



CONFIRMATION OF RESPONSIBLE PERSONS

26 August 2016 No. *5-310-40*

Acting in accordance with Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for Drawing up and Submission of Periodic and Additional Information as approved by Resolution No 03-48 of the Board of the Bank of Lithuania as of 28 February 2013, we, Saulius Bilys, General Manager of AB Amber Grid, and Rimantas Šukys, Financial Director of AB Amber Grid, hereby confirm that, to the best of our knowledge, the attached condensed financial statements of the company AB Amber Grid as of 30 June 2016 drawn up according to International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Amber Grid.

General Manager

Saulius Bilys

Financial Director

Rimantas Šukys

AB AMBER GRID

**CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2016
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Statement of financial position

			As of 30 June 2016 (unaudited)	As of 31 December 2015 (audited)
	Notes			
ASSETS				
A. Non-current assets			351,668	354,911
I. Intangible assets			721	801
II. Property, plant and equipment			350,593	353,888
II.1. Land			125	113
II.2. Buildings and structures			281,089	285,159
II.2.1. Buildings			6,407	6,544
II.2.2. Gas transmission pipelines and related installations			269,735	273,458
II.2.3. Gas distribution pipelines and related installations			104	105
II.2.4. Other buildings and structures			4,843	5,052
II.3. Machinery and equipment			57,549	60,078
II.4. Motor vehicles			1,070	1,216
II.5. Other equipment, tools and devices			3,281	4,046
II.6. Other property, plant and equipment			161	184
II.7. Construction in progress	4		7,318	3,092
III. Non-current financial assets			354	222
III.1. Investment into subsidiary	1		354	222
B. Current assets			44,006	98,442
I. Inventories and prepayments			2,989	3,086
I.1. Inventories			2,820	2,949
I.1.1. Raw materials, spare parts and other inventories			1,329	1,170
I.1.2. Natural gas			1,491	1,779
I.1.3. Assets held for sale			-	-
I.2. Prepayments			169	137
II. Accounts receivable			34,246	37,001
II.1. Trade receivables	5		4,853	9,435
II.2. Other receivables	6		29,393	27,566
III. Other financial assets	7		10	31,386
IV. Cash and cash equivalents	8		6,761	26,969
Total assets			395,674	453,353

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

COMPANY'S CONDENSED FINANCIAL STATEMENTS


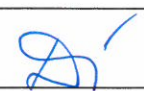
AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Statement of financial position (cont'd)

			As of 30 June 2016 (unaudited)	As of 31 December 2015 (audited)
	Notes			
	EQUITY AND LIABILITIES			
C. Equity			193,418	194,664
I. Share capital			51,731	51,731
II. Reserves			130,151	126,955
II.1. Legal reserve			5,173	5,166
II.2. Other reserves			124,978	121,789
III. Retained earnings (deficit)			11,536	15,978
III.1. Current year profit (loss)			11,536	15,978
III.2. Previous year profit (loss)			-	-
D. Accounts payable and liabilities			202,256	258,689
I. Amounts payable after one year and non-current liabilities			162,461	180,742
I.1. Non-current borrowings	9		93,667	112,889
I.2. Grants (deferred revenue)	10		63,242	62,885
I.3. Non-current employee benefits			419	419
I.4. Deferred income tax liability			5,133	4,549
II. Accounts payable within one year and short-term liabilities			39,795	77,947
II.1. Current financial liability			-	-
II.2. Current portion of non-current borrowings	9		22,889	25,121
II.3. Current year portion of non-current employee benefits			76	76
II.4. Trade payables	12		3,139	8,562
II.5. Advance amounts			1,261	1,261
II.6. Income tax payable			505	316
II.7. Payroll related liabilities			1,343	826
II.8. Other payables and current liabilities	13		10,582	41,785
Total equity and liabilities			395,674	453,353

The accompanying notes are an integral part of these financial statements.

General Manager	Saulius Bilys		26 August 2016
Chief Accountant	Dzintra Tamulienė		26 August 2016

COMPANY'S CONDENSED FINANCIAL STATEMENTS



AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Income statement

	Notes	For the period of three months ended 30 June 2016 (unaudited)	For the period of three months ended 30 June 2015 (unaudited)	For the period of six months ended 30 June 2016 (unaudited)	For the period of six months ended 30 June 2015 (unaudited)
I. Revenue	16	12,629	10,964	33,904	27,306
II. Expenses		(9,605)	(9,286)	(20,365)	(20,266)
II.1. Cost of natural gas		(1,285)	(2,186)	(4,032)	(5,909)
II.2. Depreciation and amortization		(3,965)	(3,721)	(7,947)	(7,443)
II.3. Employee benefits and related social security tax expenses		(1,865)	(1,890)	(3,974)	(3,865)
II.4. Repair and technical maintenance expenses		(1,489)	(776)	(2,456)	(1,593)
II.5. Taxes other than income tax		(456)	(350)	(923)	(713)
II.6. Other expenses		(545)	(363)	(1,033)	(743)
III. Operation profit (loss)		3,024	1,678	13,539	7,040
IV. Financial activity		(127)	(15)	(272)	(78)
IV.1. Income		24	8	69	101
IV.2. Expense		(151)	(23)	(341)	(179)
V. Profit (loss) before income tax		2,897	1,663	13,267	6,962
VI. Income tax	11	(200)	639	(1,731)	1,440
VI.1. Current period income tax		(298)	(273)	(1,148)	(740)
VI.2. Deferred income tax		98	912	(583)	2,180
VII. Net profit (loss)		2,697	2,302	11,536	8,402
Basic and diluted earnings (loss) per share (Eur)	14			0.06	0.05

The accompanying notes are an integral part of these financial statements.

General Manager	Saulius Bilys		26 August 2016
Chief Accountant	Dzintra Tamulienė		26 August 2016

COMPANY'S CONDENSED FINANCIAL STATEMENTS

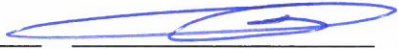

AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Statement of comprehensive income

	For the period of three months ended 30 June 2016 (unaudited)	For the period of three months ended 30 June 2015 (unaudited)	For the period of six months ended 30 June 2016 (unaudited)	For the period of six months ended 30 June 2015 (unaudited)
I. Net profit (loss)	2,697	2,302	11,536	8,402
II. Total comprehensive income (loss)	2,697	2,302	11,536	8,402

The accompanying notes are an integral part of these financial statements.

General Manager	Saulius Bilys		26 August 2016
Chief Accountant	Dzintra Tamulienė		26 August 2016

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016



(all amounts are in euro thousand unless stated otherwise)

Statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as of 31 December 2014 (audited)	51,663	5,166	288,830	(109,044)	236,615
Transfer from other reserves	-	-	(167,041)	167,041	-
Dividends declared	-	-	-	(57,997)	(57,997)
Total comprehensive income (loss)	68*	-	-	8,402	8,402
<i>Net profit (loss) for the year</i>	<i>68*</i>	<i>-</i>	<i>-</i>	<i>8,402</i>	<i>8,402</i>
Balance as of 30 June 2015 (unaudited)	51,731	5,166	121,789	8,402	187,088
Total comprehensive income	-	-	-	7,576	7,576
<i>Net profit (loss) for the year</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7,576</i>	<i>7,576</i>
Balance as of 31 December 2015 (audited)	51,731	5,166	121,789	15,978	194,664
Transfer from other reserves	-	-	3,189	(3,189)	-
Transfer to legal reserve	-	7	-	(7)	-
Dividends declared	-	-	-	(12,782)	(12,782)
Total comprehensive income (loss)	-	-	-	11,536	11,536
<i>Net profit (loss) for the year</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>11,536</i>	<i>11,536</i>
Balance as of 30 June 2016 (unaudited)	51,731	5,173	124,978	11,536	193,418

The accompanying notes are an integral part of these financial statements.

* Result of share capital conversion into the euro.

General Manager	Saulius Bilys		26 August 2016
Chief Accountant	Dzintra Tamulienė		26 August 2016

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Statement of cash flows

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
I. Cash flows from (to) operating activities		
I.1. Net profit (loss)	11,536	8,402
Adjustments of non-cash items and other corrections:		
I.2. Depreciation and amortisation	8,913	8,113
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(10)	(2)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	21	2
I.5. Income tax expenses (income)	1,731	(1,440)
I.6. Interest (income)	(2)	(1)
I.7. Interest expenses	341	98
I.8. Amortisation of grants (deferred revenue)	(994)	(761)
I.9. Elimination of other non-cash items	(67)	73
	21,469	14,484
Changes in working capital:		
I.10. Decrease (increase) in inventories	109	2,136
I.11. Decrease (increase) in trade accounts receivable	4,582	2,390
I.12. Decrease (increase) in other accounts receivable and prepayments	(542)	(22,369)
I.13. Increase (decrease) in trade accounts payable	(1,118)	(626)
I.14. Increase (decrease) in other accounts payable and other current liabilities	(30,698)	5,971
I.15. Decrease (increase) in other financial assets	31,376	14,472
I.16. Income tax (paid)	(958)	-
Total changes in working capital	2,751	1,974
Net cash flows from operating activities	24,220	16,458
II. Cash flows from (to) investing activities		
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(9,844)	(30,971)
II.2. Proceeds from sales of property, plant and equipment	10	2
II.3. Acquisition of investments in joint venture	(132)	-
II.4. (Acquisition) of held-to maturity investment	-	-
II.5. (Disposal) of held-to-maturity investment	-	-
II.6. Interest received	2	1
II.7. Disposal (acquisition) of other short term investments	-	-
Net cash flows (to) investing activities	(9,964)	(30,968)

The accompanying notes are an integral part of these financial statements.
(cont'd on the next page)

COMPANY'S CONDENSED FINANCIAL STATEMENTS



AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Statements of cash flows (cont'd)

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
III. Cash flows from (to) financing activities		
III.1. Dividends (paid)	(12,778)	(57,837)
III.2. Proceeds from borrowings	-	113,000
III.3. (Repayments) of borrowings	(21,454)	(39,111)
III.4. Grants received	34	59
III.5. Interest (paid)	(333)	(226)
III.6. Other cash flows from (to) financial activities	67	-
Net cash flows from (to) financing activities	(34,464)	15,885
IV. Net increase (decrease) in cash and cash equivalents	(20,208)	1,375
V. Cash and cash equivalents at the beginning of the period	26,969	1,714
VI. Cash and cash equivalents at the end of the period	6,761	3,089

The accompanying notes are an integral part of these financial statements.

