chief Accountant

Position	Name, Surname	Cadence beginning date	Cadence ending date	Participation in Company's share capital	
				Owned share capital, %	Owned voting rights, %
Chairman of Board	Dr. Aleksandras Spruogis	June 2014	April 2016	–	–
Deputy of Board's chairman	Agnė Petravičienė	June 2014	April 2016	–	–
Member of the Board	Dainius Bražiūnas	June 2014	April 2016	–	–
Independent member of the Board	Nerijus Datkūnas	June 2014	April 2016	–	–
Member of the Board	Rolandas Zukas	April 2015	April 2016	–	–
General Manager	Saulius Bilys	June 2013	June 2016	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

Total remuneration (gross) of an independent member of the Board of Director during the reporting period amounted to EUR 8,399.

Total remuneration (gross) of the Company's General Manager and Chief Accountant during the reporting period amounted to EUR 154,403, and the average salary (gross) per person (General Manager and Chief Accountant) amounted to EUR 77,202.

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

Table 9. Information about the members of the Audit Committee

Position	Name, Surname	Cadence beginning date	Cadence ending date	Participation in Company's share capital	
				Owned share capital, %	Owned voting rights, %
Independent member, UAB „AV Auditas“	Vaida Kačergienė	December 2013	April 2016	–	–
member, „Amber Grid“	Valdemaras Bagdonas	December 2013	April 2016	–	–

INFORMATION ON RELATED-PARTY TRANSACTIONS, MATERIAL ARRANGEMENTS AND DETRIMENTAL TRANSACTIONS

Information on related-party transactions is disclosed in the Company's financial statements for 2015.

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

During the reporting period the Company did not enter into any detrimental transactions (transactions that are inconsistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or any other stakeholders, etc.), nor into any transactions concluded under the conflict of interests between the management's, controlling shareholders' or any other related parties' commitments to the Company and their private interests and/or other commitments.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 13 January 2016 the Company's Board of Directors approved the Corporate Strategy for 2016–2021.

8 February 2016 marked the incorporation of Lithuania's National Energy Association, which was also joined by AB Amber Grid.

IV. REGULATED INFORMATION ABOUT THE ISSUER'S ACTIVITIES

In performing its obligations established in the legal acts regulating the securities market, the Company publishes its material events and other regulated information on the EU-wide basis. The information published by the Company is available on the Company's website at www.ambergrid.lt/en/about-us/investors-relations/materialevents, and on the website of NASDAQ Vilnius Stock Exchange at www.nasdaqbaltic.com.

In 2015, Amber Grid published the following regulated information:

Date	Headline of regulated information
13 01 2015	Adoption of a preliminary decision on the unbundling of the natural gas transmission activity and designation of the transmission system operator
27 02 2015	Unaudited results of Amber Grid AB for the year 2014
25 03 2015	On convening an ordinary General Meeting of Shareholders of Amber Grid AB
08 04 2015	On amendment to the agenda of the ordinary General Meeting of Shareholders of Amber Grid AB
10 04 2015	Adoption of the decision on issuing an open-ended natural gas transmission system operator's licence to Amber Grid AB
23 04 2015	Resolutions adopted by the ordinary General Meeting of Shareholders of Amber Grid AB
23 04 2015	Annual information of Amber Grid Ab for the year 2014
29 04 2015	Amber Grid AB signed an agreement on the EU financial support to finance the construction of the Klaipėda–Kuršėnai gas pipeline
13 05 2015	Amber Grid AB signed an agreement on the EU financial assistance to finance the spatial planning and engineering design works for the gas interconnection Poland-Lithuania
29 05 2015	Pre-audited results of Amber Grid AB for the 1Q 2015
19 08 2015	Regarding conclusion of a long-term loan agreement
28 08 2015	Condensed financial statements and interim report of Amber Grid AB for the 1H 2015
14 09 2015	Planned changes in the corporate governance
15 10 2015	Amber Grid AB signed an agreement on the EU financial assistance for the construction works of the gas interconnection Poland-Lithuania
23 10 2015	Decision adopted by the National Commission for Energy Control and Prices
06 11 2015	On natural gas transmission price caps for 2016
06 11 2015	Amber Grid AB is to acquire from Lietuvos Dujos AB a 34% stake in GET Baltic UAB
18 11 2015	Operating results and unaudited condensed financial statements of Amber Grid AB for 9 months 2015
20 11 2015	New prices for natural gas transmission services
25 11 2015	New prices for natural gas transmission services are set
21 12 2015	Regarding conclusion of financing contract
22 12 2015	New prices for natural gas transmission services
23 12 2015	Information of Amber Grid AB regarding the publication of interim information and Investor Calendar for 2016
28 12 2015	Signing of a new long-term agreement on transportation of natural gas via the Republic of Lithuania to the Kaliningrad Region of the Russian Federation

All public notices that are to be published in accordance with the procedure established by legal acts are made available in an electronic publication of the Administrator of the Register of Legal Entities. All notices on convening the Company's General Meeting of Shareholders and other material events are made available in accordance with the procedure established by the Lithuanian Law on Securities on the Central Storage Facility at www.crib.lt and on the Company's website at www.ambergrid.lt. The shareholders whose shares entitle them to not less than 10% of total voting rights receive the notices on convening the General Meeting of Shareholders in accordance with the procedure established by the Company's Articles of Association.

