



CONFIRMATION OF RESPONSIBLE PERSONS

16 August 2018 No. 7-310-718

Acting in accordance with Article 24 of the Law on Securities of the Republic of Lithuania and the Information Disclosure Rules of the Bank of Lithuania, we, Saulius Bilys, Director General 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 2018 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.

Technical Director (Acting General Manager)

Andrius Dagys

Financial Director

Rimantas Šukys

AB AMBER GRID

CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2018

**PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2018

(all amounts are in euro thousand unless stated otherwise)

Statement of financial position

			As of 30 June 2018 (unaudited)	As of 31 December 2017 (audited)
	Notes			
ASSETS				
A. Non-current assets			241,921	244,654
I. Intangible assets	4		925	1,008
II. Property, plant and equipment	4		239,323	241,973
II.1. Land			125	125
II.2. Buildings			5,343	5,464
II.3. Plant and equipment			172,436	174,971
II.4. Machinery and equipment			48,128	50,111
II.5. Motor vehicles			836	999
II.6. Other			2,263	2,058
II.7. Construction in progress	5		10,192	8,245
III. Non-current financial assets			1,673	1,673
III.1. Investment in the subsidiary	1		675	675
III.2. Non current trade receivables	6		998	998
B. Current assets			21,612	35,544
I. Inventories and prepayments			2,114	2,168
I.1. Raw materials, spare parts and other inventories			1,880	2,028
I.2. Prepayments			234	140
II. Accounts receivable			19,457	26,559
II.1. Trade receivables	6,18		4,182	7,485
II.2. Prepaid income tax			495	-
II.3. Other receivables	7,18		14,780	19,074
III. Other financial assets	8		31	91
IV. Cash and cash equivalents	9		10	6,726
Total assets			263,533	280,198

(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 2018

(all amounts are in euro thousand unless stated otherwise)

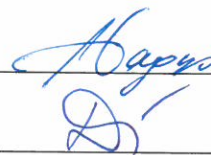
Statement of financial position (cont'd)

			As of 30 June 2018 (unaudited)	As of 31 December 2017 (audited)
	Notes			
		EQUITY AND LIABILITIES		
C.		Equity	158,231	172,021
I.		Share capital	51,731	51,731
II.		Reserves	99,990	130,151
II.1.		Legal reserve	5,173	5,173
II.2.		Other reserves	94,817	124,978
III.		Retained earnings (deficit)	6,510	(9,861)
III.1.		Current year profit (loss)	6,510	(9,861)
III.2.		Previous year profit (loss)	-	-
D.		Accounts payable and liabilities	105,302	108,177
I.		Amounts payable after one year and non-current liabilities	56,584	62,709
I.1.	10	Non-current borrowings	52,889	59,333
I.2.	12	Grants (deferred revenue)	1,484	1,501
I.3.		Non-current employee benefits	321	321
I.4.		Deferred income tax liability	1,890	1,554
II.		Accounts payable within one year and short-term liabilities	48,718	45,468
II.1.		Current financial liability	6,339	-
II.2.		Current portion of non-current borrowings	22,889	17,889
II.3.	10	Current year portion of non-current employee benefits	91	91
II.4.	13	Trade payables	4,008	9,934
II.5.		Advance amounts	732	725
II.6.		Income tax payable	-	142
II.7.		Payroll related liabilities	1,347	1,422
II.8.	14	Other payables and current liabilities	13,312	15,265
		Total equity and liabilities	263,533	280,198

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

Technical Director (Acting
General Manager)


Andrius Dagys



16 August 2018

Chief Accountant

Dzintra Tamulienė



16 August 2018

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2018

(all amounts are in euro thousand unless stated otherwise)

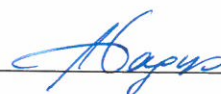
Income statement

			For the period of three months ended 30 June 2018 (unaudited)	For the period of three months ended 30 June 2017 (unaudited)	For the period of six months ended 30 June 2018 (unaudited)	For the period of six months ended 30 June 2017 (unaudited)
	Notes					
I.	Revenue	16	11,795	13,325	27,395	32,617
II.	Expenses		(10,346)	(9,788)	(19,790)	(19,616)
II.1.	Cost of natural gas		(2,648)	(1,538)	(4,766)	(3,130)
II.2.	Depreciation and amortization		(3,175)	(3,628)	(6,297)	(7,288)
II.3.	Remuneration and related social security tax expenses		(2,148)	(1,946)	(4,153)	(3,955)
II.4.	Repair and technical maintenance expenses		(1,223)	(1,541)	(2,399)	(3,041)
II.5.	Taxes other than income tax		(441)	(446)	(881)	(888)
II.6.	Telecommunications and IT systems expenses		(169)	(166)	(314)	(302)
II.7.	Other expenses		(542)	(523)	(980)	(1,012)
III.	Operation profit (loss)		1,449	3,537	7,605	13,001
IV.	Financial activity		(83)	(188)	(158)	(157)
IV.1.	Income		6	(114)	14	20
IV.2.	Expense		(89)	(74)	(172)	(177)
	Profit (loss) before income tax		1,366	3,349	7,447	12,844
VI.	Income tax		(91)	(575)	(937)	(1,969)
VI.1.	Current period income tax		(117)	(315)	(601)	(1,079)
VI.2.	Deferred income tax		26	(260)	(336)	(890)
VII.	Net profit (loss)		1,275	2,774	6,510	10,875
	Basic and diluted earnings (loss) per share (Eur)	15			0,04	0,06

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16 August 2018

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16 August 2018

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2018

(all amounts are in euro thousand unless stated otherwise)

Statement of comprehensive income

	For the period of three months ended 30 June 2018 (unaudited)	For the period of three months ended 30 June 2017 (unaudited)	For the period of six months ended 30 June 2018	For the period of six months ended 30 June 2017 (unaudited)
I. Net profit (loss)	1,275	2,774	6,510	10,875
II. Total comprehensive income (loss)	1,275	2,774	6,510	10,875

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

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Andrius Dagys



16 August 2018

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16 August 2018

COMPANY'S CONDENSED FINANCIAL STATEMENTS

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(all amounts are in euro thousand unless stated otherwise)


Statement of changes in equity


	Authorised share capital	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance as of					
31 December 2016 (audited)	51,731	5,173	124,978	20,928	202,810
Dividends declared	-	-	-	(20,928)	(20,928)
Total comprehensive income (loss)	-	-	-	10,875	10,875
<i>Net profit (loss) for the year</i>	-	-	-	10,875	10,875
Balance as of					
30 June 2017 (unaudited)	51,731	5,173	124,978	10,875	192,757
Total comprehensive income (loss)	-	-	-	(20,736)	(20,736)
<i>Net profit (loss) for the year</i>	-	-	-	(20,736)	(20,736)
Balance as of					
31 December 2017 (audited)	51,731	5,173	124,978	(9,861)	172,021
Transfer from other reserves	-	-	(30,161)	30,161	-
Dividends declared	-	-	-	(20,300)	(20,300)
Total comprehensive income (loss)	-	-	-	6,510	6,510
<i>Net profit (loss) for the year</i>	-	-	-	6,510	6,510
Balance as of					
30 June 2018 (unaudited)	51,731	5,173	94,817	6,510	158,231

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

Technical Director (Acting
General Manager)

Andrius Dagys





16 August 2018

Chief Accountant

Dzintra Tamulienė

16 August 2018

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 JUNE 2018

(all amounts are in euro thousand unless stated otherwise)

Statement of cash flows

	30 June 2018 (unaudited)	30 June 2017 (unaudited)
I. Cash flows from (to) operating activities		
I.1. Net profit (loss)	6,510	10,875
Adjustments of non-cash items and other corrections:		
I.2. Depreciation and amortisation	6,297	7,288
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(12)	(12)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	(9)	26
I.5. Income tax expenses (income)	937	1,969
I.6. Interest (income)	(14)	(2)
I.7. Interest expenses	172	177
I.8. Amortisation of grants (deferred revenue)	(24)	(19)
I.9. Elimination of other non-cash items	-	(18)
	13,857	20,284
Changes in working capital:		
I.10. Decrease (increase) in inventories	161	(141)
I.11. Decrease (increase) in trade accounts receivable	3,302	1,800
I.12. Decrease (increase) in other accounts receivable and prepayments	1,831	1,707
I.13. Increase (decrease) in trade accounts payable	(307)	(250)
I.14. Increase (decrease) in other accounts payable and other current liabilities	(2,039)	(2,199)
I.15. Decrease (increase) in other financial assets	60	1,615
I.16. Income tax (paid)	(1,239)	(1,617)
Total changes in working capital	1,769	915
Net cash flows from operating activities	15,626	21,199
II. Cash flows from (to) investing activities		
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(11,399)	(4,753)
II.2. Proceeds from sales of property, plant and equipment	17	12
II.3. Grants received	4,636	3,170
II.4. Loans granted	(30)	(70)
II.5. Interest received	11	2
Net cash flows (to) investing activities	(6,765)	(1,639)

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 2018

(all amounts are in euro thousand unless stated otherwise)

Statements of cash flows (cont'd)

	30 June 2018 (unaudited)	30 June 2017 (unaudited)
III. Cash flows from (to) financing activities		
III.1. Dividends (paid)	(20,286)	(20,892)
III.2. Proceeds from borrowings	11,339	3,998
III.3. (Repayments) of borrowings	(6,444)	(16,444)
III.5. Interest (paid)	(189)	(197)
III.6. Other cash flows from (to) financial activities	3	18
Net cash flows from (to) financing activities	(15,577)	(33,517)
IV. Net increase (decrease) in cash and cash equivalents	(6,716)	(13,957)
V. Cash and cash equivalents at the beginning of the period	6,726	13,966
VI. Cash and cash equivalents at the end of the period	10	9

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

Technical Director (Acting
General Manager)

Andrius Dagys



16 August 2018

Chief Accountant

Dzintra Tamulienė



16 August 2018

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(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. The Company's operations date back to 1 August 2013.

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 the 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, instrument AMG1L).

As of 30 June 2018, 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 a single subsidiary, UAB GET Baltic. In the financial statements as of 30 June 2018 and 2017, UAB GET Baltic was accounted for at acquisition cost.

GET Baltic UAB is a licensed natural gas market operator with a status of Registered Reporting Mechanism (RRM) provided by the Agency for the Cooperation of Energy Regulators (ACER). The Company is the administrator of the electronic trade system in the Lithuanian, Latvian, and Estonian bidding areas. The system is engaged in trade in short-term and long-term natural gas products

As at 30 June 2018, UAB GET Baltic's authorised share capital amounted to EUR 580,450 and was composed of 3,055,000 units of ordinary registered shares with par value of EUR 0.19 each.

Company	Company code	Registered address of the company	Stake of shares held as of 30 June 2018	Stake of shares held as of 30 June 2017
UAB GET Baltic	302861178	Savanorių pr. 28, Vilnius	100 %	100 %

In accordance to the exemption provisions of Article 6.1 of the Law on Consolidated Financial Statements, the financial statements of the subsidiary were not subject to consolidation since from the point of view of the Company they are negligent, as of the end of the financial year, the value of the subsidiary's assets did not exceed 5 percent of the value of the Company's assets and the subsidiary's net income from Sales did not exceed 5 percent of the Company's net income over the same period.

UAB GET Baltic's condensed financial statements as of 30 June 2018 were drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have not been audited.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

1 General information (cont'd)

The Company is engaged in the natural gas transmission system operator's activity and 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 intended to compensate for the installation and fixed operating costs of the Liquefied Natural Gas Terminal, its infrastructure and connector and, as from 2016, for reasonable costs of the designated supplier for the supply of an obligatory quantity of liquefied natural gas.

As of 30 June 2018, the Company was party to 103 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 2018, 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 2017 have been 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 2017. The audit of the annual financial statements for the year ended 31 December 2017 was made by UAB PricewaterhouseCoopers.

2 Accounting principles

The Company's condensed financial statements as of 30 June 2018 were prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. The Company has been following the same accounting principles as the ones that were followed in the preparation of financial statements for the year 2017. The financial statements present the figures in thousand euros. The Company's financial year equals a calendar year. The statements were prepared based on acquisition cost, except for the non-current assets, which were presented at revalued amounts.

2.1 Changes in accounting policies and adjustment of comparative figures

Before 31 December 2017, property, plant and equipment was carried at acquisition cost, less accumulated depreciation and accumulated impairment losses. Starting from 2017, based on changes in the accounting policy made to ensure consistency with the principles of accounting of property, plant and equipment as applied by the EPSO-G UAB group, the Company's property, plant and equipment is stated at revalued amount, less accumulated depreciation and impairment losses. In the opinion of the Company's management the recognition of property, plant and equipment at revalued amount will result in a more fair presentation of its economic value. The Company applied an exception established by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to account for the change in the accounting policy as a revaluation in the year when the policy is changed.