General Manager	Saulius Bilys		26 August 2016
Chief Accountant	Dzintra Tamulienė		26 August 2016

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

Notes to the Financial Statements

1 General information

AB Amber Grid (hereinafter referred to as the 'Company') was registered on 25 June 2013 after the spin-off from AB Lietuvos Dujos of the natural gas transmission activity with respective assets, rights and obligations attributed to the activity in question.

On 13 January 2015, the National Commission for Energy Control and Prices (hereinafter referred to as the 'NCC') stated that AB Amber Grid's transmission activity unbundling was in compliance with provisions of the Law on Natural Gas. On 10 April 2015, upon obtaining of a positive decision from the European Commission, the NCC issued in respect of the Company an open-ended License No. L2-3 (GDP) for the engagement in the Transmission System Operator's activity within the territory of Lithuania.

The Company's largest shareholder is UAB EPSO-G. UAB EPSO-G is 100-percent-owned by the Republic of Lithuania and is managed by trust by the Ministry of Energy of the Republic of Lithuania. UAB EPSO-G is in charge of the management of the shareholdings of the electricity and gas transmission system operators of the Republic of Lithuania.

Since 1 August 2013, the Company's shares have been traded on a Stock Exchange; they are listed on the Baltic Secondary Trading List of NASDAQ OMX Vilnius Stock Exchange (ISIN code LT0000128696, instruments AMG1L).

As of 30 June 2016, the Company's shareholders were as follows:

	Number of shares owned	Ownership share (percent)
UAB EPSO-G (Company Code 302826889, A. Juozapavičiaus g. 13, Vilnius)	172,279,125	96.58
Other shareholders	6,103,389	3.42
	178,382,514	100.00

The Company's share capital amounts to EUR 51,730,929.06. It is divided into 178,382,514 ordinary registered shares with par value of EUR 0.29 each.

AB Amber Grid has one single subsidiary UAB GET Baltic. In the financial statements of 2016 and 2015, UAB GET Baltic is accounted for at acquisition cost. UAB GET Baltic is a company with a valid natural gas market operator's license, whose main function is to organise and develop trade on the Natural Gas Exchange.

In pursuit of the strategic goal of the development of a competitive regional natural gas market, on 6 November 2015, AB Amber Grid acquired from AB Lietuvos Dujos an additional 34 % stake in UAB GET Baltic. AB Amber Grid became the largest shareholder of UAB GET Baltic, which controls 66 % of the authorised share capital. The remaining 34 % stake is owned by the Finnish natural gas company, Gasum Oy. As at 31 March 2016, UAB GET Baltic's authorised share capital amounted to EUR 580,000 and was composed of 2 million units of shares with par value of EUR 0.29 each.

Company	Company code	Registered address of the company	Stake of shares held as of 30 June 2016	Stake of shares held as of 30 June 2015
UAB GET Baltic	302861178	Savanorių pr. 28, Vilnius	66 %	32 %

According to the exemption clause provisions of Article 6(1) of the Law on Consolidated Financial Statements, the subsidiary's financial statements shall not be subject to consolidation because from the Company's point of view they are negligible, as the subsidiary's assets at year-end do not exceed 5 per cent of the assets of the Company and the sales net income during the reporting year does not exceed 5 percent of the Company's sales net income over the same period.

The condensed financial statements as of 30 June 2016 drawn up by UAB GET Baltic in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have not been audited.

1 General information (cont'd)

The Company, being engaged in the natural gas Transmission System Operator's activity, provides system users, other operators, and gas market players with the following services:

- transmission of natural gas in the territory of the Republic of Lithuania;
- balancing of flows of natural gas in the transmission system;
- administration of the funds allocated to compensate for the installation and fixed operating costs of the Liquefied Natural Gas (hereinafter – the LNG) Terminal, its infrastructure and connector and, as of 2016, for reasonable costs of the designated supplier for the supply of an obligatory quantity of liquefied natural gas.

As of 30 June 2016, the Company was party to 93 natural gas transmission service contracts with natural gas transmission system users (consumers of natural gas, natural gas distribution system operators, natural gas companies which supply gas up to consumer systems). As regards natural gas businesses that trade in natural gas, but do not transmit gas via the Transmission System, the Company had entered with such companies into 3 natural gas balancing agreements.

AB Amber Grid's condensed financial statements, including the financial statements as of 30 June 2016, the profit (loss) accounts, the comprehensive income statements, the cash flow statements and the statement of changes in equity have not been audited. The Company's financial statements as of 31 December 2015 were audited; they were prepared in accordance with International Financial Reporting Standards (IFRS). For a better understanding of the information contained in these condensed financial statements it is highly recommended to read the present AB Amber Grid's condensed financial statements in conjunction with the Company's annual financial statements of 2015.

2 Accounting principles

1 January 2015 was the day of the introduction of the euro in the Republic of Lithuania. Therefore, starting from this date on, the Company's functional currency was also converted to the euro.

The Company's condensed financial statements as of 30 June 2016 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The figures in the Company's financial statements are presented in thousand euros. The financial statements were prepared relying on the historical cost basis. The Company's accounting policies are consistent with the accounting principles used in the previous year.

3 Information according to segments

The Company is engaged in natural gas transmission activity and operates as one segment. All non-current assets of the Company are located in Lithuania, where the Company carries out its activity.

During the six months of 2016, the Company earned 76 percent of its revenue from Lithuanian system users and 24 percent of its revenue was received from the transit service, i.e. transportation of gas to the Kaliningrad Region of the Russian Federation and Latvia.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

4 Construction in progress

Major objects of construction in progress of the Company as of 30 June 2016 were as follows:

Object	30 June 2016 (unaudited)	31 December 2015 (audited)
Preparatory works in the territory of the Republic of Lithuania in preparation for the implementation of the Gas Interconnector Poland-Lithuania (GIPL) Project	4,414	936
Construction of the gas transmission pipeline section to Tauragė gas transmission station and construction of the gas transmission station	982	-
Installation of an intelligent pig launcher and receiver on the Riga-Panevėžys-Vilnius gas transmission pipeline (DN700) on the Lithuanian-Latvian border	-	800
Spatial planning and engineering design services required for the construction of an interconnection of Vilnius-Kaunas and Kaunas-Šakiai gas transmission pipelines	549	544
Modernisation of gas transmission pipeline Line Valve Sites	903	184
Reconstruction of Vilnius yard buildings (Gudelių g. 49, Vilnius)	255	255
Other	215	373
	7,318	3,092

5 Trade receivables

	30 June 2016 (unaudited)	31 December 2015 (audited)
Gas transmission services receivables	4,862	9,417
Other trade receivables	7	34
Less: allowance for the decrease in value of trade receivables	(16)	(16)
	4,853	9,435

The Company's trade receivables from the system users for natural gas transmission as of 30 June 2016 decreased as a result of the recalculation of the price of service of gas transmission to the Kaliningrad Region, which was carried out on 31 December 2015.

The trade receivables do not include any interest; the payment period is 15 calendar days.

6 Other receivables

	30 June 2016 (unaudited)	31 December 2015 (audited)
LNG terminal funds receivable (administered by the Company)	9,997	9,473
Other receivables	19,396	18,093
Less: allowance for the decrease in value of other receivables	-	-
	29,393	27,566

The LNG terminal funds receivable include the overdue amount of EUR 3,632 thousand, of which AB Achema's debt is EUR 3,229 thousand and the debt of UAB Kauno termofikacinė elektrinė is EUR 360 thousand. For more information about AB Achema's liabilities see Note 17 'Commitments and contingencies'.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

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(all amounts are in euro thousand unless stated otherwise)

7 Other financial assets

Acting in accordance with provisions of Article 5(2) of the Republic of Lithuania Law on Liquefied Natural Gas Terminal, the Company performs the functions of an administrator of the Liquefied Natural Gas Terminal. The administration of the LNG terminal funds is performed in accordance with the Description of procedures for the administration of funds allocated to cover the installation costs and fixed operating costs of the Liquefied Natural Gas Terminal Facility, its infrastructure and connector as approved by the NCC Resolution No. 03-294 as of 9 October 2012 as subsequently amended (the title was changed by the NCC Resolution No. 03-750 of 23 December 2013 effective from 1 January 2014).

As of 30 June 2016, the Company's Other Financial Assets consisted of the cash received from the natural gas supply security-related extra tariff component added to the natural gas transmission price (surcharge) (hereinafter referred to as LNGT funds). These funds have been received from system users, are kept in a separate bank account for LNG terminal funds opened in compliance with legislative requirements and are designated to be paid out to the beneficiaries of LNG terminal funds. As prescribed by the NCC Resolution No. 03-683 as of 23 December 2015, Resolution No. 03-83 of 25 March 2016 and Resolution No. 03-121 of 13 May 2016, the amounts collected in 2016 are remitted to the designated payees of the LNG terminal funds, AB Klaipėdos Nafta and UAB Litgas.

8 Cash and cash equivalents

	30 June 2016 (unaudited)	31 December 2015 (audited)
Cash at bank	6,761	26,969
	6,761	26,969

The Company keeps its cash in bank accounts or (where there is such a possibility) invests in deposits with the shortest term possible (overnight). The Company had no overnight deposit contracts as of 30 June 2016.

9 Loans

	30 June 2016 (unaudited)	31 December 2015 (audited)
Long-term loans		
Loans from credit institutions of Lithuania	68,667	87,889
Loan from international financial institutions	25,000	25,000
Short-term loans		
Short-term loans	-	-
Current portion of long-term loans	22,889	25,111
Leasing	-	10
	116,556	138,010

In January and May of 2016, the Company repaid prior to maturity part (EUR 10,000 thousand and EUR 11,444 thousand) of its loan to Swedbank, AB. After this repayment, the outstanding loan to Swedbank, AB amounts to EUR 91,556 thousand.

On 19 August 2015, the Company entered into a long-term loan agreement with the Nordic Investment Bank, according to which the Company borrowed EUR 25,000 thousand for a 15-year period in September 2015. The loan is intended for the financing of the Project 'Capacity enhancement of Klaipėda-Kiemėnai gas pipeline (Construction of Klaipėda-Kuršėnai pipeline)'.

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AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

9 Loans (cont'd)

On 22 December 2015, the Company entered into an agreement with the European Investment Bank on the possibility of borrowing of up to EUR 28,000 thousand for the period of up to 20 years. As of 30 June 2016, the loan had not been used. The loan is intended for the financing of the construction under the Project 'Capacity enhancement of Klaipėda-Kiemėnai gas pipeline (Construction of Klaipėda-Kuršėnai gas transmission pipeline)'.

