AMBER GRID AB

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Amber Grid AB:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Amber Grid AB (the Company), which comprise the statements of financial position of the Company as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of property, plant and equipment	
Refer to Note 6 of the notes to the financial statements The Company accounts for property, plant and equipment ('PPE') at revalued amounts. During the year ended 31 December 2018, the Company performed a valuation of its PPE and recognized a decrease of carrying value of EUR 37.7 million resulting from the exercise. The Company's management determines value of PPE using the income approach, which forecasts future cash flows from Company's activities and discounts them using the appropriate discount	We assessed design and implementation of key controls management has established over the PPE valuation process, including the following areas: - validation of assumptions, - budgeting, - segregation of duties, - determination of key inputs in the valuation model, and - review, challenge and approval of the valuation results performed by

rate. This requires management to apply significant level of judgement in evaluating the following critical areas: - Required levels of capital expenditure to maintain the existing natural gas transmission grid levels, - Current level and future regulatory development of return on investment approved by the regulator (National Commission for Energy Control and Prices, 'NCECP'), - Determination of the discount rate, which is the Company's weighted average cost of capital, - Determination and application of the annual growth rate to perpetuity, and - Evaluation of present regulatory environment as well as anticipated changes in this area. The Company performed the valuation internally, with limited support received from external valuation experts. We consider valuation of PPE to be a key audit matter due to the size of the valued balance and the significant judgement involved regarding assumptions and estimates used in the valuation by the management.	management and those charged with governance. We involved our internal valuation specialists to support us in forming an independent view on the PPE valuation performed by the management. We then: - assessed appropriateness of selected fixed asset valuation methodology, as well as its application, - evaluated key assumptions and inputs used in the valuation of PPE, concentrating on the critical areas, such as tariffs and operating margins, capital expenditures, discount rate, terminal value, - reviewed mathematical accuracy of the model, and - discussed with management and NCECP and obtained written clarifications from NCECP regarding certain aspects of the valuation methodology as well as future developments of the regulatory environment. We used this independent view as a basis to assess whether there are any indications of error or management bias in management's estimate of PPE value. We also assessed sensitivity of the valuation exercise together with related disclosures presented in the financial statements.

Other Information

The other information comprises the information included in the Company's annual report, including Corporate Governance statement, and Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report, including Corporate Governance statement, has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the decision made by Shareholders on 17 October 2018 we have been chosen to carry out the audit of the Company's financial statements for first year. Our appointment to carry out the audit of the Company's financial statements in accordance with the decision made by Shareholders could be extended for another two years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other non-audit services except for the services of bank covenant compliance verification, audit of regulatory activities report and translation of financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Saulius Bakas.

Other matter

The financial statements of the Company for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2018.

Deloitte Lietuva UAB
Audit Company License No 001275

Saulius Bakas

Saulius Bakas
Lithuanian Certified Auditor
License No 000604

Vilnius, Republic of Lithuania
21 March 2019

(All amounts are in EUR thousands unless otherwise stated)

Statement of financial position

		Notes	As at 31 December 2018	As at 31 December 2017
ASSETS				
A.	**Non-current assets**		**207.117**	**244.654**
I.	Intangible assets	5	2.259	1.008
II.	Property, plant and equipment	6	200.028	241.973
II.1.	Land		125	125
II.2.	Buildings		5.288	5.464
II.3.	Structures and equipment		141.518	174.971
II.4.	Plant and machinery		39.922	50.111
II.5.	Motor vehicles		952	999
II.6.	Other property, plant and equipment		2.121	2.058
II.7.	Construction in progress		10.102	8.245
III.	Non-current financial assets		1.673	1.673
III.1.	Investments in subsidiary	1	675	675
III.2.	Non-current trade receivables	8	998	998
IV.	Differed tax assets	19	3.157	-
B.	**Current assets**		**28.299**	**35.544**
I.	Inventories and prepayments		3.118	2.168
I.1.	Inventories	7	2.795	2.028
I.2.	Prepayments		323	140
II.	Amounts receivable		23.524	26.559
II.1.	Trade receivables	8	6.113	7.485
II.2.	Other receivables	8	17.411	19.074
III.	Prepaid income tax		1.567	-
IV.	Other financial assets	9	56	91
V.	Cash and cash equivalents	10	34	6.726
Total assets			**235.416**	**280.198**

(cont'd on the next page)

The accompanying explanatory notes form an integral part of these financial statements.

(All amounts are in EUR thousands unless otherwise stated)

Statement of financial position (continued)

		Notes	As at 31 December 2018	As at 31 December 2017
EQUITY AND LIABILITIES				
C.	**Equity**		**131.596**	**172.021**
I.	Share capital	1	51.731	51.731
II.	Reserves	11	99.990	130.151
II.1.	Legal reserve		5.173	5.173
II.2.	Other reserves		94.817	124.978
III.	Retained earnings (deficit)		(20.125)	(9.861)
D.	**Accounts payable and liabilities**		**103.820**	**108.177**
I.	Amounts payable after one year and non-current liabilities		55.805	62.709
I.1.	Non-current borrowings	12	55.357	59.333
I.2.	Deferred revenue		-	1.501
I.3.	Non-current employee benefits	14	448	321
I.4.	Deferred income tax liability	19	-	1.554
II.	Amounts payable within one year and current liabilities		48.015	45.468
II.1.	Current borrowings	12	6.791	-
II.2.	Current portion of non-current borrowings	12	17.976	17.889
II.3.	Current portion of non-current employee benefits	14	83	91
II.4.	Trade payables	15	5.970	9.934
II.5.	Advance accounts received		12	725
II.6.	Income tax liability		-	142
II.7.	Payroll-related liabilities		1.305	1.422
II.8.	Other payables and current liabilities	16	15.878	15.265
Total equity and liabilities			**235.416**	**280.198**

The accompanying explanatory notes form an integral part of these financial statements.

General Manager	Saulius Bilys		21 March 2019
Chief Accountant	Dzintra Tamulienė		21 March 2019

(All amounts are in EUR thousands unless otherwise stated)

Profit (loss) statement

		Notes	2018	2017
I.	**Revenue**	17	**54.290**	**64.322**
II.	**Expenses**		**(79.978)**	**(76.038)**
II.1.	Cost of natural gas		(10.417)	(7.948)
II.2.	Depreciation and amortisation	5, 6	(12.619)	(14.437)
II.3.	Employee benefits and related social security contributions		(8.872)	(7.894)
II.4.	Repair and technical maintenance expenses		(5.256)	(5.596)
II.5.	Taxes other than income tax		(1.824)	(1.811)
II.6.	Telecommunications and IT maintenance expenses		(824)	(687)
II.7.	Loss on revaluation of non-current assets		(37.686)	(35.507)
II.8.	Other expenses		(2.480)	(2.158)
III.	**Operating profit (loss)**		**(25.688)**	**(11.716)**
IV.	**Financing activity**	18	**(323)**	**(339)**
IV.1.	Income		27	29
IV.2.	Expenses		(350)	(368)
V.	**Profit (loss) before income tax**		**(26.011)**	**(12.055)**
VI.	**Income tax**	19	**4.419**	**2.194**
VI.1.	Current year income tax		(292)	(1.970)
VI.2.	Deferred income tax		4.711	4.164
VII.	**Net profit (loss)**		**(21.592)**	**(9.861)**
	Basic and diluted earnings (loss) per share (EUR)	20	(0.12)	(0.06)

The accompanying explanatory notes form an integral part of these financial statements.

General Manager	Saulius Bilys		21 March 2019
Chief Accountant	Dzintra Tamulienė		21 March 2019

(All amounts are in EUR thousands unless otherwise stated)

Statement of comprehensive income

	2018	2017
I. Net profit (loss)	**(21.592)**	**(9.861)**
II. Other comprehensive income	**-**	**-**
II.I. will be reclassified subsequently to profit or loss	-	-
II.II. will not be reclassified subsequently to profit or loss	-	-
III. Total comprehensive income (loss)	**(21.592)**	**(9.861)**

The accompanying explanatory notes form an integral part of these financial statements.

General Manager	Saulius Bilys		21 March 2019
Chief Accountant	Dzintra Tamulienė		21 March 2019

(All amounts are in EUR thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings (deficit)	Total
At 31 December 2016		**51.731**	**5.166**	**124.978**	**20.928**	**202.810**
Dividends declared		-	-	-	(20.928)	(20.928)
Total transactions with shareholders		-	-		*(20.928)*	*(20.928)*
Total comprehensive income		-	-	-	(9.861)	(9.861)
At 31 December 2017		**51.731**	**5.173**	**124.978**	**(9.861)**	**172.021**
Transfer from other reserves		-	-	(30.161)	30.131	-
Dividends declared		-	-	-	(20.300)	(20.300)
Total transactions with shareholders		-	-	-	*(20.300)*	*(20.300)*
*Impact of IFRS15 application**					*1.467*	*1.467*
Total comprehensive income (loss)		-	-	-	(21.592)	(21.592)
As at December 2018		**51.731**	**5.173**	**94.817**	**(20.125)**	**131.596**

*See Note 13

The accompanying explanatory notes form an integral part of these financial statements.

General Manager	Saulius Bilys		21 March 2019
Chief Accountant	Dzintra Tamulienė		21 March 2019

(All amounts are in EUR thousands unless otherwise stated)

Statement of cash flows

		Note	2018	2017
I.	**Cash flows from operating activities**			
I.1.	Net profit (loss)		(20.125)	(9.861)
	Adjustments for non-cash items and other corrections:			
I.2.	Depreciation and amortisation	5, 6	12.619	14.437
I.3.	Loss (profit) on disposal and write-off of property, plant and equipment, doubtful trade receivables and inventories		(10)	(11)
I.4.	Loss on revaluation of property, plant and equipment	6	37.686	35.507
I.5.	Impairment of property, plant and equipment, financial assets, doubtful trade receivables and inventories	7, 8	(125)	24
I.6.	Income tax expenses (benefit)	19	(4.419)	(2.194)
I.7.	Interest (income)	18	(27)	(29)
I.8.	Interest expenses	18	350	367
I.9.	Amortisation of deferred revenue		(125)	(41)
I.10.	Elimination of other non-cash items		-	-
			25.824	**38.199**
	Changes in working capital:			
I.11.	Decrease in inventories	7	(609)	(570)
I.12.	(Increase) in trade receivables	8	1.342	(662)
I.13.	(Increase) in other receivables and prepayments		(899)	(716)
I.14.	(Decrease) increase in trade payables		1.194	(90)
I.15.	Increase in other payables and current liabilities		(1.580)	(189)
I.16.	(Increase) in other financial assets		35	1.567
I.17.	Income tax (paid)		(2.001)	(2.704)
	Total changes in working capital		**(2.518)**	**(3.364)**
	Net cash flows from operating activities		**23.306**	**34.835**
II.	**Cash flows from investing activities**			
II.1.	(Acquisition) of property, plant and equipment and intangible assets	5, 6	(20.455)	(8.020)
II.2.	Proceeds on disposal of non-current assets		69	12
II.3.	Grants received		8.173	3.874
II.4.	(Acquisition) of investments in joint ventures		-	-
II.5.	Loans granted		(30)	(120)
II.6.	Interest received	18	22	4
	Net cash flows (used) in investing activities		**(12.221)**	**(4.250)**

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The accompanying explanatory notes form an integral part of these financial statements.

(All amounts are in EUR thousands unless otherwise stated)

Statement of cash flows (continued)

		Notes	2018	2017
III.	**Cash flows from financing activities**			
III.1.	Dividends (paid)		(20.291)	(20.999)
III.2.	Proceeds from borrowings		20.000	-
III.3.	(Repayments) of borrowings	12	(23.889)	(16.444)
III.4.	Overdraft		6.791	-
III.5.	Interest (paid)		(393)	(402)
III.6.	Other cash flows from (used in) financing activities		5	20
	Net cash flows from (used in) financing activities		**(17.777)**	**(37.825)**
IV.	**Net increase (decrease) in cash and cash equivalents**		**(6.692)**	**(7.240)**
V.	**Cash and cash equivalents at the beginning of the year**		**6.726**	**13.966**
VI.	**Cash and cash equivalents at the end of the year**		**34**	**6.726**

The accompanying explanatory notes form an integral part of these financial statements.

General Manager	Saulius Bilys		21 March 2019
Chief Accountant	Dzintra Tamulienė		21 March 2019

Notes to the financial statements

1 General information

Amber Grid AB (hereinafter - the Company) is a public limited liability company registered in the Republic of Lithuania.
Its registered office address is as follows:
Savanorių ave. 28,
LT – 03116, Vilnius,
Lithuania.

Amber Grid AB was registered on 25 June 2013 as a result of unbundling of natural gas transmission activity together with assets, rights and obligations attributed thereto from Lietuvos Dujos AB. The Company has been actively operating since 1 August 2013. The Company continues the same activity as the one when it was part of Lietuvos Dujos AB, all assets and liabilities were initially recognised by the Company at carrying amounts reported for by the transferor (i.e. Lietuvos Dujos AB) at the time of transfer.

The legal, functional and organisational unbundling of natural gas transmission activity was effected through the establishment of Amber Grid AB. To ensure full compliance with the requirements of Chapter 8 of the Lithuanian Law on Natural Gas, the separation of control of Amber Grid AB was expected to be implemented by 31 October 2014. The decision on control separation was adopted by the Company's shareholders, as described below.

On 13 January 2015, the National Control Commission for Prices and Energy (hereinafter - the Commission) concluded that the unbundling of transmission activity of Amber Grid AB was in compliance with the provisions of the Law on Natural Gas. After obtaining a positive decision from the European Commission, on 10 April 2015 the Commission granted to the Company an energy operator licence No L2-3 (GDP) to engage in natural gas transmission activity in the territory of Lithuania.

Acting as a natural gas transmission system operator, the Company provides the following services to the system users, other operators and gas market participants:

- natural gas transmission in the territory of Lithuania;
- natural gas flow balancing in the transmission system;
- administration of funds intended to compensate for the construction and fixed operating expenses of the liquefied natural gas (LNG) terminal, its infrastructure, connector, and with effect from 2016 for reasonable supply costs of the necessary quantity of natural gas incurred by the designated supplier.

The Company's clients are large companies (operating in the sectors of electricity, district heating and industry) and medium-sized local businesses, as well as natural gas suppliers receiving natural gas transmission services.

As at 31 December 2018, the Company had 106 (2017: 100) agreements for gas transmission services with the users of the gas transmission system (natural gas consumers, natural gas distribution system operators, natural gas suppliers supplying gas to the systems of gas consumers). The Company also had 3 (2017: 3) agreements for natural gas balancing services with the natural gas suppliers trading in natural gas but not transporting gas via the transmission system.

All the shares of the Company are ordinary registered shares with the par value of EUR 0.29 each. As at 31 December 2018 and 2017, all the shares had been fully paid. The Company did not hold its own shares. As from 1 August 2013, the Company's shares have been traded on stock exchange and quoted on the Baltic Secondary List of NASDAQ Vilnius (ISIN - LT0000128696; LEI code 097900BGMP0000061061 Ticker - AMG1L).

(All amounts are in EUR thousands unless otherwise stated)

1 General information (continued)

As at 31 December 2018 and 2017, the Company's shareholders were as follows:

	Number of shares held	Interest held (%)
EPSO-G UAB (company code 302826889, A. Juozapavičiaus str. 13, Vilnius)	172.279.125	96.58
Other shareholders	6.103.389	3.42
	178.382.514	100.00

EPSO-G UAB is wholly owned by the Republic of Lithuania. 100% of shares in EPSO-G UAB are owned under the right of trust by the Lithuanian Ministry of Energy. EPSO-G UAB is responsible for the management of the share package of the Lithuanian electricity and gas transmission system operators.

Company is the sole shareholder of GET Baltic UAB owning 100% of its share capital. As at 31 December 2017, the authorised share capital of GET Baltic UAB amounted to EUR 580,450 and it was divided into 3,055,000 shares with the par value of EUR 0.19 each.

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.

The Company's investment in subsidiary GET Baltic UAB was accounted for at cost in the Company's financial statements for the years ended 31 December 2018 and 2017.

These financial statements are the annual separate financial statements of the Company. The financial statements were prepared for the reporting period ended 31 December 2018 in accordance with the provisions of Article 6(2) of the Law on Consolidated Financial Reporting and International Financial Reporting Standards ("IFRSs") as adopted by European Union ("EU").

The purpose of the preparation of these separate financial statements in Lithuania is to comply with the Law on Consolidated Financial Reporting. According to Article 6(2) of the Law on Consolidated Financial Reporting effective from 6 November 2011, the Company has been required to prepare its separate financial statements and annual report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). As a result, separate financial statements prepared in accordance with IFRS have effectively replaced financial statements prepared under the provisions of the Law on Consolidated Financial Reporting.

The Company is a parent company of UAB GET Baltic, however, since the business size criteria were fulfilled under the provisions of Article 6(2) of the Law on Consolidated Financial Reporting, the Company is not required to prepare consolidated financial statements. This procedure fully complies with the document Comments on Certain Articles of Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Financial Reporting Standards and the Fourth Council Directive 78/660/EEC of 25 July 1978 and Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC. Pursuant to Note 2.2.2. herein, the decision on whether the reporting entity is not required to prepare its consolidated financial statements shall be further adopted in accordance with the requirements of the Seventh Council Directive, which is reflected in the statutory legislation.

Since UAB GET Baltic is not required to be consolidated in the separate financial statements according to national legislation, which is in compliance with Seventh Council Directive, it's the European Commission's view that the IFRS 10 requirements to prepare consolidated financial statements do not apply under International Financial Reporting Standards as adopted by the EU.

(All amounts are in EUR thousands unless otherwise stated)

1 General information (continued)

The financial statements of GET Baltic UAB as at 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

GET Baltic UAB data as at 31 December 2018 and 2017:

Year	Registered office address	Company's ownership interest (%)	Profile of activities
2018 and 2017	Savanorių ave. 28, Vilnius	100	Licensed activities of natural gas market operator with a status of Registered Reporting Mechanism (RRM). The Company is the administrator of the electronic trade system in the Lithuanian, Latvian, and Estonian bidding areas, which is engaged in trade in short-term and long-term natural gas products.

Get Baltic UAB condensed statement of financial position as at 31 December 2018 and 2017:

ASSETS		At 31 December 2018	At 31 December 2017
A.	**Non-current assets**	**443**	**450**
I.	Intangible assets	440	447
II.	Property, plant and equipment	3	3
B.	**Current assets**	**11.200**	**911**
I.	Prepayments	11	10
II.	Amounts receivable	607	277
III.	Cash and cash equivalents	10.582	624
Total assets		**11.643**	**1.361**

EQUITY AND LIABILITIES

C.	**Equity**	**322**	**338**
I.	Share capital	580	580
II.	Reserves	-	-
III.	Accumulated loss	(259)	(242)
D.	**Accounts payable and liabilities**	**11.321**	**1.023**
I.	Non-current liabilities	-	-
II.	Current liabilities	11.321	1.023
Total equity and liabilities		**11.643**	**1.361**

Get Baltic UAB condensed profit (loss) statement for the years ended 31 December 2018 and 2017:

		2018	2017
I.	**Total revenue**	**379**	**334**
II.	**Total expenses**	**(395)**	**(243)**
III.	**Profit (loss) before income tax**	**(16)**	**91**
IV.	Income tax	-	4
V.	**Net profit (loss)**	**(16)**	**87**

1 General information (continued)

Get Baltic UAB condensed statement of comprehensive income for the years ended 31 December 2018 and 2017:

		2018	2017
I.	***Net profit (loss)***	**(16)**	**87**
II.	***Other comprehensive income***	**-**	**-**
	II.I. will be reclassified subsequently to profit or loss	-	-
	II.II. will not be reclassified subsequently to profit or loss	-	-
III.	***Total comprehensive income (loss)***	**(16)**	**87**

These financial statements were approved by the Company's management on 21 March 2019. The Company's shareholders have a statutory right to approve the financial statements or not to approve them and require the management to prepare a new set of financial statements.

In 2018, the average number of employees on payroll at Amber Grid AB was 339 (2017: 355).

2 Accounting policies

Presented below are the principal accounting policies adopted in the preparation of the Company's financial statements for the year 2018:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter - the EU).

These financial statements were prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss.

Due to the rounding effects of individual amounts to the nearest thousand of euros, the tabular amounts may not add up to the total figures. These rounding errors are not material in the financial statements.

Application of new and / or amended International Accounting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

Company has applied the following IFRS for the first time in financial year ended 31 December 2018

IFRS 9 "Financial Instruments" – the main requirements of new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives).
Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

2 Accounting policies (continued)

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The first time application of the Standard has no impact on the classification of the Company's financial assets as the impairment loss on receivables was historically insignificant, cash and cash equivalents and other current financial assets are held by high rated credit institutions. The application of the standard has no impact on the classification of the Company's financial assets: loans and amounts receivable are continued to be carried at amortised cost, financial assets at fair value through profit or loss will be accounted for in the same way. As the Company has no hedging transactions, the application of the standard in this respect has not affected the Company's financial statements. The Company has only financial liabilities classified under the category "Other financial liabilities", therefore the accounting and valuation of the Company's financial liabilities are not affected.

IFRS 15 "Revenue from Contracts with Customers"
Amendments of IFRS 15 "Revenue from Contracts with Customers"

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the commitment to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The standard had no significant impact on the Company's financial statements. The Company has no long-term contracts with multi-element amendments, there are no sales promotions, no significant contract costs or significant prepayments. Major sales contracts are concluded for one year and coincide with the reporting period, no subsequent adjustments are made for previous periods, and changes to contracts are infrequent.
The standard also had no effect on connecting new users or manufacturers to the transmission network. The Company recognizes income as soon as a new user or manufacturer is connected.

Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify

2 Accounting policies (continued)

classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows: (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The amendments has no impact on the Company's financial statement because Company does not carry out no share-based payments.

Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches.

The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued ('overlay approach'). In addition, the amended standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility. The amendments has not impact on the Company's financial statement because the improvements are not related to Company activities.

Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"

IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments has not impact on the Company's financial statements, as improvements are not related to activity.

Amendments to IAS 40 "Investment Property"

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. The amendments has not impact in the Company's financial statement, as there were no cases of transferring assets to or from investment property.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e. the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The adoption of these new standards, amendments to the existing standards and interpretation has not to any material changes in the Company's financial statements, as it did not have any foreign currency transactions.

2 Accounting policies (continued)

Other standards, amendments and explanations that came into force for the financial year beginning on or after 1 January 2018 January 1 are not relevant to the Company.

Standards and amendments to the existing standards adopted by the EU but not yet effective

IFRS 16 “Leases” – (effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the profit (loss) statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

At the date of the financial statements, the Company has concluded real estate lease agreements, the balance of which is amounted to EUR 0.7 million as at 31 December 2018 and the remaining lease term of up to 5 years. The Company has not made a decision on the application of the provisions of the Standard for state land lease transactions.

Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)

Amendments allow the valuation at amortized cost of certain loans and debt securities that may be prepaid at a value lower than amortized cost, such as fair value or value that includes reasonable compensation to the borrower equal to exposure of the increase in the market interest rate over the remaining life of the instrument to current value. In addition, the text that supplements the standard conclusions reaffirms the current guidance in IFRS 9 that exchanges or changes in the terms of certain financial liabilities at amortized cost that do not result in a derecognition will result in the gain or loss that will be recognized in profit or loss. Therefore, reporting entities will in many cases be unable to adjust the effective interest rate for the remaining period of the loan in order to avoid any impact on the profit or loss of the loan. The amendments to the Standard did not have any impact on the Company's financial statements because there was no obligations to pay compensation.

Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)

The amendments clarify the determination of the cost of pensions after the amendment of the defined benefit plan. IAS 19 requires that, in the event of a plan change – in the event of a plan change, reduction or settlement, the net defined benefit obligation or asset is remeasured. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before these amendments, IAS 19 did not specify how to determine these costs for the period after the plan change. As revised assumptions are required, these amendments are expected to provide useful information to users of the financial statements. The Company did not evaluate the impact of the amendments to the standard on the financial statements.

Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)

Amendments were introduced to clarify that reporting entities are required to apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of the net investment in the associate or joint venture but to which the equity method is not applied until they are able to reduce the carrying amount of the investee by

2 Accounting policies (continued)

the portion of the loss on the investee which exceeds the investor's share of the invested company. The Company has not yet assessed the impact of the amendment to this Standard on the financial statements.

IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019)
IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgements or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgement or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgements and estimates required by the Interpretation. *The interpretation did not have any impact on the Company's financial statements as no uncertainties were identified regarding the treatment of the income tax.*

Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)” (effective for annual periods beginning on or after 1 January 2019)

Four standards will be affected by small-scale corrections. Amendments to IFRS 3 specify that the investor shall reassess his previously held share of the joint operations when he acquires control of the business. On the contrary, IFRS 11 now explicitly states that an investor does not have to reassess its previously held portion when it acquires joint control of a joint activity, similarly to the existing requirements, when the associate becomes a joint venture and vice versa. Amendments to IAS 12 clarify that an entity recognizes all the consequences of dividend-related income tax if it recognizes transactions or events that have resulted in related distributable profits, such as gains or losses or other comprehensive income. Now it is clear that this requirement is applicable to all circumstances as long as the payments of financial instruments classified as equity are profit distributions and not only where the tax consequences result from different tax rates applied to distributed and undistributed profits. The revised IAS 23 now clearly states that funds specifically borrowed to finance a particular asset are not included in the total capitalized borrowing costs until the specific asset is substantially completed. The Company has not yet assessed the impact of these improvements on the financial statements.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date will be determined by the International Accounting Standards Board; not yet adopted by the European Union).

The amendments address a conflict between the requirements of IAS 28 and IFRS 10 relating to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of these amendments is that the full amount of profit or loss is recognized when the transaction involves a business. Gains and losses are recognized in part when the transaction involves assets that are not business, even if the asset belongs to the subsidiary and the shares of the subsidiary are transferred at the time of the transaction. The Company estimates that these amendments will not have a material impact on the financial statements.

2 Accounting policies (continued)

IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the European Union)

IFRS 17 replaces IFRS 4, which allowed companies to continue applying current practice to accounting for insurance contracts. For investors, as a result it has impeded the comparison of the financial results of similar insurance companies. IFRS 17 is a general principle-based standard that establishes accounting requirements for all types of insurance contracts, including reinsurance contracts held by the insurer. The standard requires the recognition and measurement of classes of insurance contracts: (i) the present value of the future cash flows (cash flows from the performance of the contract), adjusted for risk which includes all available information on cash flows arising from the performance of the contract that is observable in the market; by adding (if this value is a liability) or by deducting (if this value is an asset) (ii) the amount that reflects the earnings of the contract group (contracted service margin). The insurers will recognize the gains earned by the insurance contract group during the period of granting the insurance cover and at the time of the risk exemption. If the group of contracts is or becomes loss-making, the entity recognizes the loss immediately. Amendments to this Standard will not have any impact on the Company's financial statements as it does not carry out insurance activities.

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. The Company’s did not evaluate the impact of the new interpretation on its financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the European Union).

The revised Conceptual Framework includes a new chapter on evaluation; guidelines for financial performance are presented; clarification of the definitions and guidelines, in particular the definition of the obligation, and clarification of the role of important areas, such as the role of resource management, precautionary and assessment uncertainty in the preparation of the financial statements. The Company did not evaluate the impact of the amendments to the standard on the financial statements.

Amendments to IFRS 3 “Business Combinations” (effective for annual reporting period beginning on or after 1 January 2020; not yet adopted by the European Union).

The amendments clarify the definition of business. Business has to consist of resources and an essential process, with a significant impact on the ability to produce. The new guidelines set out a framework for assessing the availability of resources and the main process, including companies at early stage of their activities. If production is not created, the condition of the existence of an organized workforce should be fulfilled in order for a combination of activity and assets to be classified as a business.