Corporate Governance Report Form

AB Amber Grid, a public company (hereinafter referred to as the “**Company**”), acting in accordance with Article 21(3) of the Republic of Lithuania Law on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied are indicated and the reasons for the non-compliance are specified. In addition, other explanatory information indicated in this form is provided.

Summary of the Corporate Governance Reporting Form:

Background

The Company is Lithuania’s natural gas transmission system operator responsible for the transmission of natural gas (its transportation by high-pressure pipelines) to the users of the system as well as for the operation, maintenance and development of the natural gas infrastructure. The Company was registered on 25 June 2013. It has been performing the functions of the transmission system operator from 1 August 2013, upon separation of the natural gas transmission operations from AB Lietuvos Dujos together with the relevant assets, rights and obligations.

The Company provides the following services to the users of the system and other participants in the gas market:

- transmission of natural gas in the territory of the Republic of Lithuania;
- balancing of the natural gas flows in the transmission system;
- administration of funds allotted for compensating for the costs of construction of the liquefied natural gas (LNG) terminal, its infrastructure and interconnection, the fixed operating costs and the justified costs of supply of the required LNG quantity by the appointed supplier.

The transmission system operated by the Company consists of the gas transmission pipelines, the gas compression stations, the gas distribution stations, the gas metering stations, the gas pipeline anti-corrosion protection equipment, the data transmission and communication systems, and other assets forming part of the transmission system. The Company’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 as well as the Klaipėda LNG Terminal. Total length of the pipelines in operation is 2,113 km, with the diameter ranging from 100 to 1,220 mm. The design pressure of the larger part of the transmission system is 54 bar. There are 69 gas distribution stations and gas metering stations.

The authorised capital of the Company is EUR 51,730,929.06. The authorised capital has been divided into 178,382,514 ordinary registered shares of EUR 0.29 par value.

Personnel: the Company employed 363 people as of the end of 2015.

Income: EUR 51,791,000 in 2014, EUR 55,800,000 in 2015. The value of the Company’s assets totalled EUR 453,353,000 as of the end of 2015. As of the end of 2014, non-current assets accounted for 78.3% and current assets for 21.7% of the Company’s assets. Equity of the Company was EUR 194,664,000 as of the end of 2015.

Detailed and regularly updated information is published on the Company’s website: www.ambergrid.lt

Ownership structure

As of 31 December 2015, 1,538 Lithuanian and foreign natural and legal persons were shareholders of the Company, with a controlling block of shares (96.58%) held by UAB EPSO-G. The remaining part of the Company’s shares (3.42%) is listed on the Auxiliary Trading List of NASDAQ Vilnius Baltija (coded name of the Company on the exchange: AMG1L).

UAB EPSO-G, the majority shareholder of the Company, is wholly (100%) owned by the Ministry of Energy of the Republic of Lithuania (Figure 1). UAB EPSO-G also has a controlling block of shares in Litgrid AB, Lithuania’s electricity transmission system operator.

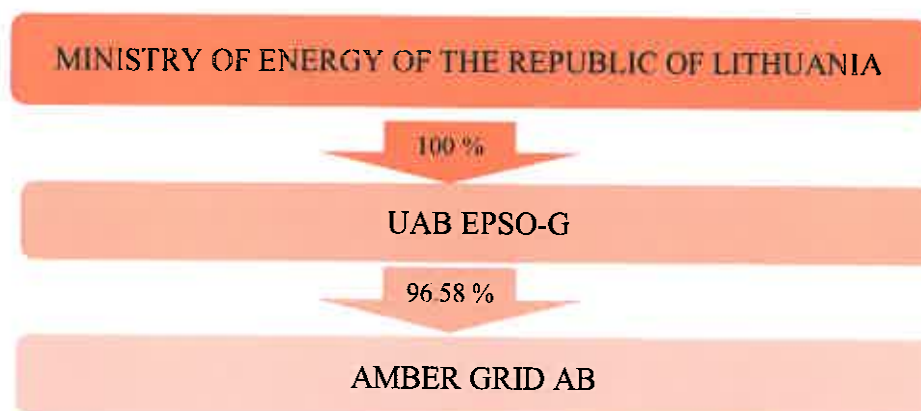


Figure 1. AB Amber Grid share ownership structure

Management bodies

The system of management bodies of the Company (Figure 2) has been established in the Articles of Association of the Company. It consists of the general meeting of shareholders, the Board, and the General Manager as a single-handed management body. No supervisory council is formed in the Company. The Articles of Association of the Company state that the Board is formed of 5 (five) members elected for the term of office of three years according to a procedure prescribed by the Law on Companies. The chairperson is elected by members of the Board. The members of the Board may be re-elected for another term of office. The General Manager is elected, recalled and dismissed by the Board.