10 Grants (deferred revenue)

	Deferred revenue	Asset- related grants	Revenue- related grants	Total
Balance as at 31 December 2015	1,569	61,316	-	62,885
Received / receivable	-	1,347	11	1,358
Written off	-	(7)	-	(7)
Depreciation/amortisation	(17)	(966)	(11)	(994)
Balance as at 30 June 2016	1,552	61,690	-	63,242

In the profit (loss) statement, the depreciation of the asset-related grants, amounting to EUR 966 thousand (over the period of 6 months ended 30 June 2015: EUR 669 thousand) is presented by cross-covering the costs of depreciation of the related assets with the grant-related revenue.

11 Income tax

In 2016, the standard corporate income tax rate applicable to the companies of the Republic of Lithuania was 15 per cent (in 2015: 15 per cent). The income tax expenses for the period comprise the current income tax and the deferred income tax.

In accordance with the amendments to the Law on Corporate Income Tax, which provide for a possibility of taking advantage of the corporate income tax relief on investments in new technologies, as at 30 June 2016, the Company had calculated a corporate income tax relief amounting to EUR 1,123 thousand (as at 30 June 2015: EUR 646 thousand).

12 Trade payables

	30 June 2016 (unaudited)	31 December 2015 (audited)
Payables to suppliers under investment programme (new construction)	1,796	5,142
Payables to suppliers under investment programme (reconstruction and modernisation)	222	1,182
Payables to service providers	666	870
Payables to repair service suppliers for non-current assets	46	470
Payables to natural gas suppliers	409	898
	3,139	8,562

The decrease in trade payables as at 30 June 2016 came as a result of the Company's settlement with the suppliers for the Klaipėda-Kuršėnai gas transmission pipeline project construction works.

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AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

13 Other payables and current liabilities

	30 June 2016 (unaudited)	31 December 2015 (audited)
Payable LNG terminal funds for administration by Company	2,171	25,794
Accrued LNG terminal funds for administration*	8,076	15,316
Payable Real Estate Tax	-	386
Value Added Tax (VAT) payable	-	-
Other payables	335	289
	10,582	41,785

*Accrued LNG terminal funds subject to administration by the Company are accounted when natural gas transmission system users pay them to the Company. Accrued funds subject to administration by the Company are included into the LNG terminal funds account when AB Klaipėdos Nafta and UAB Litgas issue a VAT invoice to the Company in respect of the security-of-supply-related extra tariff component added to the regular natural gas tariff.

14 Earnings per share

Basic earnings per share reflect the Company's net profit divided by the weighted average number of shares. There are no diluting instruments, therefore basic and diluted earnings per share are equal. Calculations of the basic earnings per share are presented below:

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Net profit (loss) attributable to the shareholders (EUR thousand)	11,536	8,402
Weighted average number of shares (thousand)	178,383	178,383
Earnings (loss) per share (EUR)	0.06	0.05

15 Dividends

On 26 April 2016, the Annual General Shareholders' Meeting, when approving the Company's 2015 profit appropriation, passed a decision to pay the Company's shareholders dividends in the amount of EUR 12,782 thousand (or EUR 0.07 per ordinary registered share with part value of EUR 0.29) for the year 2015.

16 Revenue

	For the period of three months ended 30 June 2016 (unaudited)	For the period of three months ended 30 June 2015 (unaudited)	For the period of six months ended 30 June 2016 (unaudited)	For the period of six months ended 30 June 2015 (unaudited)
Income from natural gas transmission in the territory of Lithuania	11,382	10,190	29,902	25,833
Income from balancing services in the transmission system	1,190	673	3,875	1,287
Grants recognised as income	13	50	28	91
Income from LNG terminal fund administration	36	36	72	72
Other income	8	15	27	23
	12,629	10,964	33,904	27,306

17 Commitments and contingencies

Litigation

1. Pursuant to the Republic of Lithuania Law on the Liquefied Natural Gas Terminal and applicable resolutions as adopted by the National Commission for Energy Control and Prices, all users of the natural gas system that transport natural gas through the transmission system are required to pay an additional component to be included in the natural gas transmission price (the LNG-terminal-component) when they make payments for natural gas transmission services. Since AB Achema, as a transmission system user, has systematically failed to pay the LNG-terminal-component, a claim was filed with the court. The Court of first instance by its ruling as of 12 December 2013 satisfied in part the claim of AB Amber Grid, i.e. awarded the full debt amount claimed plus procedural interest, but reduced the awarded penalties from 0.04 to 0.02%. By its decision of 2 July 2015, the Lithuanian Court of Appeal satisfied the claim of AB Amber Grid, i.e. awarded the full amount of EUR 11,073 thousand of the debt claimed for the period from January to the end of August 2013, plus procedural interest and penalties of EUR 489 thousand. In enforcement of the said court decision, AB Achema paid EUR 12,953 thousand to AB Amber Grid on 9 July 2015. On 6 January 2016, the case was heard at the Supreme Court of Lithuania. On 5 February 2015, the Supreme Court of Lithuania (SCL) rejected Achema's appeal and upheld the ruling of the Court of Appeal as of July 2015 under which Achema was ordered to pay EUR 11,073 thousand indebted for the so-called LNG terminal extra tariff component for the January-August of 2013 plus late payment interest in the amount of EUR 489 thousand, procedural interest and nearly EUR 20 thousand of legal litigation costs.

2. On 7 March 2014, AB Amber Grid submitted a statement of claim to Kaunas Regional Court requesting to award the debt from AB Achema for the unpaid LNG terminal-related extra tariff component for the period from 1 September 2013 to 31 December 2013, as well as penalties on late payment of the LNG terminal component for the aforesaid period. On 16 March 2015, AB Amber Grid applied to Kaunas Regional Court with a new statement of claim, whereby it requested to award from AB Achema the debt for the LNG terminal funds intended to compensate for the fixed operating costs of the LNG terminal, its infrastructure and connector (hereinafter 'the additional supply security component'), the collection of which was started from 3 December 2014, plus penalties and 6% annual interest. As the Court joined the two cases, on 29 September 2015, Kaunas Regional Court satisfied in full the claim of AB Amber Grid and awarded from AB Achema the debt of EUR 3,188 thousand for the period from 1 September 2013 to 31 December 2013, penalties of EUR 545 thousand, plus procedural interest, as well as the debt of EUR 14,721 thousand for the period from 3 December 2014 to 30 April 2015, penalties in the amount of EUR 305 thousand plus procedural interest. AB Achema appealed against the aforesaid court decision. The Court of Appeal of Lithuania upheld the decision of the court of first instance on 8 June 2016.

3. On 19 November 2012, AB Achema applied to Vilnius Regional Administrative Court requesting to revoke paragraphs 3.1 and 4 of the Commission's Resolution No 03-317 of 19 October 2012 'On the establishment of funds intended to compensate for all or part of the construction and operating costs of the liquefied natural gas terminal, its infrastructure and connector for the year 2013', and to revoke paragraph 2 of the Commission's Resolution No 03-330 of 26 October 2012 'On adjustment of the price caps for natural gas transmission and distribution of AB Lietuvos Dujos and establishment of the additional component to be included in the natural gas transmission price cap (the LNG terminal component) for the year 2013'. AB Amber Grid is involved in the proceedings as a third party concerned. On 28 May 2015, Vilnius Regional Administrative Court rejected the claim of AB Achema in full. AB Achema filed an appeal.

4. On 22 December 2014, AB Achema applied to Vilnius Regional Administrative Court requesting to revoke paragraphs 1.1, 2.2.1, 2.3 and 3 of the Commission's Resolution No 03-895 of 20 November 2014 'On the establishment of the upper liquefaction limit of natural gas (additional natural gas supply security component to be included in the natural gas transmission price) for the years 2015-2019'. Based on the Court ruling of 7 July 2015, AB Amber Grid joined the lawsuit as a third party concerned. On 11 November 2015, the court suspended the proceedings by its ruling. A separate appeal was filed.

5. On 22 January 2016, AB Achema appealed to the Vilnius Regional Administrative Court requesting to annul paragraph 1 of the Commission's Resolution No 03-683 of 23 December 2015 'On the setting of an additional natural gas supply security-related price component to be included in the natural gas transmission price'. By a court ruling of 9 March 2016, AB Amber Grid was involved in the proceedings as a third party concerned. The parties submitted their responses.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2016

(all amounts are in euro thousand unless stated otherwise)

17 Commitments and contingencies (cont'd)

6. On 18 April 2016, AB Achema applied to Vilnius Regional Court requesting to revoke paragraph 1 of the Commission's Resolution No O3-83 of 25 March 2016 'On the setting of an additional natural gas supply security-related price component to be included in the natural gas transmission price'. By a court ruling of 2 May 2016, AB Amber Grid was involved in the proceedings as a third party concerned. The parties submitted their responses.

18 Related party transactions

The parties are considered to be related where one party has a possibility to control the other one or may have a significant influence over the other party in making financial and operating decisions.

As of 30 June 2016 and as of 30 June 2015, the related parties of the Company were as follows:

- UAB GET Baltic (a joint venture in which the Company has a shareholding);
- UAB EPSO-G (the parent company);
- AB LITGRID (co-shareholders);
- UAB Baltpool (a subsidiary of UAB EPSO - G);
- UAB Tetas (a subsidiary of AB LITGRID);
- UAB LITGRID Power Link Service (a subsidiary of AB LITGRID);
- UAB Duomenų Logistikos Centras (an associated company of AB LITGRID Group);
- Lit Pol Link Sp.z.o.o. (a joint venture co-owned by AB LITGRID and the Polish electricity network operator PSE S.A.);
- Management.

The tables below present the Company's balances and transactions with the related parties as of 30 June 2016 and as of 30 June 2015.

As of 30 June 2016 (unaudited)

	Acquisitions	Sales	Accounts receivable	Accounts payable
UAB GET Baltic	132	3	1	-
	132	3	1	-

As of 31 June 2015 (unaudited)

	Acquisitions	Sales	Accounts receivable	Accounts payable
UAB GET Baltic	-	3	1	-
	-	3	1	-

There were no guarantees either provided or received for receivables from the related parties or for payables to them. As at 30 June 2016, the Company had not accounted any impairment loss allowances for receivables from any related parties.

Benefits to the Management

During the period of 6 months ended 30 June 2016, the Company's benefits to the Management of the Company amounted to EUR 214 thousand (during the period of 6 months ended 30 June 2015: EUR 209 thousand). The Company's Management consists of the Chief Executive Officer, his Deputies, and the Chief Accountant. The Management of the Company were not given any loans or guarantees and were not subject to any asset transfers.