Starting from 2017, the Company changed accounting policy in respect of grants. Before 2017, grants for non-current assets were recognised as deferred revenue in the statement of financial position and starting from 2017 grants are recognised by reducing the carrying amount of the underlying assets. Also, the management has further assessed the substance of the cash flows from grants received to finance the acquisition of property, plant and equipment, and has determined that these cash flows should be presented within investing cash flows, close to cash outflows on acquisition of the property, plant and equipment; thus the presentation will be consistent in the cash flow statement and statement of financial position. This change was applied retrospectively and comparative figures were adjusted. This change had no impact on the profit (loss) statement.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

3 Information by 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 2018, the Company earned 68 percent of its revenue from Lithuanian system users (in 2017: 76 percent) and 32 percent of its revenue was received from the transit service, i.e. transportation of gas to the Kaliningrad Region of the Russian Federation and in the direction of Latvia (in 2017: 24 percent).

4 Property, plant and equipment and non-current intangible assets

Non-current assets were accounted by subtracting from the revalued assets the value the amount of grants received / receivable and used for the acquisition of the assets in question as at 30 June 2018—EUR 66,861 thousand (as at 31 December 2017: EUR 65,602 thousand).

The present income (loss) statement represents the grant depreciation amount by cross-covering the asset depreciation cost of pertinent assets with the grant income. As at 30 June 2018 it stood at EUR 972 thousand (in 2017: EUR 899 thousand).

	As of 30 June 2018 incl. subsidised assets (unaudited)	As of 30 June 2018 excl. subsidised (unaudited)	As 31 Dec 2017 Incl. subsidised assets (audited)	As 31 Dec 2017 excl. subsidised assets (audited)
Property, plant and equipment				
/Non-current intangible assets	307,109	240,248	308,583	242,981
Intangible assets	1,055	925	1,098	1,008
Property, plant and equipment	306,054	239,323	307,485	241,973
Land	125	125	125	125
Buildings	5,553	5,343	5,680	5,464
Plant and equipment	226,938	172,436	230,054	174,971
Machinery and equipment	51,705	48,128	53,601	50,111
Motor vehicles	836	836	999	999
Other	3,199	2,263	2,538	2,058
Construction in progress	17,698	10,192	14,488	8,245
Deferred revenue	68,345	1,484	67,104	1,501

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

5 Construction in progress

The largest objects of construction in progress of the Company as of 30 June 2018 were as follows:

Object	As of 30 June 2018 excl. subsidised assets (unaudited)	As of 31 December 2017 m. excl. subsidised assets (audited)
Implementation of the Gas Interconnection Poland-Lithuania (GIPL)		
Project in the territory of the Republic of Lithuania	4,009	3,998
Modernisation of Panevėžys Gas Compressor Station	619	605
Modernisation of gas transmission pipelines line block valves	2,685	1,776
Reconstruction of Jonava and Alytus M/R Stations	1,473	1,146
Construction of a gas transmission pipeline link between Vilnius-Kaunas and Kaunas-Šakiai pipelines	551	551
Replacement of gas transmission pipeline line block valves	480	-
Automation of gas transmission pipeline cathodic protection system including installation of a remote control and monitoring system	-	77
Other	955	672
* Less: Impairment of construction in progress	(580)	(580)
	10,192	8,245

* Impairment for the Project "Construction of interconnection between the gas transmission pipelines Vilnius-Kaunas and Kaunas-Šakiai (spatial planning and design services)" was made for the amount of EUR 551 thousand because the construction of the pipeline was postponed for later periods and there arose certain uncertainties regarding the resolution of its funding issues and its further development.

6 Trade receivables

	30 June 2018 (unaudited)	31 December 2017 (audited)
Non-current trade receivables		
Other trade receivables	998	998
Current trade receivables		
Gas transmission services receivables	4,217	7,499
Other trade receivables	22	43
Less: allowance for the decrease in value of trade receivables	(57)	(57)
	5,180	8,483

Non-current trade receivables amounting to EUR 998 thousand comprise the payment for the connection of Intergaz UAB to be paid by 31 December 2021. The fulfilment of obligations is secured by the issued guarantee by bank.

Current trade receivables do not include any interest; their payment period is 15 calendar days. In 2017, impairment of EUR 41 thousand was established in respect of Geoterma UAB, a producer of thermal energy. See Note 17 "Commitments and contingencies" for more information about the receivable amount from Geoterma UAB.

7 Other receivables

	30 June 2018 (unaudited)	31 December 2017 (audited)
LNG terminal funds receivable (administered by the Company)	12,834	14,186
Other receivables (grants)	1,724	4,124
Receivables accrued for natural gas transportation	-	575
Other receivables	221	189
	14,779	19,074

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

7 Other receivables (cont'd)

The LNG terminal funds receivable as at 30 June 2018 include the overdue amount of EUR 4,168 thousand, of which total the overdue amount of AB Achema's was EUR 3,939 thousand, the overdue amount of UAB Kauno Termofikacinė Elektinė was EUR 138 thousand, and the overdue amount of UAB Geoterma was EUR 65 thousand, and the overdue amount of UAB Nemėžio Komunalininkas was EUR 20 thousand. For more information about AB Achema and about UAB Geoterma see Note 17 "Commitments and contingencies".

For the Company's Other Receivables no impairment loss was formed.

8 Other financial assets

As of 31 December 2017, 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), for the sake of brevity referred to as the LNG terminal funds. The aforesaid funds were received from system users, they are kept in a separate LNG terminal funds bank account fully compliant with legislative requirements and are designated to be paid out to the beneficiaries of the LNG terminal funds: to the operator of the LNG terminal (AB Klaipėdos Nafta), to the designated supplier (UAB Litgas) and to AB Amber Grid (in order to compensate for the administration cost of the LNG terminal funds). On 7 December 2017, by Resolution No O3E-583, the NCC adopted a new additional security-related price component to be added to the regular natural gas price, which started to be applied to system users as from 1 January 2018.

9 Cash and cash equivalents

	30 June 2018 (unaudited)	31 December 2017 (audited)
Cash at bank	10	6,726
	10	6,726

The Company keeps its cash balance in bank accounts. Nevertheless, where there is such a possibility, the Company invests in deposits with the shortest term possible (overnight). As of 30 June 2018, the Company had no overnight deposit contracts.

10 Loans

	30 June 2018 (unaudited)	31 December 2017 (audited)
Long-term loans		
Loans from credit institutions of Lithuania	22,889	34,333
Loans from foreign credit institutions	5,000	-
Loan from international financial institutions	25,000	25,000
Short-term loans		
Loans from credit institutions of Lithuania	6,339	-
Current portion of long-term loans	22,889	17,889
	82,117	77,222

In January of 2018, the Company repaid prior to maturity part (EUR 6,444 thousand) of its long-term loan to Swedbank, AB. After the repayment, the outstanding loan to Swedbank, AB amounted to EUR 45,778 thousand.

In order to balance its working capital, on 1 March 2017, the Company concluded an overdraft contract for the amount of EUR 10,000 thousand. As of 30 June 2018, the overdraft amount used stood at EUR 6,339 thousand.

In May of 2018, the Company concluded a long-term loan (overdraft) agreement with OP Corporate Bank plc Lithuania Branch for the maximum amount of EUR 30,000 thousand. The loan amount used as of 30 June 2018 stood at EUR 5,000 thousand.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

11 Deferred revenue

	Deferred revenue	Revenue-related grants	Total
Balance as at 31 December 2017	1,501	-	1,501
Received / receivable	-	7	7
Depreciation/amortisation	(17)	(7)	(24)
Balance as at 30 June 2018	1,484	-	1,484

Deferred revenue amounted to EUR 1,492 thousand (in 2017: EUR 1,501 thousand) for connection of new customers to the gas transmission system (according to the accounting policies applicable until 1 July 2009).

12 Income tax

In 2018, the standard corporate income tax rate applicable to the companies of the Republic of Lithuania was 15 per cent (in 2017: 15 per cent). The income tax expenses for the period comprise the current income tax and the deferred income tax.

In accordance with 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 2018, the Company had calculated a corporate income tax relief amounting to EUR 601 thousand (as at 30 June 2017: EUR 1,064 thousand).

13 Trade payables

	30 June 2018 (unaudited)	31 December 2017 (audited)
Payables to suppliers under investment programme (new construction)	-	1
Payables to suppliers under investment programme (reconstruction and modernisation)	2,534	8,153
Payables to suppliers of goods and providers of services	644	907
Payables to providers of repairs services under non-current assets repairs programme	414	352
Payables to suppliers of natural gas	416	522
	4,008	9,934

As at 30 June 2018, the trade payables were interest-free and the payment terms of the largest share of them ranged from 30 to 60 days.

14 Other payables and current liabilities

	30 June 2018 (unaudited)	31 December 2017 (audited)
Payable LNG terminal funds administrated by the Company	12,032	11,356
Accrued LNG terminal funds subject to administration by the Company*	832	2,924
Real Estate Tax payable	-	432
Value Added Tax (VAT) payable	179	286
Other payables	269	267
	13,312	15,265

*Accrued LNG terminal funds subject to administration by the Company are accounted when natural gas transmission system users are issued VAT invoices. Accrued funds subject to administration by the Company are included into the account of LNG terminal funds payable 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.

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

15 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 2018 (unaudited)	30 June 2017 (unaudited)
Net profit (loss) attributable to the shareholders (EUR thousand)	6,510	10,785
Weighted average number of shares (thousand)	178,383	178,383
Earnings per share (EUR)	0.04	0.05

16 Revenue

	For the period of three months ended 30 June 2018 (unaudited)	For the period of three month ended 30 June 2017 (unaudited)	For the period of six months ended 30 June 2018 (unaudited)	For the period of six month ended 30 June 2017 (unaudited)
Income from natural gas transmission in the territory of Lithuania	8,891	11,567	22,803	29,173
Income from balancing services in the transmission system	2,818	1,616	4,432	3,237
Grants recognised as income	13	8	24	19
Income from LNG terminal fund administration	11	27	22	58
Other income	62	107	114	130
	11,795	13,325	27,395	32,617

17 Commitments and contingenciesLitigations

The Company had initiated two civil cases on the award of the additional natural gas supply security component to be included in the natural gas transmission price (hereinafter "LNG terminal funds") from Achema AB. Legal proceedings are currently held with respect to overdue amounts receivable. One case was adjourned until the enactment of the final ruling at the General Court of the European Union. Preparations are being made for the investigation of the other case, however, it is likely it might be adjourned as well. The resolution of the cases is not clear yet.

The Company acts only as the administrator of the LNG terminal funds and transfers LNG terminal funds to beneficiaries only when those funds are collected from buyers. Therefore, the Company is not exposed to credit risk as regards the disputed amounts.

On 21 June 2017, Amber Grid AB filed a claim to Klaipėda City District Court whereby it requested to issue a court order in relation to the award of the debt amounting to EUR 106 thousand, interest on late payment equal to EUR 6 thousand, 6% annual interest on the awarded amount starting from the day of bringing the case before the court until the date of full fulfilment of the court's ruling, as well as litigation expenses totalling EUR 0.4 thousand from the debtor GEOTERMA UAB. On 22 June 2017, Klaipėda City District Court satisfied the claim of Amber Grid AB, awarded the stated amount, and passed a decision on the application of provisional remedies.

The Vilnius Regional Court is examining a case according to the claim filed on 5 April 2018 by UAB Kauno Termofikacijos Elektrinė (hereinafter referred to as the "KTE") where KTE demands the court to recognize that the

COMPANY'S CONDENSED FINANCIAL STATEMENTS

AS OF 30 June 2018

(all amounts are in euro thousand unless stated otherwise)

17 Commitments and contingencies (cont'd)

Defendant, AB Amber Grid, does not have the claim right in amount of EUR 133 thousand to the Claimant, KTE, for exceeding the natural gas consumption capacity back in 2017 and asks the court to obligate the Company to recalculate anew the amount of the additional price component charged for exceeding the natural gas consumption capacity back in 2017. The Company challenged the claims lodged by KTE and, accordingly, has submitted its response to Vilnius Regional Court demanding to dismiss KTE's claim as unfounded. Vilnius Regional Court scheduled the court hearing for 25 July 2018.

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 2018 and as of 30 June 2017, the related parties of the Company were as follows:

- UAB GET Baltic (a subsidiary of AB Amber Grid);
- UAB EPSO-G (the parent company);
- LITGRID AB (a subsidiary of UAB EPSO-G);
- 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.);
- The Management.

The tables below present the Company's balances and transactions with the related parties as of 30 June 2018 and as of 30 June 2017:

As of 30 June 2018 (unaudited)

	Acquisitions	Sales	Accounts receivable	Accounts payable
UAB GET Baltic	3,155 ¹⁾	10	156	176
UAB EPSO-G	56	-	-	26
	3,211	10	156	202

As of 30 June 2017 (unaudited)

	Acquisitions	Sales	Accounts receivable	Accounts payable
UAB GET Baltic	68 ¹⁾	6	71	1
UAB EPSO-G	36	-	-	21
	104	6	71	22

¹⁾ The Company is a participant of the Natural Gas Exchange operated by Get Baltic UAB and has a participation agreement. The agreement is on standard terms and the under the same terms and conditions as with the other participants. The amount represents the procurements made through this Exchange.