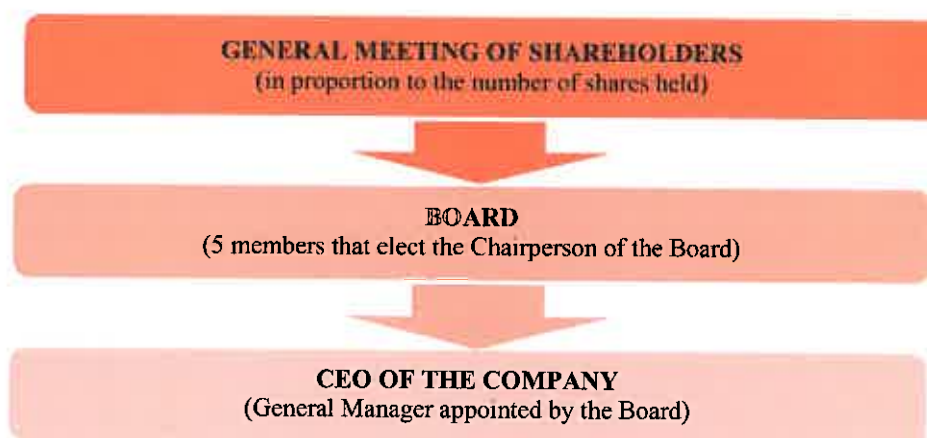


Figure 2. Management bodies of AB Amber Grid

Corporate management

The main principles of management of the Company are laid down in the Republic of Lithuania Law on Companies, the Civil Code of the Republic of Lithuania, and the Articles of Association of the Company. The general meeting of shareholders of the Company resolves matters related to amendments to the Articles of Associations, an increase/reduction of the authorised capital and share conversion, elects the Board and the auditor, approves annual financial statements, distributes profit, and decides on key transactions and other matters. The Board of the Company sets the corporate organisational structure, elects the General Manager, approves the operating strategy, budget and investments, decides on important transactions and other key management issues. The General Manager is a single-handed management body that organises the Company's activities and concludes transactions of the Company. The scope of competence of the management bodies is described in detail in the Articles of Association of the Company.

Requirements for the corporate management are also set in resolutions of the Government of the Republic of Lithuania on management of state-owned and state-controlled companies to the extent to which they apply to companies of EPSO-G Group and in the Corporate Governance Code for the Companies listed on NASDAQ Vilnius to the extent to which they do not contradict the Articles of Association of the Company.

The Company formulates, reviews and approves, on an annual basis, a detailed six-year operating strategy of the Company, having regard to the regulation of state-controlled companies established by the Government. The strategy document is submitted to VĮ Turto bankas, a centre for the coordination of state-controlled companies. Attainment of the objectives outlined in the strategy is ensured by the operating, control and risk management systems in place at the Company. The corporate strategy is approved and its implementation is monitored by the Board. An operating plan for the current year is approved by the Board at the beginning of every year. The Company has implemented a system of monthly monitoring of the strategy's implementation, which is related to the remuneration system applied to the Company's administration. The composition of the Board of the Company is published on the Company's website.

Activities of the transmission system operator are regulated by a national regulatory body – the State Commission on Prices and Energy Control, with which the ten-year transmission system network development plan, the service provision rules, and the service prices have to be agreed.

The General Manager of the Company is responsible for the implementation of the Company's strategy and operating plan and for the organisation of work of the Company's administration. Top management of the Company consists of the General Manager, the Finance Director, the Technical Director and the Commercial Director. The composition of the top management is published on the Company's website. Work of the Company's administration is governed by the Regulations of the Administration approved by the Board, the job regulations of the General Manager and the guidelines for the management of operations.

Corporate governance employs the principles of good governance practices and the state-controlled companies' management policies. The Board of the Company approves the operating guidelines that must be implemented by the Company's administration and which cover the financial risk management policy, risk management policy, personnel hiring policy, remuneration policy, anti-corruption policy, procurement policy, insurance policy, security policy, sponsorship policy etc.

The Company's internal control system relies on the organisational structure, governance culture, and good governance practices in place. The internal control system, initiated by the Board of the Company and implemented by the administration, is supported by the Audit Committee, independent external audit and internal audit as well as by a number of divisions servicing the core operations, the Safety Manager and heads of the divisions. Procedures and policies in place at the Company ensure the reliability of financial accounting and reporting, compliance with legal acts, and efficiency and attainment of the objectives of operations.

A complete risk management system is in place at the Company, including the risk identification, analysis and assessment, the planning of control measures, the formulation of a risk management action plan, the implementation of the planned measures, and monitoring and supervision of the risk management process. The risk management methodologies have been developed according to ISO 31000:2009 and the Company's internal documents. The methodologies also incorporate the information security risks management based on ISO/IEC 27005:2011 'Information technologies. Security techniques. Information security risk management' and NIST Special Publication 800-30 Revision 1 'Guide for Conducting Risk Assessments'.

The Company has an environmental management system according to ISO 14001 in place. In 2015 the Company started the implementation of an occupational health and safety management system according to OHSAS 18001.