The definition of 'output' is narrowed to mean goods and services provided to customers that generate investment income and other income, excluding profits in the form of lower costs and other economic benefits. It is also no longer required to assess whether market participants will be able to replace missing elements or integrate acquired activities and assets. The entity may conduct a concentration test. In the event that substantially all the fair value of the acquired joint asset would be concentrated in one asset (or group of similar assets), the acquired assets would not constitute a business. The Company did not evaluate the impact of the amendments to the standard on the financial statements.

Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the European Union).

2 Accounting policies (continued)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance. In addition, the clarifications provided in the definition have been clarified. Finally, the amendments ensure that the definition of materiality is consistently applied in all IFRSs. Information should be considered material if it can reasonably be expected that omission, misstatement or obscenity by irrelevant / insignificant information will have an impact on the decisions of key users of the general purpose financial statements based on those financial statements that present the financial information of the reporting entity. The Company did not evaluate the impact of the amendments to the Standard on the financial statements.

2.2 Presentation currency

All amounts in these financial statements have been measured and presented in the euros (EUR), which is an official currency of the Republic of Lithuania.

2.3 Investments in subsidiary

A subsidiary is an entity controlled by the parent company. Investments in subsidiaries are accounted for in the parent company's balance sheet at cost less impairment loss, when the carrying amount of investment reported in the parent company's balance sheet exceeds the recoverable amount.
When a decision is made to sell the subsidiary and there is an active search for a buyer, and it is probable that the sale will occur within one year after the balance sheet date, the investment in subsidiary is classified as current assets held for sale.

2.4 Intangible assets

The Company's intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliably.

The Company applies the following useful lives to its intangible assets: four years with a finite useful life.

After initial recognition, intangible assets with finite lives are stated at revalued amount less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The useful lives, residual values and amortisation method are reviewed annually to ensure they are consistent with the expected pattern of economic benefits from items of non-current intangible assets. Intangible assets mainly consist of software and licences used in the Company's activities.

2.5 Property, plant and equipment

Asset is classified as non-current assets if its useful life is longer than one year.

Property, plant and equipment is stated at revalued amount less accumulated depreciation and impairment losses (Note 4).

Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are charged against revaluation reserve directly in equity, whereas all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve

2 Accounting policies (continued)

to retained earnings taking into account the effect of deferred income tax. Upon the sale or write-off of an asset item, any balance related to these assets is transferred from revaluation reserve to retained earnings.

Interest and other borrowing costs (such as the bank's administration fee, etc.) are included in the acquisition cost of property, plant and equipment if they are directly attributable to the acquisition of a qualifying asset. A qualifying asset is regarded to be an asset which is developed on the basis of a project the value of which is not less than EUR 1 million and the preparation of which for its intended use or sale takes no less than 12 months. Borrowing costs that are attributable to the acquisition of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs is started when costs related to the production or acquisition of the qualifying asset are incurred (a prepayment is made or a payment for works is made according to the signed statement on the works carried out and their respective value) and ended when all the activities necessary for the preparation of the qualifying asset for its intended use or sale are substantially complete (a statement on the recognition of the construction as fit for use is signed). While determining the amount of borrowing costs eligible for the capitalisation of costs incurred in the acquisition of qualifying assets, the capitalisation rate is applied.

Property, plant and equipment also includes the minimum quantity of natural gas contained in the gas pipelines (line pack) which is necessary to ensure a stable functioning of the transmission system (i.e. necessary to start the functioning of the transmission system) under the base conditions (pressure of 25 bar is ensured for system users for all exit points). This part of property, plant and equipment is not depreciated, because the Company will be able to sell such natural gas at the end of the useful life of the gas transmission pipeline, and accordingly, the value of such natural gas represents the residual value of the gas transmission pipeline.

Reserve inventories for emergency elimination that meet the criteria of non-current assets are classified as property, plant and equipment. The carrying amount of inventories written off during repair, technical maintenance and emergency liquidation are recorded in the profit (loss) statement or added to the carrying amount of assets under maintenance.

Prepayments for non-current assets are classified as non-current assets because they are used in long-term activities and are presented in the balance sheet line item 'Construction in progress'.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land	
Buildings	25–60 years
Structures and installations	18–55 years
Plant and machinery	5–20 years
Motor vehicles	6 years
Other property, plant and equipment	4–6 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The Company has land with indefinite useful life, which is not depreciated.

Construction in progress is stated at cost. This includes the cost of building, structures and equipment and other directly attributable costs. Construction in progress is not depreciated until the construction of asset is completed and the asset is put into operation.

2.6 Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement", financial assets are classified as financial assets at fair value (change in value is recognised in profit or loss), held-to-maturity investments, loans and receivables, and available- for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the date of the transaction, i.e. the date on which a commitment is made to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs for investments not carried at fair value through profit or loss.

2 Accounting policies (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. Investments that are intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit (loss) statement when the investments are derecognised or impaired, as well as through the amortisation process.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are carried at acquisition costs which must reflect their fair value. Current receivables are subsequently carried at amortised cost using the effective interest method less impairment losses, if any. Gains and losses are recognised in the profit (loss) statement when the assets are derecognised or impaired, as well as through the amortisation process.

Impairment allowance for doubtful receivables is evaluated when the indications leading to the impairment of amounts receivable are noticed and the carrying amount of the receivables is reduced through the use of an allowance account. Impaired loans and amounts receivable are written-off when they are assessed as uncollectible.

2.7 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.8 Inventories

Inventories of the Company consist of spare parts, consumables, and natural gas contained in the gas pipelines used for the purpose of activities and the provision of services, as well as goods held for (re)sale. Inventories also include waste or metal scrap which is fit for use and was retrieved from written off tangible fixed assets.

2 Accounting policies (continued)

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value.

Acquisition cost of inventories includes acquisition price and related taxes that are not subsequently recovered from tax administration authorities and costs associated with bringing inventory into their current condition and location. Other costs are included in the acquisition cost of inventories to the extent they are related to bringing inventory into their current condition and location. The acquisition cost of inventories is determined by eliminating trade discounts.

The cost of inventories, except for natural gas, is determined using the first-in, first-out (FIFO) method, according to which write-offs are firstly carried out in respect of the same type of inventories that were acquired first.

The acquisition cost of inventories which consist of natural gas contained in the gas pipelines is determined using the weighted average costing method. The acquisition cost of one unit of energy of natural gas (kWh) is determined by applying the weighted average costing method using the following formula:
acquisition cost of one unit of energy of natural gas (kWh) = (remaining amount of natural gas at the beginning of the period (quantity * price) + purchases of natural gas over the period (quantity * price)) / quantity of natural gas (remaining amount of natural gas at the beginning of the period + purchases of natural gas over the period).

On the basis of the price of natural gas calculated as stated above, the remaining amounts of natural gas contained in the gas pipelines and the acquisition of natural gas consumed are evaluated.

2.9 Cash and cash equivalents

Cash includes cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

If there are indications that cash and cash equivalents may not be recovered, an assessment for impairment is carried out. Impairment is recorded in the profit (loss) statement within operating expenses for the period during which it occurred.

2.10 Borrowings

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings, except capitalised interest (Note 2.11).

2.11 Borrowing costs

The Company borrows funds and uses them for the acquisition of qualifying assets. The Company has to therefore determine the amount of borrowing costs eligible for capitalisation by applying the capitalisation rate for costs incurred in the acquisition of qualifying assets. The capitalisation rate has to be the weighted average of borrowing costs related to the Company's past due borrowings, except for borrowings specifically intended for acquiring qualifying assets. Borrowing costs specifically intended for acquiring qualifying assets are capitalised separately. The amount of the Company's borrowing costs capitalised over the period cannot exceed the amount of borrowing costs incurred over the same period.

Other interest and borrowing costs in the profit (loss) statement are immediately charged to expenses when incurred, regardless of whether they constitute a special purpose loan or not.

2 Accounting policies (continued)

2.12 Grants

Grants mean financial and material support rendered by state and municipal authorities, international organisations and foundations and other third parties for specific activities. Assets received free of charge are also allocated to the group of grants.
Grants are recognised when the Company complies with all the conditions related to the allocation of grants as established in the respective grant agreement and there is a reasonable assurance that the grant will be received.

Grants may be of two types:
- asset-related grants;
- income-related grants.

Grants received from the state or the European Union in the form of non-current assets or intended for the purchase of non-current assets are considered as asset-related grants. The carrying amount of non-current assets is reduced by the amount of grants. For the purpose of the statement of profit or loss and other comprehensive income, grants are recognised over the useful life of the asset concerned by reducing depreciation expenses.

Accumulated grants receivable are accounted for other receivables when, according to the agreement, the European Commission commits to fund strategic projects and there is strong evidence the funding will be received.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as income-related grants. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

For the purpose of the profit (loss) statement, income-related grants are recognised when related expenses are incurred (or income is not earned) for the compensation of which the grant was allocated by increasing other income (or reducing related expenses). If no connection can be established between grants and incurred or deferred expenses (or unearned income), they are recognised as income during the period they are received or when the Company complies with all the conditions related to the allocation of grants as established in the respective grant agreement and there is a reasonable assurance that the grant will be received.

2.13 Long-term employee benefits

Defined benefit plan - post employment benefits

According to the collective agreement, each employee leaving the Company at the retirement age is entitled to a one-time payment. Employment benefits are recognised in the statement of financial position and reflect the present value of future payments at the date of the statement of financial position. The above-mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised immediately in the profit (loss) statement. They will not be reclassified to profit or loss in future periods.

The past service costs are recognised in the profit (loss) statement immediately.

Since 2018, the Company's collective agreement does not provide long-term employee benefits at the Company.

2.14 Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

2 Accounting policies (continued)

As from 1 January 2010, income tax rate of 15% has been established for companies operating in the Republic of Lithuania.

As from 1 January 2014, deductible tax losses carried forward can be used to reduce the taxable profit earned during the reporting year by maximum 70%. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company stops its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax asset and liability is measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax asset have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.15 Leases

Finance lease

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the profit (loss) statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company will apply IFRS 16 starting from 1 January 2019. The Company has chosen the modified retrospective application method (cumulative catch-up approach). Consequently, the Company will not restate its comparative figures but will recognise the cumulative effect of adopting IFRS 16 as an adjustment to equity (retained earnings) at the date of the initial application, if any.

On initial application of IFRS 16, the lease liability will be initially measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. On initial application of IFRS 16, the right-of-use asset will be initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The Company will exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Subsequently, the Company will (a) recognise depreciation of right-of-use assets and interest on lease liabilities in the profit (loss) statement; and (b) separate the total amount of cash paid into a principal portion and interest, both presented in separate lines within financing activities in the statement of cash flows.

The only material operating lease agreement relates to rent of premises and car parking spaces for the registered office of the Company. The Company holds an option to extend the lease term by up to 3 years. If extended for the full period of the option, the lease term would end in May 2024. The Company concluded that it is reasonably certain

2 Accounting policies (continued)

to exercise this option and therefore included the period covered by the option into the lease term when measuring the lease liability and right-of-use asset. The summary of the financial impact on adopting IFRS 16 is presented in the table below (related only to leases entered or modified before 1 January 2019):

In EUR thousands	1 January 2019	Year ended 31/12/2019
Right-of-use asset	749	
Lease liability – current portion	137	
Lease liability – non-current portion	612	
Cumulative impact recognized as an adjustment to the equity at the date of initial application	-	
Expected impact on profit (loss) statement:		
- Increase of depreciation		138
- Increase of interest expense		3
- Decrease of other expenses		(140)
Expected impact on statement of cash flows:		
- Increase of net cash flow from operating activities		140
- Decrease of net cash flows from financing activities		(140)
Expected impact on statement of cash flows:		
- Increase of net cash flow from operating activities		140
- Decrease of net cash flows from financing activities		(140)

The Company does not have leases of low-value assets or operating leases which as at 1 January 2019 will have the remaining lease period of 12 months or less.

The Company also makes payments to municipalities for use of government land, which hosts certain equipment of the Company. Generally, the Company obtains a right to use such land for 99 years with a possibility to extend the term. Amounts to be paid to the government are calculated as a product of a) the cadastral value of land which can be reassessed by municipalities every [3/5] years, and b) tax rate determined by municipalities. These payments generally do not reflect the market rate for rent of similar land. The Company made total payments of EUR 25 thousand for use of approximately 200 plots of government land in 2018. The Company is currently evaluating whether these agreements are in scope of IFRS 16 or whether they are effectively a form of land tax.
The implementation of IFRS 16 requires use of judgement for making of certain estimates and assumptions which effect the measurement of financial lease liabilities and of right-to-use assets. These include among others:

- determining the remaining lease period for leases concluded before 1 January 2019;
- assessing whether extension option held by the Company is reasonably certain of being exercised;
- determining the incremental borrowing interest rate to be applied for the purpose of discounting future cash flows;
- and determining useful life and depreciation rates for right-of-use assets recognised as at 1 January 2019.

<u>Operating lease</u>

Leases where the lessor retains all significant risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.16 Revenue recognition

Revenue is recognised at the moment of transfer/rendering of services to the client at such value that would reflect remuneration and which the Company will receive for the services rendered. There are no complex services that would stand out as well as any discounts or exemptions applied to the contract price. Revenue is recognised on an accrual basis, i.e. when earned (production is sold or services are rendered), regardless of the time receivables are received.

2 Accounting policies (continued)

The Company's revenue includes as follows:

- revenue from natural gas transmission and related services;
- grants recognised as revenue (as described in Note 2.12);
- revenue from LNGT administration;
- other income;
- revenue from financial activities.

Revenue from system users for natural gas transmission service is recognised on a monthly basis with reference to the presented data on the natural gas quantities distributed to the system users connected to the distribution system and on the statements of transmitted natural gas signed with the system users which are directly connected to the transmission system.

Revenue from balancing of the natural gas transmission system and the disbalance charges are related to the management of gas flows aimed at ensuring the operation of the natural gas transmission system within acceptable pressure range.

Revenue from technological balancing of natural gas is related to changes in the inventories of natural gas contained in the pipelines. The proceeds from the sale of such inventories to a buyer are recorded as revenue when the ownership of gas is passed on to the buyer.

Based on the provisions of Article 5(2) of the Republic of Lithuania Law on Liquefied Natural Gas Terminal, the Company carries out the functions of an administrator of the LNG terminal funds. The administration of the LNG terminal funds is performed in accordance with the Description of the procedure for the administration of funds intended to compensate for the construction and fixed operating expenses of the liquefied natural gas terminal, its infrastructure and connector, including subsequent amendments and supplements (the title was changed on 18 December 2015 under the Commission's Resolution No 03-653 of 17 December 2015), as approved by the Commission's Resolution No O3-294 of 9 October 2012. The Company collects and administrates the LNG terminal funds and acts as an intermediary on behalf of the state, and this activity does not generate any income/profit for the Company in the ordinary course of business. The LNG terminal funds, which are collected from the payers of the LNG terminal funds, are transferred to the beneficiaries of the LNG terminal funds: the LNG terminal operator, the designated supplier, and Amber Grid AB. The share of the LNG terminal funds, only which is intended to cover the administration expenses of the LNG terminal funds, is considered as the Company's income (Note 17). LNG terminal funds are not treated as the Company's income/expenses, but are accounted for as other receivables/other payables and other financial assets.

<u>Other income</u>

Gain from sale and lease of property, plant and equipment, as well as default charges and fines to be received from contractors for delay in the execution of works, are recognised by the Company as other income.

<u>Connection fee for connecting new users to the gas transmission network</u>

Payments for connecting new users or producers to the transmission network is recognized as income by the Company as soon as a new user or producer is connected in cases where the future price paid by the new user or producer for the services provided by the Company does not differ from other users or producers who have not paid such connection fees. This accounting principle is based on the assessment of the Company's management that the customer's connection is a separate service from other services of the Company as defined in IFRS 15 Revenue under Contracts with Customers. The impact of this standard was first assessed at the end of the 2018 reporting period in the Statement of Changes in Equity.

<u>Finance income</u>

Finance income constitutes the income the Company earned from its financial activities, such as foreign exchange gain, interest income on deposits, fines and late payment interest received, interest receivable on loans granted to buyers, gain on disposal of investments, and gain resulting from the change in the fair value of investments.

2 Accounting policies (continued)

2.17 Foreign currencies

Foreign currency transactions are accounted for at the official exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the profit (loss) statement. Such balances are translated at the period-end exchange rates.

2.18 Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each financial reporting date.

For financial assets carried at amortised cost, whenever, based on events that have occurred, it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the profit (loss) statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the impairment was recognised. Such reversal is recorded in the profit (loss) statement under the same caption where the impairment losses have been recognised. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been, had the impairment not been recognised.

Other assets

Other assets of the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit (loss) statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted under the same caption of the profit (loss) statement as the impairment loss.

2.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assets and liabilities disclosed at fair value in the financial statements consist of cash and cash equivalents, including trade and other receivables, trade payables and other payables, and borrowings. Management estimated that the fair value of borrowings as at 31 December 2018 and 2017 approximated their carrying amount, as they were subject to variable interest rates. The fair value of other financial assets and financial liabilities approximated their carrying amount.

2 Accounting policies (continued)

2.20 Use of accounting estimates in the preparation of the financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management of the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation and impairment evaluation for property, plant and equipment (Note 2.5, Note 4, and Note 6) and deferred income tax asset (Note 2.14 and Note 19). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.21 Contingencies

Contingent liabilities are not recognised, but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.
A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.22 Subsequent events

Subsequent events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

2.23 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for those cases where a certain standard specifically permits or requires such offsetting.

3 Segment reporting

The management considers and analyses the natural gas transmission activity pursued by the Company as a single segment, and accordingly, the Company acts as one segment.

All the Company's non-current assets are located in Lithuania, where the Company carries on its activities.

In 2018, the Company generated 66% (2017: 74%) of its total revenue from the system users in Lithuania, and 34% (2017: 24%) from gas transportation to the Kaliningrad Region of the Russian Federation.

As at 31 December 2018, there were three customers each of which generated revenues in excess of 10% of the Company's total revenue. These revenues totalled EUR 40,612 thousand. They are as follows:
Customer A – EUR 18,555 thousand;
Customer B – EUR 13,421 thousand;
Customer C – EUR 8,636 thousand.

As at 31 December 2017, there were three customers each of which generated revenues in excess of 10% of the Company's total revenue. These revenues totalled EUR 44,759 thousand. They are as follows:
Customer A – EUR 18,618 thousand;
Customer B – EUR 15,579 thousand;
Customer C – EUR 10,562 thousand.

4 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 31 December 2017, based on changes in the accounting policy made to ensure consistency with the principles of accounting of property, plant and equipment as

(All amounts are in EUR thousands unless otherwise stated)

4 Changes in accounting policies and adjustment of comparative figures (continued)

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.

5 Intangible assets

Movement in intangible assets account during the reporting period and the previous period (excluding assets for which grants were received) is as follows:

	Patents, licences	Computer software	Other intangible assets	Total
At 31 December 2016	**125**	**473**	**33**	**631**
Cost	450	1.129	97	1.676
Accumulated amortisation	(325)	(656)	(64)	(1.045)
Net book amount at 31 December 2016	**125**	**473**	**33**	**631**
Additions	20	734	-	754
Disposals and write-offs	-	(90)	-	(90)
Amortisation	(63)	(210)	(14)	(287)
At 31 December 2017	**82**	**907**	**19**	**1.008**
Cost	82	907	19	1.008
Accumulated amortisation	-	-	-	-
Net book amount at 31 December 2017	**82**	**907**	**19**	**1.008**
Additions	-	1.541	-	1.541
Amortisation	(41)	(235)	(14)	(290)
Net book amount at 31 December 2018	**41**	**2.213**	**5**	**2.259**
Cost	41	2.213	5	2.259
Accumulated amortisation	-	-	-	-
Net book amount at 31 December 2018	**41**	**2.213**	**5**	**2.259**

The Company's part of property, plant and equipment with the cost of EUR 0.2 thousand as at 31 December 2018 (2017: EUR 0 thousand) has been fully depreciated but is still in use.

(All amounts are in EUR thousands unless otherwise stated)

6 Property, plant and equipment

The movement in property, plant and equipment during the reporting and previous reporting periods (excluding assets for which grants were received) is as follows:

	Land	Buildings	Structures and equipment	Machinery and equipment	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
At 31 December 2016	**125**	**6.016**	**213.964**	**52.968**	**1.100**	**2.902**	**7.418**	**284.493**
Cost	125	9.051	364.899	94.817	4.988	18.588	7.418	499.887
Accumulated depreciation	-	(3.035)	(150.935)	(41.849)	(3.888)	(15.686)	-	(215.939)
Net book amount at 31 December 2016	**125**	**6.016**	**213.964**	**52.968**	**1.100**	**2.902**	**7.418**	**284.493**
Additions	-	-	3	244	262	251	6.460	7.220
Disposals and write-offs	-	-	-	-	-	(24)	-	(24)
Reclassified to inventories	-	-	-	-	-	(61)	-	-
Reclassifications	-	-	3.572	1.814	-	247	(5.633)	-
Revaluation (loss)	-	(289)	(35.162)	(55)	-	-	-	(35.506)
Depreciation	-	(263)	(7.406)	(4.860)	(363)	(1.257)	-	(14.149)
At 31 December 2017	**125**	**5.464**	**174.971**	**50.111**	**999**	**2.058**	**8.245**	**241.973**
Cost	125	5.464	174.971	50.111	999	2.058	8.245	241.973
Accumulated depreciation	-	-	-	-	-	-	-	-
Net book amount at 31 December 2017	**125**	**5.464**	**174.971**	**50.111**	**999**	**2.058**	**8.245**	**241.973**
Additions	-	-	417	530	290	233	6.689	8.159
Disposals and write-offs	-	(10)	(68)	(11)	-	(1)	-	(90)
Reclassifications	-	75	1.663	2.201	-	893	(4.832)	-
Revaluation (loss)	-	-	(29.764)	(7.922)	-	-	-	(37.686)
Depreciation	-	(242)	(5.701)	(4.987)	(337)	(1.062)	-	(12.329)
At 31 December 2018	**125**	**5.288**	**141.518**	**39.922**	**952**	**2.121**	**10.102**	**200.027**
Cost	125	5.288	141.518	39.922	952	2.121	10.102	200.027
Accumulated depreciation	-	-	-	-	-	-	-	-
Net book amount at 31 December 2018	**125**	**5.288**	**141.518**	**39.922**	**952**	**2.121**	**10.102**	**200.027**

The Company's part of property, plant and equipment with the revaluation of EUR 0,3 thousand as at 31 December 2018 (31 December 2017: EUR 0,4 thousand) was fully depreciated but still in use.

During 2018, borrowing costs (interest) capitalised (included in the cost of non-current assets) amounted to EUR 49 thousand (2017: EUR 35 thousand). The annual interest capitalisation rate in 2018 was 0.480% (2017: 0.438%).

<u>Impairment of property, plant and equipment</u>

When preparing the financial statements of 2018 and seeking to establish whether any new indications of impairment of property, plant and equipment emerged, the Company has assessed the internal and external indicators of possible impairment as well as whether the events that took place in 2018 along with the future events may alter the assumptions applied for the establishment of fair value of the property, plant and equipment performed at the end of 2017. Under the Company's evaluation, certain changes in the regulatory environment and future cash flows have emerged, resulting in asset impairment test - assessment of the recoverable amount of property, plant and equipment by the methodology of value in use (discounted cash flow).

The key assumptions used in the impairment test as at 31 December 2018:

a) net cash flows generated by the assets were discounted using the discount rate (WACC after tax) equal to 3.99%, which was calculated by the Company. The discount rate was calculated using market long-term borrowing and equity's price.

6 Property, plant and equipment (continued)

b) a projected change (decrease) in the regulated rate of return on investments was estimated when calculating future cash flows from 2019 – the assessment of the rate of return on investments was based on the Commission's rate of return on investments established in 2019 equal to 3.33%, making the assumption that for the subsequent year of a new price regulation period the return will change only to the extent that it is possible under the Methodology for Setting the Rate of Return on Investments (hereinafter - the Methodology) approved by the Commission – it will grow as a result of the projected borrowed capital's price increase in the Company.

c) the impact of possible changes of gas transmission scopes on calculations was estimated directly without assessing the flow growth rate in the discounted cash flow continuity value calculation;

d) due to the Company's profit resulting from the performance efficiency that exceeds the return of investment as of 2017 – 2018, it is not expected to reserve it and it will be returned to the system users in the future (thus reducing the cost of services).

Loss on revaluation of property, plant and equipment amounting to EUR 37,686 thousand was proportionally allocated to all transmission pipelines and their technological equipment assets unit.

The recoverable amount of the Company's non-current assets is mostly affected by changes in the discount rate, rate of return on assets set by the National Commission for Energy Control and Prices (the Commission) and changes in the regulatory environment.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurement:

Fair value as at 31 December 2018 *	**Unobservable inputs**	**Estimate for the inputs**	**Range of possible estimated inputs for sensitivity**	**Relationship of unobservable inputs to fair value**
194.528	Post tax discount rate	4.0%	3.5% - 4.5%	The higher the discount rate, the lower the fair value
	Rate of return on regulated assets during regulation period 2019 - 2025	3.3%/3.5%	2.8% - 4.0%	The higher the return rate, the higher the fair value
	Rate of return on regulated assets beyond 2025	4.7%	4.2% - 5.2%	The higher the return rate, the higher the fair value

** Value of those non-financial assets that were included under valuation model*

The Company performed a sensitivity analysis of valuation result to these key assumptions by making adjustments thereto, with all other variables held constant.

Sensitivity to changes in discount rate by percentage points:

Change in discount rate	Value of PP&E valued using the income method, EUR '000	Effect on profit before tax, EUR '000	Effect on statement of comprehensive income / revaluation reserve before tax, EUR '000
+0,5%	189.660	(42.554)	-
-0,5%	199.347	(32.867)	-

6 Property, plant and equipment (continued)

In the Company's opinion, its discount rate might change if the inputs for calculating WACC (weighted average cost of capital) changes. The WACC is sensitive to general changes in economy and the financial sector. There is currently nothing to suggest these changes might occur in the near future, therefore, uncertainties related to assumptions (fluctuations in ratios) are minimal. In the opinion of the Company's management, these uncertainties will remain in the long term, even though adjustments will be made to WACC inputs at the end of each year.

Sensitivity to changes in return on investments during 2019–2025 by percentage points:

Change in rate of return on investments (regulated assets) during regulation period 2019 - 2025	Value of PP&E valued using the income method, EUR '000	Effect on profit before tax, EUR '000	Effect on statement of comprehensive income / revaluation reserve before tax, EUR '000
+0,5%	197.902	(34.312)	-
-0,5%	191.153	(41.061)	-

Return on investments for the new price regulation period will be established by the National Commission for Energy Control and Prices in accordance with the provisions of the Methodology. The potential rate of return on investments was projected with adequate prudency, i.e. when calculating future cash flows only changes in the Company's loan structure were estimated. At the end of each year, the National Commission for Energy Control and Prices will make adjustments to the rate of return on investments.

Sensitivity to changes in return on investments with regard to perpetuity cash flows by percentage points:

Change in return on investments with regard to perpetuity cash flows	Value of PP&E valued using the income method, EUR '000	Effect on profit before tax, EUR '000	Effect on statement of comprehensive income / revaluation reserve before tax, EUR '000
+0,5%	210.812	(21.402)	-
-0,5%	178.244	(53.971)	-

While discounting cash flows beyond 2026, consistency was established between the projected return on investments and the discount rate, therefore, the reasons concerning the sensitivity of return on investments to changes are the same as those concerning the sensitivity of the discount rate to changes, as described above.

The major construction in progress items of the Company as at 31 December 2018 and 2017 were as follows:

Items	**As at 31 December 2018**	**As at 31 December 2017**
Implementation of the gas interconnection Poland-Lithuania in the territory of Lithuania	4.019	3.998
Modernisation of the Panevėžys compression station	-	605
Installation of control device releasing and receiving chambers	4.576	1.776
Reconstruction of gas distribution stations in Jonava and Alytus	991	1.146
Construction of the gas transmission pipeline Vilnius-Kaunas and the connection Kaunas-Šakiai	551	551
Automation of the maintenance of a cathodic protection of the gas transmission pipelines by installing a remote monitoring and management system	-	77
Other	545	672
*Less: impairment of construction in progress	(580)	(580)
	10.102	**8.245**

*Impairment of EUR 551 thousand was recognised for the project 'Construction of the gas transmission pipeline Vilnius-Kaunas and the connection Kaunas-Šakiai' (territory planning and engineering design services) because the construction of the gas pipeline was postponed for later periods and uncertainties arose regarding the resolution of a financing issue and the project's further development.