On 30 March 2017, AB Amber Grid and GET Baltic signed a loan agreement under which AB Amber Grid may extend to GET Baltic UAB a loan of up to EUR 200,000 (EUR two hundred thousand). The annual interest rate on the loan is variable consisting of a variable interest rate of 1 (one) month EURIBOR plus a fixed-rate margin of 1.5 percent (one point five percent). The contractual maturity date of the loan is 31 March 2019.

As at 31 June 2018, AB Amber Grid's loan granted to UAB GET Baltic amounted EUR 150,000 (EUR one hundred and fifty thousand).

The interest accrued for the six months of 2018 for the loan used amounted to EUR 1 thousand.

There were no guarantees either provided or received for receivables from the related parties or for payables to them. As at 30 June 2018, the Company did not form and did not account any impairment loss allowances for receivables from any related parties.

Benefits to the Management

During the period of six months ended 30 June 2018, the Company's benefits to the Management of the Company amounted to EUR 238 thousand (during the period of six months ended 30 June 2017: EUR 233 thousand). The Company's Management consists of the Chief Executive Officer (Director General) and his four deputies. The Management of the Company were not given any loans or guarantees and were not subject to any asset transfers.

During the period of six months ended 30 June 2018, benefits paid to the members of the Company Board amounted to EUR 10 thousand (during the period of three months ended 30 June 2017: EUR 14 thousand).

19 Subsequent events

On 13 July 2018, AB Amber Grid's Board approved the decision to conclude agreements between the parent governing company, UAB EPSO-G, and the Company, AB Amber Grid, for the transfer of tax losses. The terms of the agreements provide for the paying by AB Amber Grid to UAB EPSO-G of 15 percent from the total amount of tax loss assumed, i.e. EUR 563 thousand for the year 2016 and EUR 430 thousand for the year 2017. This transaction will not affect the Company's bottom line. UAB EPSO-G Audit Committee's opinion states that the transaction is fair in respect to all shareholders of Company and that the transfer of tax losses is carried out in accordance with the procedure provided for by the Law on Income Tax.

On 13 August 2018, Board of AB Amber Grid decided the Extraordinary General Meeting of Shareholders of AB Amber Grid will be convened on 7 September 2018, at the Company's head office. Agenda of the Meeting is revocation of AB Amber Grid board member and election of two board members.



AB AMBER GRID
INTERIM REPORT
FOR THE FIRST HALF OF 2018

Vilnius

2018

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1. GENERAL INFORMATION

Reporting period covered by the Interim Report – the first half of 2018.

1.1. MAIN DATA

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

Amber Grid, the gas transmission system operator, is a company that 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 mains, and for securing safe and reliable functioning and development of the gas transmission system. Amber Grid ensures the natural gas transportation via high-pressure gas pipelines to system users, and the operation, maintenance and development of the natural gas infrastructure. The infrastructure managed by the Company includes the gas mains, gas compressor stations and gas metering and distribution stations.

Amber Grid controls 100 % of the authorised capital of UAB GET Baltic. UAB GET Baltic is the company holding the natural gas market operator's license, organising and developing trade on the natural gas exchange. More information about UAB GET Baltic is available on the website: www.getbaltic.com.

MISSION

To ensure effective development of the transmission system, the reliable transmission of gas contributing actively to the creation of an integrated European gas transmission system and to facilitate the competitive gas market development while safeguarding national strategic interests.

VISION

To create proactively favourable conditions for the functioning of the regional gas market within an integrated European gas network in cooperation with the gas transmission system operators of the region.

1.2. OPERATING INDICATORS

	H1 2018	H1 2017	H1 2016
Transported natural gas quantities			
Gas quantities transported to the internal exit point, GWh	12 383	12 834	12 281
Gas quantity transported to adjacent transmission systems ¹ , GWh	15 547	12 942	11 648
Number of system users at the end of period	103	96	93
Operated system			
Length of gas mains, km	2 115	2 115	2 013
Number of gas distribution stations and gas metering stations, units	68	70	70
Employees			
Number of employees at the end of period	344	346	357

1.3. MILESTONES

January

1 January 2018. Due to increasing demand for energy transmission services and efficient operations of the Company from 1 January 2018, the price for services of the Company provided to the Lithuanian consumers has reduced – the average price of natural gas transmission – 36.5 % (to EUR 1.13 per MWh).

18 January 2018. The National Commission for Energy Control and Prices approved the natural gas transmission system operator's network development plan for ten years (2017-2026) according to which the planned amount of investments is EUR 192.8 million.

March

19 March 2018. Amber Grid and the Latvian natural gas transmission system operator AS Conexus Baltic Grid signed the agreement with the independent company of experts SIA Ernst & Young Baltics, according to which the latter will carry out the feasibility study of capacities and the cost/benefits analysis of the interconnection of the Latvian and Lithuanian gas pipelines. The feasibility study will analyse the potential need for increasing capacities of the interconnection of the Latvian and Lithuanian gas pipelines, when interconnections of gas mains are constructed between Finland and Estonia (Balticconnector) and between Poland and Lithuania (GIPL).

April

17 April 2018. Rolandas Zukas, the General Manager of EPSO-G was elected for the term of office of two years to the post of the President of the National Lithuanian Energy Association (NLEA) representing the common position of the energy sector.

¹ Gas transmission systems of Latvia and Kaliningrad Region of the Russian Federation

24 April 2018. The ordinary general meeting of shareholders of the Company approved the draft profit distribution of 2017 on the disbursement of dividends in the amount of EUR 20 300.

On 24 April 2018, the Ministry of Energy – the sole shareholder of the company EPSO-G controlling Amber Grid approved the new wording of the corporate management guidelines of the group of energy transmission and exchange companies and articles of association of the Company. In observance of amendments to the Law of the Republic of Lithuania on Companies, the composition of the Board of Amber Grid has changed – external Board Members were appointed instead of the employees of the Company’s Administration holding the Board Member’s positions and the number of independent members was increased.

May

11 May 2018. At the National Business Awards Ceremony, the solution of the regional natural gas trading platform with integrated trading model implemented by GET Baltic exchange owned by the Company together with partners was selected as the Project of the Year in the sector of energy. In implementing the unique project of the development of regional natural gas trading platform with integrated trading model, GET Baltic set up trading sites in Latvia and Estonia and became de facto regional exchange of natural gas of the Baltic States. The integrated trading model facilitated higher market liquidity, contributed to the increase of competitiveness and to the transparent natural gas price formation. From 1 July 2017, using this technological solution of GET Baltic, natural gas together with the transportation between the Baltic States can be acquired by one click on the ‘mouse’.

18 May 2018. The natural gas transmission system operators of the Baltic States and Poland signed the agreement for allocation of costs of the project of the gas pipeline interconnection with Poland. The multilateral cost allocation agreement defines the procedures and principles necessary for the implementation of the decision of the European Agency for the Cooperation of Energy Regulators (ACER) on the cross-border allocation of costs of the Polish–Lithuanian gas pipeline interconnection (GIPL) project. the Agreement concluded between Amber Grid, Conexus Baltic Grid (Latvia), Elering (Estonia) and GAZ-SYSTEM (Poland) also describes the calculation and adjustment of compensations payable by the Baltic transmission system operators (TSO) to the Polish TSO and defines the provisions for the repayment of the compensations if the Polish TSO receives additional income from gas transmission via the gas pipeline GIPL. This agreement is one of the important arrangements on the implementation of the project of the GIPL.

24 May 2018. The Lithuanian and Polish transmission system operators Amber Grid and GAZ-SYSTEM S.A. signed the network interconnection agreement whereby the final decision to invest in the project of the gas pipeline interconnection between Poland and Lithuania (GIPL) was approved and started the stage of construction of the gas pipeline.

25 May 2018. The Lithuanian natural gas transmission system operator Amber Grid and Conexus Baltic Grid signed the trilateral EU financial assistance agreement with the Innovation and Networks Executive Agency (INEA) on the financing of the feasibility study regarding the enhancement of the gas interconnection between Latvia and Lithuania under the EU Connecting Europe Facility (CEF). The EU financial assistance in the amount of up to EUR 175 000 was allocated for the preparation of the study.

31 May 2018. The National Commission for Energy Control and Prices (NCECP) approved the new version of the regulations for the use of the natural gas transmission system of AB Amber Grid. The principal amendments are related to the application of the implicit capacity allocation at the entry/exit point of Kiemėnai both to the day-ahead and within-day capacities. Also, the shorter terms for ordering short-term capacities were set in order to harmonise them with the terms of subscription of the Latvian transmission system capacities, facilitating this way the cross-border natural gas flows.

The new version of the Rules has entered into force on 2 July 2018.

June

7 June 2018. The Company announced the international procurement for purchase of construction operations for the part of the Poland and Lithuania (GIPL) gas interconnection project in the territory of the Republic of Lithuania. The procurement is conducted by way of negotiated procedure with publication of procurement notice.

1.4. MEMBERSHIP

The Company is a member of ENTSOG (www.entsog.eu) and the member of the Polish – Lithuanian Chamber of Commerce Association and of the National Lithuanian Electricity Association:

- ENTSOG was established according to Regulation No 715/2009 of the European Parliament and of the Council as the organisation for cooperation of gas transmission system operators at the level of the European Community.
- The Polish – Lithuanian Chamber of Commerce Association is a bilateral organisation for economic cooperation between Lithuania and Poland. The Association collects information for its members about business opportunities in both countries, cooperates with organisations and persons ensuring business management and development, organises conferences and thematic events.
- The National Lithuanian Electricity Association was established in 2016. The Association formulates the common position of the energy sector, represents the interests of its members before government institutions, public and international organisations, aims at the development and improvement of the Lithuanian electricity and gas supply conditions for the country's consumers and at the promotion of economic and technical progress of the energy sector.

2. OPERATING ENVIRONMENT

2.1. BUSINESS ENVIRONMENT AND FORECASTS

According to forecasts of the Bank of Lithuania, in 2018, development of the economy should be supported by increasing investments, in particular due to larger amounts of funding from the EU support funds; however, worsening demographic situation in the country, lack of skilled workforce and increasing wages will reduce the development of consumption of the economy and the growth of the economy at large. These tendencies should also be reflected in the dynamics of natural gas consumption and operating expenses of the sector.

Increasingly tightening EU environmental policy requirements, promotion and development of the use of renewable energy sources in the energy sector and more effective use of energy and energy resources reduce consumption of natural gas in Lithuania. Since 2012, the gas transmission quantity for the needs of the Lithuanian market has declined by 28 %. The Company forecasts that the tendency of decline is going to prevail over the next few years – affected in the first instance by new biofuel and waste incinerating electricity and heat production installations (mainly Vilnius CHPP), and later, since 2021, gas demand in the country should stabilise.

On 21 June 2018, the Seimas of the Republic of Lithuania (RL) approved the updated National Energy Independence Strategy.

The National Energy Independence Strategy provides that the extent of consumption of natural gas in industry, transport sector and households will depend on competitiveness of natural gas as of the energy resource. It is envisaged that increasing consumption of natural gas in industry and transport over the short- and medium-term will partially amortise the reducing consumption of natural gas in the production of energy, and the extent of the long-term natural gas consumption will depend on the natural gas consumption for non-energy needs in the sectors of industry and transport.

2.2. REGULATORY ENVIRONMENT

In the first half of 2018, no changes in the regulatory environment of the particular relevance affecting the Company's activities and performance were registered. The new regulatory period will begin from 2019.

3. STRATEGY

3.1. DIRECTIONS, OBJECTIVES AND RESULTS

In end-2017, the Board of the Company approved the updated Long-term strategy of Amber Grid for 2017–2021 based on integration into the single market of natural gas of the region, increase of efficiency, modernisation and development of infrastructure. The Strategy document contains the general data about the Company's activities and forecasts, assesses the changes in the environment and of the market situation influencing the long-term strategy of the Company.

In pursuit of the Company's vision and strategic goals established by the State as by its shareholder – to increase the Company's value and to ensure the implementation of the national strategic interests in the sector of gas - Amber Grid devoted the greatest attention to the following strategic directions:

- transformation into the transmission system operator functioning on the single gas market;
- creation of the required infrastructure;
- improvement of efficiency and modernisation.

The strategic directions of Amber Grid correspond to the strategic directions formulated by the principal shareholder UAB EPSO-G – the development of regional activities and ensuring of success of strategic projects, efficient operations, the developing and progressive organisation.

The programmes defining strategic objectives, goals, measures, the pursued result and time limits are in place for each strategic direction of the Company.

3.2. STRATEGIC INFRASTRUCTURE PROJECTS

In the first half of 2018, Amber Grid continued implementing the strategic gas transmission infrastructure projects – *the interconnection of gas pipelines between Poland and Lithuania (GIPL)* and *the enhancement of the interconnection of gas pipelines between Latvia and Lithuania*.

