

AB AMBER GRID ANNUAL REPORT 2013

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I. GENERAL INFORMATION ABOUT THE ISSUER

Reporting period for which the report was drawn up - the Year 2013¹.

MAIN DATA

Name	AB Amber Grid
Legal form	Public company
Date and place of registration	25 June 2013, Register of Legal Entities
Company code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorized capital	LTL 178382514
Registered office	Savanorių pr. 28, LT-03116 Vilnius
Telephone number	+370 5 236 0855
Fax number	+370 5 236 0850
E-mail address	info@ambergrid.lt
Website	www.ambergrid.lt

As from 1 August 2013, AB Amber Grid (hereinafter - Amber Grid, the Company) has been the Lithuanian natural gas transmission system operator responsible for transmitting natural gas (transporting it via high-pressure pipelines) to system users, safe operation and efficient development of the natural gas transmission infrastructure, implementation of strategic natural gas transmission infrastructure projects.

On 18 July 2013, the National Control Commission for Prices and Energy (hereinafter referred to as the NCCPE) adopted the decision to revoke the natural gas transmission license issued to AB Lietuvos Dujos and issue a fixed-term Energy activity license to Amber Grid granting it the right to engage in natural gas transmission activity from 1 August 2013 till the effective date of the decision of the NCCPE on the appointment of the natural gas transmission system operator compliant with the requirements established in sections 4 and 8 of the Law on Natural Gas. The license grants the right to the Company to engage in the natural gas transmission activity in all regions of Lithuania.

Natural gas transmission system consists of 2 thousand km gas transmission pipelines, 66 gas distribution stations, 3 gas metering stations and 2 gas compressor stations. Customers of the Company are large (producers of electricity, central heating, industrial companies) and medium-sized businesses of Lithuania, natural gas supply companies, which are provided with natural gas transmission services. The Company employs employees with extensive gas system maintenance practice, necessary management knowledge and skills.

The Company was established by the decision of the General Meeting of Shareholders of AB Lietuvos Dujos of 11 June 2013, whereby, in the implementation of the requirements of laws of the Republic of Lithuania on unbundling the natural gas transmission activity, Terms and Conditions of the Spin-Off of AB Lietuvos Dujos were approved and it was decided to unbundle the natural gas transmission activity from AB Lietuvos Dujos, which continues its activities after the spin-off, along with the assets, rights and obligations assigned

¹For a 5 month period ended on 31 December 2013;

Data on natural gas transmission and investments to the development of the transmission system provided for the entire year 2013.

to this activity. By establishing Amber Grid, legal, functional and organizational unbundling of the natural gas transmission activity has been implemented.

In order to fully meet the requirements set forth in paragraph 8 of the Law on Natural Gas, the unbundling of control of Amber Grid must be completed by 31 October 2014.

The unbundling of control of the transmission activity means that the same person or persons would not have the right to directly or indirectly control the company carrying out any of the gas production or supply functions, and to directly or indirectly control a transmission system operator or the transmission system, or have any rights with respect to a transmission system operator or the transmission system (and vice versa).

Shareholders of the Company will make decisions on the implementation of the unbundling of control.

Together with AB Lietuvos Dujos and the Finnish gas company Gasum Oy the Company controls UAB GET Baltic - a company organizing trade on natural gas exchange. Amber Grid owns 32% of shares of UAB GET Baltic.