(All amounts are in EUR thousands unless otherwise stated)

7 Inventories

	At 31 December 2018	At 31 December 2017
Raw materials, spare parts and other inventories	611	618
Natural gas	2.444	1.814
Assets held for sale	3	14
Inventories, gross	3.058	2.446
Less: write-down allowance	(263)	(418)
	2.795	**2.028**

Change in the inventories of natural gas as at 31 December 2018 resulted from the increase in the purchase price of natural gas. The acquisition cost of the Company's inventories stated at net realisable value as at 31 December 2018 amounted to EUR 611 thousand (31 December 2017: EUR 618 thousand). Inventory write-down was included in other expenses.

8 Amounts receivable

	At 31 December 2018	At 31 December 2017
Non-current trade receivables		
Other trade receivables	998	998
Non-current trade receivables and other receivables		
Amounts receivable for natural gas transmission	6.076	7.499
Other trade receivables	124	43
Less: impairment allowance for amounts receivable	(87)	(57)
Total trade receivables	7.111	8.483
Receivable and accrued LNG terminal funds for administration (Note 2.16)	14.942	14.186
Grants receivable	1.715	4.124
Accrued revenue for natural gas transportation	493	575
Other receivables	261	189
	24.522	**27.557**

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

Trade receivables are interest free and typically they have to be settled within 15 calendar days. The major portion of amounts receivable were settled in the beginning of January 2019. In 2017, impairment of EUR 41 thousand was established in respect of Geoterma UAB, a producer of thermal energy and Medienos plaušas BAB – EUR 16 thousand, in 2018 Geros dujos UAB - EUR 30 thousand. For more information about the receivable amount from Geros dujos UAB, see Note 23 "Off-balance sheet commitments and contingencies".

As at 31 December 2018, the balance of receivable LNG terminal funds for administration included a past due receivable amount of EUR 4,681 thousand (31 December 2017: EUR 3,914 thousand), whereof a past due receivable amount of EUR 4,150 thousand from Achema AB (2017: EUR 3,745 thousand), a past due receivable amount of EUR 40 thousand from Nemėžio komunalininkas UAB, and a past due receivable amount of EUR 65 thousand from Geoterma UAB and a past due receivable amount of EUR 400 thousand from Kauno termofikacinė UAB. For more information about the receivable amounts from Achema AB, Kauno termofikacinė UAB and Geros dujos UAB, see Note 23 "Off-balance sheet commitments and contingencies".

Movement in the impairment allowance for amounts receivable and other receivables:

	Individually impaired
Balance at 31 December 2018	87
Balance at 31 December 2017	57

(All amounts are in EUR thousands unless otherwise stated)

8 Amounts receivable (continued)

The ageing analysis of the Company's trade receivables and other receivables that were not impaired as at 31 December 2018 and 2017:

	Trade receivables and other receivables not past due	Trade receivables and other receivables past due					
		Less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Total
At 31 December 2018	19.822	2.439	1.230	7	4	1.020	24.522
At 31 December 2017	23.598	2.057	882	-	29	991	27.557

9 Other financial assets

As at 31 December 2018, the Company's other financial assets consisted of cash collected from the additional natural gas supply security component to be included in the natural gas transmission price, referred to as the LNG terminal funds. These funds are received from the system users, kept in line with the requirements of legal acts in a separate bank account for the LNG terminal funds and designated for the payment to the recipients of the LNG terminal funds – i.e. the LNG terminal operator (Klaipėdos Nafta AB), the designated supplier (Litgas UAB), and Amber Grid AB – to cover the administration expenses of the LNG terminal funds. Based on the Commission's Resolution No O3E-168 of 24 May 2018, the additional natural gas supply security component to be included in the natural gas transmission price was established. The latter price has been applied to the users with effect from 1 July 2018. Based on the Resolution No O3E-405 of 22 November 2018, the additional natural gas supply security component was established, which had to be applied with the effect from 1 January 2019. Based on the Resolution No O3E-479 of 31 December 2018 the abovementioned additional natural gas supply security component was revised and will be applied with the effect from 1 January 2019.

10 Cash and cash equivalents

	At 31 December 2018	At 31 December 2017
Cash at bank	34	6.726
	34	**6.726**

The Company keeps its cash balances in bank accounts. As at 31 December 2018, cash balance was marginal mainly as a result of the Company's treasury management aimed at minimum cash balances. As at 31 December 2018, the Company had no deposits.
The table below presents the long-term foreign currency credit ratings of the banks in which the Company kept its cash balances as at 31 December 2018:

Bank	Cash balances in bank accounts at 31 December 2018	Rating agency		
		Moody's	Standard&Poor's	Fitch Ratings
SEB Bankas AB[1)]	5	Aa2	A+	AA-
Swedbank AB[1)]	25	Aa2	AA-	AA-
OP Corporate Bank plc Lithuania	4	Aa3	AA-	-

[1)] The ratings assigned to the parent banks as at 31 December 2018.

11 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital.
The Company's legal reserve amounts to EUR 5,173 thousand and represents 10% of the share capital (in 2017: EUR 5,173 that amounted to 10% of the share capital).

(All amounts are in EUR thousands unless otherwise stated)

11 Reserves (continued)

Other reserves

Other reserves are formed by the decision of the annual General Shareholders' Meeting regarding the appropriation of profit. These reserves can only be used for business development purposes approved by the General Shareholders' Meeting.

12 Borrowings

In January and December 2018, the Company repaid the long-term loan (EUR 12,444 thousand) prior to its maturity to Swedbank AB. After this prepayment, the outstanding balance of the loan received from Swedbank AB amounted to EUR 28,333 thousand.

In May 2018, the Company signed an agreement with OP Corporate Bank pic Lithuanian branch regarding a long-term loan for an amount of EUR 30,000 thousand. As at 31 December 2018, the used part of the loan amounted to EUR 20,000 thousand.

On 1 March 2017, the Company signed an overdraft agreement for the amount of up to EUR 10,000 thousand to balance its working capital. As at 31 December 2018, the used credit line (overdraft) was amounted to EUR 6,791 thousand.

	At 31 December 2018	At 31 December 2017
Non-current borrowings		
Borrowings from local credit institutions	31.444	34.333
Borrowings from international financial institutions	23.913	25.000
Current borrowings		
Borrowings from local credit institutions	6.791	-
Current portion of non-current borrowings	17.976	17.889
	80.124	**77.222**

As at 31 December 2018, the Company's borrowings were with weighted average annual interest rate of 0.480% (31 December 2017: 0.438 %). Variable interest rate depends on 3-6 month EURIBOR.
Analysis of borrowings by contractual maturity:

	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
	Borrowings with a fixed interest rate	**Borrowings with a fixed interest rate**	**Borrowings with a floating interest rate**	**Borrowings with a floating interest rate**
	-	-	-	
2018	-	-		17.889
2019	-	-	24.767	23.976
2020	-	-	13.618	13.618
2021	-	-	10.174	2.174
2022	-	-	10.174	2.174
2023	-	-	6.173	2.174
2024	-	-	2.174	2.174
2025	-	-	2.174	2.174
2026	-	-	2.174	2.174
2027	-	-	2.174	2.174
2028	-	-	2.174	2.174
2029	-	-	2.174	2.174
2030	-	-	2.174	2.174
	-	**-**	**80.124**	**77.222**

(All amounts are in EUR thousands unless otherwise stated)

12 Borrowings (continued)

All borrowings of the Company are denominated in the euro, therefore outstanding balances of borrowings as at 31 December 2018 and 2017 were denominated in the euro and were not affected by changes in exchange rates. The Company's borrowings are neither secured with third party guarantees, nor by assets pledged as collateral.

Reconciliation of net debt balances and cash flows from financing activities of 2018 and 2017:

	Cash	Borrowings	Total
Net debt as at 31 December 2017	**6.726**	**(77.222)**	**(70.496)**
(Decrease) in cash and cash equivalents	(6.692)	-	(6.692)
Loan (received)	-	(26.791)	(26.791)
Loan repaid	-	23.889	23.889
Net debt as at 31 December 2018	**34**	**(80.124)**	**(80.090)**

13 Deferred revenue

	Deferred revenue	Income-related grants	Total
Balance at 31 December 2017	**1.501**	**-**	**1.501**
Received/receivable	-	91	91
Amortisation	(34)	(91)	(125)
Transfer of balance to retained profit (loss)	(1.467)		(1.467)
Balance at 31 December 2018	**-**	**-**	**-**

Deferred revenue includes the funds related to customer connection to the gas system which totalled EUR 1,467 thousand (2017: EUR 1,501 thousand) (according to the accounting policy applied until 1 July 2009).

14 Non-current employee benefits

As at 31 December 2018, the Company's employee benefit obligations related to one-time payments to employees leaving the Company at the retirement age amounted to EUR 531 thousand (31 December 2017: EUR 412 thousand). There were no other non-current employee benefit obligations related to long-service of employees at the Company provided in the collective agreement of 2018.

Key assumptions used in assessing the Company’s non-current employee benefit obligations are given below:

	At 31 December 2018	At 31 December 2017
Discount rate	0.31 %	1.5 %
Annual employee turnover rate	5 %	6 %
Annual salary growth	2 %	2 %
Average time to retirement (years)	19.61	19.8

15 Trade payables

	31 December 2018	31 December 2017
Trade payables under the investment programme (new constructions)	-	1
Trade payables under the investment programme (reconstructions)	2.995	8.152
Payables to service providers	1.119	907
Payables to repair service providers for non-current assets	295	352
Payables to natural gas suppliers	1.561	522
	5.970	**9.934**

The above-mentioned trade payables are non-interest bearing and most of them are typically settled over 30 to 60 days.

(All amounts are in EUR thousands unless otherwise stated)

16 Other payables and current liabilities

	31 December 2018	31 December 2017
Payable LNG terminal funds for administration (Note 2.16)	12.311	11.356
Accrued LNG terminal funds for administration [1)]	2.684	2.924
Payable real estate tax	429	432
Payable value added tax	-	286
Other payables	454	267
	15.878	**15.265**

[1)] Accrued LNG terminal funds for administration are accounted for as soon as the natural gas system users are issued with a VAT invoice. Accrued LNG terminal funds for administration are allocated to the account of payable LNG terminal funds as soon as Klaipėdos Nafta AB and Litgas UAB issues a VAT invoice to the Company for the additional natural gas supply security component to be included in the natural gas transmission price.

17 Revenue

The Company's revenue includes as follows:

	At 31 December 2018	At 31 December 2017
Income from natural gas transmission in the territory of Lithuania	44.092	57.013
Income from balancing services in the transmission system	9.831	6.964
Grants recognised as income	125	41
Income from administration of the LNG terminal funds	44	114
Other income	198	190
	54.290	**64.322**

18 Financing activity

	At 31 December 2018	At 31 December 2017
Interest income	22	9
Interest on late payment	5	20
Other	-	-
Total income from financing activity	27	29
Interest expenses on borrowings	350	368
Other expenses of financing activity	-	-
Total expenses of financing activity	350	368
Net result of financing activity	**(323)**	**(339)**

(All amounts are in EUR thousands unless otherwise stated)

19 Income tax

	At 31 December 2018	At 31 December 2017
Deferred income tax assets:		
Loss on revaluation and impairment of property, plant and equipment	27.899	23.466
Accrued vacation reserve	79	56
Accrual for non-current employee benefits	80	62
Balance of unused income tax relief	-	1.134
Deferred income tax assets before impairment allowance	**28.058**	**24.718**
Less: impairment allowance	-	-
Less: deferred income tax asset offset against deferred income tax liability	24.901	24.718
Deferred income tax assets, net	**-**	**-**
Deferred income tax liabilities:		
Difference between carrying amount and tax base of property, plant and equipment	(24.901)	(26.272)
Deferred income tax liability, net	**3.157**	**(1.554)**

According to the provisions of the Law on Corporate Income Tax (hereinafter - the Law) effective from 1 January 2009, income tax relief may be applied to investments in qualifying fixed assets. When calculating current income tax for the year 2018, the Company took advantage of the income tax relief and reduced the income tax expenses for the year 2018 by the total amount of EUR 1,653 thousand (2017: EUR 1,955 thousand).

2018 July 12 the bord of Company decided to conclude agreement between the parent Company UAB EPSO-G and Company for taking over tax losses from UAB EPSO-G for 2016 and 2017. Amount of losses received from consideration from UAB EPSO-G is EUR of 6.620 thousand. The amount of the rewards is EUR of 993 thousand.

Deferred income tax assets and deferred income tax liabilities were offset in the Company's statement of financial position as they were related to the same fiscal authority.

When estimating the components of deferred income assets and liabilities in 2018 and 2017, the Company applied income tax rate of 15%.

The reported amount of current income tax expenses can be reconciled to the income tax expenses that would result from applying a standard income tax rate of 15% to profit before tax:

	At 31 December 2018	At 31 December 2017
Profit (loss) before income tax	(26.011)	(12.055)
Income tax (expenses) at the effective income tax rate	3.902	1.808
Non-deductible expenses	-	18
Income tax relief	519	477
Other	(2)	(94)
Adjustments to previous year income tax	-	(15)
Income tax benefit (expenses)	**4.419**	**2.194**

20 Earnings per share

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

	At 31 December 2018	At 31 December 2017
Net profit (loss) attributable to the shareholders (EUR ’000)	(21.592)	(9.861)
Weighted average number of shares (thous.)	178.383	178.383
Earnings (loss) per share (EUR)	(0.12)	(0.06)

21 Cash flows from investing and financing activities

When calculating cash flows from investing activities in 2018, the Company took into consideration as follows: the change in amounts payable for non-current assets amounting to EUR 5,158 thousand; capitalised borrowing costs (interest) of EUR 49 thousand (2017: the change in amounts payable for non-current assets amounting to EUR 4,331 thousand; the reclassification of emergency inventories at the warehouse from current assets to non-current assets amounting to EUR 61 thousand; and capitalised borrowing costs (interest) of EUR 35 thousand).

When calculating the grants received in the cash flows from investing activities in 2018, the Company took into consideration the change in grants received amounting to EUR 2,408 thousand (2017: the change in grants received amounting to EUR 635 thousand).

22 Financial assets and liabilities and risk management

Liquidity risk

Liquidity risk is managed by the Company by making regular short-term and long-term cash flow forecasts. In view of the forecasts, the Company adopts decisions to ensure its solvency, i.e. for balancing of current asset it uses the overdraft (unused amount as at 31 December 2018 was EUR 3,209 thousand), and if necessary - long-term borrowings (31 December 2018 Company had possibility to borrow EUR 10,000 thousand from OP Corporate bank plc Lithuanian Branch) (see Note 12 ‘Borrowings’).

The Company's liquidity ratios (after eliminating the effects of the administrated LNG terminal funds) were as follows as at 31 December 2018 and 2017:

	At 31 December 2018	At 31 December 2017
Current ratio	0.40	0.68
Quick ratio	0.32	0.62

(All amounts are in EUR thousands unless otherwise stated)

22 Financial assets and liabilities and risk management (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 based on the undiscounted contractual payments (scheduled payments including interest):

	Within 20 calendar days	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing borrowings and liabilities	-	6.924	18.201	40.903	15.565	81.593
Other current liabilities	12.311[1)]	506	-	-	-	12.817
Trade payables	-	5.970	-	-	-	5.970
Balance at 31 December 2018	**12.311**	**13.400**	**18.201**	**40.903**	**15.565**	**100.380**
Interest-bearing borrowings and liabilities	-	124	18.096	42.606	17.841	78.667
Other current liabilities	11.356[1)]	780	-	-	-	12.136
Trade payables	-	9.934	-	-	-	9.934
Balance at 31 December 2017	**11.356**	**10.838**	**18.096**	**42.606**	**17.841**	**100.737**

[1)] Amounts payable to the beneficiaries of the LNG terminal funds.

Credit risk

The maximum exposure to credit risk is equal to the sum of trade receivables (except for receivable LNG terminal funds), other receivables, cash and short-term investments less impairment losses recognised. Delays in settlement of significant amounts of trade receivables may affect the Company's ordinary course of activities and lead to search of additional financing sources. Credit risk is managed through regular monitoring procedures (individual supervision of debtors, monitoring and analysis of customers in order to identify potential solvency problems that may arise in the future, etc.). The Company has approved the regulations for customer debt management, which define the specific actions and deadlines to be followed in order to reduce the outstanding balance of customer debts.

The Company's exposure to credit risk arises from cash at bank and cash invested in short-term instruments. The level of exposure depends on the credibility of the selected bank. To manage this risk, the Company has approved the procedure for financial risk management.

The procedure defines as follows: (1) the credibility level of the banks selected for partnership; (2) the diversification limits for funds kept as deposits or invested in the investment products of banks or their subsidiaries, other securities, etc.

The reliability of the partners being selected is assessed according to the procedure established at the Company. The system users assigned with the highest risk level are assessed by engaging a company that provides specialised creditworthiness assessment services.

The Company does not issue guarantees to secure the fulfilment of obligations of other parties.

Interest rate risk

As at 31 December 2018 and 2017, the Company had borrowings with variable interest rates. The Company's exposure to interest rate risk arises from variable interest rates that are linked to EURIBOR. Given the current situation in the market of interbank offered rates, during 2018 and 2017 the Company did not enter into any transaction on financial instruments that would be used to manage the interest rate risk.

The table below demonstrates the sensitivity of the Company's profit before tax to theoretically possible changes in EURIBOR interest rates, with all other variables held constant. The Company estimates sensitivity using 100 basis points, which make 1%.
There is no impact on the Company's equity, other than that on current year profit.

22 Financial assets and liabilities and risk management (continued)

	Increase in EURIBOR, b.p.	Impact on profit before tax, EUR '000
At 31 December 2018	+100	(779)
At 31 December 2017	+100	(750)

Natural gas price fluctuation risk

The Company has been exposed to the risk related to changes in the natural gas purchase price. Changes are caused by various fluctuations in international markets. In 2018, the Company did not take any measures to mitigate the natural gas price risk.

Concentration risk

The Company is exposed to significant concentration of credit risk, as the credit risk exposure is distributed among the Company's 10 major customers whose liabilities represented 95% of the Company's total trade receivables as at 31 December 2018 (31 December 2017: 91%). However, in the event of loss of customers and lower volumes of transported gas, the prices for gas transportation services would increase as per the Methodology for Setting the Prices Regulated by the State in the Natural Gas Industry approved by the Commission.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables, current and non-current borrowings and finance lease.

The following methods and assumptions are used by the Company to estimate the fair value of each class of financial instruments:

(a) The carrying amount of current trade and other receivable, current trade and other payables approximates their fair value (level 3);

(b) The fair value of non-current borrowings is measured using the interest rate that is currently available for borrowings with the same maturity profile and similar credit risk. The Company determined that the fair value of interest-bearing non-current borrowing approximated their carrying amount (level 3).

23 Off-balance sheet commitments and contingencies

Litigations

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. Both cases were adjourned until the enactment of the final ruling at the General Court of the European Union.

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.

Vilnius Regional Court has been hearing the case under Kauno termofikacijos elektrinė UAB (hereinafter – KTE), the plaintiff, claim as of 5 April 2018, based on which KTE requires to acknowledge that the defendant, the Company, has no right of claim of EUR 133 thousand to KTE for exceeding natural gas consumption capacities in 2017 and requests the Court to oblige the Company to recalculate the additional component amount for exceeding the natural gas consumption capacities in 2017. The Company objects to KTE's lodged claims and correspondingly has submitted

(All amounts are in EUR thousands unless otherwise stated)

23 Off-balance sheet commitments and contingencies (continued)

a statement of defence at Vilnius Regional Court with a requirement to dismiss the appeal as unfounded. Vilnius Regional Court scheduled the court hearing on 25 July 2018. Under the decision of Vilnius Regional Court dated 18 August 2018, the court dismissed the appeal of KTE as unfounded and ordered to bear the costs incurred for the procedure on the behalf of the Company. On 12 September 2018, KTE has brought an appeal to the Lithuanian Court of Appeal against the above-mentioned court decision. On 8 October 2018, the Company lodged its defence to KTE's appeal. The hearing date of KTE's appeal has not been scheduled yet.

The Company addressed the District Court of the City of Vilnius regarding the issue of the court order for the debtor Geros dujos UAB with the request to adjudge EUR 31 thousand, out of which EUR 3 thousand - for transmission services, EUR 11 thousand - for balancing services and EUR 17 thousand for the additional natural gas supply security component along with the natural gas transmission service and EUR 0.5 thousand of interest of the total amount outstanding. On 18 December 2018, the court adopted the court's order. At present, the court order's entry into force is pending.

Contingencies related to commitments to purchase non-current assets

As at 31 December 2018, the Company had agreements on purchase of non-current assets that are not recognised in these financial statements in the amount of EUR 2,427 thousand (31 December 2017: EUR 13,496 thousand).

24 Related-party transactions

As at 31 December 2018 and 2017, the parent company was EPSO-G UAB. The parent state of this company was the Republic of Lithuania represented by the Ministry Of Energy of the Republic of Lithuania. In accordance with the provisions of the Article 372 of the Law on Companies of the Republic of Lithuania for the purpose of related party disclosures, the disclosure includes transactions and balances with EPSO-G UAB Group companies, the subsidiary (the Company's transactions), all companies under the state control or significant influence (transactions with such companies are disclosed separately in case they are significant) and management, and their close family members. For the list of companies under the state control or significant influence go to: https://vkc.sipa.lt/apie-imones/vvi-sarasas/.

The parties are defined as related when one party has the possibility to control the other party or has significant influence over the other party in making financial and operating decisions.

The related parties of the Company as at 31 December 2018 and 2017 were as follows:
- GET Baltic UAB (subsidiary of Amber Grid AB);
- EPSO-G UAB (parent company);
- LITGRID AB (subsidiary of EPSO-G UAB);
- Baltpool UAB (subsidiary of EPSO-G UAB);
- Tetas UAB (subsidiary of Litgrid AB);
- Litgrid Power Link Service UAB (subsidiary of Litgrid AB);
- Duomenų Logistikos Centras UAB (associate of Litgrid AB Group);
- Lit Pol Link Sp.z.o.o. (entity jointly controlled by Litgrid AB and Polish electricity network operator PSE S.A.);
- Management.

The table below presents the balances and transactions with related parties as at 31 December 2018 and 2017:

2018	Purchases	Sales	Amounts receivable	Amounts payable
GET Baltic UAB	6.998[1)]	24	152	527
EPSO-G UAB	123	-	-	23
Lietuvos Energija Group (UAB)	27.117[2)]	58.413[2)]	6.001[2)]	3.729[2)]
Other state capital companies	63.038[2)]	1.152[2)]	230[2)]	9.708[2)]
	97.276	**59.589**	**6.383**	**13.987**

(All amounts are in EUR thousands unless otherwise stated)

24 Related-party transactions (continued)

2017	Purchases	Sales	Amounts receivable	Amounts payable
GET Baltic UAB	3.648[1)]	17	122	261
EPSO-G UAB	84	-	-	-
Lietuvos Energija Group (UAB)	24.144[2)]	66.366[2)]	6.570[2)]	2.273[2)]
Other state capital companies	66.600[2)]	1.571[2)]	203[2)]	9.400[2)]
	94.476	**67.954**	**6.895**	**11.934**

[1)] The Company is a participant of the Natural gas market managed by Get Baltic UAB and has participation agreement. The agreement on standard terms and the under the same conditions as to the other participants. The amount represents purchases through this market.
[2)] LNG terminal funds included.

On 30 March 2017, Amber Grid AB and GET Baltic UAB signed a loan agreement according to which Amber Grid AB can grant a loan to GET Baltic UAB of up to EUR 200 thousand (two hundred thousand euro). The loan is subject to variable annual interest rate of 1 month EURIBOR + a steady 1.5 (one and five tenths) per cent margin. The repayment date of the loan is 31 March 2019.

As at 31 December 2018, Amber Grid AB had granted a loan of EUR 150 thousand (2017: EUR 120 thousand)) to GET Baltic UAB. Interest accrued for the used loan amounted to EUR 2 thousand during the period of the year 2018.

There were no guarantees given or received in respect of the related-party payables and receivables, settlement occurred in cash in the period from 15 to 30 days. As at 31 December 2018, the Company did not establish any provision for impairment in respect of the related-party receivables.

<u>Payments to management</u>

In 2018, payments to the Company‘s management amounted to EUR 388 thousand (2017: EUR 385 thousand). The Management consists of the head of administration and of his/her four deputies. During 2018 and 2017, the management of the Company did not receive any loans, guarantees, no other payments were made or calculated, no transfers of property were made.

In 2018, payments to the Company’s management amounted to EUR 22 thousand (2017: EUR 32 thousand).

25 Non-audit services

The Company did not receive other non-audit services from the audit company in 2018.

26 Capital management

The Company is required to maintain its equity ratio at not less than 50% of its share capital, as imposed by the Lithuanian Law on Companies. As at 31 December 2018 and 2017, the Company was in compliance with this requirement. There were no other internally or externally imposed capital requirements on the Company.

27 Subsequent events

On 27 February 2019, the Company entered into a cash pool agreement with UAB EPSO-G. The agreement sets forth the maximum borrowing limit for UAB EPSO-G – up to EUR 15,000 thousand and the lending limit for the Company – up to EUR 10,000 thousand. The maximum duration of the agreement is 3 years.

AB AMBER GRID
ANNUAL REPORT 2018

Vilnius
2019

TABLE OF CONTENTS

1. GENERAL INFORMATION

The reporting period for the annual report covers the year 2018.

1.1. BACKGROUND

Name	AB Amber Grid (hereinafter referred to as “Amber Grid” or the “Company”)
Legal form	Public company
Date of registration and register	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised capital	51.730.929,06 Eur
Registered office address	Savanorių Ave. 28, LT-03116 Vilnius
Phone	+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 and maintenance of gas pipelines, and for securing safe and reliable functioning and development of the gas transmission system. Amber Grid ensures natural gas transportation to system users through high pressure pipeline, maintenance and development of natural gas infrastructure. The infrastructure managed by the company encompasses gas transmission pipelines, gas compressor stations, and gas metering and gas distribution stations.

Amber Grid is a part of UAB EPSO-G group of companies. UAB EPSO-G is a state-controlled group of energy transmission and exchange companies acting as a management company, the shareholder rights and obligations of which are fulfilled by the Ministry of Energy of the Republic of Lithuania. More information on UAB EPSO-G is provided on the website www.epsog.lt.

Amber Grid controls 100% of the authorized capital of UAB GET Baltic. UAB GET Baltic is a company that has a natural gas market operator’s license, organises and conducts trading on a natural gas exchange in Lithuania, Latvia and Estonia. More information on UAB GET Baltic is available on its website www.getbaltic.com.

VISION

Innovative energy company in the integrated European gas network.

- *Innovative* – applying advanced methods and techniques, which allow working faster, more efficiently, offering innovative solutions to customers and partners.
- *Integrated European gas network* – when the Baltic and the European gas markets both having access to the global LNG market are interconnected by physical infrastructure as well as well-functioning market and infrastructure rules, enabling easy and flexible gas transportation and trade.

MISSION

We provide effective and reliable gas transmission, we create favourable conditions for competition in the gas market and for the development of renewable energy sources.

- *Effectively* – we pursue the best results working efficiently and optimizing our operating processes.
- *Reliably* – we transport gas to our customers safely and without any unplanned interruptions.

- *Conditions favourable for competition* – we work for the conditions of the use of the transmission system and the services provided to be flexible and convenient for the existing and new gas market players, allowing to easily obtain gas from various sources.
- *Development of renewable energy sources* – by administering the register of "green" gas guarantees of origin and with other initiatives, we seek for the development of production and trade of gas from renewable energy sources.