AB AMBER GRID
INTERIM REPORT
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2016

Vilnius
2016

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I. GENERAL INFORMATION ABOUT THE ISSUER

The reporting period covered by the present Interim Report is 1 January – 30 June 2016

KEY DATA

Company name	AB Amber Grid (hereinafter – Amber Grid or the Company)
Legal form	Public company
Date of registration and name of register	25 June 2015, 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
Registered office address	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 236 0855
Fax number	+370 5 236 0850
E-mail Address	info@ambergrid.lt
Website	www.ambergrid.lt

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 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 are provided with natural gas transmission services in the territory of Lithuania.

8 February 2016 marked the incorporation of Lithuania's National Energy Association, and Amber Grid became its member.

OVERVIEW OF THE COMPANY'S ACTIVITIES

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

- transmission of natural gas within the territory of Lithuania;
- balancing of natural gas flows 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 justified costs of the supply of the mandatory quantities of liquefied natural gas.

NATURAL GAS TRANSPORTATION VIA GAS TRANSMISSION PIPELINES

TRANSMISSION SYSTEM AND ITS DEVELOPMENT

The transmission system consists of 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 attributed to the transmission system. Lithuania's gas transmission system is connected with the gas transmission systems of the Republic of Latvia, the Republic of Belarus, the Kaliningrad Region of the Russian Federation, and with Klaipėda LNG terminal. Total length of the transmission pipelines operated by the Company is 2,113 km, and the diameter ranges between 100 mm and 1,220 mm. The majority of the transmission system has the design pressure of 54 bar.

In the first half of 2016 Amber Grid was engaged in the implementation of the project for the construction of a gas transmission pipeline branch to Tauragė Gas Distribution Station (hereinafter – GDS) and construction of a GDS, a project intended for the introduction of gas to Tauragė District. By the end of 2016 it is planned to construct a 1.6 km long pipeline (DN150) and to install a GDS with design capacity of 32.2 MW. Estimated project value: EUR 1.3 million.

INFRASTRUCTURE PROJECTS OF STRATEGIC IMPORTANCE

The infrastructure projects of strategic importance in which Amber Grid is involved – gas interconnection Poland–Lithuania and enhancement of Latvia–Lithuania interconnection – were included in the Second List of the EU Projects of Common Interest published on 18 November 2015, 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, i.e. the Baltic Energy Market Interconnection Plan. These projects, alongside with other investment projects of the Company, were also included in the Natural Gas Transmission System 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 as approved by the Lithuanian Government Resolution No 746 as of 22 July 2014 (hereinafter – the National Plan).

In the first half of 2016, the Company developed and published for public consultation a Gas Transmission Network Development Plan 2016–2025. This ten-year plan includes information on gas transmission system development investments aimed at ensuring security and reliability of gas supplies, at promoting competitive ability, at the integration of the Baltic gas markets into a common European gas market and at the development of a single regional gas market of the Baltic States.

On 1 March 2016, Amber Grid and the public institution Lithuanian Business Support Agency signed support agreements regarding 8 natural gas transmission infrastructure projects that are part of the National Plan and were granted a total amount of up to EUR 14.6 million under EU funds financial support programme for the period 2014–2020. Total value of the projects under implementation is estimated at up to EUR 29.2 million.

In the first half 2016 Amber Grid was engaged in the implementation of a strategic gas transmission infrastructure project Gas Interconnection Poland–Lithuania (hereinafter – GIPL). The EU project of common interest, the GIPL project, that is implemented by Amber Grid in cooperation with the Polish Gas Transmission System Operator, GAZ-SYSTEM S.A., is aimed at the integration of the Baltic gas markets into a single EU gas market, at the diversification of gas supply sources and at the improvement of the security of gas supplies situation.

Expected project output in the Lithuanian territory: a 165 km long and 700 mm in diameter gas transmission pipeline stretching from Jauniūnai Compressor Station to the Lithuanian-Polish border and a new gas metering and pressure regulating station.



Map 1. Project for Gas Interconnection Poland-Lithuania (GIPL)

In April of 2016 Amber Grid announced a public procurement tender for the procurement of construction works and for the procurement of piping required for the GIPL project's part in the territory of the Republic of Lithuania.

In June of 2016 the Government of the Republic of Lithuania approved the GIPL project's draft special plan, and in September of 2016 it is expected to obtain a construction works permit.

By the European Commission's decision the GIPL project was been granted the EU financial support under European Connecting Europe Facility (CEF) in the amount of EUR 10.6 million for the preparatory works and in the amount of EUR 295.4 million for the construction works. Other than with the financial assistance of the EU, the development of the GIPL project will be financed with the funds of Poland, Lithuania, Latvia, and Estonia including the Baltic States which according to the cross-border cost allocation solution will cover part of the GIPL investments in the Polish territory.

MAINTENANCE, RECONSTRUCTION AND MODERNISATION

Maintenance of the gas transmission pipelines is regulated by applicable rules and regulations, and is performed in strict compliance with applicable requirements. In order to ensure safety and reliability of the transmission system, regular maintenance and repair works are carried out on an ongoing basis.

In 2016 for the first time the gas transmission pipeline directed to Kaliningrad DN700 (a 96.8 km-long section) was subjected to diagnostic tests. Respective contracts for the procurement of the necessary works were concluded and works for internal diagnostics (intelligent pigging) of the pipelines directed to Alytus and Marijampolė GDSs and Vilnius-Panevėžys-Riga gas pipeline were started. The reporting period saw a continuation of works for the elimination of any defects detected during the internal diagnostic tests on Minsk-Vilnius, Vilnius-Panevėžys-Riga pipelines and the pipeline to Kaliningrad and the continuation of works for the repairs of gas pipeline coating defects.

Works in the first half of 2016:

- completion of the installation of an intelligent pig receiver on Riga-Panevėžys-Vilnius (DN700) gas transmission pipeline, at the Lithuanian-Latvian border;
- works for the improvement of the information technology infrastructure;

- procedures for the procurement of works and equipment required for other facilities as provided for by the Company's Investment Programme.

NATURAL GAS PRICE REGULATION

Natural gas transmission service prices are subject to regulation.

1 January 2016 marked the entering into effect of the natural gas transmission service price caps for the transmission system's entry¹ and exit² points as set by the National Commission for Energy Control and Prices (hereinafter – NCC) (the entry-exit capacity allocation and pricing model compliant with EU legislative provisions has been applied in Lithuania since 2015). The price caps may be adjusted on an annual basis by the NCC's decision to that effect in accordance with the procedure as prescribed by the Methodology for the Determination of the State Regulated Prices in the Natural Gas Sector (hereinafter – the Methodology).

Moreover, 1 January 2016 saw the entering into effect of new natural gas transmission service prices for the transmission system's entry and exit points as adopted by the NCC end 2015. In accordance with the Methodology as amended by the NCC on 17 December 2015 starting with 2016, at the transmission system's domestic exit point a three-component price was introduced: a price component for the gas transmission capacities booked, a price component for the consumption capacities³ (a new price component) and the price component for the gas transmission quantity. For more information about the three-component tariffs for natural gas transmission services effective as from 1 January 2016, see the Company's website at www.ambergrid.lt (see *Transportation Services/ Tariffs/ Prices*).

NATURAL GAS TRANSMISSION VOLUMES

In the first half of 2016, natural gas quantities for Lithuania's consumers and consumers of other Baltic countries that entered the gas transmission system operated by the Company through Kotlovka Gas Metering Station (hereinafter – GMS) from Belarus amounted to 3,549.8 GWh, whereas the quantities that entered from Klaipėda LNG terminal amounted to 9,205.8 GWh, the quantities delivered from the LNG terminal accounted for 72.2 percent of the quantities required by these consumers. As for natural gas transportation from Latvia to the Republic of Lithuania, in the reporting period there was none.

During the first half of 2016, natural gas transportation to Lithuanian consumers up to the domestic exit point amounted to 12,281.4 GWh. In comparison with the respective indicator for the same period of 2015 (14,324.3 GWh), gas transmission quantities went down by 14.3 percent. In the first half of 2016 quantities transmitted to system users from the transmission system to the Republic of Latvia via Kiemėnai GMS amounted to 235.6 GWh (in the first half of 2015: 508.8 GWh).

During the reporting period, gas transmission to the Kaliningrad Region of the Russian Federation was 11,412.7 GWh (in the first half of 2015: 10,966.1 GWh).

¹ 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.

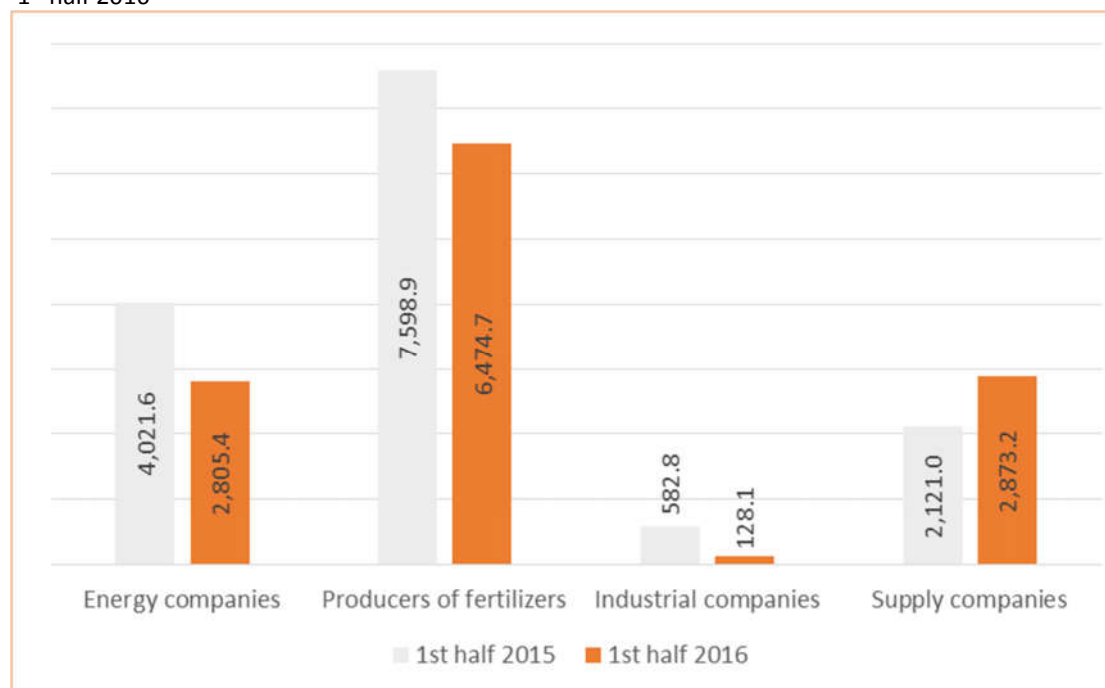
² The points of interconnection of the transmission system in Lithuania with the transmission systems in Latvia, Kaliningrad Region of the Russian Federation, and the domestic exit point (covering the points of interconnection of the transmission system in Lithuania with gas distribution systems or the systems of gas consumers).

