



PRESS RELEASE
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Due to increased consumption in Lithuania and volumes of gas transportation to Latvia, in the three quarters of 2019, Amber Grid earned EUR 38.7 million of revenue

In the three quarters of this year, the natural gas transmission system operator Amber Grid, belonging to EPSO-G, a state-owned group of energy transmission and exchange companies, earned EUR 38.7 million of consolidated revenue, compared to EUR 39.1 million of revenue that was earned in the same period last year. The net profit in this period amounted to EUR 7.8 million, while the net profit for the three quarters last year amounted to EUR 7.7 million.

‘In the third quarter, the transportation of gas to Latvia reached record highs, and the consumption in Lithuania of the year that was higher by one-tenth also allowed us to offset lower demand for gas transmission services at the beginning of the year due to warm winter weather. The uninterrupted import of LNG not only allowed us to utilise the capacity of Klaipėda LNG terminal, but also to stabilize the level of earned revenue. With low gas prices in the LNG market, which continue to be as such, in the last quarter of this year we will see the same positive trends’, - says Nemunas Biknius, the acting CEO of Amber Grid.

Higher revenue from transportation services provided in the second and third quarters of the year also amortized the impact of regulated return on investment, which was reduced by more than double, on the financial performance. With the start of a new five-year regulatory period at the beginning of the year National Energy Regulatory Council (NERC) reduced the rate of return on investment of Amber Grid from 7.09% to 3.33%.

The EBITDA (earnings before interest, taxes, depreciation and amortisation) of three quarters of 2019 was EUR 17.2 million and was 6% lower compared to EUR 18.3 million in the same period last year. The consolidated pre-tax profit of Amber Grid in the first nine months of the year amounted to EUR 9.3 million. That is 9% more than at the same time last year when the pre-tax profit amounted to EUR 8.5 million. This was mainly due to lower depreciation costs.

With significant focus on operational efficiency and targeted investment in modern transmission system management solutions, the consolidated operating costs of Amber Grid decreased by 4% over the specified period to EUR 29.1 million. During the period from January to September, Amber Grid allocated EUR 14.1 million or 24% more than at the same time last year (EUR 11.3 million) for the modernization of the gas transmission network.

Gas transmission activities

In the three quarters of 2019, gas consumption in Lithuania increased by 10%, 16.7 terawatt-hours (TWh) of gas were consumed for Lithuanian needs (last year at the same time – 15.2 TWh). During the period from January to September, 21.2 TWh of natural gas were transported to Lithuania, not including gas transportation to Kaliningrad region. This is 20.4% more compared to the period from January to September in 2018 when 17.6 TWh of natural gas were transported to Lithuania.

During the period under consideration, 56.5% of the total amount of gas injected were supplied from Klaipėda LNG Terminal, and through pipelines from Belarus and Latvia – 43.5% of the total amount of gas injected which was designated for consumers in Lithuania and other Baltic States. The amount of gas supplied through Klaipėda LNG terminal was 76% higher compared to the same period last year. 4.2 TWh of natural gas were commercially transported in the direction of Latvia and Estonia, almost twice as much as in 9 months of 2018 when 2.2 TWh of gas were transported to the other Baltic States.

Lower gas transmission price in 2020

This September, the Board of Amber Grid estimated and subsequently NERC confirmed that in 2020, the average price of transmission services for the needs of Lithuanian consumers will decrease by 16%. The decrease in average gas transmission prices was mainly driven by savings of the cost of the company's regulated activities and additional revenue earned from short-term capacity in transmitting gas to Lithuanian consumers and in direction of Latvia.

Overview of Amber Grid strategic projects

During 9 months of 2019, in implementing the strategic project of the Company of gas interconnection between Lithuania and Poland GIPL, Amber Grid signed a contract with the Polish company Izostal S.A. on the procurement of pipes for the construction of the interconnection. The value of the contract that was signed on 25 July 2019 is EUR 26.4 million (excluding VAT). The public tender procurement procedure for the construction works of GIPL is still in progress. Regarding the conclusion of Public Procurement Office, it was decided to re-evaluate the final public procurement tender proposals for the construction of interconnection. It is scheduled the project to be implemented by the end of 2021.

The European Commission confirmed that it will finance construction works of another strategic project – increase of capacity of the gas interconnection between Lithuania and Latvia. The total investment for this Project is estimated to amount EUR 10.2 million. The share of Lithuanian investment in this Project will amount to EUR 4.7 million.

The European Commission will provide EU support for the construction phase of the extension of the interconnection between Lithuania and Latvia under the Connecting Europe Facility (CEF) – up to 50% of the Project's total eligible expenses, i.e. up to EUR 2.1 million. Amber Grid implements the Project along with Latvian operator Conexus Baltic Grid. The contract for the financing of the Project is expected to be signed by the end of 2019 and the project to be implemented by the end of 2023.

Innovation and green energy

In creating conditions for the development of green gas in Lithuania, in September Amber Grid joined ERGaR (European Renewable Gas Registry), the European association developing a cross-border exchange system of European Guarantees of Origin for Renewable Gas. As of June, Amber Grid started administering the National Register of Guarantees of Origin for gas produced from renewable energy sources. Amber Grid as well participates in EU funded project Regatrace which aims to create an efficient trade system based on the issuing and trading of Guarantees of Origin (GoO) for biomethane and renewable gases.

In July, Amber Grid started operating in SecureGas – the Security and Resilience Project for the European Gas Network, which is funded from Horizon 2020, the EU research and innovation framework programme. Participants in the Project develop methodologies, tools and guidelines for existing and future gas infrastructure facilities in enhancing their resilience to cyber and physical threats.

This autumn, the project of digitization of gas transmission system valves with the value of EUR 9 million (exclusive of VAT) was launched. Half of the funds were drawn from the EU structural funds. It is planned

that by 2022 half of the valve units installed in the company's transmission system will be controlled remotely, and the required data will be transmitted to the remote control system SCADA.

Changes in management

Last month Saulius Bilys CEO of Amber Grid has resigned. The Board of Amber Grid has temporarily appointed chairman of the Board Nemunas Biknius as an acting CEO of the company. As long N. Biknius will take the position of CEO of Amber Grid, he is suspended from the position of the Chairman of the Board of the company. The acting Chairman of the Board is a Board member Algirdas Juozaponis. N. Biknius will hold the position of CEO until a permanent CEO is selected. The selection procedure will be decided in the near future.

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