1.2. PERFORMANCE INDICATORS

Table 1. Performance indicators of the Company, 2016 – 2018.

	2018	2017	2016
Quantities of transported natural gas			
Quantity of gas transported to domestic exit point, GWh	22.320	24.290	23.336
Quantity of gas transported to adjacent transmission systems[1], GWh	30.140	28.262	23.985
Number of systems users at the end of the period	106	100	95
System operated by the Company			
Length of gas transmission pipelines, km	2.115	2.115	2.115
Number of gas distribution stations and gas metering stations, pcs.	68	69	70
Employees			
Number of employees at the end of the period	329	346	357

1.3. THE MAIN EVENTS

In fulfilling its obligations established in the legal acts governing the securities market, the Company publishes notices of its material events and other regulated information on the EU-wide basis. The information is available on the Company's website (www.ambergrid.lt/en/about-us/investors-relations/materialevents), the website of securities exchange *NASDAQ Vilnius* (www.nasdaqbaltic.com) and on the Central Storage Facility at www.crib.lt.

All notices on convening the Company's General Meeting of Shareholders and other material events are announced in accordance with the procedure established in the Law on Securities on the Company's website www.ambergrid.lt (heading *About Us* section *Investors Relations*) and on the Central Storage Facility at www.crib.lt. The shareholders whose shares entitle them to at least 10% of total voting rights receive notices on convocation of the General Meetings of Shareholders in accordance with the procedure established in the Company's Articles of Association.

1.4. MEMBERSHIP

The Company is a member of ENTSOG (www.entsog.eu), a member of association "Polish and Lithuanian Chamber of Commerce" and a member of the National Lithuanian Energy Association:

- ENTSOG was established on the basis of Regulation No. 715/2009 of the European Parliament and of the Council as an organisation intended for the cooperation of operators of gas transmission systems on the level of the European Community.
- Association "Polish and Lithuanian Chamber of Commerce" is a bilateral organisation of economic cooperation between Lithuania and Poland. The association collects information for its members on business opportunities in both countries, cooperates with organisations and individuals that ensure business management and development, organise conferences and thematic events.

[1] Transmission systems of Latvia and Kaliningrad Region of the Russian Federation

- National Lithuanian Energy Association was set up in 2016. The association develops a common position of the energy sector, represents the interests of its members in state authorities, public and international organisations, aims at having the conditions of Lithuania's electrical energy and gas supply developed and improved for the users in the country, and advance of the economic and technical energy sector promoted.

2. OPERATIONAL ENVIRONMENT

2.1. OPERATIONAL ENVIRONMENT AND FORECASTS

In 2018, the economic activity growth in Lithuania did not reflect in the indicators of the state's natural gas consumption – in 2018, 22.32 TWh of natural gas or 8% less in comparison with 2017 was transported to the domestic exit point (for the Lithuanian consumers). It was mainly influenced by the lower gas demand for fertilizer production.

The tightened requirements of the EU environmental policy, promotion of use of renewable energy sources in the energy sector and its development as well as more efficient use of energy resources reduce the consumption of natural gas for energy purposes in Lithuania in a medium term perspective. Since 2012, the quantity of electrical power transmitted for the needs of the Lithuanian market has reduced by 34%. Based on the Company's forecasts, the declining trend should continue and remain the same for the next couple of years – this should be largely determined by the emergence of new biofuel and waste incineration capacity in centralised heat industry (mainly Vilnius co-generation power plant), and later, starting with 2021, the demand for gas in the country should become more stable. Similar trends of reducing demand for natural gas are seen throughout the region of the Eastern Baltic countries – Finland, Estonia, Latvia and Lithuania. Since 2012, the demand for gas in the region has shrank by 30%. While total gas consumption volumes are decreasing, gas is increasingly preferred to use as a reserve balancing fuel for both heat and electricity production. Therefore, it is essential to ensure adequate gas transmission capacities to meet such needs.

In 2016, Prime Ministers of the Baltic countries made a political decision pursuant to which all ministries responsible for the energy sector in the countries of the region were commissioned, in cooperation with the regulatory authorities of the region and operators of the transmission system, to integrate gas markets of the Baltic countries and Finland by 2020 by harmonising legal and regulatory environment and ensuring that gas infrastructure sufficient for operation of a single gas market be developed. This initiative will provide appropriate conditions for gas trade in the region and for larger cross-border gas flows and more effective use of the gas infrastructure and will promote competitiveness in the gas market of the Baltic countries. The regional market is aiming at the integration of the Baltic and Finnish natural gas market to the joint balancing area with the elimination of cross-border transmission tariffs, the conjoint implementation of gas system balancing and allocation of transfer capacity by all transmission system operators, as well as gas trading at a single virtual trading point.

In 2018, the consensus of all countries in the region on full integration was not achieved. So far, the common natural gas market from 2020 has been agreed by only Latvia and Estonia, which, together with Finland, will form a common tariff zone from 2020 – zero transfer pricing will be applied for the interconnection with Finland, while transfer prices of access to the tariff zone will be equalized. Lithuania seeks the participation of all countries in the common gas market under conditions that are beneficial to all, therefore, it will join the common zone at a subsequent stage unless mutually beneficial conditions for the joining are discovered already from 2020.

In June 2018, the Seimas of the Republic of Lithuania received a renewed National Energy Independence Strategy for consideration. This document on the energy policy set the goal to increase the share of renewable energy sources (RES) (including biomethane and other gas produced from RES) in the final total energy consumption of the country: to 30% in 2020, to 45% in 2030, to 80% from 2050, and to stop using natural gas in the sectors of electricity, heat and cooling.

In Lithuania, as in the EU, it is expected that natural gas will remain an important energy resource during the transition to a low-carbon economy. Natural gas demand in the country will reach around 20 TWh in 2020-2030, of which more than 50% will be the demand for gas as a raw material in the fertilizer manufacturing industry.

It is projected that in 2019, the Company will transport to the Lithuanian system users at the domestic exit point of the transmission system about 22.7 TWh, to the Republic of Latvia – 0.5 TWh and to Kaliningrad Region of the Russian Federation – 27.5 TWh of natural gas. About 45% of natural gas quantities intended for consumers of Lithuania and other Baltic States will be supplied from Klaipėda LNG Terminal.

2.2. REGULATORY ENVIRONMENT

The changes that are expected to take place in 2019 within the scope of the existing regulatory regime have had an impact on the Company's operations and results: the new 5-year regulation period starting from 2019 led to the result that the Company was subject to the methodology for determining the return on investments approved by the NCC in 2015, and the rate of return on investment was significantly (from 7.09% to 3.33%) reduced from the beginning of next year. Also, in 2018, the level of allowed regulatory revenue set up for the Company was reduced by EUR 11 million, because after the end of the first 3 years of the current regulation period (2014-2016), the deviation of return on investment accumulated during those 3 years was assessed at the end of 2017, by which the level of allowed regulatory revenue for the year 2018 was reduced.

Since 2019, the new 5-year regulation period has begun, and in 2020, the European Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a harmonised network code for natural gas transmission tariffs (TAR NC) will be fully applicable for the determination of transmission activity prices.

3. STRATEGY

3.1. STRATEGIC DIRECTIONS, GOALS AND RESULTS

At the end of 2017, the Board of the Company approved the long-term strategy of Amber Grid for 2017–2021 based on the integration into a single regional natural gas market, on efficiency and modernisation of the Company and development of the infrastructure. The strategy document presented general data on the company’s activity, forecasts, assessment of the changes in the environment, and the changes in the market situation – everything that has a potential impact on the long-term Company’s strategy.

Guided by the corporate vision and the strategic objectives as set by the State of Lithuania and the shareholder – to increase the corporate value and to ensure strategic interests in the gas sector – AB Amber Grid has focused on the following three strategic directions:

- transformation into a transmission system operator operating in a single regional gas market;
- creation of the necessary infrastructure;
- increasing of efficiency and modernisation of operations.

Each of the strategic directions of the Company has a programme with strategic objectives, tasks, measures, desired outcomes and deadlines.

The Company ‘s strategic directions and financial objectives for 2018 are available in the Company ‘s homepage: *www.ambergrid.lt/lt/apie_mus/bendrovesstrategija20152020m/veiklos-tikslai*.
For 2018 the Board of the Company has set the following annual objectives for operation for the General Manager based on directions for operation, objectives for operation and finance approved:

- Effective use of operating costs (OPEX) not exceeding the budget;
- Implementation of annual investment plan (CAPEX) by investing no less than EUR 14.3 million and not exceeding the budget;
- The project of Lithuania – Poland gas systems interconnection (GIPL) is in the process of implementation following the plan of guidelines approved;
- The formation of regional market following the plan;
- The implementation of plan of the new organisational structure set by the Board of the Company.

The General Manager is accountable to the Board for the implementation of objectives that have been set. Every year the Board evaluates the objectives achieved. This result impacts the variable part of the pay that cannot exceed the proportion set in the Remuneration policy.

To attain its objectives and thus approach the implementation of the Company's vision and mission, Amber Grid continuously measures and controls the progress achieved.

In 2018, considerable focus was put on the development of a single market and continuous works were conducted. Although the agreement on the common market, including Lithuania, was not reached in 2018 with transmission system operators of other countries, solutions were further sought to form a single market under advantageous conditions for all countries. In preparation for the creation of the single market, a draft of the common transmission rules was developed and a balancing study was carried out in 2018, the scope of which included the establishment of common balancing rules.

Seeking to create a single infrastructure – to properly prepare for construction works of the GIPL project, public tenders for procurement of contract works and pipes were announced in 2018, negotiations with potential project suppliers and contractors are underway.

The Company has been intensively preparing for the establishment of a register of guarantees of origin of gas produced from renewable energy sources and for the administration of the issue of guarantees of origin, thus allowing the energy market participants to offer a broader range of services.

In 2018, the planned structural changes of the Company were completed, the processes improved, innovative management methods were further implemented and improved.

After the reporting period, i.e. on 29 January 2019, the Board of the Company stated that the achievement of the objectives of the operation of the Company and the General Manager met expectations by 99%. The final decision of evaluation of the objectives achieved is to be taken after audited financial results are available.

At the end of 2018, the Board of the Company by approving the updated strategy of Amber Grid endorsed the proposal to renew the company's vision, mission, and in order to achieve a clearer link between the strategies of the companies of EPSO-G group in the implementation of strategic directions, it was decided to unify the strategic directions in all companies of the group and to follow the common values of EPSO-G group.

3.2. STRATEGIC INFRASTRUCTURE PROJECTS

In 2018, Amber Grid continued the implementation of strategic gas transmission infrastructure projects – Gas Interconnection Poland-Lithuania (GIPL), and Capacity enhancement of Latvia-Lithuania interconnection.

These strategic infrastructure projects have been included in the Second List of the EU Projects of Common Interest which was announced in November 2017, also in the Ten-year Network Development Plan (TYNDP) of the *European Network of Transmission System Operators for Gas* (ENTSOG) www.entsog.eu/index.php/tyndp, in the Regional Gas Investment Plan 2017 of the Baltic Energy Market Interconnection Plan (BEMIP), in the Natural Gas Transmission System Operator's Ten Year (2018-2027) Plan on the Development of the Network, and in National Plan on the Implementation of Priority Projects of Electricity and Natural Gas Transmission Infrastructure approved by Resolution No. 347 of the Government of the Republic of Lithuania of 10 May 2017 (the National Plan).

3.2.1. GAS INTERCONNECTION POLAND-LITHUANIA (GIPL)

The European Commission has recognised the GIPL as one of the key projects in the area of infrastructure providing security of supplies, being of significant importance for the energy security of the EU. Amber Grid is implementing the GIPL project in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A.

Objectives of the project:

- integrate the Baltic and the Finish gas markets into the common EU market for gas,
- diversify gas supply sources,
- increase the security of gas supply.

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

The total length of the planned gas pipeline will be 522 km, of which 165 km in the Lithuanian territory. Capacities created after construction of the gas interconnection will enable to transport annually in the direction of the Baltic States up to 27 TWh of natural gas, in the direction of Poland – up to 21 TWh annually, and the Baltic and Finnish gas markets will become a part of the single gas market of the EU.

Benefits of the GIPL project:

- Will integrate gas markets of the Baltic countries and Finland into a common EU gas market;
- Will diversify access to alternative gas supply sources, routes, counterparties and increase of competition;
- Will increase security and reliability of gas supply – both in terms of additional interconnection capacity and possibility to apply solidarity measures between Member States of the EU in case of emergency;
- Will enable more flexible and efficient use of LNG terminals and transmission infrastructure in Poland and Lithuania;
- Will increase the liquidity of gas trade in the Polish and Baltic trade zones and strengthen their regional role.

On 24 May 2018, Amber Grid and GAZ-SYSTEM S.A. concluded a GIPL interconnection agreement by which the final decision to invest in the GIPL project was confirmed.

In June 2018, Amber Grid announced public tenders for the procurement of construction works and steel gas pipes for the Gas Interconnection Poland-Lithuania (GIPL) in the territory of the Republic of Lithuania. The evaluation of the initial proposals for construction works was carried out by the end of 2018. It is anticipated that the contracts with the winning tenderers of the pipeline construction and procurement of pipes will be concluded in the 2nd quarter of 2019.

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.

More information on the GIPL project, its progress and news can be found on the project website www.ambergrid.lt/en/projects/gas-interconnection-poland-lithuania-gipl.

3.2.2. ENHANCEMENT OF LATVIA-LITHUANIA INTERCONNECTION

The aim of the project is to increase the capacity of the gas systems' interconnection Latvia-Lithuania, ensure safe and reliable natural gas supply and achieve a more effective use of the infrastructure and better integration of the gas markets of the Baltic States. In this way better conditions will be provided for the use of the Latvian Inčukalns underground gas storage facility. Project promoters – Amber Grid and Latvian transmission system operator AS Conexus Baltic Grid.

On 25 May 2018, Amber Grid and AS 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 and cost-benefit analysis (hereinafter referred to as the "Study") for the Enhancement of the Latvian-Lithuanian Interconnection (ELLI) project under the EU Connecting Europe Facility (CEF). The EU financial assistance in the amount of up to EUR 175 thousand was allocated for the preparation of the Study (funding intensity – 50% of eligible costs).

In July 2018, the Study was completed. The analysis of the region's gas market demand and the gas flow modeling carried out in the scope of the Study showed that 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 other, higher transmission capacities between Lithuania and Latvia will be required – up to 130.47 GWh per day in the direction of Latvia and up to 119.5 GWh per day in the direction of Lithuania.

To increase the interconnection capacity in the territory of Lithuania, it will be necessary to boost the capacity of Kiemėnai gas metering station and to restructure the gas pipeline at Panevėžys compressor station, and in the territory of Latvia – to reconstruct a part of the main gas pipelines in the southern, central and western parts of the country in order to increase the maximum design pressure in the pipelines up to 50 bar and to install a new compressor station near Inčukalnis underground gas storage. The project's reference amount of investment is EUR 25.4 million, out of which EUR 4.7 million – in the territory of Lithuania. The project is planned to be implemented by the end of 2023.

In October 2018, the Study of the ELLI project was submitted for consultation to Estonian and Finnish transmission system operators, and on 19 December 2018, AS Conexus Baltic Grid and Amber Grid submitted an investment request to the Lithuanian, Latvian, Estonian and Finnish regulatory authorities for a cross-border cost allocation decision for the ELLI project, as provided for in Regulation (EU) No. 347/2013.

3.3. EUROPEAN UNION FINANCIAL ASSISTANCE

In 2018, two projects of natural gas transmission infrastructure provided for in the National Plan were signed. To implement them, 50% of the required amount was allocated as the EU financial assistance in accordance with the Operational Programme for the European Union Funds' Investments in 2014–2020:

- The project "Installation of the Control Device Start-Up and Reception Cameras and Implementation of the Operative Technological Management of the Gas Transmission System (second stage)", during which the control device start-up and reception cameras will be installed, adapting gas transmission pipelines (hereinafter referred to as "GTP") for internal diagnostics and installing operative technological management of the system. The total value of the project is EUR 13.15 million;
- The project "Implementation of Operative Technological Management of the Gas Transmission System", which will replace 37 units of tap nodes and additionally install 51 units of remote control taps in order to reduce the volume of gas lost during the maintenance and accident of GTP and to optimize gas flow management. The total value of the project is EUR 9.06 million.

The total amount of all infrastructure project agreements signed with Public Institution Lithuanian Business Support Agency in 2018 is EUR 22.21 million.

In 2018, Amber Grid implemented three natural gas transmission infrastructure projects scheduled in “The National plan for implementation of projects of electricity and natural gas transmission infrastructure” approved by the Minister of Energy of the Republic of Lithuania in accordance with the Operation Programme for EU Structural Funds Investments for 2014-2020: “Installing gas chromatographs, oxygen analyzers and gas humidity analyzers with laser converter”, “Purchase of gas compressor for gas pumping”, “Automation of cathodic safety supervision of main gas pipelines by introducing remote monitoring and control system” .

The value of all infrastructure projects implemented in 2018 amounts to EUR 2.37 million.

More information is available on the website www.ambergrid.lt (heading *Transmission system* section *Development of the Transmission System*).

3.4. REGIONAL MARKET

The Company, together with the Baltic and Finnish transmission system operators, is working together to create a common regional market.

The regional market is aiming at the integration of the Baltic natural gas market to the joint balancing area with the elimination of cross-border transmission tariffs, the conjoint implementation of gas system balancing and allocation of transfer capacity by all transmission system operators, as well as gas trading at a single virtual trading point.

This would lead to natural gas price convergence in all the Baltic states, a substantially expanded trade area of the common market becoming more attractive to the world’s gas trading companies, resulting in creating conditions for a more significant competition, gas price decrease and other more favoured gas supply conditions. The participation in the regional market would allow Lithuania, which has already implemented significant investments in creating access to alternative gas supply sources, to improve the efficiency of the use of infrastructure.

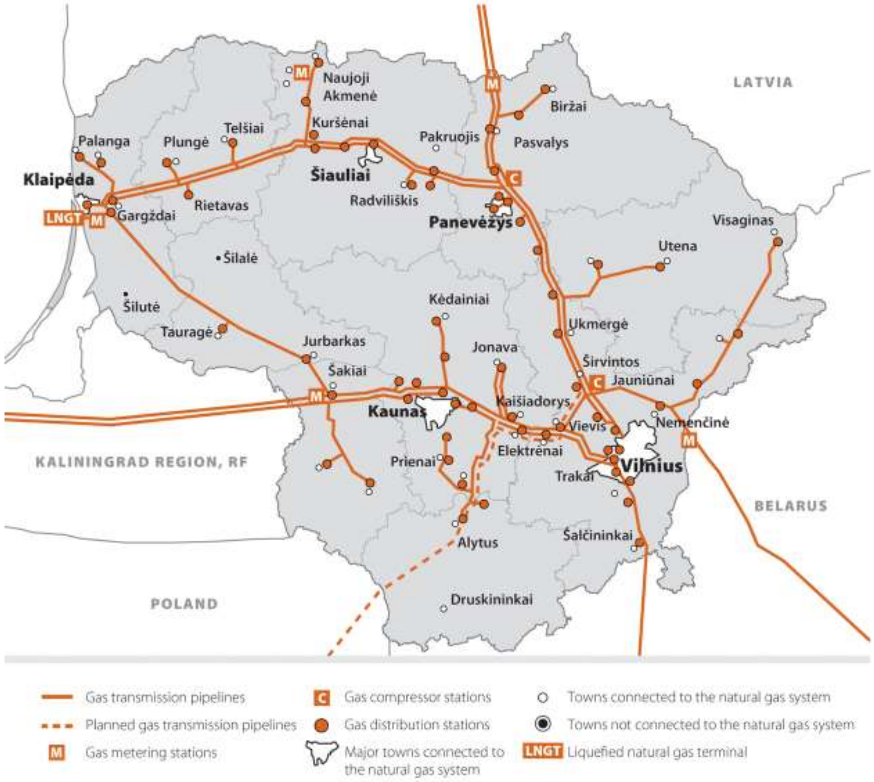
In 2018, all the aforementioned states failed to reach a mutually beneficial agreement, consequently it is most likely that the common market from 2020 will be comprised of Latvia and Estonia that together with Finland will form a common tariff zone from 2020 – zero transfer pricing will be applied for the interconnection with Finland, while transfer prices of access to the tariff zone will be equalized. Lithuania will join the common zone at a subsequent stage unless mutually beneficial conditions for the joining are discovered already from 2020.

4. OPERATIONS

4.1. TRANSMISSION SYSTEM

The natural gas transmission system is composed of gas transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, anti-corrosion facilities designed for protection of pipelines, data transmission and connection systems and other assets attributed to the transmission system. The Lithuanian gas transmission system is connected to the gas transmission systems of the Republic of Latvia, Republic of Belarus, Kaliningrad District of the Russian Federation, and Klaipėda LNG terminal (Map 2).

The Company uses 65 gas distribution stations (GDS), 3 gas metering stations (GMS) and 2 gas compressor stations (GCS). The length of maintained pipelines amounts to 2,115 km, diameter – from 100 to 1,220 mm. Design pressure of most of the transmission system amounts to 54 bars.



Map 2. Natural Gas Transmission System in Lithuania.

4.2. MAINTENANCE, RECONSTRUCTION AND MODERNISATION

Maintenance of gas transmission pipelines is regulated by rules, standard legal acts and is carried out in strict compliance with the requirements set forth therein. To ensure reliability and safety of the transmission system, maintenance and repair works are conducted continuously.

In 2018, an internal diagnostics of 218 km gas pipelines was performed: a branch to the gas transmission pipeline Marijampolė GDS – 49 km, the gas transmission pipeline Panevėžys-Šiauliai-Klaipėda – 169 km).

In 2018, the Company performed reconstruction and modernisation of the following:

- Installation of the launching (starting) of the control device and of the intake chamber, and implementation of expedient technological management of gas transmission system, stage 1 (support of the EU structural funds received):
  - at branches to Jonava GDS (DN400) and line II of Jonava GDS (DN500);
  - at the branch to Girininkai GDS (DN300);
  - at the branch to Palanga GDS (DN250);
  - in strand II of the pipeline Panevėžys-Šiauliai (DN1000);
  - at the branch to Naujoji Akmenė GDS (DN300 and DN250);
- Continued reconstruction of Jonava GDS and completed reconstruction of Alytus GDS (support of the EU structural funds received);
- Upgrading of the automated control system at Šakiai GMS;
- Replacement of 6 warn taps and tap nodes of the gas transmission pipeline;
- Completion of the installation of software to detect and locate gas leakage (support of the EU structural funds received);
- Modernisation of Panevėžys gas compressor station management and installation of electronic control of the fuel injection system using the support from the EU structural funds;

- 12 cathode stations installed (in 2016 – 31 pcs.; in 2017 – 36 pcs.) with telemetric systems (support of the EU structural funds received); this enables remote monitoring of devices which protect pipelines from corrosion and management of their parameters;
- Completion of the installation of software and model to ensure the safety and integrity of pipelines (support of the EU structural funds received).

At the beginning of 2018, a mobile gas compressor was purchased (with partial support of the EU structural funds received) and started to be used for re-pumping gas in-between individual sections of the transmission system. Its usage in the preparation of the pipeline repair and reconstruction works allowed to maintain and manage the transmission system more efficiently and significantly reduced the amount of gas released into the environment during repairs.

In 2018, the Asset Management Information System (AMIS) was implemented in the Company. The implementation of the AMIS will lead to digitalization of many processes, more effective execution of the Company's activities.

4.3. MARKET OF PROVIDED SERVICES

Amber Grid provides the system users, other operators and participants of the gas market with natural gas transmission services in the territory of Lithuania: it transmits gas to Lithuania's consumers, also transports natural gas to Latvia and Kaliningrad District of the Russian Federation. Gas are supplied to the system via the Liquefied Natural Gas (LNG) terminal in Klaipėda and entry points from Belarus and Latvia.

The EU common interest project GIPL, which is being run by Amber Grid in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A., will connect gas markets of the Baltic countries and Finland with the EU natural gas market and will increase the access to new natural gas supply sources in the future.

Also, Amber Grid is responsible for balancing natural gas flows in the transmission system and administration of funds intended to compensate for the costs of construction and fixed operating costs of the LNG terminal, its infrastructure and the connector and the reasonable costs of the natural gas supply incurred by the designated supplier. The Company, together with its partners, actively works in creating conditions for efficient functioning of the natural gas market by increasing the competitiveness and liquidity of the gas market and ensuring attractive conditions for operation in the natural gas market for clients.

4.4. CLIENTS

Clients of natural gas transmission via gas transmission pipelines and balancing of natural gas flows in the transmission system services provided by Amber Grid are major Lithuanian power and district heating generation companies, also industrial and medium size business companies in Lithuania, Baltic and third party energy, natural gas supply companies which are provided with natural gas transmission services.

4.5. PROVIDED SERVICES

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

- Natural gas transmission in the territory of Lithuania;
- Balancing of natural gas flows in the transmission system;
- Administration of funds intended to compensate for the costs of construction and fixed operating costs of the LNG terminal, its infrastructure and the connector and the reasonable costs of the natural gas supply incurred by the supplier appointed in 2016.

4.5.1. NATURAL GAS TRANSMISSION

AMOUNTS OF NATURAL GAS TRANSMITTED

In 2018, for the Lithuanian and Baltic countries' consumers to Lithuania were injected 14,351.6 GWh of natural gas from Belarus, 8,830.2 GWh from Klaipėda LNG terminal and 1,842.4 GWh from Latvia to the transmission system managed by the Company. 57.3% of the amount required for the aforementioned consumers was supplied from Belarus via Kotlovka GMS, 35.3% – from LNG terminal, and 7.4% – from Latvia via Kiemėnai GMS.

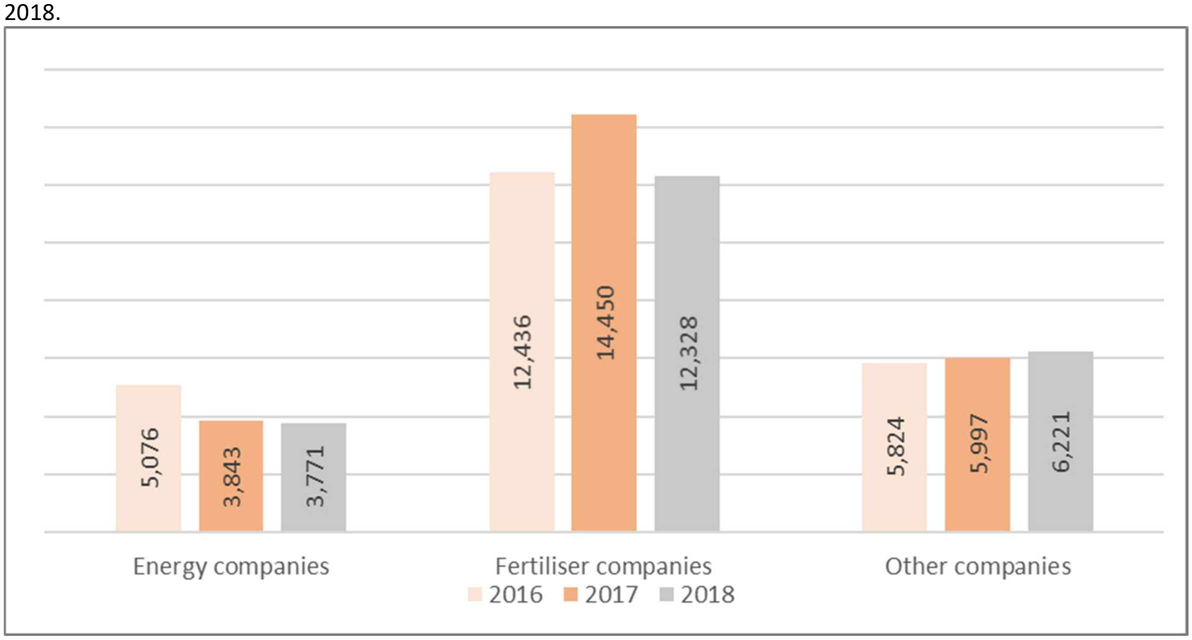
In 2018, 22.320 GWh of natural gas were transported to the domestic exit point for Lithuania's consumers. Compared to 2017, when 24,290 GWh of natural gas were transported, the transmitted amounts decreased by 8.1%. The amount of gas supplied to the system users from the transmission system to Latvia via Kiemėnai GMS amounted to 2,308 GWh or 11.2% less than in 2017 (2,598.3 GWh) of natural gas.