By Order No 1-212 of 7 September 2015, the Minister of Energy of the Republic of Lithuania approved the Corporate Governance Guidelines for the Group of State-Controlled Energy Sector Companies (hereinafter referred to as the 'Guidelines'). The Guidelines set out the corporate governance principles applicable to EPSO-G Group and govern the purpose of operating objectives of the Group, the management organisation model, the management structure and responsibilities, and the operations' supervision and control system. The Guidelines are focussed on the maintaining and developing the good governance practices, procedures and policies applied in the Company's governance process. It should be noted that the Guidelines have been approved as a document of a recommendatory nature but it also serves as a planning document that defines the lines along which the EPSO-G Group's corporate governance model will develop, with specific decisions on the realisation of the relevant changes to be made by AB Amber Grid according to statutory procedures and time limits following the adoption of decisions by the Company's shareholders.

Good corporate governance practices of EPSO-G Group

Upon approval of the Guidelines by the Minister of Energy, the company controlling EPSO-G Group has been improving the governance practices in both its own operations and the companies of the Group, having regard to the provisions of the Corporate Governance Code and implementing recommendations for the improvement of state-controlled companies' governance issued by international organisations such as the OECD. It is anticipated that the principles outlined in the Guidelines will be implemented in 2016.

The basis for the practical implementation of the Guidelines has been formed after the Ministry of Energy as the owner of the shares in UAB EPSO-G approved, on 17 December 2015, the new version of the Articles of Association of UAB EPSO-G as the company controlling the Group. The Articles of Association of UAB EPSO-G have enabled the formation of new management bodies, i. e. the Supervisory Council and the Board, which will perform certain supervision and management functions on the Group's level. It should be noted that the Articles of Association of UAB EPSO-G provide for a change in the governance model on the level of UAB EPSO-G, whereas decisions on changing the current supervision and management systems of AB Amber Grid will have to be adopted by the Company's management bodies in the future, according to the procedures and within time limits set in legal acts.

Both the Articles of Association and the Guidelines are aimed at the implementation of the following general governance principles in the Group:

Firstly, the principle of separation of the state ownership and regulatory functions: having regard to the recommendations of OECD and other international documents referred to in the Guidelines, the governance system of EPSO-G Group will be aimed at a clear separation of the functions of the State as the owner and as the regulator and the promoter of economic development in order to avoid a conflict of interests between the contradictory functions, i. e. the State's participation in the regulation of the relevant sectors of the economy, ensuring competition in certain sectors and actual participation in the companies with large shares in domestic markets, on the one hand, and maintaining a constructive cooperation and working dialogue with the institution representing the State as the majority shareholder on all matters falling within the scope of the shareholder's competence and seeking to ensure that the company controlling EPSO-G Group exercises effective supervision and control over the attainment of the State's objectives and tasks in the sectors in which the Group's companies operate.

Secondly, formation of a supervisory council is being planned in UAB EPSO-G, the company controlling the EPSO-G Group, according to the provisions of the Corporate Governance Code. The Supervisory Council will be formed of 5 members including two independent members, i. e. members whose independence will meet the independence criteria set in the Corporate Governance Code. Members of the Supervisory Council will elect a chairperson from among themselves, with the candidacies of the independent members proposed for the position. In order to effectively implement the principle of rotation in collegiate bodies, the Chairperson of the Supervisory Council will be elected for one term of office only, i. e. with no right of re-election for two consecutive terms. Having regard to the recommendations set out in the Corporate Governance Code, two special-purpose committees subordinate and reporting to the Supervisory Council: the Audit Committee and the Remuneration and Nomination Committee.

The changes are aimed at strengthening the governance and supervision of companies in EPSO-G Group, with certain management and supervision functions transferred to a higher level and conducting a high-level management and supervision of subsidiaries via UAB EPSO-G.

Thirdly, having regard to the recommendations set out in the Corporate Governance Code, a board as a collegiate management body will be formed in EPSO-G Group's controlling company. The Board will be formed of 5 members where independent members will constitute a majority (3 of 5), i. e. members whose independence will meet the independence criteria set in the Corporate Governance Code. Members of the Board will elect a chairperson from among themselves, with the candidacies of the independent members proposed for the position. In order to effectively implement the principle of rotation in collegiate bodies, the Chairperson of the Board will be elected for one term of office only. According to the highest standards of transparency and independence of the Board, the Chairperson will have no right to be elected from among the representatives of EPSO-G Group's controlling company delegated to the Board.

Fourthly, according to the principle of due exercise of the rights of shareholders established in the Guidelines, the governance system of EPSO-G Group must create conditions for the proper exercise of both property and non-property rights and legitimate interests of all shareholders (majority and minority, domestic and foreign) including the exercise of the rights and legitimate interests of EPSO-G Group's controlling company and subsidiaries and the equally effective representation of minority shareholders' rights and legitimate interests in those companies of the Group that have such shareholders.

Implementation of these principles in all the companies of the Group forms the requisite preconditions for the Group and its shareholders to seek maximum benefits for the State and all shareholders.