These strategic infrastructure projects are included in the second EU list of projects of common interest published in November 2017 and in the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSO-G) published in 2017, the Baltic Energy Market Interconnection Plan (BEMIP) for 2017, the Ten-Year Network Development Plan (2017–2026) of the Natural Gas Transmission System Operator and the National Plan on the Implementation of Priority Projects on Electricity and Natural Gas Transmission Infrastructure approved by Resolution No 746 of the Government of the Republic of Lithuania of 22 July 2014.

3.2.1. POLAND-LITHUANIA GAS INTERCONNECTION (GIPL)

The GIPL project has been recognised by the European Commission as a key infrastructure project securing the supply of gas, being of significant importance for the energy security of the EU. Amber Grid is implementing the GIPL project jointly with GAZ-SYSTEM S. A., the Polish gas transmission system operator.

The objectives of the project are to:

- Integrate the Baltic and Finnish gas markets into the common EU market for gas,
- Diversify the gas supply sources,
- Increase the security of gas supply

Map 1. Poland-Lithuania gas interconnection (GIPL) project



On 7 June 2018, Amber Grid announced the international procurement for purchase of construction operations for the part of the Poland and Lithuania (GIPL) gas interconnection project in the territory of the Republic of Lithuania. The procurement is conducted by way of negotiated procedure with publication of procurement notice. The winner of the procurement will be responsible for the construction of the gas mains and gas metering station.

On July 18 AB Amber Grid has launched an international tender to acquire steel pipes of the Gas Interconnection Poland-Lithuania (GIPL) in the territory of the Republic of Lithuania.

Total length of the planned gas pipeline will be 503 km, of which 165 km – in the territory of Lithuania.

Capacities created after construction of the gas interconnection will enable to transport annually in the direction of the Baltic States and Finland up to 27 TWh of natural gas, in the direction of Poland – up to 22 TWh annually, and the Baltic and Finnish gas markets will become a part of the single gas market of the EU.

The GIPL project is funded with own funds of Amber Grid and GAZ-SYSTEM S.A. and with borrowed funds, the EU financial assistance under the European Commission Trans-European Networks for Energy (TEN-E) Programme and the EU Connecting Europe Facility (CEF). In addition to the EU financial assistance, the construction operations of the GIPL project will be funded by Lithuania, Latvia and Estonia according to the cross-border cost allocation solution covering the part of the GIPL infrastructure costs in the territory of Poland.

3.2.2. ENHANCEMENT OF LATVIA-LITHUANIA GAS INTERCONNECTION

The aim of the project is to enhance the interconnection of the Latvian-Lithuanian gas systems, ensure safe

and reliable supply of natural gas, and more effective use of the infrastructure and better integration of gas markets of the Baltic States. The implementation of the project will also create better conditions for the use of the Latvian Inčukalna underground gas storage facility.

In the first half of 2018, the Company together with the Latvian natural gas transmission system operator AS Conexus Baltic Grid participated in preparing the feasibility study and cost/benefit analysis of this project.

On 25 May 2018, the Company and Conexus Baltic Grid signed the trilateral EU financial assistance agreement with the Innovation and Networks Executive Agency (INEA) on the financing of the feasibility study regarding the enhancement of the Latvian-Lithuanian gas interconnection under the EU Connecting Europe Facility (CEF). The EU financial assistance in the amount of up to EUR 175 000 was allocated for the preparation of the study.

The study should help in determining what Latvian-Lithuanian gas interconnection capacities are necessary in order to satisfy the regional gas market demand and to ensure the security of gas supply after the development of other regional infrastructure, i.e. construction of gas interconnections between Finland and Estonia (Balticconnector) and between Poland and Lithuania (GIPL), and what enhancement of capacities would be the most efficient.

In addition, the study will cover the identification of preliminary technical parameters of the required infrastructure, performance of cost/benefit analysis and analysis of other data related to this project. After completion of the feasibility study, in the third quarter of 2018, the required extent and time limits of implementation of the Latvian-Lithuanian gas interconnection enhancement project will become clear. The independent company of experts SIA Ernst & Young Baltics selected through the international tender is working on this study.

The Project promoters are Conexus Baltic Grid and Amber Grid.

3.3. REGIONAL MARKET

The Company is a member of the East-Baltic Transmission System Operator Coordination Group consisting of the transmission system operators of the Baltic States and Finland. Together with other members of this Group, in 2017 the Company drafted the principles of management of transmission capacities in the single Baltic market, the market operator's establishment alternatives and the Common Balancing Zone model concepts. The performed analysis is used in 2018 in drawing up the single market zone balancing rules and the common rules of transportation for the Baltic transmission system operators.

On 2017 July 1 The company, together with the Latvian and Estonian transmission system operators, has started to use implicit capacity allocations at cross-border interconnection points in the Baltic States, thus distributing part of the natural gas day-ahead planned capacity on exchange GET Baltic. From 2018 July 1 this method has also been applied to the current daily capacity allocation. This is a transitional measure of integration of the Baltic gas markets in order to enhance competitiveness of gas markets and to promote cross-border gas trading. It is projected that the regional market will start operating in 2020.

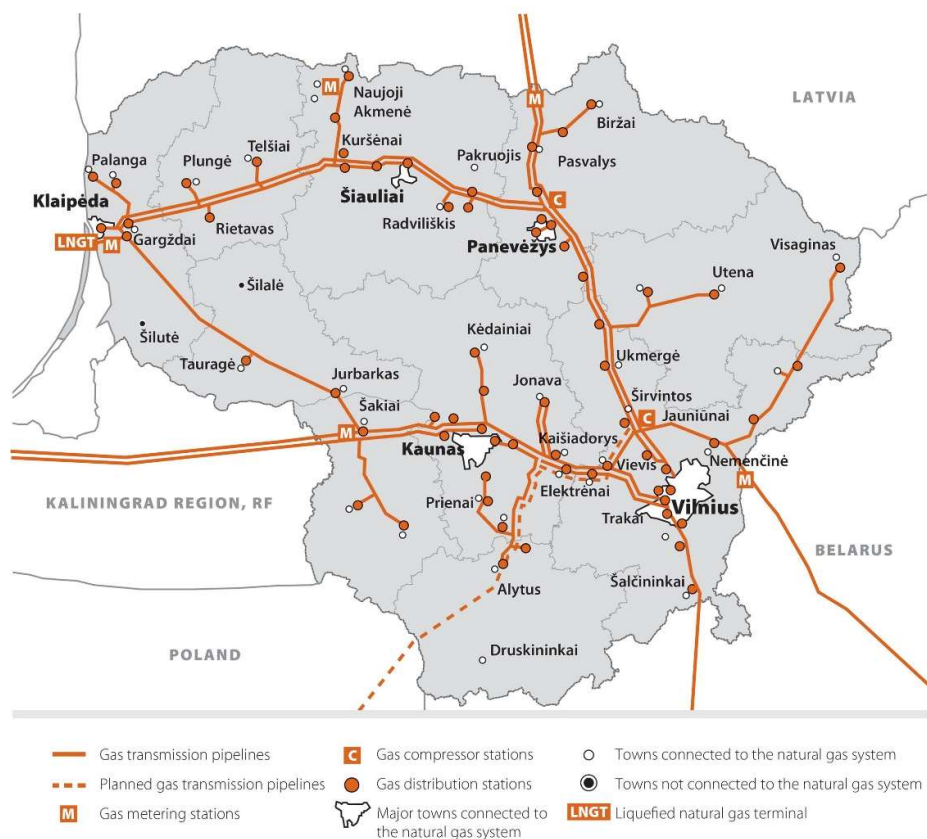
4. ACTIVITIES

4.1. TRANSMISSION SYSTEM

The natural gas transmission system consists of gas mains, gas compressor stations, gas metering and distribution stations, equipment for the gas pipelines' protection against corrosion, data transmission and communication systems and other assets attributed to the transmission system. The Lithuanian gas transmission system is connected to gas transmission systems of the Republic of Latvia, the Republic of Belarus and the Kaliningrad Region of the Russian Federation and Klaipėda Liquefied Natural Gas (LNG) Terminal (Map 2).

The Company operates 65 gas distribution stations (GDS), 3 gas metering stations (GMS) and 2 gas compressor stations (GCS). Total length of the operated pipelines is 2.115 km and diameter – from 100 to 1.220 mm. The design pressure of the larger part of the transmission system is 54 bar.

Map 2. Natural gas transmission system in Lithuania



4.2. OPERATION, RECONSTRUCTION AND MODERNISATION

The operation of gas mains is regulated by rules and other regulatory enactments and is carried out in strict compliance with requirements established by such rules and other regulatory enactments. For the purpose of ensuring the reliability and security of the transmission system, the maintenance and repair works are performed on a regular basis.

At the beginning of 2018, the mobile gas compressor was introduced for pumping of gas between separate sections of the transmission system. It facilitates a more effective operation and control of the transmission system and reduces gas emissions into the environment.

In the first half of 2018, the Company carried out the following works of reconstruction and modernisation:

- Installation of triggering and receiving chambers of the control device and implementation of the operative technological control of the gas transmission system, stage I (received assistance from the EU structural funds):
 - in branches to Jonava GDS (DN400) and Jonava GDS line II (DN500);
 - in the branch to Girininkai GDS (DN300);
 - in the branch to Palanga GDS (DN250);
 - in Panevėžys -Šiauliai line II (DN1000) of the gas pipeline;
 - in the branch to Naujoji Akmenė GDS (DN300 and DN250);
- Reconstruction of Jonava GDS and Alytus GDS (received assistance from the EU structural funds);
- Completed upgrading of control of Panevėžys gas compressor station and continuing of fuel entry system upgrading operations using the EU structural funds;
- Public procurement procedures for projects planned to be implemented.

4.3. MARKET OF PROVIDED SERVICES

Amber Grid provides natural gas transmission services to system users, other operators, and gas market participants in the territory of Lithuania: transmits gas to the Lithuanian consumers, transports natural gas to Latvia and Kaliningrad Region of the Russian Federation. Gas is supplied to the system via Klaipėda LNG Terminal and entry points from Belarus and Latvia.

The project of common interest of the EU – the GIPL implemented by Amber Grid together with GAZ-SYSTEM S.A. – the Polish gas transmission system operator will connect the Baltic and Finnish gas markets with the EU natural gas market and improve access to new natural gas supply sources in the future.

Amber Grid is also responsible for the balancing of natural gas flows in the transmission system and for the administration of funds intended to compensate for the costs of installation, infrastructure, and interconnection and fixed operating expenses of the LNG Terminal, and for reasonable costs of supply of the required quantity of liquefied natural gas of the designated supplier. The Company maintains active cooperation with partners creating conditions for the effective functioning of the natural gas market, enhancing gas market competitiveness and liquidity, ensuring attractive conditions for clients to operate in the natural gas market.

4.4. CLIENTS

The clients of services of the natural gas transmission via gas mains and of the balancing of natural gas flows in the transmission system provided by Amber Grid are large Lithuanian electricity and district heat

production companies, industrial companies and medium-sized Lithuanian businesses, Baltic and third country energy and natural gas suppliers to which natural gas transmission services are provided.

4.5. PROVIDED SERVICES

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

- transmission of natural gas in the territory of Lithuania;
- balancing of natural gas flows in the transmission system;
- administration of funds intended to compensate for the costs of installation, infrastructure, interconnection and fixed operating expenses of the LNG Terminal, and for reasonable costs of supply of the required quantity of liquefied natural gas of the supplier designated.

4.5.1. TRANSMISSION OF NATURAL GAS

NATURAL GAS TRANSMISSION QUANTITIES

During the first half of 2018, the transmission system operated by the Company received, for transmission to consumers of Lithuania and other Baltic States, 8 011.1 GWh of natural gas from Belarus through Kotlovka gas metering station and 4 397.2 GWh – from Klaipėda LNG Terminal, i.e. the LNG Terminal supplied 32.8 % of the quantity required for these consumers. 992.5 GWh of natural gas was transported to Lithuania from the Republic of Latvia.

During the first half of 2018, 12 383.0 GWh of natural gas was transported to Lithuanian customers up to the domestic exit point. Compared with the respective period of 2017, when 12 834.2 GWh of natural gas was transmitted, the transmission quantities have reduced by 3.5 %.