During the reporting period, 27,832.2 GWh of natural gas were transported to Kaliningrad Region of the Russian Federation (in 2017 – 25,663.8 GWh).

At the end of 2018, the Company had concluded 106 natural gas transmission service agreements with natural gas transmission system users (natural gas users, natural gas distribution system operators, importers, natural gas supply companies which supply gas to consumer systems) of which 66 system users used transmission capacity during the reporting period. The Company had 3 natural gas balancing agreements with market participants which trade in natural gas in a virtual market area but do not transport it via the transmission system.

Structure of natural gas amounts transmitted to the domestic exit point in terms of transmission system users is depicted in Pic. 1.

Pic. 1. Amounts of Transmitted Natural Gas By to Natural Gas Transmission System Users in Lithuania, GWh, 2016–2018.



NATURAL GAS PRICE REGULATION

Prices for natural gas transmission services are subject to regulation.

As of 1 January 2018, the Company was subject to the price caps set by the National Commission for Energy Control and Prices (NCC) in November 2017 for the natural gas transmission services provided by the Company at the transmission system's entry and exit points (the entry-exit capacity allocation and pricing model compliant with EU legislative provisions has been applied in Lithuania since 2015). Price caps can be annually adjusted by decision of the NCC in accordance with the procedure established in the Methodology for Setting of State-Regulated Prices in the Natural Gas Sector (Methodology). In addition, the natural gas transmission service prices set for the transmission system's entry and exit points and approved by the NCC at the end of autumn of 2017 entered into force on 1 January 2018.

According to the resolution of the NCC of 5 October 2018, the Methodology for Setting of Revenue and Prices of the State-Regulated Natural Gas Transmission Activity was separated from the Methodology for Regulating Prices in Other Areas of the Gas Sector.

As of 1 January 2019, the prices of transmission services approved by the NCC in November 2018 entered into force.

Following the amendment of the Law on Natural Gas (including the provisions necessary to shape the regional market and ensuring compliance with the provisions of TAR NC) in December 2018, further methodological changes are envisaged in the first half of 2019, including the transition from the price cap regulatory regime to the setting of only permissible income levels.

More details on the prices for natural gas transmission are available on the Company's website www.ambergrid.lt (under the heading *Transportation Services* in T*ariffs* / *Prices*).

4.5.2. BALANCING OF NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

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

In 2018, due to disbalance caused by the system users, the Company purchased 29 GWh and sold 349.8 GWh of natural gas of which 312.5 GWh were sold for balancing of the flows of the natural gas transmission to the Kaliningrad Region.

Apart from balancing of the gas flows of system users and other gas market participants, the quantity of natural gas contained in the pipelines of the Company's transmission system fluctuates due to technical and process characteristics of the transmission system.

4.5.3. ADMINISTRATION OF FUNDS INTENDED TO COMPENSATE FOR THE COSTS OF CONSTRUCTION AND FIXED OPERATING COSTS OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND THE CONNECTOR AND THE REASONABLE COSTS OF THE NATURAL GAS SUPPLY INCURRED BY THE DESIGNATED SUPPLIER

In order to ensure compliance with the Republic of Lithuania Law on LNG terminal and its implementing legal acts, the Company collects, administers and pays out the LNG terminal funds to the terminal's operator (AB Klaipėdos Nafta) and the designated supplier (UAB LITGAS, whose rights and duties have been taken over by UAB Lietuvos energijos tiekimas as from 1 January 2019 in accordance with Letter No. SD-2018/130 of 10 December 2018 of UAB LITGAS) in accordance with the procedure prescribed in laws and these funds are used to compensate Amber Grid for the costs of the administration of the LNG terminal funds.

By Resolution No. O3E-583 of NCC 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. According to the NCC's Resolution No. O3E-405 of 22 November 2018, another natural gas supply component was approved, which had to be in effect from 1 January 2019, and by Resolution No. O3E-479 of 31 December 2018, was revised and applied from 1 January 2019.

The proportion that was valid before 30 June 2018, under which funds of liquefied natural gas terminal (hereinafter referred to as "LNGT") administered by Amber Grid are distributed and paid monthly to LNGT beneficiaries, was established in accordance with the Certificate No O5E-349 as of 23 November 2017 of Gas Division of Gas and Electricity Department of NCC "On price recalculation of natural gas supply security component to natural gas transmission price" and Certificate No O5E-376 dated 6 December 2017 "On the amendment of the Resolution No O3E-527 of Gas Division of Gas and Electricity Department of the National Commission for Energy Control and Prices dated 24 November 2017 "On price recalculation of natural gas supply security component to natural gas transmission price", on the basis of which on 7 December 2017 the Resolution of NCC No 03E-583 "On the amendment of the Resolution No O3E-527 of the National Commission for Energy Control and Prices dated 24 November 2017 "On price recalculation of natural gas supply security component to natural gas transmission price" was adopted, and the Deed No R2-(D)-3349 of NCC dated

15 December 2017 "On the proportion of the distribution of funds of the liquefied natural gas terminal to their recipients.

From 1 July 2018, a new proportion was established on the basis of the Certificate No O5E-126 as of 5 May 2018 of Gas Division of Gas and Electricity Department of NCC "On price recalculation of natural gas supply security component to natural gas transmission price for 2018", on the basis of which on 24 May 2018 the Resolution of NCC No 03E-168 "On price recalculation of natural gas supply security component to natural gas transmission price for 2018" was adopted, and the Deed No R2-(D)-1549 of NCC dated 29 June 2018 "On the proportion of the distribution of funds of the liquefied natural gas terminal to their recipients as from 1 July 2018".

Judicial disputes took place with AB Achema with regard to non-paid LNG terminal funds. Currently, there are two civil cases being heard in the courts of general competence with regard to non-paid LNG terminal funds. Both cases have been suspended until the final procedural decision is passed in case No. T-417/16 considered by the EU General Court.

Also, administrative courts consider cases in which Amber Grid is involved as a third party:

- Nine cases on the basis of claims files by AB Achema with regard to annulment of the NCC's decisions. Consideration of all administrative cases, except for the last one (received in the court on 21-12-2018), has been suspended because a complaint by AB Achema has been considered in the EU General Court (in case No. T-417/16). In the last case, there is a preparation for the examination of the case;
- 1 case on the basis of a complaint by AB Achema against the Republic of Lithuania with regard to payment of damages in the amount of EUR 15,329,728.69 incurred while providing state aid not harmonised with the European Commission. AB Achema appealed against; this action has not been considered yet.

4.6. ON-GOING AND PLANNED PURCHASES AND INVESTMENTS

In 2018, the Natural Gas Transmission System Operator's Ten Year (2018-2027) Plan on the Development of the Network was drawn up which was approved by the NCC in August 2018. The plan provided for the amount of investments in gas transmission system expansion projects in the next decade which is EUR 211.45 million. It is estimated that in the next ten years, the amounts of gas consumed in Lithuania will reduce, however, cross-border gas flows to other Baltic countries will increase and the possibility to transport gas in new directions – via pipeline between Poland and Lithuania – will occur.

More details on planned investments are provided on the website of the Company www.ambergrid.lt (under the heading *Transmission System*, subheading *Development of The Transmission System* in section *Gas Transmission System Development Plan*).

4.7. THE COMPANY'S RESEARCH AND DEVELOPMENT ACTIVITIES

Taking into account that the implicit capacity allocation model introduced in the Baltic States had been favourably accepted by market participants, Amber Grid, AS Conexus Baltic Grid and AS Elering as from 1 July 2018 started applying the implicit capacity allocation model not only for products ordered one day in advance, but also for gas and capacity products withinday. The capacity allocation is related to gas trading on the GET Baltic Gas Exchange. This is yet another milestone in the development of the common natural gas market of the Baltic States along with a consistent implementation of the Amber Grid strategy. When applying the method of the implicit capacity allocation model, the short-term gas market of the three Baltic States has become integrated and traded with natural gas products of withinday.

In October 2017, the Company together with the Baltic and Finnish transmission system operators launched a public consultation on the concept of principles of transmission capacity management in the common Baltic market and the common balancing area. Following the public consultation, the assessment of both documents and the comments submitted were approved by the Regional gas market coordination group. With regard to this, Amber Grid, AS Conexus Baltic Grid and AS Elering, Gasum Oy and Baltic Connector Oy continued working on harmonization of transportation and balancing rules intended for the common regional gas market.

In 2018, the draft of common rules for the use of the transmission system was prepared and agreed upon among the transmission system operators. This project is important, as once it is approved, uniform rules for all users of the system will be consolidated in the common market, thus facilitating the transportation of natural gas and payment throughout the entire zone. The project includes procedures such as capacity allocation, congestion management, nomination submission and approval, as well as regulations of natural gas accounting and quality, billing and payment procedures.

At the same time when the draft of rules for the use of the transmission system was being prepared, Amber Grid, AS Conexus Baltic Grid and AS Elering ordered a feasibility study that had established the required balancing model in the integrated gas market and balancing rules applicable in the common balancing area of the Baltic States. The study was conducted by a consulting company DNV GL. The study emphasized the description of the specific balancing model and balancing rules in the integrated balancing area and the formulation of suggestions for changes that would allow each Baltic state (including Finland) to integrate current models into the common balancing area.

The regional market plan provides that transmission system operators will render basic services to market participants through a single IT platform. The company Ernst & Young won the tender for the development of a common IT platform technical specification, the preparation of which is scheduled for the 1st quarter of 2019. It is targeted to analyse the existing IT systems of the transmission system operators and, in this regard, to formulate requirements for the common IT platform.

4.8. CORPORATE OPERATIONAL PLANS AND FORECASTS

The Company, together with the transmission system operators of the Baltic countries and Finland, is working jointly towards the creation of a common regional market. It is most likely that the common market will be made up of Latvia and Estonia from 2020, which will form a common tariff zone with Finland from 2020. Lithuania will join the common zone at a later stage unless mutually beneficial conditions are found to do from 2020 onwards.

It is estimated that in 2019 the Company will transport about 22.7 TWh of natural gas to the domestic exit point for the Lithuanian system users, 0.5 TWh – to the Republic of Latvia, and about 27.5 TWh – to the Kaliningrad Region of the Russian Federation. About 45% of the amount of natural gas intended for the users of Lithuania and other Baltic countries is planned to be obtained from Klaipėda LNG terminal.

5. FINANCIAL RESULTS

5.1. FINANCIAL INDICATORS[2]

	2018	2017	2016	2015
Financial results (thousand EUR)				
Revenue	54,290	64,322	66,742	55,800
EBITDA	24,552	38,252	41,765	30,121
Profit (loss) before tax	-26,011	-12,055	24,280	14,687
Net profit (loss)	-21,592	-9,861	20,928	15,978
Cash flows from main operations	23,306	34,835	40,986	28,889
Investments	15,940	12,386	13,119	49,497
Net financial debt	80,090	70,496	79,700	111,041
Profitability ratios (%)				
EBITDA margin	45.22	59.47	62.58	53.98
Net profit (loss) margin	-39.77	-15.33	31.36	28.63
Return on assets (ROA)	-8.88	-3.40	6.30	4.91
Return on equity (ROE)	-14.22	-5.26	10.53	7.41
Liquidity ratios				
Current ratio	0.40	0.68	1.35	1.56
Quick ratio	0.32	0.62	1.28	1.48
Leverage ratios				
Equity to total assets ratio	59.7%	64.7%	64.7%	55.4%
Financial debt to equity ratio	60.9%	44.9%	46.2%	70.9%
Financial debt to EBITDA ratio, times	3.26	2.02	2.24	4.58
Market values ratios				
Share price/earnings per share ratio (P/E), times	-9.42	-25.33	10.65	13.29
Net earnings (loss) per share, Eur	-0.12	-0.06	0.12	0.09

Formulas for calculation of indicators:

EBITDA = profit (loss) before tax + financial operational costs – financial operational income + depreciation and amortisation costs + impairment costs + asset write-offs
Net financial debt = financial debt – cash and cash equivalents
EBITDA margin = EBITDA/ revenue
Net profit (loss) margin = net profit (loss) / revenue
ROA = net profit (loss) / average asset value
ROE = net profit (loss) / average equity

[2] The Company's financial indicators were calculated after elimination of the assets or liabilities generated by the LNG terminal funds and after reduction of the value of non-current assets by the amount of obtained/obtainable grants.

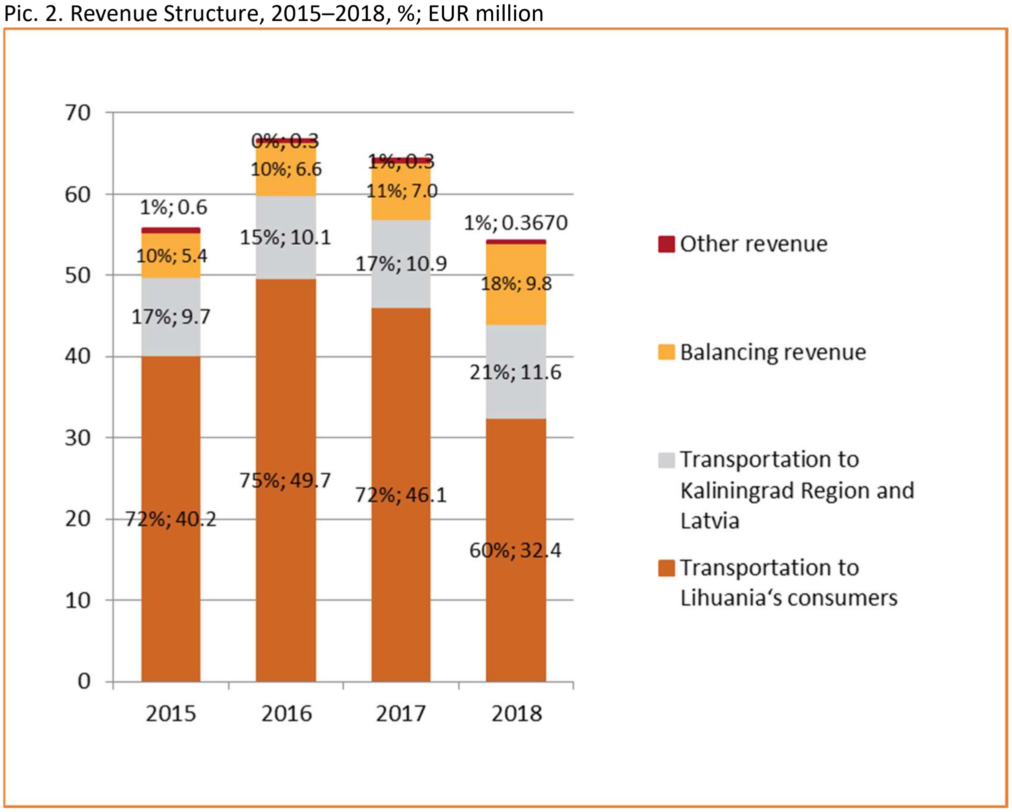
Current ratio = current assets / current liabilities
Quick Ratio = (current assets – inventories) / current liabilities
Equity to assets ratio = equity / assets
Financial debt to equity ratio = financial debt / equity
Financial debt to EBITDA ratio = financial debt / EBITDA
Share price /earnings per share ratio = share price at the end of period / (net earnings / number of shares)

The financial statements for 2018 drawn up by the Company reflect the operating results of UAB GET Baltic, a subsidiary of the Company, which were accounted at acquisition cost.

5.2. REVENUE

In 2018, the Company's revenue totalled EUR 54,290 thousand and, compared to 2017, reduced by 15.6%. Revenue for natural gas transmission services accounted for 81% of all revenue. Revenue for natural gas transmission services to Lithuanian consumers decreased by 29.7% due to lower natural gas transmission prices applied in 2018, which were reduced when the correction of the non-compliance of the return on investment was carried out by the NCC for the first 3 years of regulation period 2014-2016.
Revenue from transportation to adjacent transmission systems increased due to larger transportation volumes. Balancing revenue increased due to increased balancing volumes and increased prices. Other revenue – revenue for administration of LNG terminal funds and other – totalled EUR 367 thousand in 2018 (Pic. 2).

Pic. 2. Revenue Structure, 2015–2018, %; EUR million



Balancing revenue includes:

- Balancing of gas flows for the system users and other gas market participants involved in the balancing of the transmission system;
- Operational balancing of the transmission system determined by the technical characteristics of the transmission system and gas flow deviations (imbalances) for technical reasons.

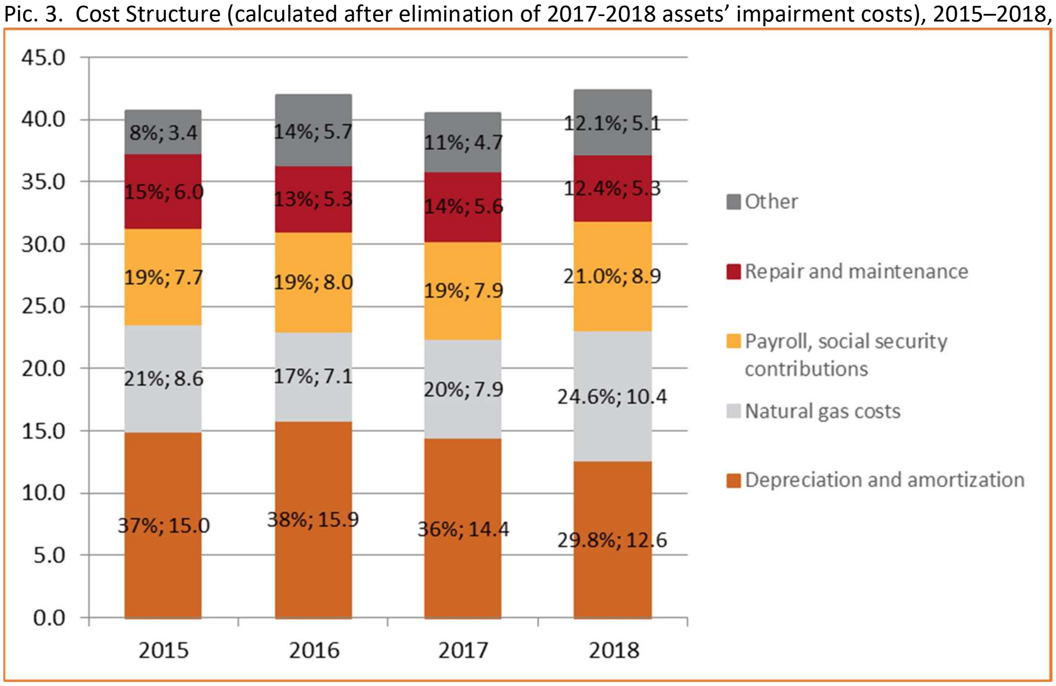
The Company is obliged to administer the LNG terminal funds under the law. For more information and disclosures about the calculation of the LNG terminal funds, see the Company's financial statements for 2018.

5.3. COSTS

In 2018, the Company's costs (after elimination of non-current assets' impairment costs amount to EUR 37,686 thousand) totalled EUR 42,292 thousand and, compared to 2017, increased by 4.3%. This was mostly influenced by the increase in purchase costs of natural gas.

In 2018, depreciation and amortisation costs of non-current assets amounted to EUR 12,619 thousand and accounted for 29.8% of total costs, and reduced by 12.6% compared to 2017 (Pic. 3). Reduction in depreciation and amortisation costs was determined by the impairment accounted for at the end of 2017. Natural gas costs amounted to EUR 10,417 thousand (24.6% of all costs) and increased by 31.1% compared to 2017 due to the growth in gas cost price. The Company purchased natural gas for technological needs, for balancing gas flows for system users and other gas market participants involved in the balancing of transmission system and technical balancing. Payroll and social security costs amounted to EUR 8,872 thousand (21% of all costs) and increased by 12.4% compared to 2017. Repair and maintenance costs amounted to EUR 5,256 thousand (12.4% of total costs) and decreased by 6.1% compared to 2017**.**

Pic. 3. Cost Structure (calculated after elimination of 2017-2018 assets' impairment costs), 2015–2018, %; EUR million



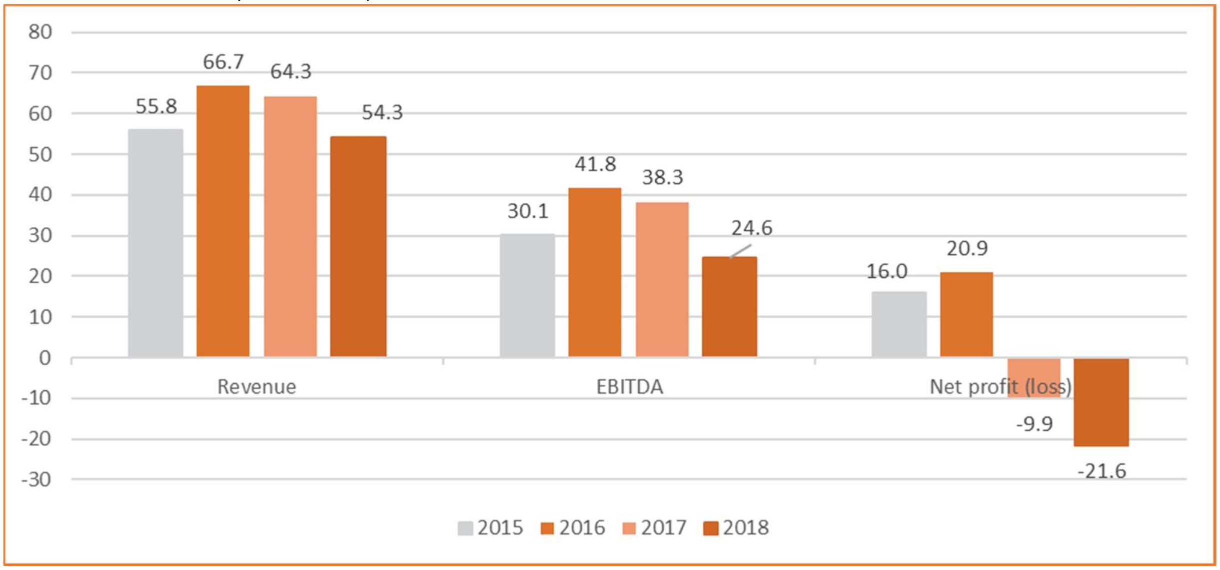
5.4. OPERATING RESULTS

Due to revaluation of non-current assets conducted at the end of 2018 and impairment of accounted for EUR 37,686 thousand, the Company's performance in 2018 was loss making. The 2018 loss before tax amounted to EUR 26,011 thousand and net loss totalled EUR 21,592 thousand (in 2017, the loss amounted to EUR 12,055 thousand and EUR 9.861 thousand, respectively (Pic. 4)). If the impact of this impairment had not been evaluated, the 2018 net profit would have amounted to EUR 10,441 thousand.

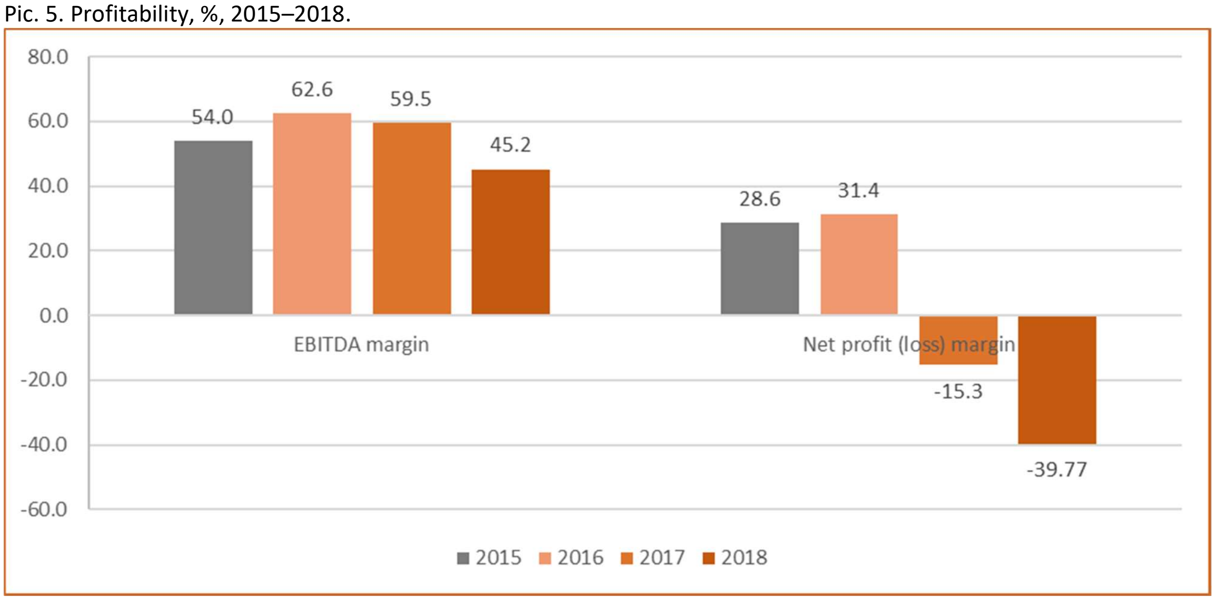
The Company's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 24,552 thousand and reduced by 35.8% compared to 2017 (EUR 38,252 thousand).

Non-current assets' impairment was largely determined by the fact that when the new price regulation period 2019-2023 for natural gas transmission services has begun, the Company has started applying the methodology for determining the rate of return on investment approved by the NCC already in 2015, and the rate of return on the assets attributed to the regulated activity was recalculated and set at 3.33% level, i.e. significantly lower compared to the rate of return applied to the previous regulation period (7.09%).

Pic. 4. Financial Results, EUR million, 2015–2018.



Pic. 5. Profitability, %, 2015–2018.



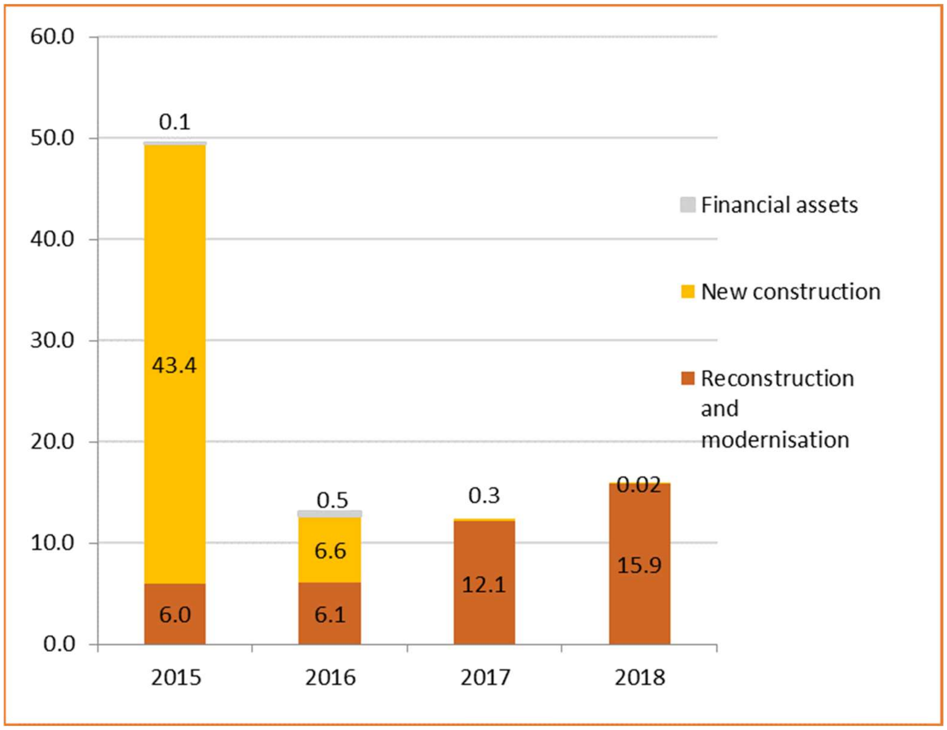
5.5. INVESTMENTS

In 2018, investments totalled EUR 15,940 thousand (in 2017 – EUR 12,386 thousand) (Pic. 6).