Rights of the Company's shareholders

The Articles of Association of the Company state the following property rights of its shareholders:

- 1) receive part of the Company's profit (dividend);
- 2) receive part of the assets of the Company under liquidation;
- 3) receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions stated in the Law on Companies;
- 4) acquire, by pre-emption right, shares and convertible bonds issued by the Company except for the case where the general meeting of shareholders decides, according to a procedure prescribed by the Law on Companies, to recall this right for all the shareholders. The time limit for the exercise of the right is set by the general meeting of shareholders. This term may not be shorter than 30 days from the date of a public notice;
- 5) bequeath all the shares or any part thereof to a person/persons;
- 6) transfer all the shares or any part thereof to a person/persons;
- 7) lend money to the Company by statutory methods;
- 8) receive funds of the Company when the authorised capital is being reduced in order to pay the Company's funds to the shareholders;
- 9) other property rights according to the Lithuanian law.

The Articles of Association of the Company state the following non-property rights of its shareholders:

- 1) attend and vote at the general meeting of shareholders;
- 2) receive information about the Company as stated in the Law on Companies;
- 3) file a lawsuit for invalidation of decisions adopted by management bodies of the Company, for indemnification for losses inflicted on the Company by the failure to perform duties of the General Manager and members of the Board under the laws and the Articles of Association, or by improper performance of such duties, and in other cases prescribed by laws;
- 4) submit to the Company questions concerning issues on the agenda of the general meeting of shareholders prior to the meeting and according to the procedure prescribed by the Law on Companies;
- 5) authorise a natural or a legal person to represent him in the relations with the Company or other persons;
- 6) other non-property rights according to the Lithuanian law and the Articles of Association.

The shareholders of the Company have other statutory rights as well.

Structured table of the Corporate Governance Report:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>The Board of the Company reviews and approves, on an annual basis, an operating strategy for six years. Along with the operating strategy, the Company acting in accordance with the Republic of Lithuania Law on Natural Gas prepares and publishes a ten-year network development plan of the natural gas transmission system operator. The Company updates its operating strategy and development plans depending on the market situation and changes in the regulatory environment. The strategy sets out the objectives to augment the shareholder's equity and plans for the achievement of the objectives. The Company's operating strategy and the ten-year network development plan are publicly available on the Company's website www.ambergrid.lt.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>The activities of management bodies of the Company are focused on the implementation of the strategic objectives set out in the Company's strategy and the compliance with the regulatory environment having regard to the need to augment the shareholders' equity.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>This recommendation is implemented by the Board and the General Manager of the Company. A Supervisory Board is not formed at the Company, and the shareholders' interests are represented by the Board of the Company, with the information on the Company's operations provided at meetings (which are regularly convened). The Supervisory Council is formed in EPSO-G Group's controlling company (see 'Summary of the Corporate Governance Reporting Form' – 'Good Corporate Governance Practices of EPSO-G Group').</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>The Company seeks to secure the interests of all the persons connected with the Company's operations. The publicity of the Company's operations and the regulatory environment enable stakeholders to participate in the governance of the Company in the manner prescribed by laws and in accordance with the Articles of Association and internal regulations of the Company. The operating strategy and operating guidelines approved and implemented by the corporate management bodies secure interests of parties related to the Company's operations (see 'Summary of the Corporate Governance Reporting Form' – 'Corporate Management').</p>
<p>Principle II: The corporate governance framework</p> <p>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</p>		

<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>No</p>	<p>Management bodies of the Company include the general meeting of shareholders, the Board and the General Manager. No supervisory board is formed at the Company. The General Manager of the Company is accountable to the Board.</p> <p>The division of competencies and responsibilities among the management bodies of the Company is set forth in the Articles of Association of the Company, the regulations of the management bodies of the Company, the General Manager’s employment contract, and the Republic of Lithuania Law on Companies (hereinafter referred to as the ‘Law on Companies’). Formation of a supervisory council has not been provided at the time of adoption of the Articles of Association nor in the Guidelines.</p> <p>However, according to the Guidelines and the Articles of Association of UAB EPSO-G, an alternative measure is planned in 2016: a supervisory council will be formed in the controlling company of EPSO-G Group having regard to the recommendations in the Corporate Governance Code and state-controlled companies’ good governance practices (see ‘Summary of the Corporate Governance Reporting Form’ – ‘Good Corporate Governance Practices of EPSO-G Group’).</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance.</p> <p>A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	<p>Yes</p> <p>No</p>	<p>The Board of the Company is responsible for strategic management of the Company and adopts key decisions on the Company’s management according to the Articles of Association of the Company, appoints the General Manager of the Company, analyses and assesses information on the Company’s operations. The scope of competence of the Board is set in the Articles of Association of the Company.</p> <p>No supervisory board is formed at the Company. Formation of a supervisory council has not been provided at the time of adoption of the Articles of Association nor in the Guidelines. According to the Guidelines and the Articles of Association of UAB EPSO-G, a supervisory council will be formed in the controlling company of EPSO-G Group in 2016 having regard to the recommendations in the Corporate Governance Code and state-controlled companies’ good governance practices (see ‘Summary of the Corporate Governance Reporting Form’ – ‘Good Corporate Governance Practices of EPSO-G Group’).</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.</p>	<p>No</p>	<p>No supervisory board is formed at the Company. See comments on items 2.1 and 2.2.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.¹</p>	<p>No</p>	<p>The recommendations of Principles III and IV have not been implemented by the Company to the full extent. The extent to which the aforesaid recommendations have not been implemented is disclosed in the Commentary under Principles III and IV.</p> <p>The procedure for the formation of a collegial body elected by the general meeting of shareholders of the Company, the</p>