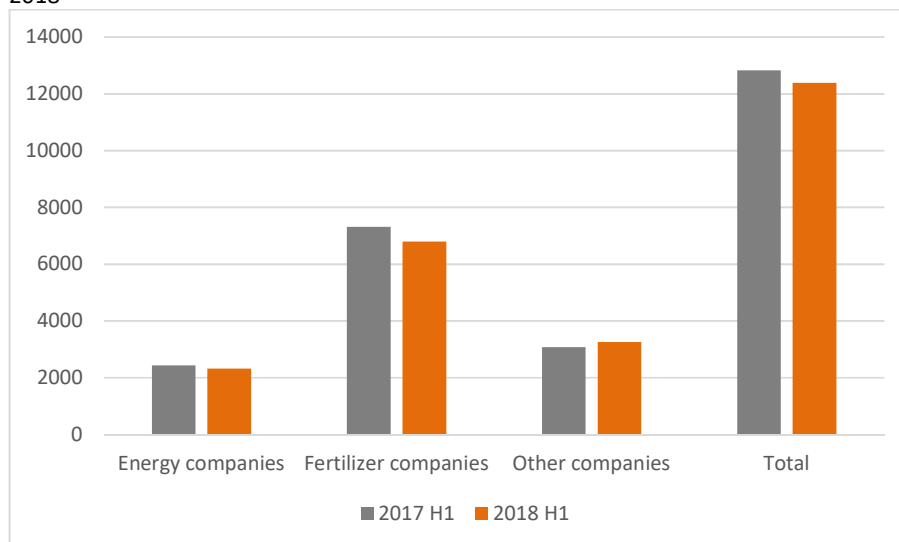
During the first half of 2018, 822.4 GWh of natural gas was transmitted to system users to the Republic of Lithuania through Kiemėnai GAS (in H1 2017 – 35 GWh of natural gas).

During the reporting period, 14 725.0 GWh of natural gas was transported to the Kaliningrad Region of the Russian Federation (in H1 2017 – 11 907.4 GWh of natural gas).

By 1 July 2018, the Company had concluded 103 natural gas transmission service agreements with the natural gas transmission system users (natural gas consumers, natural gas transmission system operators, importers, natural gas supply companies supplying gas up to customer systems), including 63 system users using the transmission capacity during the reporting period. The Company had 3 natural gas balancing agreements concluded with market players who trade in natural gas at virtual trading point, but do not transport gas via the transmission system.

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

Figure 1. Natural gas transmission quantities by natural gas transmission system users in Lithuania, GWh, H1 2017/H1 2018



REGULATION OF NATURAL GAS PRICES

The natural gas transmission service prices are regulated.

On 1 January 2018, the price ceilings for natural gas transmission services set for the Company by the National Commission for Energy Control and Prices (NCECP) in November 2017 for the entry² and exit³ points of the transmission system (the entry-exit capacities allocation model complying with requirements of the EU legal acts is applied in Lithuania since 2015) came into force. These price ceilings may be adjusted on an annual basis by decision of the NCECP in accordance with the procedure set out in the Methodology for setting of the state regulated prices in the natural gas sector.

In addition, on 1 January 2018, the natural gas transmission service prices approved by the NCECP at the end of autumn for the entry and exit points of the transmission system came into effect. More detailed information on the natural gas transmission service prices applied since 1 January 2018 is available on the Company's Internet Website: www.ambergrid.lt (*Transmission services* → *Prices and fees*).

4.5.2. BALANCING OF NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid ensures the balancing of gas flows in the transmission system. The Company acting in observance of the natural gas transmission system balancing regulations purchases balancing gas from a gas market participant that has caused the overcapacity of gas in the transmission system and sells the balancing gas to a participant that has caused the lack of gas in the system.

² Points of interconnection of the Lithuanian transmission system with systems of Belarus and Latvia and of Klaipėda LNG Terminal.

³ Points of interconnection of the Lithuanian transmission system with systems of Latvia and Kaliningrad Region of the Russian Federation and the domestic exit point (including the Lithuanian transmission system's interconnection points with gas distribution or consumer systems).

During the first half of 2018, as a result of misbalance caused by system users, the Company purchased 1.7 GWh and sold 158.2 GWh of natural gas, of which 151.8 GWh of natural gas was sold for the balancing of flows of natural gas transmission to Kaliningrad Region.

Quantities of gas in the pipelines of the Company's transmission system vary not only because of the balancing of flows of system users and other gas market participants, but also because of technical and technological specifics of the transmission system.

4.5.3. ADMINISTRATION OF FUNDS INTENDED TO COMPENSATE FOR COSTS OF INSTALLATION OF THE LNG TERMINAL, ITS INFRASTRUCTURE, INTERCONNECTION AND FIXED OPERATING COSTS AS WELL AS FOR REASONABLE COSTS OF THE DESIGNATED SUPPLIER

In implementing requirements of the Law of the Republic of Lithuania on the LNG Terminal and its implementing legislation, the Company collects, administrates and pays out the LNG funds to the operator of the LNG Terminal and to the designated supplier (UAB LITGAS) in accordance with the procedure set out by legal acts.

By Resolution No O3E-583 of the National Commission for Energy Control and Prices (NCECP) of 7 December 2017, the additional natural gas supply security component applicable from 1 January 2018 and by Resolution No O3E-168 of 24 May 2018 – a new additional natural gas supply security component applicable from 1 July 2018 were fixed.

In observance of the Letter No R2-(D)-3349 of the NCECP of 15 December 2017 regarding the proportions of the allocation of liquefied natural gas terminal funds to their recipients the proportions (percentage shares) were established according to which the LNG Terminal funds administrated by Amber Grid are allocated and disbursed to recipients of the LNG Terminal funds on a monthly basis.

With respect to undisbursed funds of the LNG Terminal legal disputes with AB Achema were initiated. The second civil case regarding undisbursed funds of the LNG Terminal (for the period between 1 September 2013 and 31 December 2013 and between 3 December 2014 and 30 April 2015) has been suspended until adoption of the final procedural decision in the case No T-417/16 pending before the General Court of the EU. The third civil case is under preparation for hearing by way of preparatory documents.

Amber Grid was also joined as a third party in legal proceedings pending before administrative courts:

- Eight cases following the applications of AB Achema for the annulment of decisions of the NCECP. The hearing of all administrative cases has been suspended because the General Court of the EU is examining the complaint of AB Achema (Case No T-417/16);
- One case following the complaint of AB Achema to the Republic of Lithuania for indemnification of damage of EUR 15 329 728.69 incurred due to the provision of state aid without coordination with the European Commission. The case was examined by the first instance and the complaint of AB Achema was dismissed. AB Achema submitted an appeal which is still pending.

The case filed at the Vilnius Regional Court, according to the 2018 April 5 the claim of UAB Kauno termofikacijos elektrinė (hereinafter referred to as KTE), in which the KTE requires that the defendant AB Amber Grid (hereinafter referred to as the Company) does not have the rights to claim the amount of EUR 132,931.25 (VAT) to the KTE under the Natural Gas Transmission service contract no. P10 / 2015-17 and 01/16/2014 Invoice series AGC No. 009761 for an additional contribution to natural gas transmission costs

for exceeding natural gas consumption capacity in 2017 and asks the Court to oblige AB Amber Grid to recalculate the amount of the additional component to the natural gas transmission price for exceeding the natural gas consumption capacity in 2017. The company does not agree with the claims made by KTE and asks the claim to be dismissed. Vilnius District Court in 2018 July 25 appointed a hearing to hear the case.

4.6. CURRENT AND PLANNED PROCUREMENTS AND INVESTMENTS

At the beginning of 2018, the NCECP approved the Ten-Year Network Development Plan (2017–2026) of Amber Grid. The value of investments in the gas transmission system development projects during the next ten years specified in this plan is EUR 192.8 million. The natural gas consumption quantities in Lithuania are projected to reduce over the coming decade, but, at the same time, cross-border gas flows to other Baltic States are forecasted to grow and the possibility of gas transportation in the new directions – the gas pipeline between Poland and Lithuania will emerge.

More information about planned investments is available on the Company's website at: www.ambergrid.lt (*Transmission system → Transmission system development → Transmission system development plan*).

On 7 June 2018, the Company announced the international procurement for purchase of construction operations for the part of the GIPL project in the territory of the Republic of Lithuania. The procurement is conducted by way of negotiated procedure with publication of procurement notice.

The winner of the procurement will be responsible for the construction of the gas mains and gas metering station. The gas mains of about 165 km length and 700 mm diameter will be constructed from Jauniūnai compressor station in Širvintos District to the Lithuanian–Polish border in Lazdijai District.

On 18 July 2018, the Company announced the international procurement of pipelines made of steel in implementing the part of the Polish – Lithuanian gas interconnection (GIPL) project in the territory of the Republic of Lithuania.

4.7. OPERATING PLANS AND PROJECTIONS OF THE COMPANY

It is projected that the single regional natural gas market of the Baltic States and Finland (when the gas interconnection between Estonia and Finland is put into operation) joining separate markets into one single market without cross-border gas transmission fees, with centralised balancing of gas systems and allocation of transmission capacities and with gas trading at one virtual trading point will start operating from 2020. This will facilitate in attracting global gas supply and trading companies and offering to consumers attractive gas supply service conditions, enhance competitiveness on the natural gas market and concurrently of the natural gas product.

It is projected that in 2018, the Company will transport to the Lithuanian system users, at the domestic exit point of the transmission system about 23 TWh, to the Republic of Latvia – 2.1 TWh and to Kaliningrad Region of the Russian Federation – 26.6 TWh of natural gas. About 40 % of natural gas quantities intended for consumers of Lithuania and other Baltic States will be supplied from Klaipėda LNG Terminal.

5. FINANCIAL PERFORMANCE

5.1. FINANCIAL INDICATORS⁴

Table 1. Financial indicators of the Company

	H1 2018	H1 2017	H1 2016
Financial performance (EUR thousand)			
Revenues	27.395	32.617	33.904
EBITDA ⁵	13.898	20.316	21.509
Profit before taxes	7.447	12.844	13.267
Net profit	6.510	10.875	11.536
Net cash flows from operating activities	15.626	21.199	24.220
Investments	5.806	1.630	5.672
Financial debt	82.117	81.220	116.556
Net financial debt	81.107	81.211	109.795
Profitability ratios (%)	H1 2018	H1 2017	H1 2016
EBITDA margin	50.73	62.29	63.44
Gross profit margin	27.18	39.38	39.13
Net profit margin	23.76	33.34	34.03
Average return on assets (ROA) ⁶	2.52	3.62	3.42
Average return on equity (ROE)	3.94	5.50	5.95
Liquidity ratios	30/06/2018	30/06/2017	30/06/2016
Current ratio ⁶	0.24	0.51	1.15
Quick ratio ⁶	0.19	0.42	1.06
Capital structure ratios (%)	30/06/2018	30/06/2017	30/06/2016
Equity/assets ratio ⁶	63.12	67.06	59.70
Debt/equity ratio	51.90	42.14	60.26
Net debt/equity ratio	51.89	42.13	56.77
Market value ratios	30/06/2018	30/06/2017	30/06/2016
P/E, in times	39.73	21.32	17.32
Net earnings per share, EUR	0.04	0.06	0.06

Financial statements for the first half of 2018 prepared by the Company reflect the results of the Company's subsidiary UAB GET Baltic, recorded at acquisition cost.

⁴ The Company's financial indicators are calculated after elimination of assets or liabilities created by funds of the LNG Terminal and reducing the value of fixed assets by grants received/receivable for acquisition of such assets.

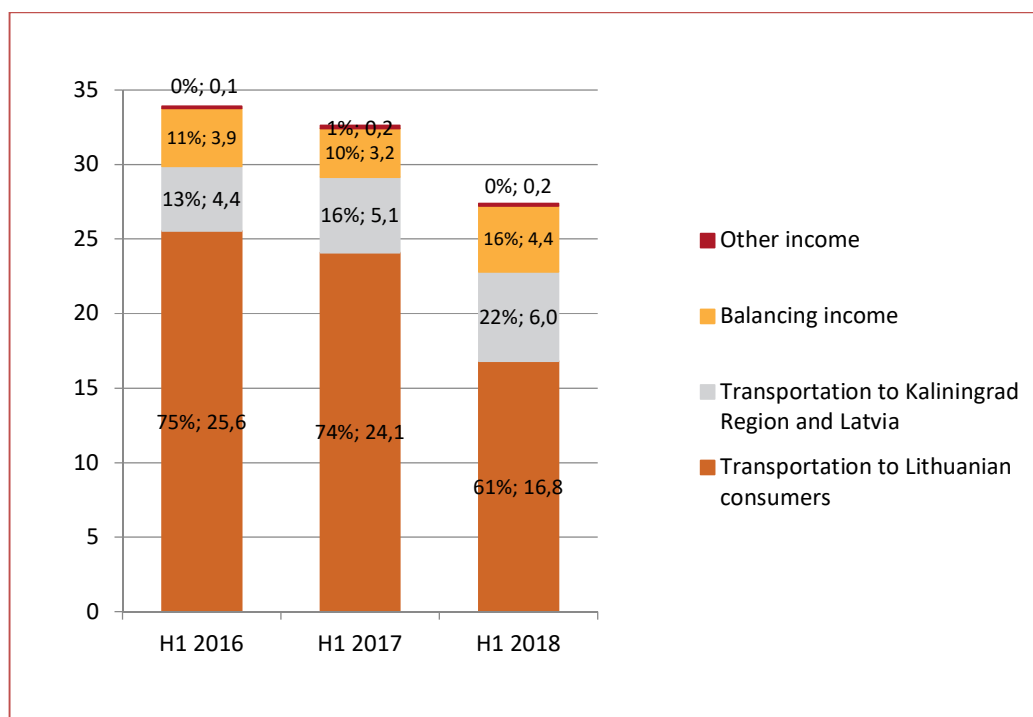
⁵ Profit (loss) before taxes + financial activity expenses – financial activity income + costs of depreciation and amortisation + value impairment expenses + assets written off.