In the process of maintenance and development of the natural gas transmission network the Company makes consistent infrastructure investments.

Investments in reconstruction and modernisation increased by 31.2% compared to 2017 (EUR 12,132 thousand) and amounted to EUR 15,919 thousand. The increase was determined by reconstruction projects of gas transmission pipelines and Panevėžys Gas Compression Station carried out in 2018.

Pic. 6. Investment Structure, EUR thousand, 2015–2018.



5.6. ASSETS

At the end of 2018, the value of assets amounted to EUR 235,416 thousand: non-current assets accounted for 88%, current assets – for 12% of the total Company's assets.

Non-current assets reduced by 15.3% or by EUR 37,537 thousand in 2018 and totalled EUR 207,117 thousand mostly due to revaluation of non-current assets performed at the end of 2018 and impairment of the accounted for EUR 37,686 thousand. Current assets amounted to EUR 28,299 thousand at the end of 2018, i.e. reduced by 20.4% compared to 2017. Current assets decrease was determined by halved balance of cash.

5.7. EQUITY AND LIABILITIES

Due to loss accounted for in 2018 and paid out dividends for the previous financial period, the Company's equity reduced by 23.5% and at the end of the reporting period amounted to EUR 131,596 thousand. At the end of the reporting period, equity accounted for 55.9% of the total Company assets.

In 2018, amounts payable and liabilities reduced by 4.0% and at the end of the reporting period amounted to EUR 103,820 thousand. Reduction in payables and liabilities was determined by reduced trade payables.

On 31 December 2018, the Company's financial debt amounted to EUR 80,124 thousand and increased by EUR 2,902 thousand during the reporting period. Ratio of financial liabilities to credit institutions to equity amounted to 60.9%.

5.8. CASH FLOWS

In 2018, the Company's cash flows from the main activity amounted to EUR 23,306 thousand (in 2017 – EUR 34,835 thousand). To purchase non-current assets, EUR 20,455 thousand was used (in 2017 – EUR 8,020 thousand), for the to pay out dividends – EUR 20,291 thousand (in 2017 – EUR 20,999 thousand). In 2018, to finance investment projects, the amount of EUR 8,173 thousand of EUR support was obtained from EU Structural Funds.

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

Other information is disclosed in the notes to the audited financial statements of Amber Grid for 2018.

5.10. INFORMATION ON MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no material events after the end of the reporting period.

5.11. INFORMATION ABOUT ANY FINANCIAL ASSISTANCE

The financial assistance (support) policy is provided in the Social Responsibility Report 2018. The Company provided no other form of financial assistance during the reporting period.

5.12. INFORMATION ON TRANSACTIONS OF RELATED PARTIES, MATERIAL ARRANGEMENTS AND DETRIMENTAL TRANSACTIONS

Information on related-party transactions is disclosed in the Company's financial statements for 2018.

As at 31 December 2018, the Company was party to the following significant contracts entitling the counterparties to respective contracts to terminate transactions concluded with the Company following any changes in the Company's control: the loan agreement of 30 December 2014 with Swedbank, AB, the loan agreement of 19 August 2015 with the Nordic Investment Bank, and the loan agreement with OP Corporate Bank plc, Lithuanian branch, of 18 May 2018. The terms of the aforesaid contracts are deemed to constitute two-way confidential information of the parties to respective contracts, and their disclosure could inflict damage on the Company.

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

The Audit Committee of EPSO-G, which operates in the group of companies and performs the functions of the Audit Committee of Amber Grid, delivers opinions on each Amber Grid transaction with the related party. The Audit Committee assesses whether the relevant transaction between related parties is made under market conditions and whether such a transaction is fair vis-à-vis all shareholders.

5.13. INFORMATION ON DIRECTLY MATERIAL DIRECTLY AND INDIRECTLY MANAGED STAKES

On 31 December 2018, the Company controlled 100% of its subsidiary's UAB GET Baltic shares. More details on the controlled company are provided in the Company's financial statements.

6. RISKS AND THEIR MANAGEMENT

6.1. RISKS AND THEIR MANAGEMENT

The Company is exposed to the following key risks: macroeconomic factor-related risk, regulatory risk, gas purchase prices fluctuation risk, concentration risk, competition risk, technology risk, corruption and financial risks.

Information on concentration, gas purchase price and financial risks (liquidity, credit, interest rate fluctuation) is disclosed in the Company's financial statements for 2018.

MACROECONOMIC RISKS

Lithuania's economic situation and its economic development trends, as well as integration of the Baltic gas transmission systems into the single EU gas system, and the price for natural gas (as a product) charged to the end users – all these factors have impact on the volumes of gas transmission and on investments in the development of gas transmission pipelines. Over the past years, there has been a decline in natural gas transmission volumes in Lithuania due to the competition with other fuels. The Company's activities are subject to regulation and, accordingly, the Company takes all measures under the supervision of the NCC that are required to ensure the stability of its operations and sustainable development.

REGULATORY RISK

Regulatory risk is closely related to changes in legal and regulatory environment and decisions made by the regulatory authorities. Recently, there has been a growing number of new regulations and other legislation regulating the natural gas sector in the EU that are applicable to the EU Member States; processes of development of the natural gas market in the Eastern Baltic region has taken place; therefore, the influence of regulatory decisions of the EU institutions and regulatory authorities of the Eastern Baltic region on the Company's operations and results has been increasing. The tariffs for natural gas transmission services and the investments in natural gas transmission systems are regulated by the State. The Company collaborates with the regulatory authorities directly, takes part in drafting legal acts, actively presents its position, and assesses the impact on its performance.

COMPETITION RISK

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

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

TECHNOLOGICAL RISK

In 2018, Amber Grid implemented Pipeline Integrity Management Information System (PIMS)

In 2017-2018, in implementing PIMS the following was carried out:

- Specification of the Company's risk management model (setting risk assessment algorithms, development of a matrix of threat assessment, evaluation of measures aimed at reducing threat impact and possibilities, drawing up Bow-tie risk management reports);
- Detailed analyses and projections of IS (detailed specification of IS and architecture, detailed designing of IS, preparation of a set of requirements for the IS infrastructure);
- Preparation of descriptive documentation (procedures and processes regulating operations of Amber Grid using the newly developed PIMS IS);
- PIM IS is linked to other Company's information systems through the integrated platform (Asset Management System, GIS, Anti-Corrosion Data Collection and Analysis System "Pro Active"), which will allow the automation of data collection and its use in risk calculation algorithms.

It is estimated that using PIMS, the Company will assess technological risk of functioning of the transmission system components and will be able to plan its funds for the maintenance in a more efficient and targeted manner.

CORRUPTION RISK

Given the measures that Company takes to reduce the likelihood of manifestation of corruption, the conclusion was drawn that the possibility of corruption in the operations of Amber Grid is minimal.

6.2. INTERNAL CONTROL OF THE COMPANY

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

The Company has adopted the Manual of Accounting Procedures and Policies which defines the principles, methods and rules of accounting, financial reporting and presentation. Besides, to ensure timely preparation of the financial statements, the Company follows the internal rules which define the deadlines for the submission of accounting documents and drawing up of the financial statements.

The "four-eye" principle is followed when drawing up the financial statements. The Accounting Unit is responsible for overseeing the preparation of the financial statements and the final review thereof.

7. GOVERNANCE

7.1. INFORMATION ON COMPLIANCE WITH THE GOVERNANCE CODE

The Company complies with Corporate Governance Code for the Companies Listed on AB NASDAQ Vilnius (available on www.nasdaqbaltic.com; hereinafter referred to as the "Governance Code"). The Governance Code is applied to the extent to which it does not contradict the Article of Association of the Company. The Company has disclosed its compliance with the requirements of the Governance Code in the information published on the Company's website at www.ambergrid.lt and in the Central Storage Facility at www.crib.lt.

7.2. SHARE CAPITAL

The Company's authorised capital amounts to EUR 51,730,929.06. It is divided into 178,382,514 ordinary registered shares of EUR 0.29 par value. An ordinary registered share of EUR 0.29 par value grants its holder one vote at the General Meeting of Shareholders. All the shares have been fully paid.

There were no changes in the Company's ownership structure in 2018. UAB EPSO-G retained its 96.58% shareholding in the Company and was the only shareholder holding more than 5% of the Company's shares. UAB EPSO-G has a casting vote in the decision-making process at the General Meeting of Shareholders.

7.3. SHARES AND SHAREHOLDER RIGHTS

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

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

In 2018, the Company did not acquire its own shares and had no transactions relating to acquisition of disposal of its own shares.

7.4. SHAREHOLDERS

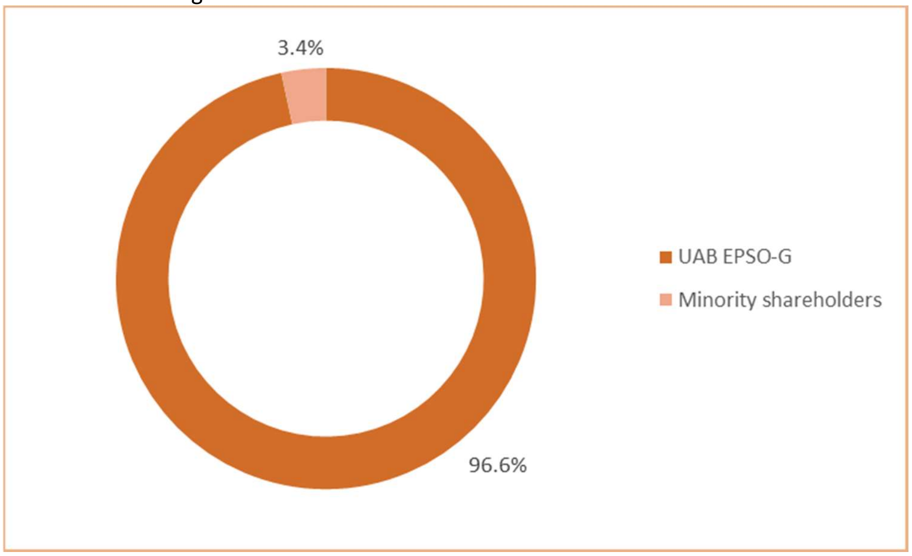
As at 31 December 2018, Amber Grid had 2,244 shareholders (Lithuanian and foreign natural and legal persons), including one shareholder holding more than 5% of the Company's shares.

Table 2. Shareholders of the Company

Shareholder	Registered office address / legal entity code	Number of shares owned, pcs.
UAB EPSO-G	A. Juozapavičiaus Str. 13 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
In total:		178,382,514

The Company's shareholding structure is provided in Picture 7 below.

Pic. 7. Shareholding Structure as of 31 December 2018.



UAB EPSO-G controls 96.58% of the Company's shares and has a casting vote in the decision-making process at the General Meeting of Shareholders.

7.5. DETAILS ON TRADING IN SECURITIES ON REGULATED MARKETS

Since 1 August 2013, the Company's shares have been traded on the regulated market and quoted on the Secondary List of *NASDAQ Vilnius* Stock Exchange.

Table 2. Main Details on Amber Grid Shares.

Main details on Amber Grid shares	
ISIN	LT0000128696
Ticker	AMG1L
Issue size (number of shares)	178,382,514

In 2018, the trading turnover in the Company's shares was EUR 0.52 million (in 2017 – EUR 1.17 million) with 364,443 shares (in 2017 – 873,105 shares) transferred under the transactions. The Company's share price dynamics is presented in Table 3, and details on the price and turnover of the Company's shares (in 2015–2018) are provided in Pic. 8.

Table 3. Share Price Dynamics at NASDAQ Vilnius, 2015–2018.

Opening price, 01-01-2015	Highest price per share, 30-04-2015	Lowest price per share 16-01-2015	Weighted average price per share	Closing price, 30-12-2015
EUR 0.898	EUR 1.41	EUR 0.877	EUR 1.132	EUR 1.19
Opening price, 04-01-2016	Highest price per share, 07-03-2016	Lowest price per share, 27-06-2016	Weighted average price per share	Closing price, 30-12-2016
EUR 1.19	EUR 1.32	EUR 1.08	EUR 1.192	EUR 1.24

Opening price, 02-01-2018	Highest price per share, 01-02-2018	Lowest price per share, 19-12-2018	Weighted average price per share	Closing price, 31-12-2018
EUR 1.40	EUR 1.60	EUR 1.02	EUR 1.428	EUR 1.14
Opening price, 02-01-2017	Highest price per share, 18-10-2017	Lowest price per share, 10-01-2017	Weighted average price per share	Closing price, 29-12-2017
EUR 1.24	EUR 1.49	EUR 1.21	EUR 1.340	EUR 1.40

Pic. 8. Amber Grid Share Price and Turnover, 2015–2018.

As at 28 December 2018, Amber Grid's stock capitalisation amounted to EUR 203.36 million. The price per share on the stock exchange and the capitalisation decreased by 18.6% in 2018.

7.6. DIVIDENDS

At the General Meeting of Shareholders held on 24 April 2018, the Company's shareholders decided to pay out dividends in the amount of EUR 20,299,930 or EUR 0.1138 per share.

By decision of the Company's Management Board dated 22 August 2017, the Company joined the Dividend Policy of UAB EPSO-G approved by its Management Board on 14 July 2017, and the Company has applied it entirely.

The Dividend Policy of UAB EPSO-G directly linked the size of payable dividends with the efficiency of use of equity – the bigger benefit the Company gives to a shareholder, the bigger share of profit it can allocate for further development or for the implementation of any other important projects. The Dividend Policy is publicly available on the website www.ambergrid.lt (heading *About Us* section Governance).

7.7. AGREEMENT WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

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

Details of AB SEB Bank	
Company code	112021238
Registered office address	Gedimino Ave. 12, Vilnius, Lithuania
Phone	+370 5 268 2800 or 1518
Email	info@seb.lt
Website	www.seb.lt

7.8. MANAGEMENT STRUCTURE

In performing its activities, the Company complies with the law on Companies, the Law on Securities, the Company's Articles of Association and other legislation of the Republic of Lithuania. The powers of the General Meeting of Shareholders, the rights of shareholders and the exercise of such rights are defined in the Law on Companies and the Articles of Association of the Company, which are available on the Company's website: www.ambergrid.lt/en/about-us/investors-relations/bylaws.

The Articles of Association provide for the following management bodies:

- The Board and,
- The head of the Company – General Manager.

Following the amendment of the Law on Companies, stipulating that public limited liability companies must have a managing body with a supervising function, the Articles of Association of AB Amber Grid of a new edition were amended and on 8 May 2018 registered at the Register of Legal Entities under which:

i) The internal audit function was centralized;

ii) The procedures of establishment of the Board were amended by determining the following:

- the Manager of the Company cannot be appointed to the Board;
- at least three members of the Board must not be related with the Company by employment relationship;
- two members must be independent;

iii) Supplementary competencies were granted to the Board:

i. the performance of the supervising function:

- with respect to the audit committee's opinion, the Board will be obliged to approve or disapprove transactions with related parties;
- to supervise the activities of the General Manager, to provide feedback and suggestions for the Meeting of Shareholders regarding the activities of the General Manager;
- to consider whether the General Manager is qualified for his/her position in case the Company is loss-making;
- to make proposals for the General Manager to revoke his/her decisions contradicting laws and other legislation, the Articles of Association, decisions of the General Meeting of Shareholders or the Board;

ii. the approval of the security plan of the Company, as the undertaking crucial to safeguard the national security;

iii. the approval of the list of the Company's projects controlled by the Board;

iv. the approval of the action plan intended for the elimination of shortcomings and implementation of recommendations with the respect to shortcomings identified during the internal audit performed on a centralised basis on a scale of group of companies along with submitted recommendations, and consideration of reports of the implementation of this action plan.

iv) A supplementary competency for the Board and the General Meeting of Shareholders was established – the Board shall take decisions requiring the approval of the General Meeting of Shareholders:

v. regarding the provision of the Company's projects recognisable as state important projects as they are defined in legislation;

vi. regarding the acquisition of property for a price greater than 1/5 of the authorized capital of the Company;

vii. regarding any transactions that may result in an agreement on penalty the total of which may amount to more than 1/5 of the authorized capital of the Company.

In 2018, 22 Board meetings were held.

Information about the members of the Board, the General Manager and the Chief Accountant of Amber Grid is presented in Table 4 below.

Table 4. Information about the Members of the Board, the General Manager and the Chief Accountant

Position	Full name	Start of term of office	End of term of office	Participation in the issuer's capital	
				Share of authorised capital held, %	Share of voting rights held, %
Chairperson of the Board	Nemunas Biknius	April 2016	April 2020	0.001055	0.001055
Independent Board Member	Nerijus Datkūnas	April 2016	April 2020	–	–
Board Member	Rimvydas Štilinis	April 2016	April 2020	–	–
Independent Board Member	Sigitas Žutautas	September 2018	April 2020	–	–
Board Member	Algirdas Juozaponis	September 2018	April 2020	–	–
Board Member	Saulius Bilys	April 2016	May 2018	–	–
Board Member	Vytautas Ruolia	April 2016	September 2018	–	–
General Manager	Saulius Bilys	June 2013	–	–	–
Chief Accountant	Dzintra Tamulienė	June 2013	–	–	–

During the reporting period, payments to the members of the Company's Board amounted to EUR 22,000, of them, the amount calculated for being paid out to the independent Board Member was EUR 15,000.

Total remuneration of the Company's General Manager and Chief Accountant during the reporting period amounted to EUR 160,600, and the average wage per person (General Manager and Chief Accountant) amounted to EUR 80,300.

Information on the main workplaces of management bodies and their participation in the activities of other undertakings, institutions and organizations are provided in Table 5

Table 5. Information on the main workplaces of management bodies and their participation in the activities of other undertakings, institutions and organizations

Position held at AB Amber Grid		Company name	Position held	Main workplace
Chairman of the Board	Nemunas Biknius	UAB EPSO-G, 302826889; Gedimino Ave. 20, LT-01103 Vilnius	Strategy and Development Director	Yes
		LITGRID AB, 302564383, A. Juozapavičiaus Str. 13, LT-09311, Vilnius	Member of the Board	
		BALTPOOL UAB, 302464881; Žalgirio Str. 90, LT-09303 Vilnius	Chairman of the Board	
Independent Member of the Board	Nerijus Datkūnas	AB Lietuvos paštas, 121215587; J. Jasinskio Str. 16, LT-03500 Vilnius	Independent Member of the Board, Chairman of the Board	

		Individual registered activity; 70; activities of head offices; management consultancy activities	Management Consultant	Yes
		Association of Financial Analysts, A. Goštauto Str. 40A, 124694420; LT-01112 Vilnius	President, Chairman of the Board, Member	
		UAB Investment and Business Guarantees (INVEGA), 110084026; Konstitucijos Ave. 7, LT-09308 Vilnius	Independent Member of the Board, Chairman of the Board	
		Association Baltic Institute of Corporate Governance, 302441498; Jogailos Str. 4, LT-01116 Vilnius	Member	
Member of the Board	Algirdas Juozaponis	UAB EPSO-G, 302826889; Gedimino Ave. 20, LT-01103 Vilnius	Finance Director	Yes
		LITGRID AB, 302564383; A. Juozapavičiaus Str. 13, LT-09311, Vilnius	Member of the Board	
		Gardeners' Association Avietynas, 125266814; Pilaitės Sodų 8-oji Str. 19, Vilnius	Member of the Board	
Member of the Board	Rimvydas Štilinis	UAB EPSO-G, 302826889; Gedimino Ave. 20, LT-01103 Vilnius	Director of Infrastructure	Yes
		LITGRID AB, 302564383; A. Juozapavičiaus Str. 13, LT-09311 Vilnius	Chairman of the Board	
		State Enterprise Ignalina Nuclear Power Plant, 255450080; Elektrinės Str. 4 K47, Drūkšiniai, LT-31152 Visaginas	Chairman of the Board	
		Association of Vilnius International Rotary Club, 126172346; Didžioji Str. 35, Vilnius	Member of the Board	
Independent Member of the Board	Sigitas Žutautas	Vilnius Perkūnas Rotary Club, 195734244; A. Vivulskio Str. 7-405, LT-03221 Vilnius	Member of the Board	
		Alumni Society of the Faculty of Economics of Vilnius University, 300020155; Saulėtekio Ave. 9, LT-10222 Vilnius	Member, Member of the Council	
		British Chamber of Commerce, Lithuanian-British Association, 124923634; Didžioji Str. 5, LT-01128 Vilnius	Member	
		Individual registered activity	Management and Finance Consultant	
Chief Executive Officer	Saulius Bilys	National Lithuanian Energy Association, Lithuania, 304175014; Juozapavičiaus Str. 13, LT-09310 Vilnius	Member of the Council, Vice-President	

		Association Investor's Forum, 224996640; Totorių Str. 5-21, LT-01121 Vilnius	Head of Energy Group	

In accordance with the Articles of Association of the Company, the functions of an Audit Committee of Amber Grid are performed by the Audit Committee of the parent company UAB EPSO-G. The Articles of Association stipulate that they can be amended by decision of the General Meeting of Shareholders adopted by a 2/3 majority vote of those present at the meeting.

The Company has no branches or representative offices.

The Company has not adopted a separate diversity policy that would apply to the election of the Company's Chief Executive Officer and members of the Board. The Company applies the Social Responsibility Policy of UAB EPSO-G group of companies, which stipulates that the companies of the Group create a value-based organizational culture and are in favour of equal rights and equal opportunities of the employees in the workplace regardless of their gender, ethnic origin, race, nationality, social status, age, disability, membership in a political party or association, religious beliefs or sexual orientation. Decisions related to recruitment, competence development, remuneration or other pay-outs, promotions are taken in the companies of the Group taking into account objective criteria and factors without discrimination. The companies of the Group aim at proportional gender representation. Discrimination is not considered to be a case of positive discrimination – when a target group of individuals may be granted rights that are not available to another group of persons. The Company's Social Policy is published on the Company's website: www.ambergrid.lt/en/about-us/ab-amber-grid-social-responsibility-policy.

7.9. INFORMATION ON INTERNAL AND EXTERNAL AUDIT

To ensure transparency and efficiency of operation, EPSO-G group has a centralised internal audit system. It means that an internal audit unit carries out the assigned functions on the scale of the Group and is directly accountable to the Board of UAB EPSO-G the majority of which is constituted by independent members. Auditors of UAB EPSO-G are not subordinate to the administration of the audited company.

Audit of the Company‘s financial statements was conducted by external audit firms:

- UAB PricewaterhouseCoopers for the year 2017;
- UAB Deloitte Lietuva for the year 2018.

8. STAFF

Amber Grid employees are experienced and competent professionals implementing projects that have strategic importance to the State. As at 31 December 2018, the Company had 329 employees, and on 31 December 2017 – 346 employees[3] (organisational structure of the Company is provided in Annex 1). Employee structure by group is provided in Table 6 below.

Table 6. Number of Employees in 2017–2018

Position groups	Number of employees as at 31 December 2018[4]	Number of employees as at 31 December 2017
General Manager	1	1
Executives	4	4
Medium-level managers	30	28

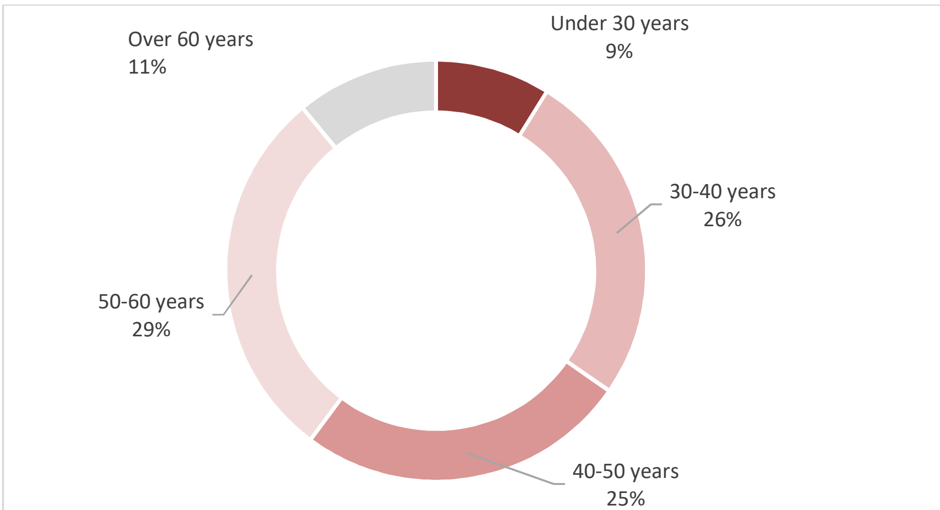
[3] The number of employees recalculated without including those employees who were on parental leave.
[4] In 2018, the number of employees increased in the category of workers and decreased in the category of expert specialists, because a part of the positions assigned to the category of expert specialists was transferred to the category of workers.

Expert specialists	173	195
Workers	124	118
IN TOTAL	329	346

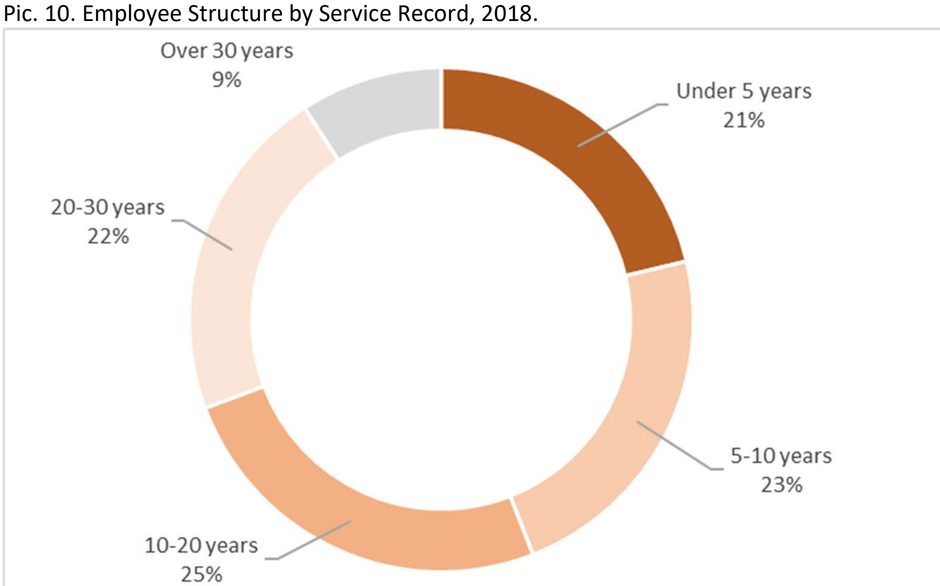
In 2018, the Company's employee turnover rate was 12.4%, in 2017 – 6.2%. In 2018, the employee turnover rate increased due to changes in the organizational structure.

In 2018, the average age of the Company's employees was 45 years (Pic. 9), and the average service record was – 13.8 years (Pic. 10). Employees with higher educational attainment accounted for 58% of the Company's total workforce (Pic. 11).