¹ Provisions of Principles III and IV are more applicable to those instances when the general shareholders’ meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company’s board and the chief executive officer and to represent

		<p>Guidelines and the good management practices of EPSO-G Group ensure the representation of interests of minority shareholders of the Company, accountability of this body to the shareholders, and objective supervision of the Company's operations and its General Manager. The corporate governance framework ensures that a collegial body elected by the general meeting of shareholders functions properly and effectively, and the rights conferred on this body ensure an effective supervision of the General Manager of the Company and protection of interests of all the Company's shareholders.</p> <p>According to the Guidelines and the Articles of Association of UAB EPSO-G, an alternative measure is planned in 2016: a supervisory council will be formed in the controlling company of EPSO-G Group having regard to the recommendations in the Corporate Governance Code and state-controlled companies' good governance practices (see 'Summary of the Corporate Governance Reporting Form' – 'Good Corporate Governance Practices of EPSO-G Group'). This measure will provide additional objective supervision of the Board and the General Manager.</p> <p>Provisions of Principles III and IV have been taken into account by planning to form a supervisory council in UAB EPSO-G as the controlling company of the Group, which will perform the supervisory functions provided in the Corporate Governance Code. A collegial management body of the Company is formed of 5 members including an independent member of the Board, who is intended to be elected chairperson of the Board. Two special-purpose committees – the Audit Committee and the Remuneration and Nomination Committee are planned to be set up in the Supervisory Council of EPSO-G Group having regard to the recommendations of the Corporate Governance Code; the committees will also serve the Company within their scope of competence.</p>
<p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.²</p>	<p>No</p>	<p>The Board of the Company is formed of 5 members. When electing the board members it is ensured that at least 1 (one) board member is independent, the independence thereof being judged on the criteria as provided for by the Corporate Governance Code and other applicable legislative provisions. According to the Guidelines and the Articles of Association of UAB EPSO-G, an alternative measure is planned in 2016: recommendations of the Corporate Governance Code</p>

the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (**e.g. formation of the committees**), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

² Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

		will be implemented in EPSO-G Group's controlling company, the supervisory council of which will have 2 independent members out of 5 and the board of which will have 3 independent members out of 5.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The members of the Board of the Company are elected for a period of three years. The procedure of recall of the members of the Board of the Company does not differ from the one prescribed by law.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairperson of the Company's Board and the chief executive officer of the Company (General Manager) is not the same person, the chairman of the Board has not previously held the position of the chief executive officer of the Company. According to the Articles of Association, the Board elects the Chairperson from among its members. Having regard to the Guidelines, an independent member of the Board should be elected as its Chairperson.
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	In accordance with the Articles of Association of the Company, a collegial management body of the Company – the Board – is elected by the general meeting of shareholders. The Board has one independent member. According to the Guidelines and the Articles of Association of UAB EPSO-G, an alternative measure is planned in 2016: recommendations of the Corporate Governance Code will be implemented in EPSO-G Group's controlling company, the supervisory council of which will have 2 independent members out of 5 and the board of which will have 3 independent members out of 5.

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p> <p>Yes</p>	<p>The Company discloses the information in accordance with provisions of the Law on Companies and the recommendations of the Corporate Governance Code. Information about the members of the Board of Directors is published on the Company's website www.ambergrid.lt.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>The Company publishes information on the composition of the Board and the positions held by the members of the Board in the Company's Annual Report and on the Company's website. Information on the members of the Board was presented at the general meeting of shareholders.</p>
<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>The composition of the Company's Board was determined seeking to maintain a proper balance in terms of the qualifications possessed by its members, having regard to the Company's structure and type of operations; the composition of the Board is subject to periodical evaluations in view of the procedures applicable to state-owned enterprises.</p> <p>According to the Guidelines and the Articles of Association of UAB EPSO-G, an alternative measure is planned in 2016: Two special-purpose committees – the Audit Committee and the Remuneration and Nomination Committee have been formed in the controlling company of EPSO-G Group having regard to the recommendations of the Corporate Governance Code.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>Please refer to the comment under Item 3.4.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved</p>	<p>No</p>	<p>The collegiate management body of the Company is formed of 5 members, one of whom is an independent member and the intended chairperson of the Board. According to the Guidelines and the Articles of Association of UAB EPSO-G, an alternative measure is planned in 2016: recommendations of the Corporate Governance Code will be implemented in EPSO-G Group's controlling company, the supervisory council of which will</p>

<p>properly, the collegial body should comprise a sufficient⁴ number of independent⁵ members.</p>		<p>have 2 independent members out of 5 and the board of which will have 3 independent members out of 5.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 	<p>Yes</p>	<p>The Board has one independent member meeting the criteria for independence set in the Corporate Governance Code.</p>

⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
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<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 3.7.</p>
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Yes</p>	<p>By resolution of the general meeting of shareholders, an independent member of the Board was elected. Information on the independence of the member of the Board is publicly disclosed.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>Yes</p>	<p>Please refer to the comment under Item 3.7. The member of the Board submits a declaration of independence and updates it.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.⁶ The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Yes</p>	<p>For the work in the Board, the independent member of the Board is remunerated from the Company's funds. The amount of the remuneration was approved by the general meeting of shareholders.</p>

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (*tantiems*) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (*tantiems*) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.⁸</p>	<p>Yes</p>	<p>In accordance with the Articles of Association of the Company, the Board approves the Company's Annual Report, analyses and assesses annual financial statements and the draft profit (loss) appropriation, and submits them together with the approved Annual Report to the general meeting of shareholders. The Board analyses and assesses periodic reports presented by the Company's General Manager on the results of the business of the Company as well as reports on key financial and operating indicators. Also please see 'Summary of the Corporate Governance Reporting Form' – 'Management of the Company'.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>According to the information available to the Company, all the members of the Board act in good faith for the benefit and in the interests of the Company and are guided by the interests of the Company and not by their private interests or by interests of any third parties, and seek to maintain independence in decision-making. Also, please see 'Summary of the Corporate Governance Reporting Form' – 'Good Corporate Governance Practices of EPSO-G Group'.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and</p>	<p>Yes</p>	<p>The principle of due exercise of shareholders' rights established in the Guidelines is binding on the Board: the governance system of EPSO-G Group must create conditions for the proper exercise of both property and non-property rights and legitimate interests of all shareholders (majority and minority, domestic</p>

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<p>resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>		<p>and foreign) including the exercise of the rights and legitimate interests of EPSO-G Group's controlling company and subsidiaries and the equally effective representation of minority shareholders' rights and legitimate interests in those companies of the Group that have such shareholders.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies¹⁰. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it.</p> <p>Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p>	<p>According to the Articles of Association of the Company, management bodies of the Company make decisions independently and within the scope of their competence assigned to them by the current Lithuanian legislation and the Articles of Association. The management bodies are fully liable for their decisions. In making decisions, the management bodies must act for the benefit of the Company and its shareholders. The principle of responsibility and accountability of management and supervisory bodies is established in the Guidelines: the corporate governance system and the governance model of the Group are focused on the due and timely performance of the functions assigned to the Group's management, supervisory and other bodies, the active exercise of their rights and the due discharge of their duties, while remaining fully accountable to the shareholders and acting in their legitimate interests. A proper balance between the Group's supervisory and management bodies is sought.</p>

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹¹. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 2.4. According to the Guidelines, an alternative measure is planned: recommendations of the Corporate Governance Code will be implemented in EPSO-G Group's controlling company, the supervisory council of which will have 2 independent members out of 5 and the board of which will have 3 independent members out of 5. The Audit Committee and the Remuneration and Nomination Committee are planned to be set up in the Supervisory Council of EPSO-G Group having regard to the recommendations of the Corporate Governance Code.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 4.7. Also, please see 'Summary of the Corporate Governance Reporting Form' – 'Good Corporate Governance Practices of EPSO-G Group'.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 4.8.</p>

¹¹The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

<p>set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 4.7.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 4.7.</p>

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 4.7.</p>
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 	<p>Not applicable</p>	<p>Please refer to comment under Item 4.7.</p>

<p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
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4.14. Audit Committee.	Not applicable	Please refer to comment under Item 4.7.
<p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any</p>		

<p>relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>Yes</p>	<p>Self-assessment by a collegiate body is provided in the Guidelines.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>The activities of the Board are regulated by the Work Regulations of the Board. Meetings of the Board are chaired by the Chairperson. The Company provides all the resources necessary for proper organisation of meetings of the Board.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹².</p>	<p>Yes</p>	<p>To secure an uninterrupted resolution of the essential Company's governance issues, meetings of the Board are convened on a regular basis. The Board holds meetings according to a pre-approved schedule of meetings of the Board; meetings are normally held once in a month.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>The members of the Board receive information about the meeting being convened, the agenda of the meeting and all materials relevant to the agenda items in advance, in order to leave enough time for a proper preparation for the meeting on all the agenda items in order to ensure a fruitful discussion, leading to the adoption of relevant decisions.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Not applicable</p>	<p>No supervisory council is formed at the Company.</p>
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p>		

¹² The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorised capital consists of ordinary registered shares which grant equal rights to all the Company's shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹³ All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The scope of competence of the Company's general meeting of shareholders and the Board is governed by the Law on Companies and the Articles of Association of the Company. In accordance with the Articles of Association, decisions on important transactions are adopted by the general meeting of shareholders.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Procedures for convening and conducting the general meeting of shareholders are governed by the Law on Companies and the Articles of Association of the Company. Shareholders are provided with an equal opportunities to participate in the meeting and to exercise their property and non-property rights.