³ Natural gas consumption 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. Consumption 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 consumption capacity when booking the capacity.

By 1 July 2016, the Company had entered into 93 gas transmission service agreements with natural gas transmission system users (i.e. natural gas consumers, natural gas distribution system operators, gas importers or natural gas supply companies that supply gas up to consumer systems), out of which a total of 26 system users were not using the transmission service. With natural gas supply companies that were engaged in natural gas sales but were not using the service of gas transportation via the gas transmission system the Company had concluded 3 natural gas flows balancing agreements.

Analysis of the natural gas transmission quantities (for the domestic exit point) by the transmission system users is presented below in Chart 1.

Chart 1. Natural gas transmission quantities by transmission system users in Lithuania, GWh, 1st half 2015/ 1st half 2016



BALANCING OF NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid ensures the balancing of natural gas flows in the transmission system. Acting in accordance with the Rules for Natural Gas Transmission System Balancing, the Company purchases balancing gas from the gas market participant in cases where the market participant has caused a surplus of gas in the transmission system, and, conversely, the Company sells balancing gas to the gas market participant in cases where the market participant has caused a shortage of gas in the transmission system.

During the first half of 2016 due to the imbalances caused by system users, the Company purchased 5.1 GWh and sold 1.7 GWh of natural gas.

Besides the balancing of the gas flows of system users and other gas market participants, the quantities of natural gas contained in the pipelines of the Company's transmission system (the line pack) are subject fluctuations due to the technical or technological peculiarities of the transmission system.

ADMINISTRATION OF LNG FUNDS

In order to ensure compliance with the requirements of the Lithuanian Law on LNG terminal and its implementing legal acts, since 2013, in accordance with the established procedure, the Company has been collecting, administering and paying out the LNG terminal funds to the LNG terminal operator (AB Klaipėdos

Nafta) and to the designated supplier (UAB Litgas). Pursuant to the NCC's decision, part of the collected funds goes to cover the LNG funds administration costs incurred by the Company.

The NCC, by Resolution No O3-683 as of 23 December 2015, by Resolution No O3-83 as of 25 March 2016, and by Resolution No O3-121 as of 13 May 2016, approved an additional price component related to the natural gas supply safety to be included in the natural gas transmission price for 2015 intended to compensate for the fixed operating costs of the LNG terminal infrastructure and for the designated supplier's justified costs of the supply of the mandatory quantities of liquefied natural gas.

The first half 2016 saw the continuation of the Company's litigation with AB Achema regarding the unpaid LNG terminal funds.

RESEARCH AND DEVELOPMENT ACTIVITIES

In April of 2016, the Company, together with other members of the *East-Baltic Transmission System Operator Coordination Group* (EBTSO) consisting of Lithuanian, Latvian, Estonian and Finnish transmission system operators, finalized the preparation of a study on regional market development in the Eastern Baltic region. The study recommends interconnecting the four eastern Baltic gas markets (Lithuanian, Latvian, Estonian and Finnish) into a single trading zone. The implementation of the markets interconnection would necessitate harmonization of the rules for the entry to gas networks, balancing and gas trading, reforming the operational processes of transmission system operators and establishing a regional gas stock exchange. The findings of the study will be used in the process of a further development of the regional market.

CORPORATE STRATEGY

On 13 January 2016 the Company's Board approved a Corporate Strategy for 2016–2021. In May of 2016 Amber Grid submitted to VĮ Turto Bankas its first annual report on the implementation of the long-term strategy.

EMPLOYEES

As of 30 June 2016, number of employees at the Company was 363. In the first half of 2016, the staff turnover was 2.8 percent.

Table 1. Employee distribution by groups

	Number of employees as at 30 June 2016	Number of employees as at 30 June 2015
Executives	5	5
Middle level managers and specialists	229	221
Workers	129	134
Total	363	360

The Company's employees' average monthly salaries by groups are presented in Table 2 below.

Table 2. Average monthly salary by employee groups

	Average monthly salary, 1 st half of 2016 (gross, EUR)	Average monthly salary, 1 st half of 2015 (gross, EUR)
Executives	5,507	5,541
Middle level managers and specialists	1,342	1,344
Workers	841	885
Total	1.222	1.228

The Company devotes a lot of attention to employee training and to the fostering and brushing-up of their professional skills. In the first half of 2016, professional and technical trainings were attended by 84 employees of the Company, general (managerial) trainings were attended by 64 employees, and information security trainings were attended by 337 employees.

The Company has a valid Collective Bargaining Agreement effective until 31 December 2016. The employees' employment contracts and the Collective Bargaining Agreement provide for standard rights and obligations that are usually applied in general practice.

INTERNATIONAL COOPERATION

The Company is a member of two international working groups dealing with regional natural gas market development issues: the East-Baltic Region TSO Coordination Group, EBTSO, and the Regional Gas Market Coordination Group (hereinafter – RGMCG).

The EBTSO unites gas transmission system operators of countries of the East-Baltic Region: the TSOs of Lithuania, Latvia, Estonia and Finland. In April of 2016 the preparation of a Study on Regional Market Development in the East-Baltic Region was finalized, which was funded by the Baltic Sea Region Energy Cooperation Organization (hereinafter – the BASREC). The analytical work was made by the consultancy, *Frontier Economics* (UK), with an active participation of the Company and other members of the EBTSO.

The RGMCG consists of the East Baltic Region's ministries in charge of energy, of the national regulatory authorities, of the natural gas transmission system operators and of the LNG terminal operators. In May of 2016 all the RGMCD members, haven taken into consideration the findings of the Regional Market Development Study, reached a general agreement on the expediency of further steps aimed at the development of a regional gas market. A number of working groups were set up, which by end 2016 are required to produce a regional market development plan. The Company participates in the working groups aiming at the development of a study on a common virtual trading point and the establishment of a regional gas exchange as well as the development of harmonized rules on balancing and systems interoperability. Moreover, the Company, together with the Latvian and Estonian transmission system operators, seeks to introduce in the Baltic countries an implicit capacity allocation scheme, which is an effective tool for the integration of the gas markets during the transition period until a full implementation of a regional gas market reform.

The Company is also a member of the ENTSG (www.entsog.eu) and a member of the Association *Polish-Lithuanian Chamber of Commerce*.

II. FINANCIAL RESULTS

KEY PERFORMANCE INDICATORS FOR THE TRANSMISSION SYSTEM

Table 3. Company's key performance indicators

	1 st half of 2016	1 st half of 2015
Quantities of natural gas transported		
Quantity of gas transported to domestic exit point, GWh	12,281.4	14,324.3
Quantity of gas transported to adjacent transmission systems ⁴ , GWh	11,648.3	11,504.9
Number of system users at the end of the period	93	83
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	360

COMPANY'S KEY FINANCIAL PERFORMANCE INDICATORS

Table 4. Company's key financial performance indicators

Financial results (EUR '000)	1 st half of 2016	1 st half of 2015
Revenue	33,904	27,306
EBITDA	21,555	14,503
Profit (loss) before tax	13,267	6,962
Net profit (loss)	11,536	8,402
Net cash flows from operating activities	24,220	16,458
Investments	5,672	33,605
Financial debt	116,556	113,022
Net financial debt	90,167	109,933
Profitability ratios (%)	1 st half of 2016	1 st half of 2015
EBITDA margin	63.58	53.11
Gross profit (loss) margin	39.13	25.50
Net profit (loss) margin	34.03	30.77
Average return on assets (ROA) ⁵	2.89	2.33
Average return on equity (ROE)	5.95	3.97
Return on capital employed (ROCE)	4.37	2.35
Liquidity ratios	30 June 2016	30 June 2015
Current ratio ⁵	1.15	1.32
Quick ratio ⁵	1.06	1.14
Leverage ratios (%)	30 June 2016	30 June 2015
Equity to total assets ratio ⁵	50.15	49.08
Financial debt to equity ratio	60.26	60.41

⁴ Transmission systems of Latvia and Kaliningrad Region of the Russian Federation

⁵ These Company's financial ratios were calculated disregarding the assets and liabilities generated by the LNG terminal funds

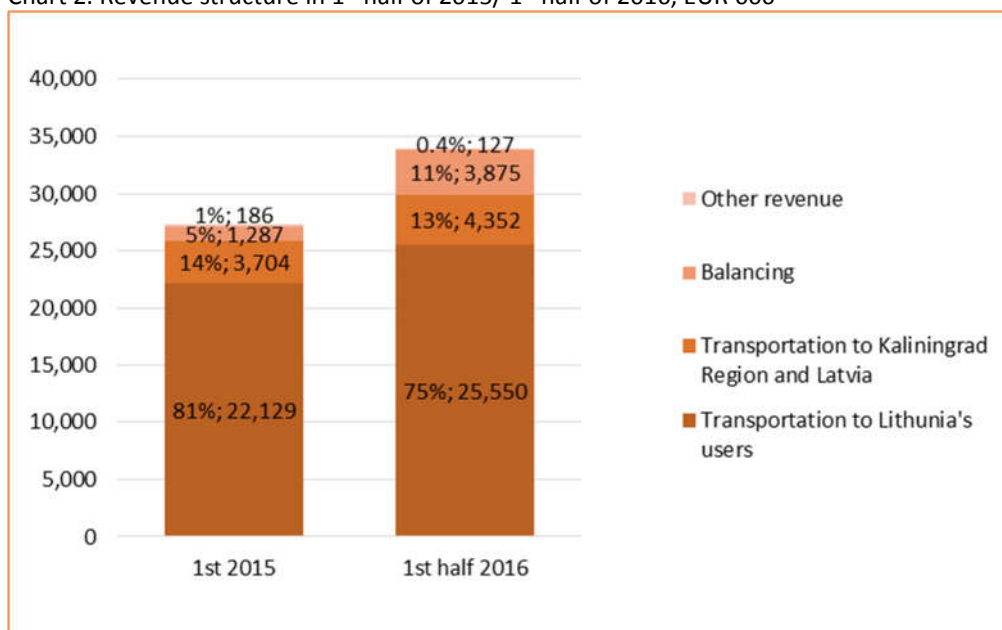
Net financial debt to equity ratio ratio	46.62	58.76
Market value ratios	30 June 2016	30 June 2015
Price/earnings ratio (P/E), times	17.32	21.44
Net earnings (loss) per share, EUR	0.06	0.05

The Company's financial statements as at 30 June 2016 reflect the operating results of UAB GET Baltic, a company jointly controlled with the Finnish gas company Gasum Oy, which were accounted using the equity method. On 6 November 2015, Amber Grid acquired from AB Lietuvos Dujos a 34 percent stake in UAB GET Baltic, and at the end of 2015 its ownership interest in UAB GET Baltic was 66 percent of the UAB GET Baltic's total authorised share capital.