⁶ The financial indicator of the Company is calculated after elimination of assets or liabilities created by funds of the LNG Terminal.

5.2. REVENUES

The Company's revenues of the first half of 2018 totalled EUR 27 395 thousand, i.e. reduced by 16% compared with the same period of 2017. Income from natural gas transmission services reduced because of the average reduction by 36.5 % in regulated prices of transmission services since the beginning of the year for the Lithuanian system users. Income from transportation to adjacent transmission systems increased due to larger transportation volumes. Balancing income went up due to growth in balancing volumes. Other income, i.e. from administration of funds of the LNG Terminal, etc., amounted to EUR 161 000 in the first half of 2018.

Figure 2. Income structure, H1 2016-2018, %, EUR million



Balancing income consists of:

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

The Company is statutorily obligated to administrate the LNG Terminal funds. For more information and disclosures about the accounting for the LNG Terminal funds refer to the Company's financial statements for the first half of 2018.

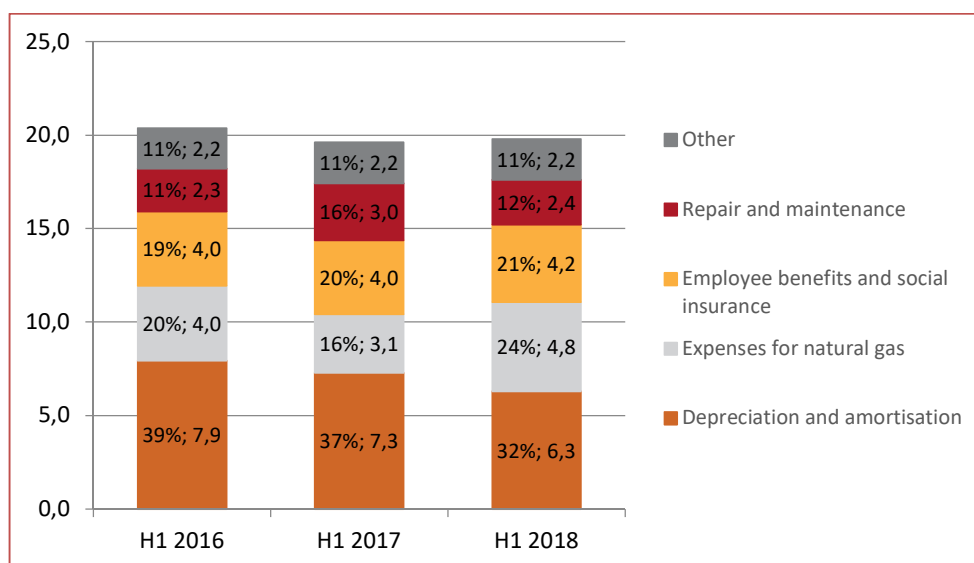
5.3. EXPENSES

In the first half of 2018, the Company's expenses totalled EUR 19 790 thousand, i.e. increased by 1% compared with the respective period of 2017.

Non-current asset depreciation and amortisation expenses made up a significant part of the Company's expenses – EUR 6 297 thousand or 32% and, compared with H1 2017, reduced by 14% as a result of revaluation of non-current assets at the end of 2017.

Expenses for natural gas accounted for EUR 4 766 thousand (24% of total expenses) and exceeded by 52% the comparable figure of the respective period of 2017 due to larger quantities of natural gas for balancing needs and higher natural gas prices. Employee benefits and social insurance expenses stood at EUR 4 153 thousand (21% of total expenses), repair and maintenance expenses – EUR 2 399 thousand (12%). The Company purchased natural gas for technological needs in the balancing of system users and other gas market participants involved in the transmission system balancing, balancing of gas flows and technological balancing.

Figure 3. Structure of expenses, H1 2016-2018, %; EUR million



5.4. OPERATING RESULTS

In the first half of 2018, profit before taxes reached EUR 7 447 thousand (in H1 2017 – EUR 12 844 thousand); earnings before interest, tax, depreciation and amortisation (EBITDA) totalled EUR 13 898 thousand (in H1 2017 – EUR 20 316 thousand).

In the first half of 2018, the Company generated net profit of EUR 6 510 thousand (in H1 2017 – EUR 10 875 thousand).

The main reasons for the decrease in profitability compared with the respective period of the previous year were lower transmission service prices and the resulting decline in revenues.

Figure 4. Financial performance, H1 2016-2018; EUR million

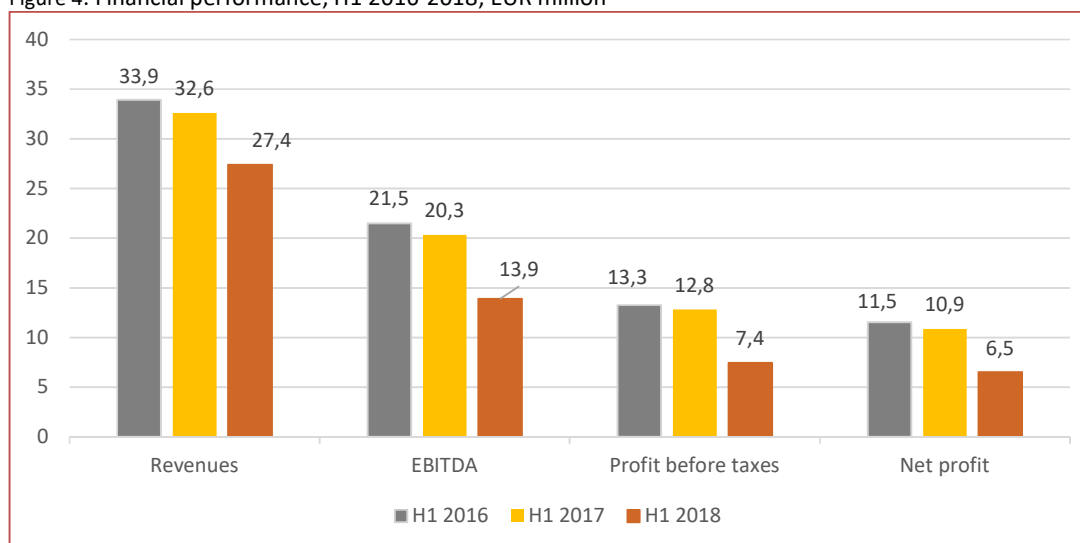
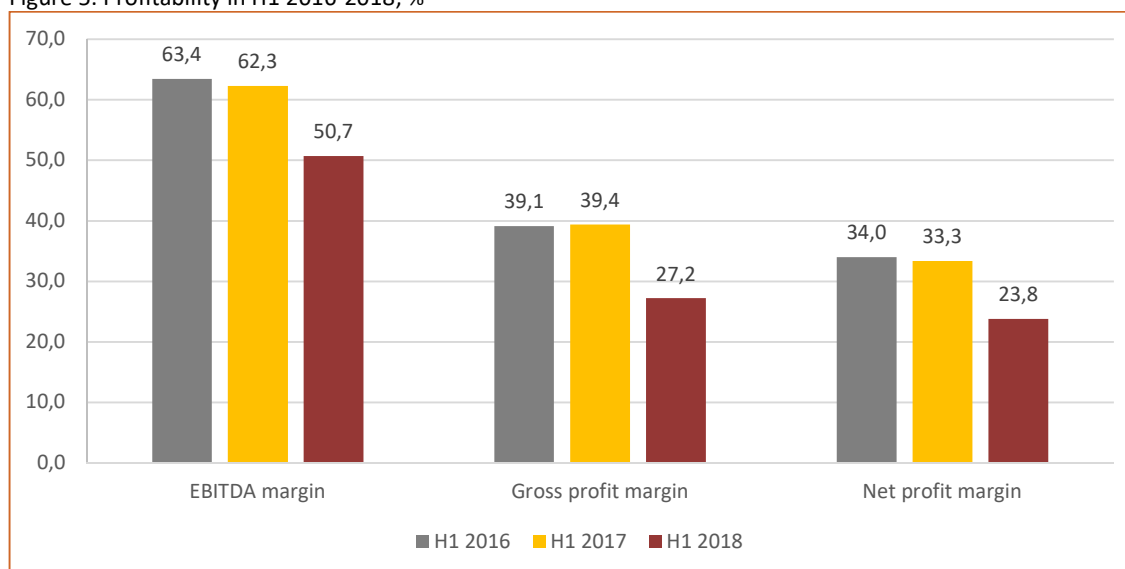


Figure 5. Profitability in H1 2016-2018; %

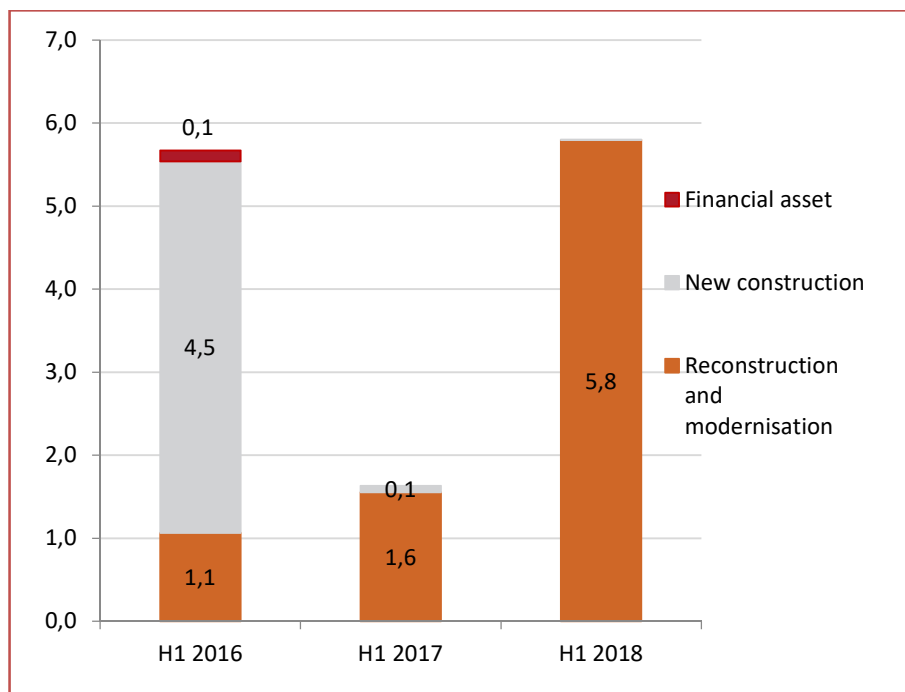


5.5. INVESTMENTS

In the first half of 2018, investments amounted to EUR 5 806 thousand (in H1 2017 – EUR 1 630 thousand). The Company, in carrying out the maintenance of the natural gas transmission network managed by it and in developing this network, keeps investing in the infrastructure controlled by it. Investments in the transmission system development were not made because of changes in the GIPL project schedule.

Investments in reconstruction and modernisation, compared with H1 2017 (EUR 1 554 thousand), went up almost by 3 times to EUR 5 795 thousand. The increase was caused by the projects of reconstruction of gas mains and gas distribution stations carried out in 2018.

Figure 6. Investment structure, H1 of 2016-2018, EUR million



5.6. ASSETS

As of 30 June 2018, the value of assets totalled EUR 263 533 thousand. Non-current assets accounted for 92% and current assets – for 8% of the total assets of the Company.

In January–June 2018, non-current assets reduced because of investments which were lower than depreciation. During the aforementioned period, the value of current assets decreased almost by half (EUR 13 932 thousand) due to reduction in cash balance and receivables.

5.7. EQUITY AND LIABILITIES

In January–June 2018, the Company's equity reduced by 8% due to disbursement of dividends and amounted to EUR 158 231 thousand, at the end of period.

In January–June 2018, payables and liabilities reduced by 2.7% (EUR 2 875 thousand) reaching EUR 105 302 thousand at the end of period. The reduction of payables and liabilities was caused by a decrease in payables for acquisition of non-current assets.

As of 30 June 2018, the Company's financial debt stood at EUR 82 117 thousand. During the reporting period it increased by EUR 4 895 thousand. The financial debt-to-equity ratio to credit institutions was 51.9%.

5.8. CASH FLOWS

In the first half of 2018, the Company's cash flows from operating activities totalled EUR 15 626 thousand (in H1 2017 – EUR 21 199 thousand). The amount used for acquisition of non-current assets was EUR 11 399 thousand (in H1 2017 – EUR 4 753 thousand), for disbursement of dividends – EUR 20 300 thousand Eur (in H1 2017 – 20 286 thousand). In the first half of 2018, EUR 4 636 thousand of the EU assistance was received for the financing of investments (in H1 2016 – EUR 3 170 thousand).

5.9. REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT DATA PROVIDED IN THE CONDENSED FINANCIAL STATEMENT

Other information is provided in the notes to the condensed financial statements of Amber Grid of 30 June 2018.