BUSINESS ACTIVITY OF THE COMPANY

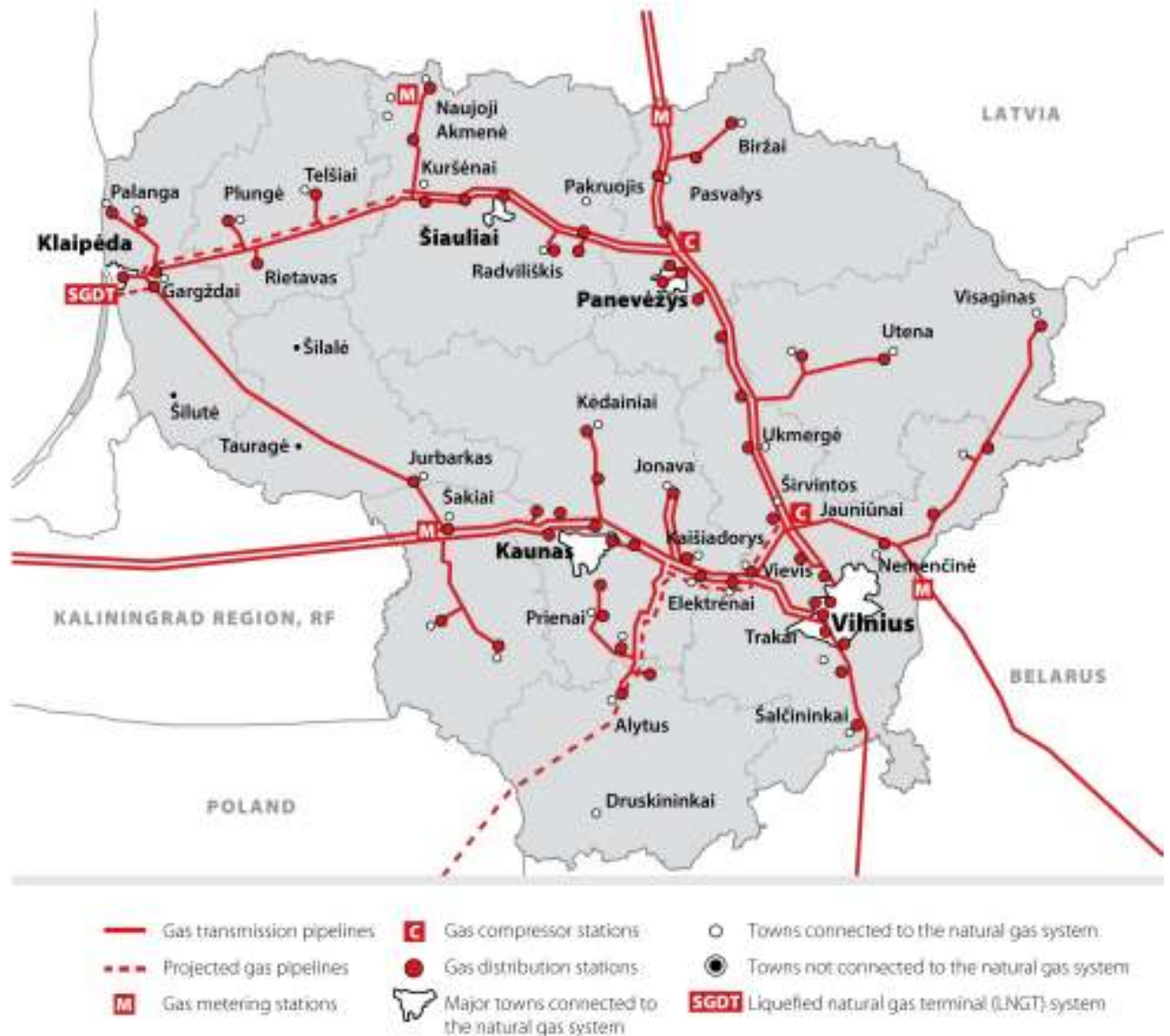
As a natural gas transmission system operator, the Company provides the following services to system users, other operators and gas market participants:

- Natural gas transmission and transit via gas transmission pipelines;
- Natural gas transmission system balancing;
- Administration of funds allocated to cover costs of the construction and operation of the Liquefied Natural Gas (hereinafter - the LNG) terminal, its infrastructure and connector.

Natural gas transportation via gas transmission pipelines

Transmission system and the development thereof

The transmission system consists of gas transmission pipelines, gas compressor stations, distribution stations, gas metering stations, gas pipeline corrosion protection equipment, data transmission and communication systems and other assets attributed to the transmission system (Map 1). The Lithuanian gas transmission system is connected with the Kaliningrad Region of Russian Federation and gas transmission systems of Belarus and Latvia. The largest pipeline diameter is 1,220 mm.



Map 1: Natural gas transmission system

Strategic infrastructure projects

In 2013, the following strategic gas transmission infrastructure projects were being carried out:

- Enhancement of the capacity of the Latvia-Lithuania gas interconnection,
- Construction of the Jurbarkas-Klaipėda gas transmission pipeline and the Klaipėda distribution station No. 2,
- Enhancement of the capacity of the Klaipėda-Kiemėnai pipeline (construction of the pipeline Klaipėda-Kuršėnai),
- The gas interconnection Poland-Lithuania.