REVENUE

In the first half of 2016, the Company's revenue totalled EUR 33,904 thousand, a rise of 24.2 percent in comparison with the respective period of 2015. Revenue from the natural gas transmission service accounted for 88 percent of the total revenue (see Chart 2). Revenue from natural gas balancing services increased by EUR 2.6 million or threefold. The reasons behind the increase: a rise in balancing quantities and the fact that part of the balancing of revenue for the 2015 was reflected not quarter by quarter but rather the full amount was reflected in the fourth quarter of 2015⁶. In the first half of 2016 other revenues consisting of the revenue from the administration of the LNG terminal funds and other income amounted to EUR 127 thousand.

Chart 2. Revenue structure in 1st half of 2015/ 1st half of 2016, EUR'000



The balancing revenue is generated as follows:

- though the balancing of gas flows of system users and other gas market participants involved in the balancing of the transmission system;
- through operational balancing of the transmission system due by the technological characteristics of the transmission system and due gas flow deviations (imbalances) occurring due to technological reasons.

The LNG terminal funds are administered by the Company under statutory obligation imposed by applicable legislative provisions. For more information and disclosures about the accounting of the LNG terminal funds see the financial statements of the Company for the first half of 2016.

⁶ For more detailed information please refer to the Company's financial statements for 2015

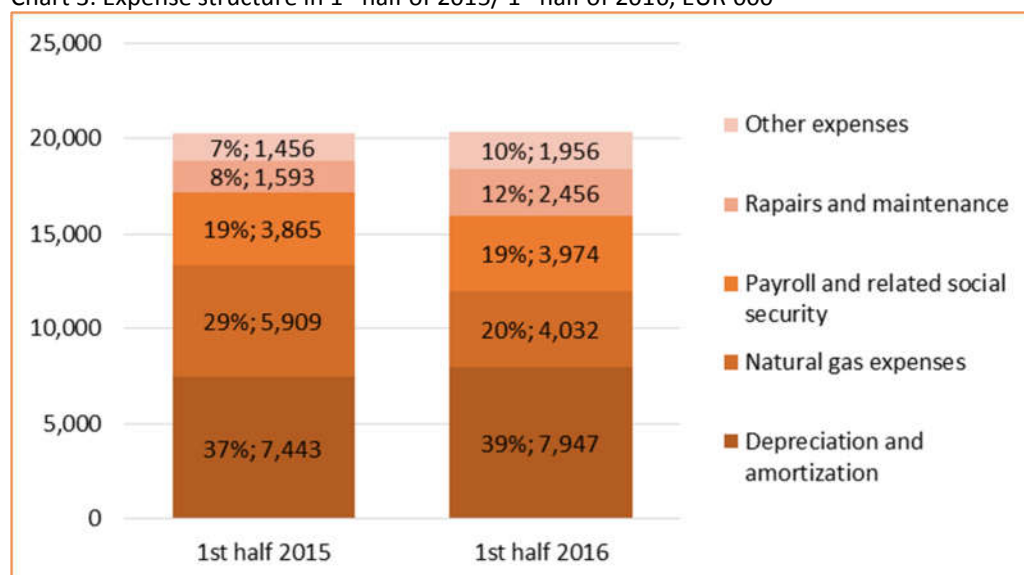
EXPENSES

In the first half of 2016 the Company's expenses amounted to EUR 20,365 thousand and, in principle, were comparable to the expenses of the respective period of 2015.

Non-current assets depreciation and amortization expenses accounted for the greatest share of the Company's expenses: EUR 7,947 thousand and, in comparison with the first half of 2015, increased by 6.8 percent as a result of the putting into operation of new assets.

Natural gas expenses amounted to EUR 4,032 thousand and accounted for 20 percent of total expenses, and, compared to the same period of 2015, due to the lower demand for natural gas for technological needs and technological balancing needs, decreased by almost 32 percent. Payroll and social security tax expenses amounted to EUR 3,974 thousand and accounted for 19 percent of total expenses, and repairs and maintenance expenses amounted to EUR 2,456 thousand (12 percent) (Chart 3). Natural gas was purchased by the Company for technological needs, for balancing of gas flows of system users and other gas market participants involved in the balancing of the transmission system, and for operational balancing.

Chart 3. Expense structure in 1st half of 2015/ 1st half of 2016, EUR'000



OPERATING RESULTS

During the first half of 2016, profit before tax amounted to EUR 13,267 thousand (in the first half of 2015: EUR 6,962 thousand), and profit before tax, interest, depreciation and amortization (EBITDA) amounted to EUR 21,555 thousand (in the first half of 2015: EUR 14,503 thousand) (Chart 4).

In the first half of 2016, the Company earned a net profit of EUR 11,536 thousand, (in the first half of 2015 net profit was EUR 8,402 thousand).

The main reason behind the increase in profitability compared to the same period last year was the increase in the revenue.

Chart 4. Financial results of 1st half of 2015/ 1st half of 2016, EUR'000

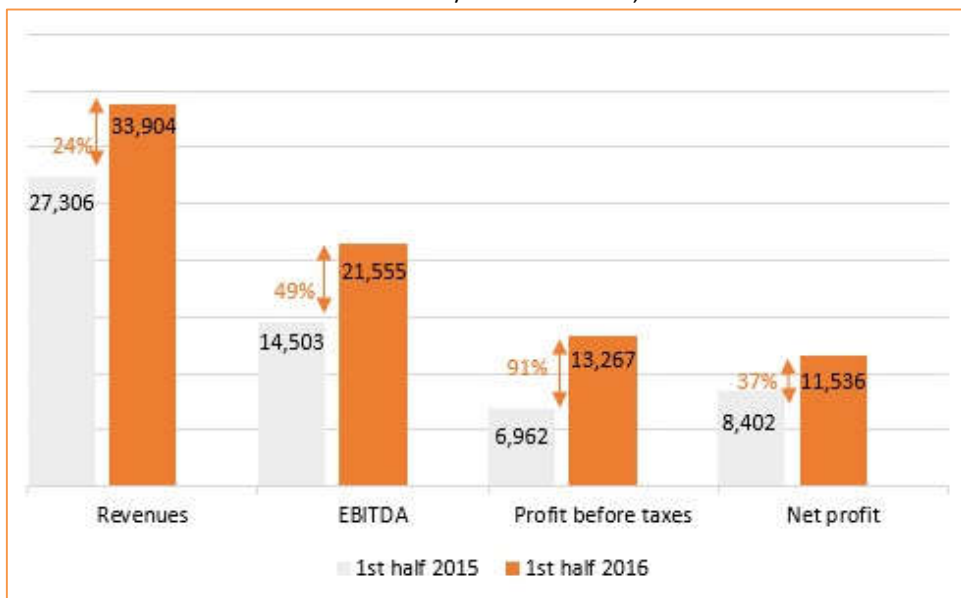
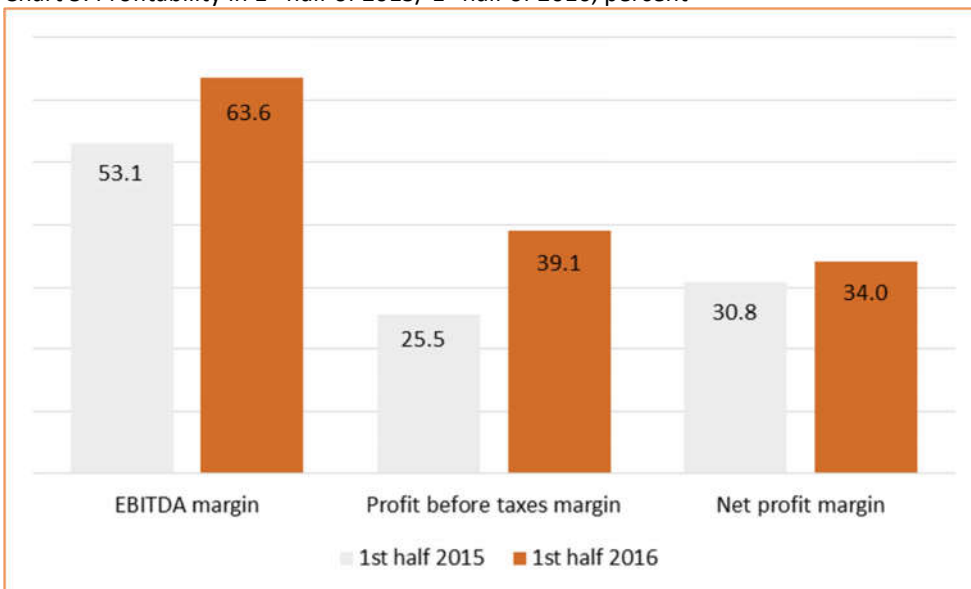