5.10. INFORMATION ON ALL TYPES OF FINANCIAL ASSISTANCE

The financial assistance (support) policy is provided in the Social Responsibility Report of 2017. During the reporting period, the Company did not provide financial assistance of any other type.

5.11. INFORMATION ON SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

As of 30 June 2018, the Company held 100% of shares in the subsidiary UAB GET Baltic. More detailed information about the subsidiary is provided in the Company's financial statements.

6. RISKS AND THEIR MANAGEMENT

6.1. RISKS AND THEIR MANAGEMENT

There have been no essential changes in the data about risk management and the internal control system of the Company during the reporting period, compared with the data provided in the Annual Report for 2017.

The main risks to which the Company is exposed include macroeconomic factors, regulation, gas purchase price fluctuations, concentration, competition, technical, corruption and financial risks.

Information on concentration, gas purchase price and financial risks (liquidity, credit, interest rate fluctuation) is provided in the Company's financial statements of 2017.

No reports on manifestation of corruption have been received.

Considering the measures provided for in the Policy and its implementation rules taken by the Company to reduce the probability manifestation of corruption, the corruption manifestation probability in the activities of Amber Grid should be assessed as minimal.

6.2. INTERNAL CONTROL SYSTEM OF THE COMPANY

Financial statements of the company are prepared in accordance with the International Financial reporting Standards as adopted by the EU.

The Company has approved the Guide on accounting procedures and policies which regulates the principles, methods and rules for record-keeping and preparation and submission of reports. Moreover, in order to ensure the timely submission of financial statements, the time limits for the submission of accounting records and statements are regulated by internal regulations approved by the Company.

Financial statements are prepared in observance of the principle of 'four-eyes'. The Accounting Subdivision is responsible for the preparation and review of financial statements.

7. MANAGEMENT

7.1. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In its activities, the Company applies the Corporate Governance Code of companies listed on AB NASDAQ Vilnius exchange (available at: www.nasdaqbaltic.com; hereinafter – the Corporate Governance Code). The Code is applied unless the Company's Articles of Association provide otherwise. The information on the Company's compliance with requirements of provisions of the Corporate Governance Code is disclosed by the Company on the internet website at: www.ambergrid.lt and in the Central Database of Regulated Information at: www.crib.lt.

7.2. SHARE CAPITAL

The Company's authorised capital is EUR 51 730 929.06. It is divided into 178 382 514 ordinary registered shares of EUR 0.29 nominal value. One ordinary registered share of EUR 0.29 awards to its holder one vote at the General Meeting of Shareholders. All shares are fully paid up.

7.3. SHARES AND RIGHTS OF SHAREHOLDERS

The number units of shares conferring rights to vote at the General Meeting of Shareholders is 178 382 514. All shareholders enjoy equal property and non-property rights conferred by shares of Amber Grid. By virtue of Articles of Association, decisions on issuance of new shares and purchase of own shares of the Company may be taken only by the General Meeting of Shareholders.

The Company has no information about mutual agreements of shareholders that could lead to the restriction of the transfer of securities and/or the voting rights. There are no restrictions of voting rights in the Company.

In the first half of 2018, the Company did not acquire its own shares and did not conclude any transactions on the acquisition/disposal of own shares.

7.4. SHAREHOLDERS

In the first half of 2018, the structure of the Company's shareholders did not change. UAB EPSO-G retained the holding of 96.58% of the Company's shares and was the only shareholder controlling the holding of more than 5% of the Company's shares.

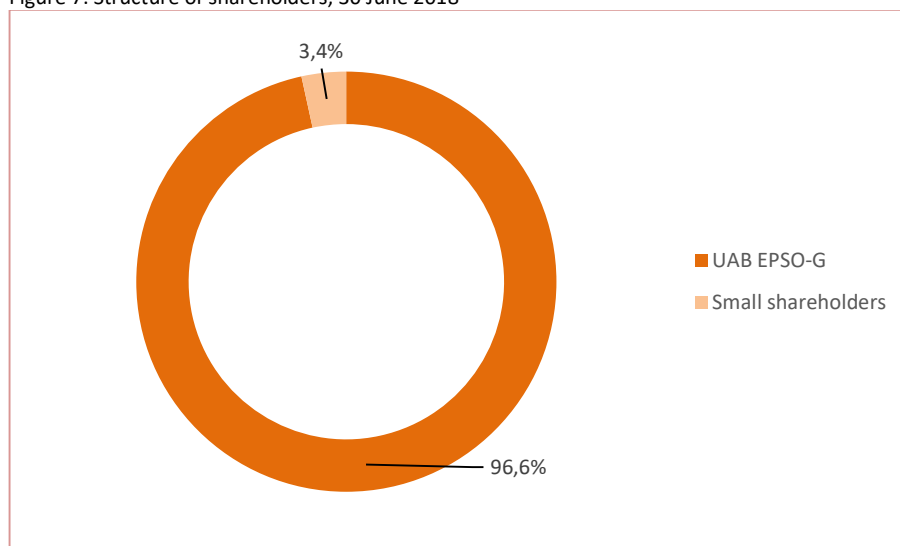
Given that shares of Amber Grid are traded on the stock exchange, the number of shareholders of Amber Grid is changing all the time. Based on data (of 30 June 2018) received from the intermediary of public trading in securities, over more than 2 200 of the Lithuanian and foreign natural and legal persons were shareholders of the Company.

Table 2. Shareholders of the Company (30 June 2018)

Shareholder	Registered office address / legal person's code	Number of shares held by right of ownership, units
UAB EPSO-G	A. Juozapavičiaus g. 13 Vilnius, Lithuania/ 302826889	172 279 125
Small shareholders		6 103 389
Total		178 382 514

The structure of shareholders of the Company is provided in Figure 7.

Figure 7. Structure of shareholders, 30 June 2018



UAB EPSO-G which controls 96.58% of the Company's shares has the casting vote when adopting decisions at the General Meeting of Shareholders.

7.5. DATA ON SECURITIES TRADING ON REGULATED MARKETS

As from 1 August 2013, the Company's shares are traded on a regulated market and are additionally quoted on NASDAQ Vilnius Stock Exchange Baltic List.

Table 3. Main details of Amber Grid shares

Main details of Amber Grid shares	
ISIN code	LT0000128696
Symbol	AMG1L
Size of issue (in units of shares)	178 382 514

In January–June 2018, turnover of trading in the Company's shares amounted to EUR 336 thousand; 226 613 units of shares were transferred under concluded transactions.

Dynamics of the price of the Company's shares is presented in Table 4, and data on the price and turnover of the Company's shares (of January–June 2017) are shown in Figure 8.

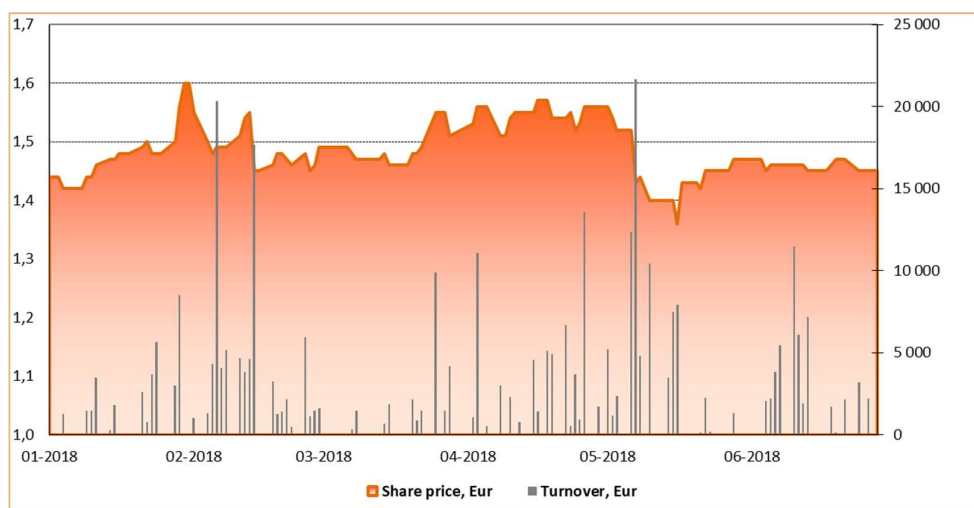
Table 4. Share price dynamics on NASDAQ Vilnius, January–June 2018

Opening price, EUR 1 January 2018	Maximum price per share, EUR 31 January 2018	Minimum price per share, EUR 17 May 2018	Weighted average price per share, EUR	Closing price, EUR 30 June 2018
1.44	1.60	1.36	1.483	1.46

As of 30 2018, capitalisation of June Amber Grid stood at EUR 258.65 million.

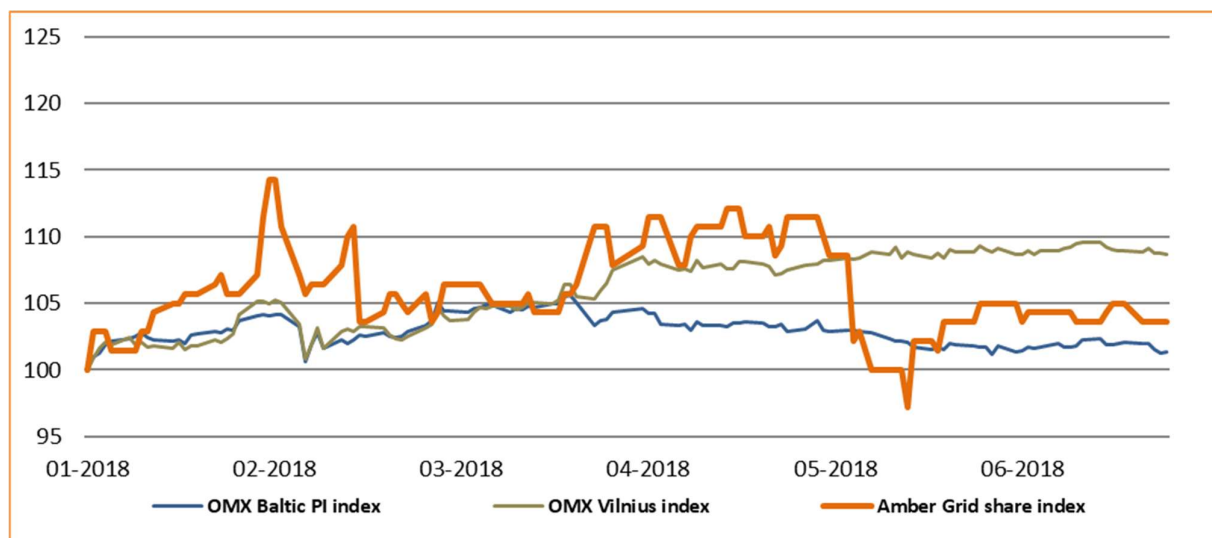
Figure 8. Amber Grid share price and turnover, January–June 2018

Price per share, EUR; Turnover, EUR



In the first half of 2018, comparative price indices OMX Baltic PI and OMXV of securities traded on NASDAQ OMX reflecting changes in prices of shares of companies listed on stock exchanges of the Baltic States and Vilnius increased by 1.31% and 8.67%, respectively. Over the same period, the Company's share price increased by 3.57%. Changes (of January-June 2018) of the price of the Company's share and OMX Vilnius and OMX Baltic PI indices are reflected in Figure 9.

Figure 9. Changes in Amber Grid share price, OMX Vilnius and OMX Baltic PI indices, January-June 2018



7.6. DIVIDENDS

At the General Meeting of Shareholders held on 24 June 2018, the Company's shareholders passed the decision on disbursement of dividends. Dividends account for EUR 20 299 930 or EUR 0.1138 per share.

7.7. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

On 30 June 2018, the Company concluded with AB SEB bankas the agreement on the disbursement/allocation of dividends for small shareholders on the basis of which AB SEB bankas calculates and pays out dividends to all shareholders of the Company, except for its largest shareholder – UAB EPSO-G.

Requisites of AB SEB bankas	
Corporate code	112021238
Registered office address	Gedimino pr. 12, Vilnius, Lietuva
Phone	+370 5 268 2800, trumpasis 1518
E-mail	info@seb.lt
Internet website	www.seb.lt

7.8. MANAGEMENT STRUCTURE

In its activities, the Company observes the Law on Companies, the Law on Securities, Articles of Association of the Company and other legal acts of the Republic of Lithuania. The competence of the General Meeting of Shareholders, shareholders' rights and their implementation are defined in the Law on Companies and

Articles of Association of the Company. Articles of Association of the Company are published in the Company's website: www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai.

Detailed CVs of the Company's Board Members and Top Management are published on Amber Grid's internet website at: www.ambergrid.lt.

Information on Board Members, General Manager and Chief Accountant of Amber Grid is provided in Table 5.