¹³ The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The right of shareholders living abroad to access information is ensured on the Company's website www.ambergrid.lt and through the information system of NASDAQ Vilnius Stock Exchange, in Lithuanian and English, by publishing the date and place of the general meeting of shareholders, the record date of the meeting, the agenda of the meeting and draft resolutions in advance. After the general meeting of shareholders the resolutions adopted are published in the same manner.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The Company's shareholders may exercise their right to participate in the general meeting of shareholders either in person or by proxy provided that the proxy has the due power of attorney or an agreement on the transfer of the voting right has been concluded with the proxy. The Company also enables its shareholders to vote in writing in advance.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>Not applicable</p>	<p>Given the Company's ownership structure and the valid Regulations for Organising the General Meetings of Shareholders, there is no need to implement any additional expensive IT systems.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The members of the Board follow the provisions of this recommendation. The Company is not aware of any cases when personal interests of the members of the Board would be in conflict with the Company's interests.</p>

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Work Regulations of the Board state that the member of the Board or his proxy must abstain from voting when decisions concerning his activity in the Board or his responsibility are put to vote at the meeting of the Board.

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	At present, the Company has no practice of the preparation of reports on the Company's remuneration policy according to the recommendations of the Corporate Governance Code. The system of remuneration for the Board Members and top management – the administration has been established having regard to the regulation of pay for heads of state-controlled companies by legal acts adopted by the Government. The system of remuneration for the Company's administration consists of a fixed pay and a variable pay. The size of the pay for the Board Members is set by the general meeting of shareholders. The Company publishes the remuneration paid to the Board Members and top management on the Company's website and in the annual financial statements. Also, please refer to comment under Item 8.2.
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<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	No	It is planned that in 2016 EPSO-G Group will approve the common remuneration guidelines, which will form a basis for the formation of the remuneration reports.
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information. 	No	Please refer to comment under Item 8.2.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Please refer to comment under Item 8.2.

<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 8.1.</p>
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	<p>Not applicable</p>	<p>Please refer to comment under Item 8.1.</p>

8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The assignment of the variable part of remuneration to top management/administration of the Company depends on the achievement of the measurable operating results and their indicators stated in advance in the annual operating plan of the Company.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	Please refer to comment under Item 8.1.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	Please refer to comment under Item 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	Please refer to comments under Item 8.2.
8.13. Shares should not vest for at least three years after their award.	Not applicable	The Company does not apply any share-based payment schemes.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to comment under Item 8.13.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Please refer to comment under Item 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Please refer to comment under Item 8.13.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Yes No	The amount of the remuneration of the independent member of the Board is determined by the general meeting of shareholders. In accordance with the Articles of Association of the Company, matters related to the setting of the General Manager's remuneration are resolved by the Board.

<p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>No</p>	<p>Please refer to comment under Item 8.2.</p>
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>At present, the Company does not have such remuneration schemes.</p>
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 		<p>Such issues were not considered at the general meeting of shareholders as this is not provided in the Articles of Association of the Company. At present, the Company does not have such remuneration schemes. Also, please refer to comment under Item 8.1.</p>
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		

<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>	Not applicable	Please refer to comment under Item 8.19.
Not applicable		
Not applicable		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The compliance with this recommendation is ensured by the meticulous supervision and control of the Company’s business activities by the state regulatory authorities and the associated consumer organisations. The publicity of the Company’s business activities enables stakeholders to take part in the corporate governance in accordance with a procedure prescribed by law and the Articles of Association and internal regulations of the Company. The management bodies consult the employees on issues of corporate governance and other important issues; the participation of employees in the Company’s share capital is not limited.		
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.				
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.				

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	<p>The information indicated in the recommendation is published on the Company’s website www.ambergrid.lt, through the information system of the NASDAQ Vilnius Stock Exchange, and in press releases.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company’s shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The Company discloses information through the information disclosure system used by NASDAQ Vilnius Stock Exchange, in Lithuanian and English, thus providing the information simultaneously to all the stakeholders. Information that may affect the price of securities issued by Company is treated as confidential, therefore, strict confidentiality is maintained and the information is not disclosed until it is published through the information system according to a procedure prescribed by laws.</p>

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The Company simultaneously and in the same scope discloses all the information designated to shareholders and investors in Lithuanian and English through the information system of the NASDAQ Vilnius Stock Exchange, and all information is published on the Company's website www.ambergrid.lt, thus ensuring timely, unbiased and inexpensive access to information.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The Company follows this recommendation and the information has been placed on the Company's website www.ambergrid.lt</p>
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements</p>	<p>Yes</p>	<p>An independent audit firm conducts the audit of the Company and its annual financial statements and assesses the conformity of the Annual Report with the financial statements.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>A candidate firm of auditors is proposed to the general meeting of shareholders by the Board.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes</p>	<p>The audit firm will receive from the Company remuneration for tax and business consulting, which do not contradict the independence requirements set forth in the Republic of Lithuania Law on Audit and the normative acts of the Securities Commission of the Republic of Lithuania. The audit firm notifies the Audit Committee, on an annual basis, of any non-audit services rendered to the Company.</p>