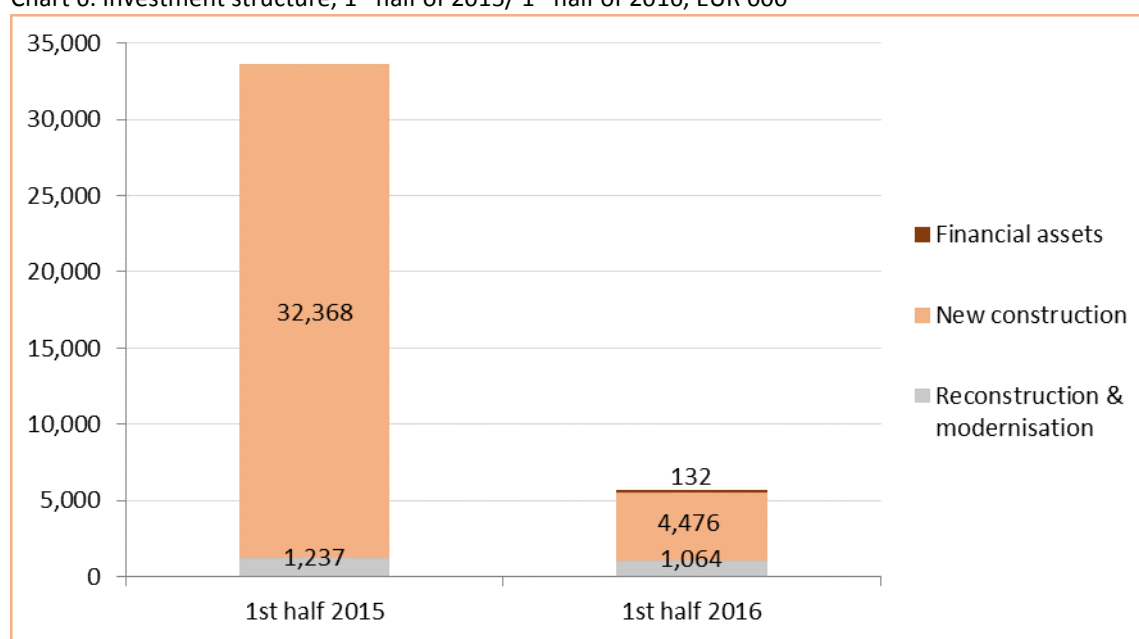
Chart 5. Profitability in 1st half of 2015/ 1st half of 2016, percent



INVESTMENTS

Investments of the first half of 2016 in the transmission system development and modernisation amounted to EUR 5.672 thousand (during the respective period of 2015: EUR 33,605 thousand). After the completion of the construction of Klaipėda–Kuršėnai pipeline back in 2015, in the first half of 2016, investments in the construction of new gas system facilities were significantly lower in comparison with the investments made during the same period last year – EUR 4,476 thousand; and investments in the reconstruction and modernisation amounted to EUR 1,064 thousand. Investments in the increase of the share capital of the subsidiary, UAB GET Baltic, amounted to EUR 132 thousand.

Chart 6. Investment structure, 1st half of 2015/ 1st half of 2016, EUR'000



ASSETS

As of 30 June 2016 asset value was EUR 395,674 thousand. Non-current assets accounted for 89 percent and current assets accounted for 11 percent of the total assets of the Company.

In January-June 2016, non-current assets decreased due to the depreciation, which exceeded the investments that were made, and the value of current assets during the same period decreased by 55.3 percent (EUR 54,436 thousand), mainly due to the pay-out of the LNG terminal funds received from AB Achema to the beneficiaries of these funds and the decrease in the balance of cash due to the repayment prior to maturity of part of the Company's loan to Swedbank, AB.

EQUITY AND LIABILITIES

In January-June 2016 the Company's equity in principle did not change, and at the end of the reporting period it amounted to EUR 193,418 thousand.

In January-June 2016 accounts payable and liabilities decreased by 21.8 percent (EUR 56,433 thousand) and as of the end of reporting period amounted to EUR 202,256 thousand. The decrease in the amount of accounts payable and liabilities resulted from the fact that LNG terminal funds received from AB Achema were remitted to the beneficiaries of these funds and due to the fact that part of Swedbank, AB loan was repaid prior to maturity.

As of 30 June 2016 the Company's financial debt amounted to EUR 116,556 thousand and in the course of the accounting period decreased by EUR 21,454 thousand. The ratio of financial liabilities to credit institutions to equity ratio stood at 60 percent.

CASH FLOWS

In the first half of 2016 the Company's cash flows from its core activity amounted to EUR 24,220 thousand (in the first half of 2015: EUR 16,458 thousand). Amount used for the procurement of non-current assets was EUR 9,844 thousand (in the first half of 2015: EUR 30,971 thousand), for the pay-out of dividend EUR 12,778 thousand (in the first half of 2015: EUR 57,837 thousand). During the first half of 2016 no

significant amounts of EU funds were received. In the first half of 2016, the Company repaid loans amounting to EUR 21,454 thousand.

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

Other information is presented in the notes to the condensed annual financial statements of Amber Grid as of 30 June 2016.

BUSINESS PLANS AND PROJECTIONS

It is forecast that in 2016 the Company's gas transportation through the gas transmission system for Lithuanian system users to the domestic exit point will stand at approximately 21.9 TWh, to the Republic of Latvia it will be 0.5 TWh and to the Kaliningrad Region of the Russian Federation it will be 22.2 TWh. It is planned that approximately 65 percent of the quantity of natural gas intended for Lithuania's and other Baltic States' users will be supplied from Klaipėda LNG terminal.

RISK MANAGEMENT, THE COMPANY'S INTERNAL CONTROL SYSTEM

Data on risk management and the Company's internal control system during the reporting period in comparison with those presented in the Annual Report for 2015 remained essentially unchanged.

III. CORPORATE GOVERNANCE

SHARE CAPITAL

By a decision of AB Amber Grid's Annual General Meeting of Shareholders as of 23 April 2015, the Company's share capital (registered on 30 April 2015 with the Register of Legal Entities) amounts to EUR 51,730,929.06. It is divided into 178,382,514 ordinary registered shares with par value of EUR 0.29 each. One ordinary share with value of EUR 0.29 entitles its holder to one vote at the General Meeting of Shareholders. All the shares are fully paid up.

SHARES AND SHAREHOLDERS' RIGHTS

Number of shares entitling to vote at the Company's General Meeting of Shareholders amounts to 178,382,514. Property and non-property rights granted by Amber Grid shares to all shareholders are equal. According to the Company's Articles of Association, decisions on issuing new shares or acquisition of own shares are within exclusive competence of the Company's General Meeting of Shareholders.

The Company is not aware of any agreements among its shareholders that could possibly impose any restrictions on the disposal of the securities and/or voting rights. The Company has no voting rights restrictions.

During the first half of 2016 the Company did not make any acquisitions of its own shares, nor did it make any transactions involving either acquisition or disposal of own shares.

SHAREHOLDERS

In first half of 2016 the Company's shareholder structure remained unchanged. UAB EPSO-G retained its 96.58 percent stake at the Company and was the sole shareholder controlling more than 5 percent of the Company's shares.

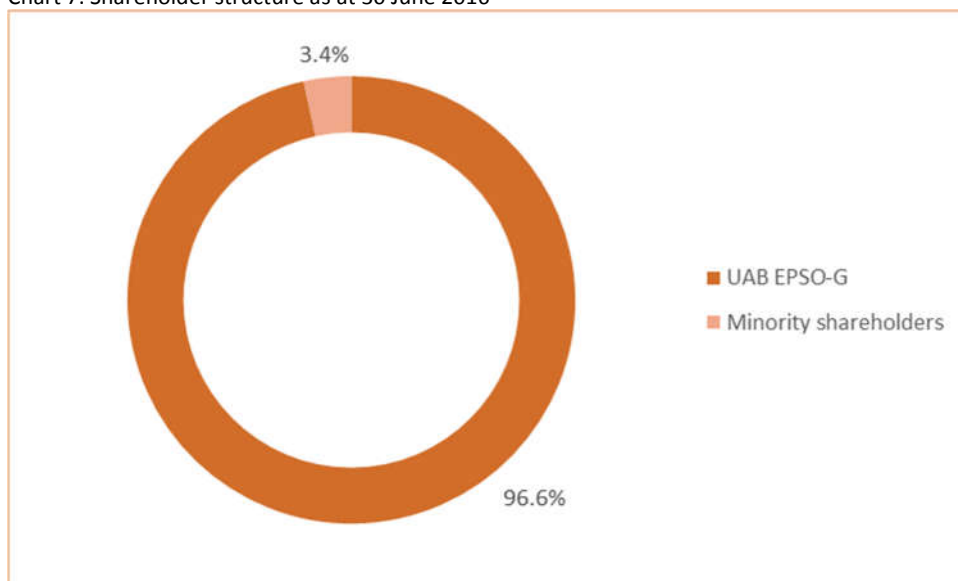
Since Amber Grid's shares are traded on the stock exchange, the number of its shareholders is subject to constant changes. According to the data as of 30 June 2016 obtained from securities brokers, shares of the Company were held by more than 2,300 natural and legal persons from Lithuania and abroad.

Table 5. The Company's shareholders (as at 30 June 2016)

Shareholder	Address / Legal entity code	Number of shares held
UAB EPSO-G	A. Juozapavičiaus g. 13 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
Total		178,382,514

The Company's shareholder structure is presented in Chart 7:

Chart 7. Shareholder structure as at 30 June 2016



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

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. Key data on the shares of Amber Grid

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

In January-June 2016, the turnover of trading in the Company's shares amounted to EUR 496.9 thousand, and number of shares sold through transactions was 415,696.

The Company's share price dynamics is presented in Table 7, and data on the prices and turnover of the Company's shares (in January-June 2016) is presented in Chart 8.

Table 7. Share price dynamics at NASDAQ Vilnius in January-June 2016

Opening price, EUR 1 January 2016	Highest share price, EUR 7 March 2016	Lowest share price, EUR 18 May 2016	Weighted average share price, EUR	Closing price, EUR 30 June 2016
1.19	1.32	1.08	1.195	1.12

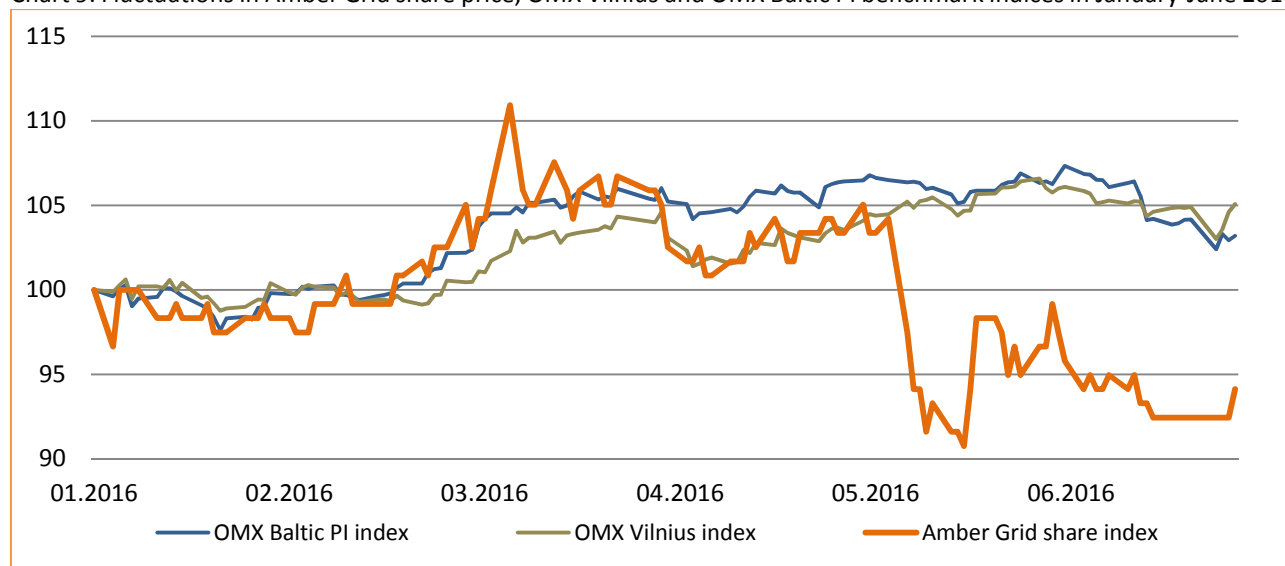
Amber Grid shares capitalisation as of 30 June 2016 amounted EUR 199.8 million.