Table 5. Information on Board Members, General Manager and Chief Accountant

Position	Forename, Surname	Start date of the term of office	End date of the term of office	Participation in the Issuer's capital	
				Proportion of the authorised capital, %	Proportion of votes held, %
Chairman of the Board	Nemunas Biknius	April 2016	April 2020	0.001055	0.001055
Member of the Board	Saulius Bilys	April 2016	8 May 2018	–	–
Independent Member of the Board	Nerijus Datkūnas	April 2016	April 2020	–	–
Member of the Board	Vytautas Ruolia	April 2016	April 2020	–	–
Member of the Board	Rimvydas Štilinis	April 2016	April 2020	–	–
General manager	Saulius Bilys	April 2013	–	–	–
Chief Accountant	Dzintra Tamulienė	April 2013	–	–	–

During the reporting period, remuneration to the Company's Board Members totalled EUR 10 thousand, of which EUR 5 thousand accounted for remuneration calculated to the Independent Member of the Board.

During the reporting period, total sum calculated for the Company's General Manager and Chief Accountant amounted to EUR 93.5 thousand; the average amount per individual (General Manager and Chief Accountant) was EUR 46.8 thousand.

In observance of Articles of Association of the Company, the functions of the Audit Committee of Amber Grid are carried out by the Audit Committee of UAB EPSO-G. In accordance with the procedure set out by Articles of Association they may be amended by resolution of the General Meeting of Shareholders passed by a 2/3 majority vote of shareholders attending the General Meeting of Shareholders.

The Company has no branches and representative offices.

7.9. DISCLOSURES OF RELATED PARTY TRANSACTIONS, SIGNIFICANT AGREEMENTS AND HARMFUL TRANSACTIONS

As of 30 June 2018, the Company had concluded the following significant agreements entitling counterparties to terminate transactions concluded with the Company in the event of change of the Company's control: Loan Agreement with Swedbank AB of 30 December 2014; Loan Agreement with Nordic Investment Bank of 19 August 2015, Loan Agreement with OP Corporate Bank plc Lithuanian Branch of May 18, 2018. Terms and conditions of these Agreements are considered to constitute bilateral confidential information of the parties signing the Agreements, and their disclosure can cause damage to the Company.

As of 30 June 2018, the Company had not concluded any significant agreements that would enter into force, change or terminate upon change of the Company's control.

During the reporting period, the Company has not entered into any harmful transactions (non-compliant with the Company's objectives, existing normal market conditions or infringing interests of shareholders or groups of other persons, etc.) or transactions concluded under a conflict of interests between duties of the Company's management, principal shareholders or other related parties, of the Company and their private interests and/or other duties.

On July 18 AB Amber Grid has launched an international tender to acquire steel pipes of the Gas Interconnection Poland-Lithuania (GIPL) in the territory of the Republic of Lithuania.

7.10. INFORMATION ON MATERIAL EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 13 July 2018, AB Amber Grid's Board approved the decision to conclude agreements between the parent governing company, UAB EPSO-G, and the Company, AB Amber Grid, for the transfer of tax losses. The terms of the agreements provide for the paying by AB Amber Grid to UAB EPSO-G of 15 percent from the total amount of tax loss assumed, i.e. EUR 563 thousand for the year 2016 and EUR 430 thousand for the year 2017. This transaction will not affect the Company's bottom line. UAB EPSO-G Audit Committee's opinion states that the transaction is fair in respect to all shareholders of Company and that the transfer of tax losses is carried out in accordance with the procedure provided for by the Law on Income Tax.

On 18 July 2018, AB Amber Grid On 18 July 2018, the Company announced the international procurement of pipelines made of steel in implementing the Polish – Lithuanian gas interconnection (GIPL) project part in the territory of the Republic of Lithuania.

8. REMUNERATION POLICY

Amber Grid abides by the common remuneration policy of EPSO-G group of companies applicable to all employees of the Company. The remuneration policy is approved and amended by decision of the Company's Board having regard to recommendations of the Remuneration and Nomination Committee of EPSO-G. The Remuneration and Nomination Committee of EPSO-G periodically assesses the remuneration policy's provisions, its effectiveness, implementation and application.

The purpose of the remuneration policy of Amber Grid is to ensure the effective, clear and transparent management of the costs of remuneration and concurrently create incentives motivating employees to contribute to the implementation of the mission, vision, values and objectives of the Company.

The remuneration of all employees and managers consists of two – fixed and variable – components. The fixed component depends on the job position's responsibility level determined according to the methodology applied in the international practice. The variable component of the remuneration is paid out when individual targets set during annual assessment are achieved, and the Company reports to the shareholders and management on the achievement of annual goals. The variable component of the remuneration is linked with the Company's and individual annual targets set for the management.

The remuneration policy of the Company is published on the internet website: www.ambergrid.it (About Us → Management).

The average remuneration in the Company by groups of employees is provided in Table 6 below.

Table 6. Average monthly remuneration by employee groups

Groups of Job Positions	Average gross monthly wage, Eur	
	H1 2018	H1 2017
General Manager	9 447	9 604
Top level management	5 514	5 479
Medium level management	2 764	2 592
Experts – specialists	1 458	1 366
Workers	1 103	964
Total	1 508	1 402

Remuneration policy of members of collegial bodies and management

The principles of remuneration of members of management bodies in UAB EPSO-G group of companies are defined by the Guidelines on the remuneration for activities in management bodies of companies of the group approved by decision of the sole shareholder of UAB EPSO-G. By decisions of the General Meeting of Shareholders of the Company of 26 April 2016 the maximum annual remuneration budget earmarked for payment for activities of the Company's Board Members was fixed and the hourly and maximum monthly remuneration as well as the terms and conditions of agreements with Board Members for their activities within the Board were approved. By decision of the General Meeting of Shareholders of the Company of 26 April 2016 the hourly remuneration for the Board Members' activities within the Company's Board was fixed in the amount of EUR 50.00 (fifty euro) (before taxes), without exceeding the maximum remuneration amount of EUR 1 000.00 (one thousand euro) (before taxes) per month. The Board Members who are also

employees of UAB EPSO-G which holds the qualifying holding in the Company do not receive from the Company remuneration for activities within the Board.

The fixed and variable remuneration for the General Manager of the Company is determined by the Company's Board and for members of the top management – by the General Manager of the Company in observance of the remuneration policy approved by the Board of the Company. The variable component of remuneration to the General Manager and members of management is paid out once a year upon approval by the Board of the Company of the achievement of goals of the General Manager of the Company.

9. SOCIAL RESPONSIBILITY, ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

The responsibility of Amber Grid is defined by the following documents in observance of which the Company operates:

- Code of the organisational culture;
- Remuneration policy;
- Anti-corruption policy;
- Procurement policy;
- Social responsibility policy;
- Policy of ethical employment and working conditions;
- Policy of environmental protection and occupational safety and health;
- Policy of equal opportunities;
- AB Amber Grid support provision procedure.

9.1. SOCIAL RESPONSIBILITY PRINCIPLES AND PRIORITIES

While responsibly pursuing its activities, Amber Grid consistently considers that the ways in which the result is achieved are significant. Therefore, relying on the accumulated and best practices of national and international organisations, the Company aims at improving business practice, implementing modern management of human resources, applies natural resources-saving technologies and uses substances, materials and processes that are not dangerous to human health. In planning its activities, Amber Grid takes account of economic and social expectations of interested parties, ensures transparent management, develops ethical relationships on the market, implements anti-corruption measures and contributes to the development of good business climate in the country.

The Company perceives sustainable business development as a set of targeted economic, social and environmental actions by improving the universal welfare of the society and reducing the permissible environmental impact limits in its professional activities within the meaning of the National Sustainable Development Strategy approved by the Government of the Republic of Lithuania.

CORRUPTION RISK

In its activities, the Company does not tolerate any manifestations of corruption, any accepting, giving, offering, promising or demanding of undue advantages through abuse of the position held. The anti-

corruption concept of Amber Grid covers the offering and acceptance of undue privileges, trading in influence, undue influence in favouring relatives, spouses or friends, because we aim at achieving that our decisions are not affected by private interests or by pursuit of personal gain.

The cases of violation of provisions of legal acts and rules of conduct, infringements of performed economic transactions and accounting, bribery, subornation, trading in influence, abuse, conflicts of interests, nepotism and cronyism, violations of transparency, equality, non-discrimination, proportionality and objectivity requirements in public procurement by the Company's managers and employees can be reported by e-mail: sauga@ambergrid.lt or by phone: +370 666 06 084; +370 5 2327787. This information is accessed only by the Company's anti-corruption officer who ensures full confidentiality of the person reporting such information. During this year, no reports or complaints were received via the announced confidence line.

HUMAN RIGHTS

The Company operates on the basis of the Ethical Employment and Equal Opportunities Policy approved in 2017, which emphasise that all forms of discrimination are strictly prohibited (ILO Conventions No 100; 111). The Company guarantees equal rights for all employees and does not tolerate discrimination in the spheres of employment, remuneration, training, career, termination of employment relationships or retirement and other areas on the grounds of employees' race, nationality, gender, sexual orientation, age, political beliefs, as well as other aspects that could lead to discrimination, as well as any threatening, abusive or exploiting conduct among employees.

9.2. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

The principles and obligations of Amber Grid concerning environmental protection and occupational safety are defined in the Environmental Protection and Occupational Safety and Health Policy. Provisions enshrined in this Policy serve as the basis for reducing, with maximum effectiveness, the environmental impact of the Company's activities and ensuring safety and health of employees. The established principles of prevention, security and environmental sustainability must be observed by all interested parties and their groups involved in business process of Amber Grid.

MANAGEMENT SYSTEM

The Company has in place the environmental protection and occupational safety and health management system in line with requirements of the international standards ISO 14001 and OHSAS 18001. The environmental protection and occupational safety and health management system is integrated with business planning, organisation and management processes of Amber Grid. Management of environmental protection and occupational safety and health defined by standards facilitates in ensuring the continuous reduction of the environmental impact of the Company's business, occupational risk for safety and health of employees as well as the implementation of requirements for the Company's activities established by international and RL legal acts, regulations, and other regulatory enactments.

In improving its environmental and working conditions, the Company continuously invests in new installations, industrial process technologies, information management and other measures.

SOCIAL RELATIONSHIPS: SUPPORT

By decision of 22 August 2017, the Board of Amber Grid approved the Company's Support Provision Procedure worked out in observance of goals of the Operating Strategy of UAB EPSO-G for 2017-2021, goals of the Operating Strategy of the Company for 2017-2022, the Support Policy of EPSO-G group of companies as

well as with a view to ensuring the expediency, publicity of the provided support and transparency of the process of its allocation.

The aforementioned procedure stipulates that in implementing the development provided for in the strategy and projects of economic importance for the State, the Company can influence the quality of life of communities or their environment. Therefore, the Company has the right to allocate support from its profit for the needs of local regions and/or communities in which those projects are implemented in the spheres of education, culture, sports, social services, health care or other spheres of community wellbeing. In addition, the Company may grant support to individuals who study under the programmes related to direct activities of the Company. The Company encourages voluntary free engagement in the activities of implementation of the goals significant for society or local community and can allocate support on this basis.

In the first half of 2018, no support was allocated.

More information about social responsibility of the Company and activities pursued by it is provided in a separate Social Responsibility Report prepared on the basis of the agreed principles and recommendations of the Global Reporting Initiative (GRI) which help in assessing activities according to economic, environmental protection, employee, human rights, society and market related indicators.

10. CORPORATE EVENTS OF THE REPORTING PERIOD

In fulfilling its obligations under applicable legal acts governing the securities market, the Company publishes the information on corporate events and other regulated information at the level of the EU. This information can be accessed on the Company's website (www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/esminiai-ivykiai) and on the website of AB NASDAQ Vilnius (www.nasdaqbaltic.com).

Corporate events of the reporting period announced in the first half of 2018:

Date	Corporate events of the reporting period
18/01/2018	Re the Ten-Year natural Gas Transmission Network Development Plan (2017-2026)
14/02/2018	AB Amber Grid unaudited operating results of 2017
23/03/2018	Re convening the ordinary General Meeting of Shareholders of AB Amber Grid
03/04/2018	Notice of convening the ordinary General Meeting of Shareholders of AB Amber Grid
10/04/2018	Re convening the ordinary General Meeting of Shareholders of AB Amber Grid
24/04/2018	Re decisions adopted by the ordinary General Meeting of Shareholders of AB Amber Grid
24/04/2018	AB Amber Grid annual information of 2017
16/05/2018	AB Amber Grid operating results and unaudited condensed financial statements of Q1 2018
18/05/2018	Re entry into the long-term loan agreement
01/06/2018	Presentation of AB Amber Grid at the meeting of managers of companies with investors

All public notices that are to be published in accordance with the procedure laid down by legal acts are published in the electronic bulletin of the Registrar of the Register of Legal Entities. Notices of convening of the General Meeting of Shareholders of the Company and other corporate events are published in

accordance with the procedure laid down by the Law on Securities in the Central Database of Regulated Information www.crib.it and on the Company's internet website: www.ambergrid.it. Notices of convening a general meetings of shareholders to shareholders holding shares that carry not less than 10% of votes are sent in accordance with the procedure established in the Articles of Association of the Company.