On 14 October 2013, the European Commission (hereinafter - the EC) announced the first European Union (hereinafter - the EU) List of Projects of Common Interests, which, among 248 energy projects, also includes 3 gas sector projects, in the implementation of which Amber Grid is involved. These are the projects of the

Poland-Lithuania gas interconnection, enhancement of the capacity of the pipeline Klaipėda–Kiemėnai and enhancement of the capacity of the Latvia-Lithuania gas interconnection.

The list comprises energy projects important for the creation of the EU's single internal market, thus for the faster implementation thereof procedures of planning and permit issuance are speeded up and the right to apply for financial assistance under the Connecting Europe Facility is granted.

Enhancement of the capacity of the Latvia-Lithuania gas interconnection

In the beginning of 2013, the implementation of the project for the enhancement of the capacity of the Latvia-Lithuania gas interconnection carried out together with AS Latvijas Gāze was completed. Capacity of reverse interconnection was enhanced to more than 6 MCM per day. EU financial assistance was used for the implementation of the project.

Construction of the Jurbarkas–Klaipėda Gas Transmission Pipeline and the Klaipėda Distribution Station No. 2

On 15 November 2013, the construction of gas pipeline Jurbarkas–Klaipėda provided for in the National Energy Strategy was completed. Until August 2013, the project had been carried out by AB Lietuvos Dujos. A total of LTL 154 million (of which LTL 64 million in 2013 and LTL 81.7 million - in 2012) was invested in the construction of the gas transmission pipeline Jurbarkas–Klaipėda and Klaipėda distribution station No. 2 throughout the entire period of the construction thereof, of which LTL 68.9 million was the assistance from the EU Structural Funds.

By the implementation of the project, the “ring system” of the natural gas transmission was completed, reliability and safety of natural gas transmission system of the region of the Western Lithuania was enhanced and conditions for connecting the LNG terminal in Klaipėda to the Lithuanian transmission system were created.

Enhancement of the Capacity of the Klaipėda–Kiemėnai Pipeline (construction of the gas pipeline Klaipėda–Kuršėnai) (hereinafter – the KKP)

In June 2013, the Board of Directors of Amber Grid adopted a decision on the preparation of the special plan and technical project for the construction of the second link of the gas transmission pipeline Klaipėda–Kuršėnai. A feasibility study was conducted. A business plan and cost-benefit analysis was drawn-up and a proposal for cross-border cost allocation of the project was prepared in Q3 2013. Environmental impact assessment (hereinafter - the EIA) programme was agreed upon and approved, EIA report was being prepared, assessment of the location of the gas transmission pipeline route and its local alternatives was carried out and information on the prepared concept of the special plan and report on the strategic environmental impact assessment (SEIA) was published.

In October 2013, the Company submitted to the Lithuanian, Latvian and Estonian regulatory authorities a request for investment along with the KKP business plan, cost-benefit analysis and a proposal for cross-border cost allocation of the project with the aim to receive the EU financial assistance under the Connecting Europe Facility for the project.

In December 2013, the KKP project was declared to be an economic project of national importance by the resolution of the Government of the Republic of Lithuania. KKP is important for the implementation of the Lithuanian national and EU energy policy objectives related to the diversification of natural gas supply and assurance of the safety thereof as well as promotion of competition in gas market. Upon the implementation of the project it will be possible to fully utilize the capacities of the LNG terminal when supplying gas for the needs of Lithuania and other Baltic countries.

The length of the KKP pipeline is 110 km, diameter - 800 mm, planned commissioning date - the end of 2015.

The Gas interconnection Poland-Lithuania (hereinafter - GIPL)

In July 2013, the EC was introduced with the GIPL feasibility study, in August procedures for the performance of EIA works were started.

In October 2013, Amber Grid and GAZ-SYSTEM S.A. submitted to the Polish, Lithuanian, Latvian and Estonian regulatory authorities a joint request for investments along with a business plan, cost-benefit analysis and proposal for cross-border cost allocation of the project. The plan is that the EU assistance will account for up to 75% of the value of eligible expenses.