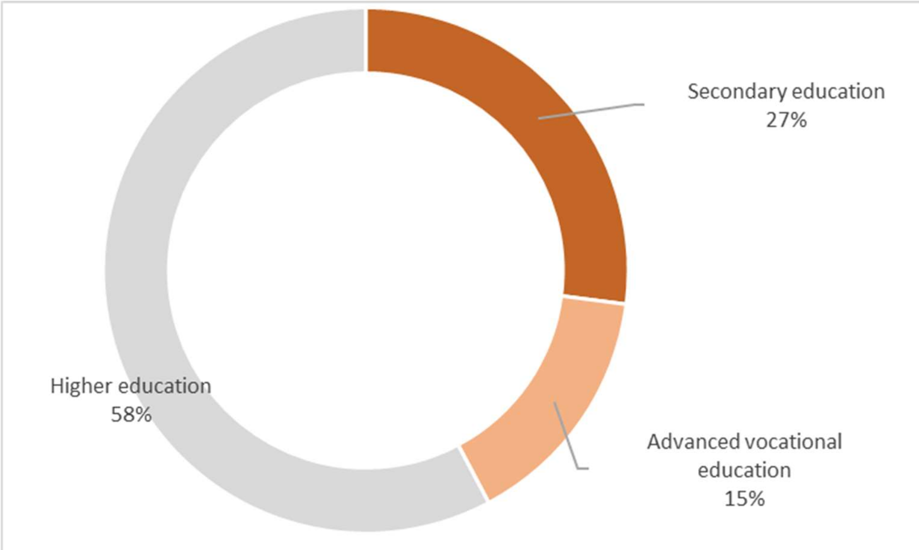
Pic. 9. Employee Structure by Age Groups, 2018.



Pic. 10. Employee Structure by Service Record, 2018.



Pic. 11. Employee Structure by Education, 2018.



Due to the specificity of the energy sector, men account for the largest part of the Company's workforce – 270 (82%) and women – 59 (18%) (Table 7).

Table 7. Employee Structure by Gender, 2018.

	As of 31 December 2018, %	As of 31 December 2017, %
Male employees	82	82
Female employees	18	18

POLICY OF REMUNERATION

Amber Grid is subject to the common EPSO-G Group Remuneration Policy which applies to all employees of the Company. Remuneration policy is approved and amended by decision of the Company's Board taking into consideration recommendations brought forward by the EPSO-G Remuneration and Appointment Committee. The EPSO-G Remuneration and Appointment Committee periodically assessed the provisions of the remuneration policy, its efficiency, implementation and application.

The purpose of the Amber Grid Remuneration policy is to effectively, clearly and transparently manage remuneration costs and at the same time create motivational incentives to employees to contribute to the implementation of the Company's mission, vision, values and objectives. Remuneration of all employees is composed of two constituents – fixed and variable. The fixed constituent depends on the level of responsibility of the occupied position which is established on the basis of the methodology applicable in international practice. The variable constituent is paid when individual goals set during the annual performance assessment are attained, and the Company reports to the shareholders and the board for the achievement of annual goals.

The Company's Remuneration policy is publicly announced on the website www.ambergrid.lt (heading *About Us* section *Management*).

Average monthly pay of the Company's employees by group in 2018 is presented in Table 8.

Table 8. Average Monthly Pay by Employee Group, 2017–2018.

Position group	Average monthly pay, EUR (before tax), 2018	Average monthly pay, EUR (before tax), 2017
General Manager	9,433	9,605
Executives	5,541	5,519
Medium level managers	2,966	2,738
Expert specialists	1,574	1,426
Workers	1,152	1,008
Average	1,603	1,462

POLICY OF REMUNERATION TO COLLEGIAL MEMBERS AND MANAGEMENT

Principles of remuneration to management bodies in EPSO-G group is laid down in the Guidelines on Remuneration for Performance in Company Bodies of the Group approved by the decision of the sole shareholder of UAB EPSO-G. Decisions adopted at the General Meeting of Shareholders held on 26 April 2016 determined the maximum annual remuneration budget allocated for payment for the performance of the Board Members of the Company, also approved hourly and maximum monthly pay as well as approved terms and conditions of agreements concluded with the Board Members on the Activity in the Board.

In accordance with the decision of the General Meeting of Shareholders dated 26 April 2016, an hourly rate of EUR 50.00 (fifty) (before tax) was established to the members of the Board for work in the Company's' Board, however, not exceeding EUR 1,000 (one thousand euros) (before tax) per month. Board Members who are also employees of the enterprise that owns the Company's controlling interest, namely, of UAB EPSO-G, are not paid for performance in the Board.

Fixed and variable pay to the Company's head is set by the Company's Board, pay to the executives – by the Head of the Company in accordance with the remuneration policy approved by the Company's Board. Variable constituent to the Head and the management is paid out once a year after the Board of the Company approves the attainment of the objectives set to the Company's Head.

COLLECTIVE AGREEMENT

On 10 August 2018, a new collective agreement for the employees of Amber Grid was signed after the Employer's negotiations with the Works Council of Amber Grid. The purpose of the collective agreement is to represent the rights and legitimate interests of all employees. The agreement stipulates additional work, remuneration, social, economic and professional conditions and guarantees that are not regulated by laws or other regulatory acts.

TRAINING

Taking into account the operational objectives, training plans and other needs for improvement, the Company pays great attention to the development of employee competences. Amber Grid encourages its employees to improve their qualification and enhance the available competence; it:

- organises in-house training;
- provides opportunities to join important projects run by the Company;
- participates in external trainings and conferences.

During vocational training, employees update their knowledge required for their work and receive the necessary attestations and certificates of competency. In 2018, as many as 244 Company's employees participated in compulsory vocational training and attestation after which they were issued certificates permitting them to conduct special works. In 2018, nearly 600 certificates were issued/extended.

During general training, seminars and conferences, employees become familiar with the innovations in their field, improve or develop new skills necessary for work. General competence training courses were attended by 163 employees in 2018. There were 112 trainings under different titles.

As many as 324 Company's employees participated in Amber Grid trainings in 2018[5]. This accounts for about 91.5% of all employees who worked in the Company in 2018. One employee of the Company gains about 9.5 hours of training on average.

9. SOCIAL RESPONSIBILITY, ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

The Company is guided by the following internal policies and procedures:

- Collective Agreement
- Code of Organisational Culture;
- Ethical Employment and Working Conditions Policy;
- Environmental Protection and Safety and Health at Work Policy;
- Equal Opportunities Policy;

By the documents applied in the companies of EPSO-G group:

- Corporate Governance Policy
- Social Responsibility Policy;
- Transparency and Communication Policy;
- Corruption Prevention Policy;
- Remuneration Policy;
- Accounting Policy;
- Dividend Policy;
- Interest Management Policy;
- Policy for the Protection of Sensitive Information;
- Policy for the Development and Exploitation of Technology Assets;
- Support Policy;
- Risk Management Policy;
- Employee Performance Assessment Policy
- Other.

9.1. PRINCIPLES AND PRIORITIES OF SOCIAL RESPONSIBILITY

Carrying out its activity in a responsible manner Amber Grid consistently sticks to the principle that was used to reach the result are important. For this reason, referring to accumulated good experience of the country and international organisations, the Company aims at improving its business practice, implement modern human resource management, applies technology that is friendly to natural resources, and uses materials and processes that preserve human health. In planning its activities Amber Grid takes into account economic and social expectations of interest holders, ensure transparent governance, develops ethical relations in the market, implements corruption prevention measures and contributes to creating good business climate in the country. The Company aims at keeping the status of a reliable social partner by contributing to resolving the relevant social issues faced by the society.

[5] Total number of participants, i.e. some employees may have participated in more than one training session.

The Company's Social Responsibility Policy is based on the Company's vision, mission, values, as well as on the activities and objectives adopted in the five-year strategy – the development of regional activity and the implementation of strategic projects efficient operations, as well as the formation of a creative and progressive organisation. The Company's responsibility in the broad sense is focused on the following key areas:

Socially responsible activities in the market: efficient and transparent business – open and fair cooperation with interest holders helping to implement socially responsible business provisions, safe and reliable natural gas transmission to system users, fight against corruption and bribery, competitiveness-proofing and fairly paid taxes;

Social responsibility in the field of environmental protection – efficient use of natural resources in activities, participation in ecological preventive programmes for landscape and biodiversity, promotion of environmentally friendly attitude among employees, contractors, suppliers and society;

Social responsibility in relations with employees – responsibility towards employees, taking care of employees' health, safety and equal rights, application of advanced performance management and reward systems, creating conditions for employees' personal and professional development and development of their general competencies;

Social responsibility in public relations – development of various social initiatives, volunteering and other projects for local communities and at the national level, cooperation with scientific institutions.

CORRUPTION PREVENTION

The Company has zero tolerance to any form of corruption, inappropriate acceptance of benefit, its provision, offering, promise or demand by abusing the occupied position.

The Company's corruption prevention activities are based on national legislation and on voluntary commitments going beyond what is legally required:

- All CEOs of the Company are directly responsible for the implementation of anti-corruption measures and they set an example for their employees;
- Proportional, risk-based anti-corruption procedures are applied;
- Regular assessment of corruption-related risks is carried out, as well as planning and adaptation of anti-corruption measures, monitoring of anti-corruption performance and, if necessary, implementation of more effective measures.

HUMAN RIGHTS

The Company implements its Policies of Ethical employment and Equal Opportunities approved in 2017, which emphasize that all forms of discrimination are strictly prohibited (Conventions No. 100 and No. 111 of the International Labour Organization). The Company ensures equal rights for all employees and does not tolerate discrimination in the areas of employment, remuneration, training, careers, termination of employment, retirement and other areas due to race, nationality, gender, sexual orientation, age, political views as well as other aspects which could lead to discrimination, and does not tolerate any threatening, harassing or exploiting behaviour among the employees.

In 2018, no discrimination or other incidents related to human rights violations were identified in the Company (nor they were identified in 2017).

9.2. ENVIRONMENTAL PROTECTION AND SAFETY OF EMPLOYEES

Amber Grid principles and commitments related to environmental protection and safety and health at work are established in the Environmental Protection and Safety and Health at Work Policy.

The provisions of the policy form the basis for as efficiently as possible reducing any impact of the Company's operation on the environment at ensuring safety and health of employees at work. Principles of prevention, safety, environmental sustainability must be followed by all stakeholders and their groups involved in the activities of Amber Grid.

Management system

The Company has implemented environmental and safety and health at work management system which complies with the requirements of international standards ISO 14001 and OHSAS 18001. The system has been integrated into the Company's planning, organisation and governance processes. Management of environmental protection and safety and health at work entrenched in the Standards helps ensure continuous reduction of impact on the environment, safety and health of professional risk employees and implementation of the requirements set to performance by international and the Republic of Lithuania legislation, regulations and other normative documents.

The Company's management is committed to ensuring continuous improvement of environmental protection and safety and health management processes, improvement of environmental protection and health and safety at work, and management based on standards acceptable to the management process taking into account the socio-economic situation as well as the financial and technical capabilities of the company.

On 10-12 December 2018, an external oversight audit of the Integrated Environmental Protection and Occupational Safety and Health Management System was conducted during which 1 minor inconsistency with fire safety requirements was revealed (there were no inconsistencies revealed in 2017).

All employees of the Company are regularly informed and educated about social cooperation and partnership on environmental protection and occupational safety and health issues.

PUBLIC RELATIONS: SPONSORSHIP

By its decision of 22 August 2017, the Board of Amber Grid approved the Company's Sponsorship Procedure drawn up according to strategic goals of the Company's operational strategy goals for 2017-2022 and EPSO-G Group Sponsorship Policy and with the aim to ensure relevance, publicity and transparency of the process of sponsorship.

In 2018, no financial support was provided.

SOCIAL INITIATIVES

Cultural dialogue and cooperation project
The Company launched a long-term cultural dialogue and cooperation project for the presentation of the Gas Interconnection Lithuania–Poland (GIPL) project to local communities. During the meeting, the GIPL project is presented highlighting its importance, goals, benefits. In shaping the culture of dialogue, well-known people in the public eye were used to meet with the local community to discuss topics that raise people's curiosity and critical attitudes to various social phenomena. The first 19 meetings with communities were organized – in the municipalities where the gas transmission pipeline will be laid.

Environment management campaign
More than 90 employees of the Company, together with their family members, participated in the voluntary public campaign "We Are Doing" (in 2017, it involved 70 employees). For participation in the campaign "We Are Doing" in 2018, the Company received appreciation from the organisers of the campaign.

World cleanup day
The cleanup took place in 155 countries of the world. 30 national and regional parks were handled in Lithuania on that day. 40 employees of the Company joined this action to clean the Trakai Historical National Park and Kurtuvėnai Regional Park.

The Company's employees donated balloons to children
During the International Day for Protection of Children, the largest umbrella organization for child welfare in Lithuania "NVO vaikams konfederacija", like every year, organized a celebration "Child constellation", which invited together to create a happy childhood and thanked people who encourage and promote positive socialization. The Company's employees contributed to the celebration and bought 250 pieces of helium balloons that were released with children's dreams to the sky at the end of the celebration.

Blood donation
The Company organised the citizen campaign of the "Blood Donor Day". 50 employees of the Company (in 2017, it involved 42 employees) participated in this campaign by donating their blood and thus contributing to saving the health

and lives of patients. 25 litre of blood was donated. The National Blood Centre expressed its appreciation to AB Amber Grid for active participation and for the dissemination of the ideas of gratuitous blood donation.

Charity auction

During the Company‘s summer party, an auction was held at which EUR 1120 was raised. We devoted all of this amount to the charity and support fund “Rugutė”. The fund provides the assistance for children with oncological diseases.

Action „Pinwheels of Favourable Wind”

10 employees of the Company contributed to the volunteering action of the favourable wind accompanying the "little captains on a stormy ocean of sickness" and coloured the sticks of the "Pinwheels of Favourable Wind". All funds received from the sale of windmills are allocated to the charity and support fund “Rugutė”. The fund provides the assistance for children with oncological diseases.

Volunteering in the animal shelter

15 employees of the Company volunteered in the animal shelter “Beglobis”.

Career days

Amber Grid contributed to Career and Education Day annually organized by VGTU’s (Vilnius Gediminas Technical University) Lyceum of Engineering for senior schoolchildren. The employees of the Company visited, represented the activities of the Company and introduced the students to the profession of a gasman – what knowledge and education is needed for natural gas transmission activities.

Project “Vaikų svajonės”

The Company's employees joined this project and implemented the dreams of children growing under difficult conditions. During the implementation of children's Christmas dreams, clothes, footwear and various toys were donated.

Christmas charity fair

The staff of Amber Grid traditionally invited the youth of the Lithuanian Special Society of Creative Works “Guboja” to their office. Creative disabled artists organised a handicraft exhibition for the employees of the Company before the holidays and offered to acquire them. The charity fair took place in the lobby of the main office of the Company, so the employees of Amber Grid “infected” and colleagues from other companies – they were also glad to buy souvenirs by contributing personally to the Society's goals.

More details on the Company’s social responsibility and related activities are provided in a separate report of social responsibility which is drawn up in accordance with the principles of agreement and recommendations of the *Global Reporting Initiative* (GRI), which help assess performance according to economic, environmental, employees, human rights, public relations and market related indicators.

10. MATERIAL EVENTS IN THE REPORTING PERIOD

In fulfilling its obligations established in the legal acts governing the securities market, the Company publishes notices of its material events and other regulated information on the EU-wide basis. The information is available on the Company’s website (www.ambergrid.lt/en/about-us/investors-relations/materialevents) and the website of securities exchange *NASDAQ Vilnius* (www.nasdaqbaltic.com).

Main events in the reporting period 2018:

Date	Main events in the reporting period
18-01-2018	On ten-year natural gas transmission network development plan for 2017-2026
14-02-2018	Unaudited results of AB Amber Grid for the year 2017
23-03-2018	On Convening an Annual General Meeting of Shareholders of AB Amber Grid
03-04-2018	Notice on Convening an Annual General Meeting of Shareholders of AB Amber Grid
10-04-2018	On Convening an Annual General Meeting of Shareholders of AB Amber Grid
24-04-2018	On decisions of an Annual General Meeting of Shareholders of AB Amber Grid
24-04-2018	Annual information of AB Amber Grid for 2017
16-05-2018	AB Amber Grid operating results and unaudited condensed financial statements for the 1st quarter of 2018
18-05-2018	Regarding conclusion of a long-term loan agreement
01-06-2018	Presentation of AB Amber Grid in the event CEO Meets Investors
02-07-2018	Received opinion of the Audit Committee on the transaction with the related party
13-07-2018	Regarding the agreement with UAB EPSO-G
18-07-2018	Regarding the agreement with UAB EPSO-G
13-08-2018	Received opinion of the Audit Committee on the transaction with the related party
14-08-2018	Notice on Convening an Extraordinary General Meeting of Shareholders of AB Amber Grid
16-08-2018	AB Amber Grid operating results, interim report and unaudited condensed financial statements for the first half of 2018
17-08-2018	Correction: AB Amber Grid operating results, interim report and unaudited condensed financial statements for the first half of 2018
23-08-2018	On ten-year natural gas transmission network development plan for 2018-2027
05-09-2018	The Remuneration and Appointment Committee of UAB EPSO-G recommendation on the election of members of AB Amber Grid is received
05-09-2018	UAB EPSO-G nominated candidates for AB Amber Grid Board
07-09-2018	On decisions of an Extraordinary General Meeting of Shareholders of AB Amber Grid
12-09-2018	Regarding conclusion of the transaction of with the related party
25-09-2018	Notice on Convening an Extraordinary General Meeting of Shareholders of AB Amber Grid
03-10-2018	Addition of the agenda of the Extraordinary General Meeting of Shareholders of AB Amber Grid
17-10-2018	On decisions of an Extraordinary General Meeting of Shareholders of AB Amber Grid
26-10-2018	On Natural Gas Transmission Price Caps for 2019
14-11-2018	AB Amber Grid operating results and unaudited condensed financial statements for nine months of 2018
20-11-2018	New Prices for Natural Gas Transmission Services
21-11-2018	Received opinion of the Audit Committee on the transaction with the related party
22-11-2018	New Prices for Natural Gas Transmission Services Are Set
27-11-2018	Regarding conclusion of the transaction with the related party
03-12-2018	Regarding the publication of AB Amber Grid interim information and Investor's Calendar for 2019

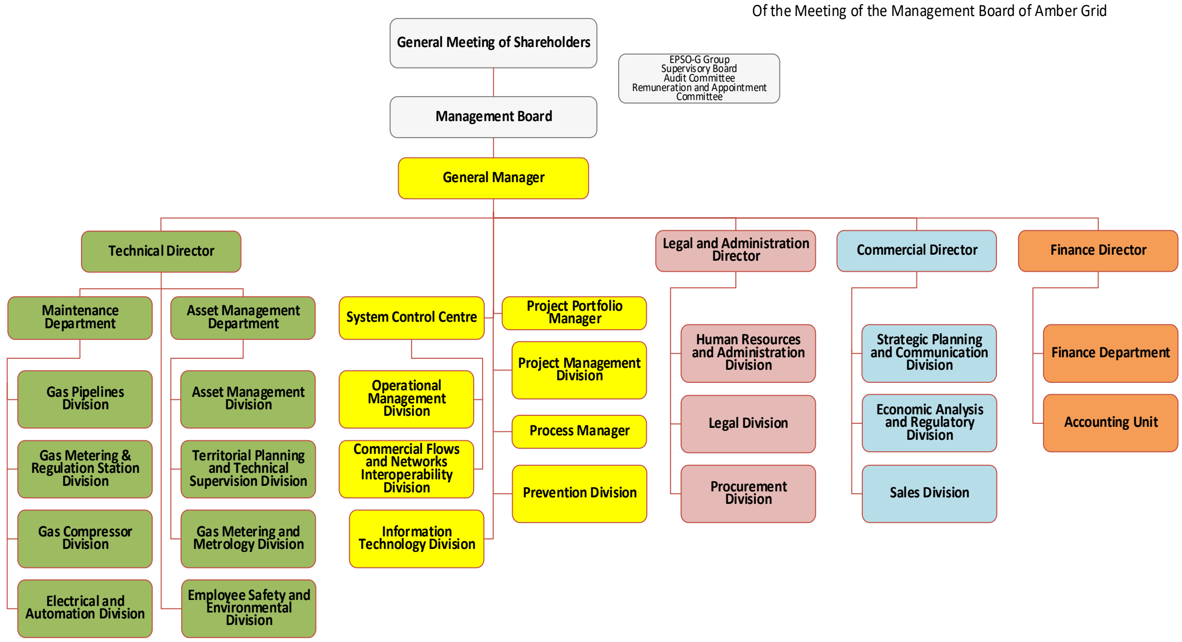
All public reports that are to be published according to the law are made available in an electronic publication of the Manager of the Register of Legal Entities. All notices on convening the Company's General Meeting of Shareholders and other material events are announced in accordance with the procedure established in the Law on Securities on the Central Storage Facility at www.crib.lt and on the Company's website www.ambergrid.lt. The shareholders whose shares entitle them to at least 10% of total voting rights receive notices on convocation of the General Meetings of Shareholders in accordance with the procedure established in the Company's Articles of Association.

Annex 1

AMBER GRID ORGANISATIONAL STRUCTURE

AB „AMBER GRID"
ORGANISATIONAL STRUCTURE

APPROVED BY
Minutes No. 13 of 11 September 2018
Of the Meeting of the Management Board of Amber Grid

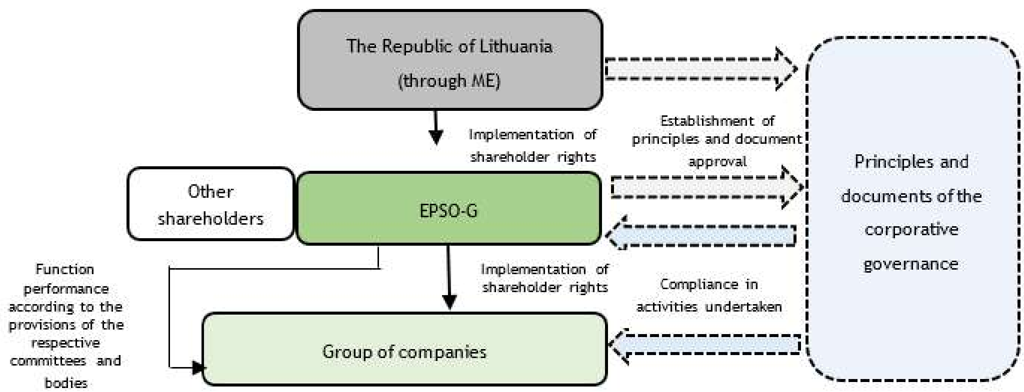


AB Amber Grid Notice of Compliance with the Corporate Governance Code for the Companies Listed on AB NASDAQ OMX

Amber Grid, a public company (hereinafter referred to as the "Company"), acting in accordance with Article 22(3) of the Law on Securities of the Republic of Lithuania and Clause 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, hereby discloses its compliance with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In the event of non-compliance with the Code or with certain provisions or recommendations thereof, it must be specified which certain provisions or recommendations are not complied with and the reasons of non-compliance, as well as other submitted explanatory information provided for in this form.

1. Free-form summary of the corporate governance statement

AB Amber Grid belongs to UAB EPSO-G group of companies (hereinafter referred to as the "Group"). The Articles of Association of the Company, the corporate governance guidelines of UAB EPSO-G group of companies approved on 24 April 2018 by the sole shareholder of the parent company UAB EPSO-G – the Ministry of Energy (ME) and the policy of the corporate governance of UAB EPSO-G group of companies determine corporate governance structure, governance model. All the above documents are made publicly available on the Company's website and on the website of EPSO-G.



Picture 1. Principal scheme of the implementation of corporate governance at the Group level.

Although the Company belongs to the Group, it does not contradict the independence of the Company – the Company operates independently so that the objectives sought (set out in the Articles of Association of the Company) are obtained and has an access to the independent assessment whether the compliance with the Group's corporate governance documents does not affect the interests of the Company, its creditors, shareholders, or other parties concerned.

Corporate governance structure:

- General Meeting of Shareholders;
- The Board (five members, out of which two are independent members, other 3 members nominated by shareholder UAB EPSO-G);
- Committees operating at the Group level:
  - Remuneration and Appointment Committee (majority of the independent members);
  - Audit Committee (majority of the independent members);
- Chief Executive Officer.

A corporate governance reform was carried out in 2018:

- The Board of Supervisors operating at the Group level was dissolved;
- Obligation imposed on the Board to be in charge of the supervisory functions;

- Executive members resigned from the Board of the Company – the number of independent members and members nominated by the parent company was increased instead.

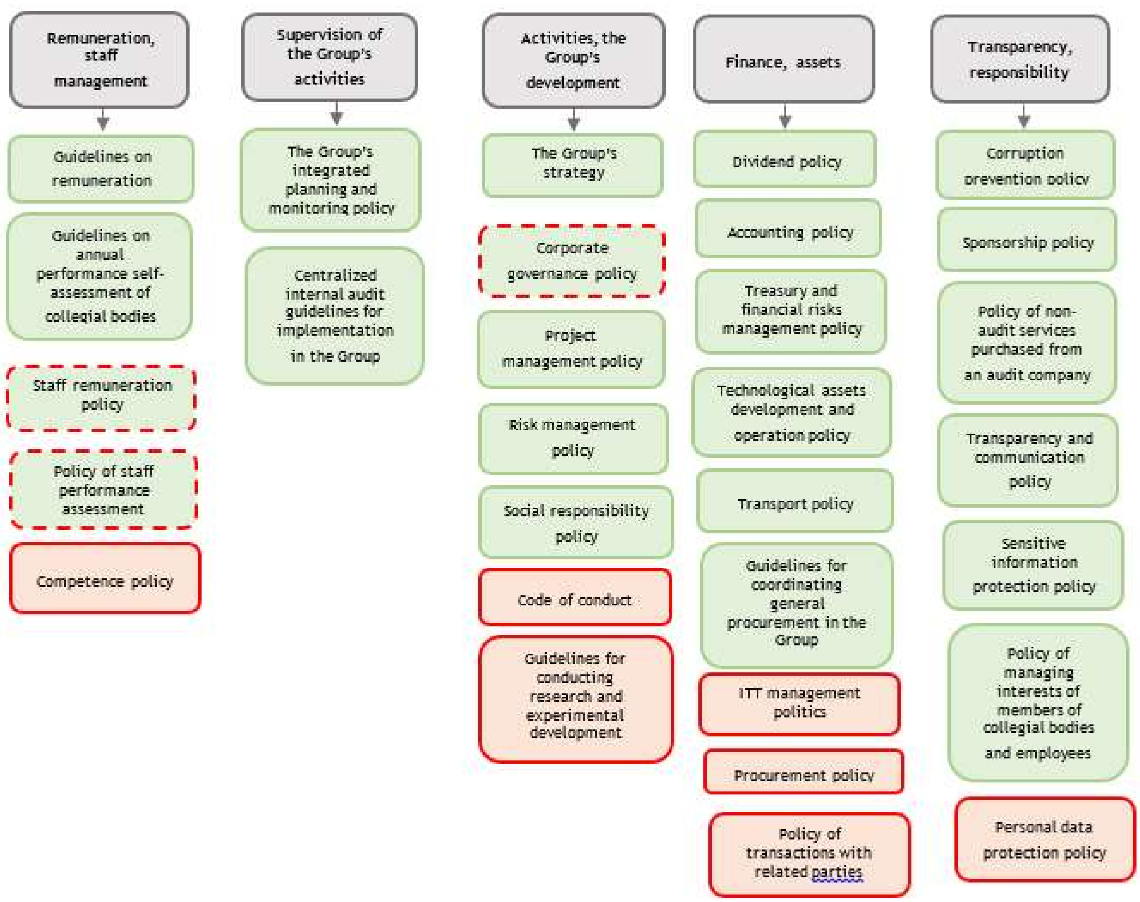
After the completed corporate governance reform, the Company employs the corporative governance model mostly used in the Northern European countries (Finland, Sweden, Norway, Denmark), when one collegial body is formed, accountable to the General Meeting of Shareholders (single-stage governance model). The organisational and management structure has become simpler, more efficient and further complies with the highest standards of governance. With the executive members absent from the Board, a high transparency level of decision taking is ensured, while the number of interest conflicts is reduced. As the Board performs the supervisory function, such model creates better precondition for executing the control due to the greater engagement of the Board and available information.

The Group has a centralised internal audit. In order to ensure the independence of the internal audit, it is established that the Head of the internal audit is being appointed and dismissed by the Board of UAB EPSO-G, which mostly consists of independent members. The internal audit shall also be accountable to the Audit Committee, which also mostly consists of independent members. The internal audit recommendations are analysed by the Board of the Company, which also approves the plan of measures for the implementation of recommendations.