Chart 8. Amber Grid share price and turnover in January-June 2016



In the first half of 2016, the benchmark indices OMX Baltic PI and OMXV calculated at NASDAQ Stock Exchange (that reflect changes in stock prices of companies listed on the Baltic and Vilnius Stock Exchanges) increased by 3.19 percent and 5.08 percent respectively. The Company's share price decreased by 5.88 percent during the same period. The fluctuations in the Company's share price, OMX Vilnius and OMX Baltic PI benchmark indices (in January-June 2016) are presented in Chart 9.

Chart 9. Fluctuations in Amber Grid share price, OMX Vilnius and OMX Baltic PI benchmark indices in January-June 2016



DIVIDENDS

The Company's General Meeting of Shareholders held on 26 April 2016 adopted a decision on payment of dividends. The dividends amounted to EUR 12,782,134 or EUR 0.071655757 per share.

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

Amber Grid has an agreement with AB SEB Bankas 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 Bankas on the payment/distribution of dividends to minority shareholders, under which AB SEB Bankas shall calculate and pay out dividends to all shareholders of the Company with the exception of the controlling shareholder – UAB EPSO-G.

Details of AB SEB Bankas	
Company code	112021238
Registered office address	Gedimino pr. 12, Vilnius, Lithuania
Telephone number	+370 5 268 2800, short number 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 are as defined in the Law on Companies and the Company's Articles of Association. The Articles of Association of the Company are posted on the Company website: www.ambergrid.lt/en/about-us/investors-relations/bylaws.

The Company's Articles of Association provide for an additional competence of the General Meeting of Shareholders. In addition to the competences as provided for by the Law on Companies, the General Meeting of Shareholders of the Company is also entitled take decisions on:

- approval of the Board decisions on issues provide for by the Company's Articles of Association. The General Meeting, when approving the Board's resolutions on specific transactions, shall *inter alia* approve key terms of any transactions approved by a Board decision;
- appointment of Board members, the maximum annual remuneration budget for the Board members and decisions on the determination of the size of specific remuneration amounts for Board members, decisions on the conclusion of contracts with Board members regarding their activities on the Board, on the determination of standard conditions of any such contracts and on the appointment of a person authorized to sign such contracts on behalf of the Company.

Amendments to the Company's Articles of Association may be made by a decision of the General Meeting of Shareholders adopted by a majority vote of 2/3 of all the shareholders present at the General Meeting of Shareholders.

The Articles of Association provide for the following governing bodies:

- Board
- Head of the Company – Director General (Chief Executive Officer).

The Company's Board consists of 5 (five) members elected by a General Meeting of Shareholders for a four year term of in accordance with the procedure established by the Law on Companies. In the process of the election of Board members it must be ensured that the principle of an adequate representation of all shareholders' rights on the Board is complied with. In the light of this principle, when the nominating candidates to the Board, it should be sought to ensure that at least 2 (two) candidates to the Board would be nominated out of the Parent Company's managerial staff, at least 2 (two) candidates to the Board would

be nominated out of the Company's managerial staff, and at least 1 (one) member of the Board would be an independent person, determining his/her independence in accordance with the criteria as stipulated by the Corporate Governance Code as well as requirements of other applicable legal acts. The right to nominate a candidate to independent members of the Board belongs to any shareholder of the Company. The Board elects its Chairman out of its members. The members of the Board of Directors may be re-elected for another term. Board member's uninterrupted term in office is up to two (2) full consecutive terms. The powers of the Board members and the area of competence of the Head of the Company are as stipulated by the Law on Companies and by the Company's Articles of Association.

The Company's Articles of Association provide for the following Board decisions that require approval by the General Meeting of Shareholders:

- On transfer, pledge or other restrictions to the shares (stocks, interests) held by the Company or the rights granted thereby or the rights of the participant of legal entity;
- On transfer of the Company's Controlled and/or Associated Companies as a property complex or essential elements thereof, where the book value of the transferred property is higher than 1/20 of the Company's authorised capital;
- On transfer, pledge, change of the legal status, other restriction or disposal of the facilities owned by the Company that are of special strategic importance to national security and facilities of strategic importance to national security as they are defined by the Law of the Republic of Lithuania on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security and by the related legal acts where the value of the facilities in question is higher than 1/20 of the Company's authorised capital;
- On other restriction of the shares or the rights granted by such shares in the directly or indirectly controlled companies that possess, develop, operate, use or dispose, irrespective of the grounds of any such disposal, any facilities as specified in the paragraph above, increasing, decreasing of the authorised capital of such companies or other actions that can change such companies' authorised capital structure (e.g., issuing of convertible bonds) and decisions on the reorganisation, spin-off, restructuring, liquidation, reforming of any companies as specified herein or other actions changing the legal status of the companies specified herein;
- On investment, transferring, rent (calculated individually for every type of transaction), pledge or mortgage (calculated for the total amount of transactions) of the Company's long-term assets with the book value exceeding 1/5 of the Company's authorised capital;
- On indemnity or guarantee for performance of other persons' obligations amounting to more than 1/5 of the Company's authorised capital;
- On the acquisition of long-term assets at a price exceeding 1/5 of the Company's authorised capital in course of implementation of projects of particular national importance and/or economic projects important to the state as they are defined by effective legal acts.

The Company has no branches or representative offices.

Information about the members of the Board, the Director General (CEO) and the Chief Accountant of Amber Grid is presented below in Table 8.

Table 8. Information about the members of the Board, the Director General (CEO) and the Chief Accountant

Position title	Full name	Term start date	Term end date	Participation in the Issuer's share capital	
				Authorised share capital share held, %	Share of votes, %
Chairman of the Board	Nemunas Biknius	April 2016	April 2020	0.001055	0.001055
Board Member	Saulius Bilys	April 2016	April 2020	–	–
Independent Board Member	Nerijus Datkūnas	April 2016	April 2020	–	–
Board Member	Vytautas Ruolia	April 2016	April 2020	–	–
Board Member	Rimvydas Štilinis	April 2016	April 2020	–	–
Chairman of the Board	Dr. Aleksandras Spruogis	June 2014	April 2016	–	–
Deputy Chairman of the Board	Agnė Petravičienė	June 2014	April 2016	–	–
Board Member	Dainius Bražiūnas	June 2014	April 2016	–	–
Independent Board Member	Nerijus Datkūnas	June 2014	April 2016	–	–
Board Member	Rolandas Zukas	April 2015	April 2016	–	–
Director General	Saulius Bilys	June 2013	–	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

During the reporting period total remuneration (gross) to the Independent Member of the Board amounted to EUR 4,796. During the reporting period total remuneration (gross) to the Company's Director General and Chief Accountant amounted to EUR 87,844 and the average salary (gross) per person (Director General and Chief Accountant) amounted to EUR 43,922.

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

Table 9. Information about the Members of the Audit Committee

Position title	Full name	Term start date	Term end date	Participation in the Issuer's share capital	
				Authorised share capital share held, %	Share of votes, %
Independent Member, UAB AV Auditas	Vaida Kačergienė	December 2013	April 2016	–	–
Member, AB Amber Grid	Valdemaras Bagdonas	December 2013	April 2016	–	–

At the General Meeting of Shareholders held on 26 April 2016 the Company's shareholders adopted a decision to abolish the Audit Committee of Amber Grid, as in accordance with the newly adopted version of the Company's Articles of Association the functions of the Audit Committee of Amber Grid will be performed by the Audit Committee of the Parent Company, UAB EPSO-G.

INFORMATION ON RELATED PARTY TRANSACTIONS, ON SIGNIFICANT AGREEMENTS AND HARMFUL TRANSACTIONS

Information about related party transactions is presented in the Company's financial statements for the first half of 2016.

The Company has not entered into any material arrangements which would 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 upon any interests of the shareholders or any other stakeholders, etc.), nor into any transactions concluded under a conflict of interests between the Company management', controlling shareholders' or any other related parties' commitments to the Company and their private interests and/or other commitments.

IV. REGULATED INFORMATION ABOUT THE ISSUER'S ACTIVITIES

In performing its obligations under 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 the first half of 2016 Amber Grid published the following regulated information:

Date	Regulated information
26 February 2016	AB Amber Grid operating results and unaudited condensed financial statements for the year 2015
1 March 2016	Agreements signed on allocation of European Union Structural Funds for natural gas transmission infrastructure projects
31 March 2016	On Convening an Annual General Meeting of Shareholders of AB Amber Grid
15 April 2016	Draft agenda and draft decisions of AB Amber Grid Annual General Meeting of Shareholders
15 April 2016	CORRECTION: Draft agenda and draft decisions of AB Amber Grid Annual General Meeting of Shareholders
25 April 2016	Transmission System Operator's operational independence and activity unbundling requirements
26 April 2016	On Convening an Annual General Meeting of Shareholders of AB Amber Grid
26 April 2016	Annual Information of AB Amber Grid for 2015
12 May 2016	UAB EPSO-G forms a Supervisory Board
24 May 2016	Regarding Chairman of the Board elections
27 May 2016	AB Amber Grid operating results and unaudited condensed financial statements for the 1 st quarter 2016
13 June 2016	Regarding Chairman of the Supervisory Board of UAB EPSO-G

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.