On the basis of the policy of risk management of UAB EPSO-G group of companies, the Company implements a unified Group's risk management system according to the COSO ERM standards applicable in the international practice, setting out risk identification, assessment and management principles and responsibilities. Risk management coordination is performed at the Group level.

The operating policies of the Group are intended to implement a consistent and effective organizational management system helping the employees in successful implementation of important strategic projects and transparent and effective benefit creation for both the people of the country and the business. To ensure the efficiency of the operating policies, the Company annually reports on the progress of implementation of the operating policies.

Operating policies currently applicable in the Company:



Explanatory notes:

– The policy changes made and a new version of Group policy adopted in 2018.

– The new Group policy approved in 2018.

In the government statement of the state-owned enterprises, it is stated that the Group is implementing and complying with the principles of good governance. The Group is awarded the highest A+ rating. The standards of transparency, formed collegial bodies and the strategy are carried out at the highest scores.

2. Structured table:

PRINCIPLES/RECOMMENDATIONS	YES/NO/ IRRELEVANT	COMMENTS
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights. **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	**YES**	Pursuant to the Law on Companies of the Republic of Lithuania and the Chapter IX of the Articles of Association, publicly available information about convening a General Meeting of Shareholders, draft resolutions and decisions taken, in Lithuanian and English, is publicly published on the Company's website and NASDAQ OMX Vilnius.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	**YES**	The Articles 13-15 of the Articles of Association of the Company define that all shares of the Company are ordinary registered shares of EUR 0,29 per value. All shares are ordinary registered uncertified shares that are recorded in the shareholders' personal securities accounts managed by the securities account manager, which is contracted to manage the share accounting.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	**YES**	Please refer to Comment under Item 1.2. In addition, Chapter IV of the Articles of Association of the Company provides for the rights and obligations of the shareholders.

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	**YES**	Article 38 of the Articles of Association of the Company specifies the cases in which the Board takes a decision on the transfer of the Company's assets approved together by a decision of the General Meeting of Shareholders.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	**YES**	Each time the General Meeting of Shareholders is convened, general shareholders' rights are listed on the Company's website.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	**YES**	Please refer to Comment under Item 1.1.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	**YES**	The standard notice of convening of the General Meeting of Shareholders always indicates the possibility for shareholders to vote in writing by filling in the attached form of the ballot paper.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	**NO**	The standard notice of convening of the General Meeting of Shareholders always indicates that there will be no participation and voting by electronic means of communication. So far there is no need to vote by electronic means of communication. Upon requests by the shareholders, the introduction of such a voting option would be considered.

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	**NO**	The standard notice of convening of the General Meeting of Shareholders always encompasses draft decisions with compulsory information required under the Law on Companies of the Republic of Lithuania, including candidates of new collegial bodies, remuneration offered to them, a proposed audit firm and remuneration offered to it.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	**YES** **NO**	Concerned competent persons that are able to provide information related to the agenda of the General Meeting of Shareholders always attend the General Meeting of Shareholders. Meanwhile the proposed candidates to the collegiate body not always attend the General Meetings of Shareholders.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	**Irrelevant**	The Supervisory Board is not formed in the Company.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	**Irrelevant**	-
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	**Irrelevant**	-
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	**Irrelevant**	-
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	**Irrelevant**	-
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	**Irrelevant**	-

2.2. Formation of the supervisory board

The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	**Irrelevant**	-
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	**Irrelevant**	-
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	**Irrelevant**	-
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	**Irrelevant**	-
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	**Irrelevant**	-
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	**Irrelevant**	-
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	**Irrelevant**	-

Principle 3: Management board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	**YES**	Article 36 of the Articles of Association of the Company defines that the Board approves the Company's strategy. In addition, the Board regularly reviews reports on the implementation of the strategy carrying out its supervisory function.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	**YES**	Article 7.3. of the Articles of Association of the Company provides that the Board of the Company performs supervisory functions.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	**YES**	Article 36(xi) of the Articles of Association of the Company defines that the Board considers the Group's documents (e.g. guidelines, policies, procedures, etc.) and decides on the scope of their application in the Company. In addition, by separate decisions, the Board appoints the CEO to provide regular reports on the indicators followed by the Board (e.g. the Company's strategy, activity plan, budget etc.).

3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	**YES**	The Company has a variety of documents to ensure the highest level of internal control, ethics and compliance management tools, such as: - internal audit is accountable to the Board which is formed from external members (2 members are independent); - the Audit Committee is composed of the majority of independent members, to whom internal audit is also accountable; - the Company applies the Code of Conduct and the Corruption Prevention Policy of UAB EPSO-G group of companies, the Sponsorship and Charity Policy of UAB EPSO-G group of companies, the Interest Management Policy of UAB EPSO-G group of companies, the Risk Management Policy of UAB EPSO-G group of companies, the Transparency and Communication Policy of UAB EPSO-G group of companies, etc.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	**YES**	Article 54 of the Articles of Association of the Company defines that the Company's CEO is appointed by the Board taking into account the recommendations of the Remuneration and Appointment Committee. Article 56 of the Articles of Association of the Company defines that, in assessment of suitability of the candidate for the position of the CEO, the Board shall consider his/her compliance with requirements specified by these Articles of Association and regulations, and therefore may require that the candidate submitted documents supporting this compliance and/or contact competent authorities for obtaining necessary information about the candidate.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	**YES**	Article 28 of the Articles of Association of the Company provides that members of the Board shall be elected ensuring that the Board consists of at least 2 (two) independent members, the independence whereof shall be defined following the criteria laid down in the Code of Management, the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of the Company Group (the Interest Management Policy) as well as the requirements set forth by other applicable legal acts; also ensuring that at least 3 (three) Board members have no employment relations with the Company and, if possible, seeking to have no employees of the Company appointed to the Board, also seeking for the Board members to have competences taking into account the areas of responsibility and functions of the Board. The selection of members of the Board of the Company is carried out by the Remuneration and Appointment Committee in accordance with the approved matrix of competences of the Board. The Board members have a yearly assessment of their performance. In addition, the Remuneration and Appointment Committee evaluates the performance of the Board on an annual basis with recommendations on performance improvement.

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	**YES** **NO**	The specified information is published and updated on the Company's website. This information is not repeated additionally in the Annual Report.
3.2.3. All new members of the management board should be familiarised with their duties and the structure and operations of the company.	**YES**	The Board members are introduced to the duties, the Company's structure and operations by sharing key corporate documents of the Company.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	**YES**	Article 27 of the Articles of Association of the Company defines that the Board shall be the Company's collegial management body consisting of 5 members. The General Meeting of Shareholders to whom the Board is accountable shall elect Board members for 4 years' term of office in accordance with the recommendations of the Remuneration and Appointment Committee. A member of the Board may continuously serve maximum 2 subsequent full terms of office, i.e. no longer than 8 years in a row.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	**YES**	Article 29 of the Articles of Association of the Company provides the criteria for which a person cannot be elected as a member of the Board at all. One of the measures for ensuring the impartiality of the Chairman of the Board is established in Article 46 of the Articles of Association of the Company – the Chairman of the Board may not be elected from the Company's employees elected to the Board of the Company.

3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	**YES**	The Company's protocols record the attendance of the Board members and voting in decision-making process. As described in Article 52 of the Articles of Association of the Company, each Board member performs an assessment of his/her activities, the results of which are submitted to the shareholders and the Remuneration and Appointment Committee. The Board's participation in the meetings is set out in the Annual Report.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company related circumstances.	**YES**	The Company's website and Annual Report contain information about the members of the Board of the Company, specifying the independent members.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	**YES**	Article 34 of the Articles of Association of the Company defines that the General Meeting of Shareholders may, by its decision, determine that the members of the Board must be remunerated.

[4] For the purposes of this Code, the criteria of independence of the members of the management board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to non-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	**YES** **NO**	Taking into account the objective to monitor the absence of conflicts of interest of the members of the Board of the Company, each year the members of the Board renew their declarations of interests. In addition, Article 33 of the Articles of Association of the Company stipulates that the members of the Board may have another job or occupy another position compatible with their activities in the Board, including without limitation the managing positions occupied in other legal entities, a job in a state or statutory service, position in the Company and in other legal entities (in observance of the restrictions laid down in Article 29 of these Articles of Association) as well as in legal entities where the Company or the Parent Company is participant only with prior notice to the Board. The Company applies the policy for managing the conflict of interests of the members, executives and employees of collegiate management and supervision bodies of UAB EPSO-G group of companies. The Board members have signed commitments to protect confidential information. There are no non-compete agreements concluded with the members of the Board, as the Company is engaged in monopolistic activities and there is no need for that.

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	**YES**	The Board carries out an assessment of its activities every year and prepares a performance improvement plan on its basis. The Remuneration and Appointment Committee and the Audit Committee acting at the level of UAB EPSO-G group of companies evaluate annually the decisions taken by the Board and submit recommendations for performance improvement. The results of the assessment of the Board's performance are presented in the Company's Annual Report.

Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	**Irrelevant**	The Supervisory Board is not formed in the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	**YES**	Article 45 of the Articles of Association of the Company stipulates that the Board takes its decisions in the Board meetings that are usually convened as necessary for the Board to be able to properly perform its functions and take decisions attributed to its competence, but not less than 12 per calendar year. At the end or at the beginning of each year, the Board of the Company approves the schedule and activity plan of the current year (preliminary questions for the respective Board meeting).

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	**YES**	Article 52 of the Rules of Procedures of the Board stipulates that no later than 6 working days before the pre-scheduled date of the Regular Board Meeting, the Board's secretary must prepare the draft agenda of the Board Meeting in accordance with the submitted proposals and present it to the Chairman of the Board for coordination. In addition, Article 36 of the aforementioned Regulation establishes that the material of the Regular Board Meeting shall be submitted to the members of the Board no later than 2 working days prior to the pre-scheduled date of the meeting.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	**Irrelevant**	The Supervisory Board is not formed in the Company.
Principle 5: Appointment, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the appointment, remuneration and audit committees[5].	**YES**	The Company has the Remuneration and Appointment Committee formed by the Board of UAB EPSO-G, which operates in accordance with the rules of procedures approved by the body that forms it, and the

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited-to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	**YES**	Audit Committee formed by the sole shareholder UAB EPSO-G operating at the Group level and acting in compliance with the rules of procedures approved by the body that forms it. Given that the issues of remuneration and appointment are closely related and experts with the same qualifications are required to deal with these issues, it was decided to form a single Remuneration and Appointment Committee.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	**Irrelevant**	Please refer to Comment under Item 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	**YES**	Chapters 7.8 and 7.9 of the Articles of Association of EPSO-G UAB regulate the formation and competence of committees within EPSO-G UAB group of companies. The aforementioned Articles of Association stipulate that the Remuneration and Appointment Committee and the Audit Committee shall consist of not less than 3 members. The Remuneration and Appointment Committee ensures that there is at least 1 independent member and at least 2 independent members in the Audit Committee in the group of 3 members. Not all members of the Remuneration and Appointment Committee and the Audit Committee are appointed from the Board of EPSO-G. One member to each of the Committees is appointed on the basis of competence when performing the external selection of an independent member of the Committee.

5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	**YES** **NO**	The authorization for the Committees are formed in the Articles of Association of UAB EPSO-G and under the decision of the body forming the Committee – the Rules of Procedures of the Remuneration and Appointment Committee are approved by the decision of the Board of UAB EPSO-G, while the Rules of Procedures of the Audit Committee are approved by the decision of the sole shareholder UAB EPSO-G, as it is consented by the Requirements for Members of the Audit Committee approved by the Bank of Lithuania (Article 5). The Rules of Procedures of the Committees are published on the EPSO-G website. Information about the structure of committees, activities, etc. is presented in the Consolidated Group's Annual Report.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	**YES**	The Rules of Procedures of the Committees provide for the right of the members of the Committees to invite, at their discretion, to their meetings the members of the bodies, employees, representatives, candidates for certain positions of UAB EPSO-G group of companies, or other persons, and to obtain from them the necessary explanations within their competence as well as require for that purpose that necessary actions would be carried out needed for the performance of the functions of the Committees.

5.2. Appointment committee		
5.2.1. The key functions of the appointment committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The appointment committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 4) devote the attention necessary to ensure succession planning.	**YES**	The Remuneration and Appointment Committee of UAB EPSO-G serves as the advisory body to the Supervisory Board and the Board, the main functions of which are the following: - assists in the selection of candidates for members of the collegial bodies in all undertakings of the group of companies; - provides recommendations for the undertakings of the group of companies on the appointment of members of the collegial bodies, conclusion of contracts with them and determination of remuneration for them; - provides recommendations on the policies of the group of companies that govern the remuneration policy and employee performance assessment; - provides recommendations on the planning system of shifts of critical positions.

5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Appointment Committee.	**YES**	It is defined in the Rules of Procedures that that the right of initiative to convene the Remuneration and Appointment Committee is exercised by the Boards or managers of the group of companies, as well as to propose the agenda of the meeting by submitting issue-related material and draft resolutions. This provision is not practically relevant at the moment, as there are no employees of the Company in the Board.

5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	**YES**	Please refer to Comment under Item 5.2.1.
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6]. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	**YES**	The Audit Committee of UAB EPSO-G serves as an advisory body to the Board of UAB EPSO-G and the Company's Board, the main functions of which are the following: - supervises the audit and financial reporting of the group of companies; - takes responsibility for ensuring compliance with the principles of independence and objectivity of the auditors of the Group's companies and audit firms; - takes responsibility for monitoring the internal control, risk management and internal audit systems, effectiveness of operational

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

		processes of the Group's companies; - takes responsibility for monitoring the provision of non-audit services by the auditor of the Group's companies and/or audit firm; - ensures the functioning of complaints system and complaints handling; - evaluates transactions with related parties.

5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	**YES**	The Rules of Procedures of the Audit Committee stipulate that the members of the Committee, at their own discretion, may invite to their meetings the members of the bodies, employees, representatives, candidates for certain positions of the group of companies, or other persons, and obtain from them the necessary explanations within their competence, as well as require for that purpose that necessary actions would be taken for the performance of the functions of the Committee.
5.4.4. The audit committee should be informed about the internal auditor's work programme and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work programme of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	**YES**	Please refer to Comment under Item 5.4.3. The Audit Committee organizes a meeting with the auditors to discuss the audit work plan.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	**YES**	The Audit Committee ensures the functioning of the complaints system and complaints handling.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	**YES**	The Rules of Procedures of the Audit Committee stipulate that the Audit Committee shall submit quarterly activity report to the Board of UAB EPSO-G. In addition, the Committee submits consolidated report for the General Meeting of Shareholders and the Board of UAB EPSO-G.

Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** **The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept *"stakeholders"* includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	**YES**	Such an obligation is set out in Articles 57-58 of the Articles of Association of the Company, work regulations of the management bodies and the policy of managing the interests of members of the collegial bodies, managers and employees of UAB EPSO-G group of companies.

Principle 7: Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	**YES**	The Company applies the Guidelines on the establishment of remuneration for the activity at UAB EPSO-G and corporate bodies of UAB EPSO-G group of companies approved by the sole shareholder of UAB EPSO-G, which are publicly available. The Company applies the Remuneration Policy of UAB EPSO-G group of companies and Employee Performance Assessment Policy of EPSO-G UAB group of companies in full. The Remuneration Policy is publicly available.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	**YES**	The aforementioned forms of remuneration are regulated by the Remuneration Policy of UAB EPSO-G group.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	**YES**	The Company applies the Guidelines on the establishment of remuneration for the activity at UAB EPSO-G and corporate bodies of UAB EPSO-G group of companies, which regulate the fixed remuneration for members of collegial bodies. The members of the Board are not paid remuneration, which depends on the results of the Company.

7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	**NO**	The Remuneration Policy of UAB EPSO-G group of companies stipulates that the Group's companies do not conclude advance agreements on termination benefits (except for the CEOs whose terms of employment are determined by the Board). The amounts of benefits related to the termination of employment relationships are determined by taking into account the mandatory minimum amounts of such benefits under labour law, excluding exceptional cases where there are objective reasons for the agreement on higher benefits. The relevant Board of the Group's company shall be informed of the disbursement of such benefits and the grounds for their payment at its forthcoming meeting.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	**Irrelevant**	Such schemes are not applied in the Company.

7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	**YES**	General information on the implementation of the Company's Remuneration Policy and average salary levels of individual employee groups is publicly disclosed in the Company's Annual Report. In accordance with Article 25(5) of the Law of Energy of the Republic of Lithuania, the Company shall publicly announce the remuneration established for the members of the management bodies of the Company and other benefits related to the functions of the members of the management bodies. Public information on the remuneration of employees is provided on a quarterly basis on the Company's website.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	**YES**	The remuneration of the members of the Board of the Company is determines by the General Meeting of Shareholders of the Company. Remuneration, is subject to the Guidelines on the establishment of remuneration for the activity at UAB EPSO-G and corporate bodies of UAB EPSO-G group of companies, which are approved by the sole shareholder of UAB EPSO-G. Such schemes are not applied in the Company.

Principle 8: Role of stakeholders in corporate governance

The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept *"stakeholders"* includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	**YES**	The Company applies the Transparency and Communication Policy of UAB EPSO-G group of companies, which establishes goals to increase awareness and understanding of stakeholders about the activities of UAB EPSO-G group of companies and individual group companies; to ensure employee engagement; to create and maintain sustainable relationship with stakeholders based on the mutual respect.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	**YES**	The Company, together with the representatives of the Company's employees, conducts consultations, negotiations and briefings on the optimisation processes implemented in the Company. According to the Company's collective agreement signed with the representatives of the Company's employees, the Company informs the trade union representatives about the changes planned in the Company, financial situation of the Company, etc. Stakeholders can take part in the corporate governance to the extent permitted by law.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	**YES**	Please refer to Comment under Items 8.1. and 8.2.

8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	**NO**	The Company's website contains the Trust Line contacts, which invite interested persons to report breaches of occupational safety and health, environmental regulations, ethics, work practices, and corruption prevention policies. Interested persons are informed about the possibility to contact directly the CEO of the Company or the Chairman of the Board.

Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	**YES**	The Transparency and Communication Policy is established at UAB EPSO-G. This information is disclosed in the Company's Annual Report and on the Company's website.
9.1.1. operating and financial results of the company;	**YES**	
9.1.2. objectives and non-financial information of the company;	**YES**	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	**YES**	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	**YES**	
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	**YES**	
9.1.6. potential key risk factors, the company's risk management and supervision policy;	**YES**	
9.1.7. the company's transactions with related parties;	**YES**	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	**YES**	
9.1.9. structure and strategy of corporate governance;	**YES**	
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	**YES**	

9.2. When disclosing the information specified in Item 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	**YES**	UAB EPSO-G, as a parent company, discloses consolidated information in the Consolidated Annual Report.
9.3. When disclosing the information specified in Item 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	**YES**	This information is disclosed in the Company's Annual Report and on the Company's website.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	**YES**	The Company publishes information through the information disclosure system used by the Vilnius Stock Exchange in Lithuanian and English simultaneously. The Company publishes information prior to or after the trading session at Vilnius Stock Exchange and submits it simultaneously to all the markets in which the Company's securities are traded. The Company does not disclose information that may affect the price of the securities issued by it in any comments, interviews or in any other manner until such information is made public through the Stock Exchange Information System.

Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	**YES**	Such an obligation is set out in Article 20(1)(5) of the Law on Companies of the Republic of Lithuania.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	**YES**	The Audit Committee operating at the Group level is actively involved in the selection process of an auditor. The Audit Committee provides a recommendation to the Board on the auditor's nomination. The final decision shall be made by the General Meeting of Shareholders, convened by the Board, which also proposes draft decisions.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	**YES**	The audit firm provides non-audit services in accordance with the policy approved by the Audit Committee of UAB EPSO-G on the procurement of non-audit services of UAB EPSO-G group of companies from an audit firm or other firm that is a part of the network of the audit firm. The provision of non-audit services is supervised by the Audit Committee operating at the Group level, which, as mentioned in Item 10.2, actively involved in the selection process of an auditor. Thus, the Audit Committee, when submitting a recommendation to the Board on the auditor, has all the necessary information on auditors.

INFORMATION ON COMPLIANCE WITH TRANSPARENCY GUIDELINES

UAB “EPSO-G“ group of companies complies with the resolution No 1052 of the Government of 14 July 2010 “Regarding the approval of the Description of the Guidelines for Ensuring Transparency of Activities of State-Owned Enterprises” (hereinafter referred to as the Transparency Guidelines). The Transparency Guidelines are binding on UAB “EPSO-G” because UAB “EPSO-G” is a state-owned enterprise (hereinafter referred to as a SOE). For the purpose of implementing compliance with the Transparency Guidelines in UAB “EPSO-G” group of companies, at the Group level the operational transparency and communication policy of UAB “EPSO-G” group of companies was approved. This policy takes full account of the requirements of the Transparency Guidelines and determines their application to the companies of UAB “EPSO-G” group of companies.

The implementation of the Transparency Guidelines in AB “Amber Grid“ is essentially ensured through the information disclosed in the annual report and disclosure of information on the websites of AB “Amber Grid“, in order to provide information to the stakeholders in an accessible and understandable format.

Structured information on the implementation of the Transparency Guidelines in AB “Amber Grid“:

I. Transparency Guidelines	
The website must contain information:	
• financial results;	Complies
• performance;	Complies
• number of the existing staff;	Complies
• annual wage fund;	Complies
• monthly salaries of managers and their deputies ;	Complies
• procurements and investments fulfilled, ongoing and planned in the financial year;	Complies
• information on ongoing specific commitments, independent auditor's report on annual financial statements are made available publicly on the website by the 30th of April.	Complies
Other requirements must be published / implemented in the annual report and financial statements:	
• Accounts are kept in accordance with international financial accounting standards.	Complies
• Annual financial statements are audited in line with international auditing standards.	Complies
• Annual report is made publicly available on the website by the 30th of April.	Complies
• The annual report includes the following of the company:	Complies
- operational strategy and objectives (financial and non-financial), if this does not comprise a trade secret of a SOE (if the business strategy and objectives of a SOE contain information that is considered to be a trade secret, a shortened operational strategy and objectives excluding this information shall be specified (presented);	Complies
- compliance of the achieved performance with the objectives of a SOE;	Complies
- key events that are materially relevant to the SOE activities that occurred during the reporting period;	Complies
- information on the market of the services provided or the products produced if this does not comprise a trade secret of a SOE;	Complies

- the main customers and their main groups, if this does not comprise a trade secret of a SOE. If a SOE discloses information of the segments, the main customers shall be presented by separate segments;	Complies
- investment during the reporting period, major ongoing or planned investment projects;	Complies
- the total annual wage fund, the average monthly salary in terms of position held and / or units;	Complies
- ongoing social and environmental initiatives, and policy;	Complies
- information on compliance with the provisions of the Transparency Guidelines: indicating, how they are implemented, which guidelines are not complied with and why;	Complies
- the main financial indicators describing the activities (profitability, liquidity, asset utilization efficiency), their change in 3 years;	Complies
- management bodies;	Complies
- information on the audit of the annual financial statements (audit entity, remuneration for performing the audit);	Complies
- any other relevant information that has an impact on the operation of the state-owned enterprise that has become apparent before the date of publication of the annual report;	Complies
- information and statements that listed companies must disclose in their annual report in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius;	Complies
- dividend policy;	Complies
- information on the implementation of the operational strategy and objectives (financial and non-financial).	Complies
Interim report	
- State-owned enterprises of category I or II prepare a 6-month interim report and make in publicly available on the website by the 31st of August. The interim report provides a succinct presentation of key information on indicators that characterize the activities of a state-owned enterprise and changes in these indicators compared to previous periods.	Complies
- A 6-month set of interim financial statements to be published on the website by the 31st of August shall be prepared.	Complies

Article 10 of the Transparency Guidelines provides that the SOE follows the provisions of the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius (hereinafter referred to as the Governance Code)[1] on disclosure of information, other provisions detailing the principles set out in the Governance Code that are related to public disclosure of information. In this context, we provide structured information on the requirements for disclosure of information contained in the Governance Code.

II. Fulfilment of the requirements for disclosure of information that are contained in the Governance Code	
The corporate governance framework should ensure timely and accurate disclosure of all material information about the company, including the financial situation, performance and governance of the company.	Complies
The information should be disclosed in such a way that no shareholder or investor is discriminated against the manner and scope of the information. The information should be disclosed to all and simultaneously.	Complies. However due to corporate governance model (co-functioning of Remuneration and Appointment and Audit Committees),

[1] On 15 January 2019 AB Nasdaq Vilnius during the Board Meeting, the minutes No 19-63, approved "The Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius".

	Supervisory Committee for Strategic Projects in some cases UAB EPSO-G receives information earlier than other shareholders.
If an audit firm has received from the company a fee for non-audit services, the company should disclose this in the public domain. This information should also be available for the disposition by the company's Supervisory Board, if any, or otherwise by the Company Board when considering which audit firm to nominate for the general meeting of shareholders.	Complies
Without prejudice to the Company's confidential information and trade secrecy procedures, as well as the requirements of the legislation governing the processing of personal data, the Company's disclosures should include, but are not limited to:	Complies
• company activities and financial performance;	Complies
• operational objectives and non-financial information of the company;	Complies
• about persons who own under the right of ownership a majority stake in the company, or hold it directly and / or indirectly and / or jointly with the related persons, also information on the structure of the group of companies and their interconnection, by indicating the end beneficiary;	Complies
• members of the company's supervisory and management bodies, which of them are deemed to be independent, the head of the company, the shares or votes they hold in the company, and their participation in the governance of other companies, their competence, remuneration; When disclosing the above information, we recommend providing information about the professional experience, qualification and potential conflicts of interest of the members of the company's supervisory and management bodies, the head of the company, and their potential decisions that could affect their decisions. It is also recommended to disclose the remuneration or other income of the members of the company's supervisory and management bodies, the head of the company they receive from the company, as regulated in more detail in Principle 7 of the Governance Code.	Complies
• reports by existing committees on their composition, the number of meetings and attendance at meetings by the members in the past year, as well as on their main lines of activity and performance;	Complies
• essential risk factors that can be foreseen, the company's risk management and oversight policy;	Complies
• company transactions with related parties;	Complies
• key issues related to employees and other stakeholders (such as human resources policy, employee involvement in company management, promotion by company shares or stock options, relationships with creditors, suppliers, local community, etc.);	Complies
• corporate governance structure and strategy;	Complies
• social responsibility policies, anti-corruption initiatives and tools, important ongoing or planned investment projects.	Complies
It is recommended that the documents prepared for the general meeting of shareholders be published in advance not only in Lithuanian, but also in English and / or other foreign languages. It is also recommended to publish the minutes of the General Meeting of Shareholders after it is signed and / or the decisions made not only in Lithuanian but also in English and / or other foreign languages. It is recommended that this information be published on the company's website. Not all documents can be made publicly available if their disclosure could harm the company or reveal the trade secrets of the company.	Complies

Information on a remuneration policy is publicly available on the company‘s website.	Complies
The company should publish on the company's website information on the implementation of the remuneration policy, which should focus on the remuneration policies of collegial bodies and managers for the coming and, where appropriate, subsequent financial years. It should also review how the remuneration policy was implemented in the previous financial year. Such information should not contain information of commercial value. Particular attention should be paid to the fundamental changes in the company's remuneration policy as compared to the previous financial year.	Complies
A summary of the Corporate Governance Report on how the Company complies with the Governance Code is published in Governance Report (structured table). In order to enable the Company to provide some information about its management in a free form and to emphasize the most important things, the Company should provide in a summary of the Corporate Governance Report essential information about the Company's management procedures (for example, this could include information on a common management scheme, internal control and risk management systems, shareholder rights, management and supervisory bodies and their committees, administration or other key issues related to the management of the Company). The Company should indicate clearly, precisely and comprehensibly in the Governance Report which specific recommendations of the Corporate Governance Code it deviates from, and in case of each deviation from a particular recommendation, it should be clarified as provided for in Part 2 of the form of disclosure of compliance with the Corporate Governance Code for Listed Companies of the Nasdaq Vilnius.	Complies