The goal of the GIPL is to integrate the isolated Baltic gas markets into a single EU gas market and diversify gas supply sources. The length of the GIPL pipeline will be about 534 km (357 km – in the territory of Poland, 177 km – in the territory of Lithuania), the planned diameter is 700 mm, planned commissioning date - the end of 2018. Upon the construction of the GIPL, a possibility to import to the Baltic countries up to 2.6 BCM of natural gas per year would be created (with a possibility to increase this capacity up to 4.4 BCM per year having built additional compressor capacities).

Enhancement of the capacity of the Latvia-Lithuania gas interconnection

In the view of the implementation of projects diversifying gas flows carried out in the Baltic countries and their impact on gas flows between Latvia and Lithuania and changes in gas markets of the region, the project of the enhancement of capacities of the Lithuania - Latvia gas interconnection to up to 12 MCM per day, included into the EU list of projects of common interests, will be implemented.

Investment plans

Taking into account consumer needs and national strategic documents, in 2013 the Company prepared and approved with the NCCPE a ten-year network development plan of the natural gas transmission system operator for 2013 - 2022, including therein the above-mentioned projects.

Strategic infrastructure projects implemented by Amber Grid have been included into the ten-year network development plan 2013-2022 of the European Network of Transmission Operators (ENTSO) and into the Gas Regional Investment Plan 2014 -2023 of the transmission system operators from the BEMIP region.

In 2013 the Company continued the reconstruction and modernization of the natural gas transmission system:

- Intelligent pig launcher and receiver in the Pabradė–Visaginas pipeline were installed;
- 7 line block valve remote control systems (SCADA) were installed and 8 line block valve units were replaced;
- In 2013, the reconstruction of Maišiagala, Gegužinė and Taujėnai metering and regulation stations were completed (currently, 63 of 66 operated stations are new or substantially renovated);
- Reconstruction works of 11 cathodic protection system equipments were completed.

Maintenance of the transmission system

Maintenance of the transmission systems is governed by rules, regulations and carried out in strict compliance with requirements established therein. In order to ensure the reliability and safety of the transmission system, maintenance and repair works are constantly being carried out.

One of the most informative measures for assessing the condition of gas pipelines is applying intelligent pigging procedures for gas transmission pipelines. In 2013, intelligent pigging procedures for a gas pipeline to Utena distribution station (59.4 km section) were started, while the total length of gas pipelines examined that way increased to 402 km.

Assessment of technical condition applying external methods was carried out for sections to Gargždai, Palanga, Kretinga, Plungė, Telšiai, N. Akmenė and Papilė distribution stations (total length 106 km) of the gas transmission pipeline Panevėžys-Šiauliai-Klaipėda. In the view of the findings, repair works of these sections of the pipeline will be carried out.

Works for the elimination of defects detected during the intelligent pigging procedures were continued in the Minsk-Vilnius (67 km section), Kaunas-Kaliningrad (84 km section), Vilnius-Kaliningrad (81 km section) and Vilnius-Panevėžys-Riga (170 km section) gas transmission pipelines.

In 2013, repair works of the gas pipeline Vilnius-Kaunas were carried out, during which worn out line block valves were replaced and the pipeline was prepared for intelligent piping procedures.

In 2013, repairs of separate pipeline sections of the gas transmission pipeline Ivacevičiai-Vilnius-Riga, started back in 2011, were completed. 18.2 km - long section of the said pipeline was repaired - damaged pipeline protective coating was repaired, the necessary depth, hydraulic tests in sections were carried out.

Defects in sections to Girininkai, Alytus distribution stations in the gas pipeline Vilnius-Kaunas detected in 2012 having flown around the gas pipeline track using laser gas leak detection equipment were eliminated.

Natural gas distribution volumes

In 2013, the Company and AB Lietuvos Dujos transported 2,667.1 MCM of natural gas to the Lithuanian consumers via its natural gas transmission system. Upon the decrease of demand for natural gas for the production of fertilizers, average annual temperature greater by +1.2°C, increased use of alternative fuel and decreased gas consumption in the production of heat and electricity, natural gas transmission volumes, compared with 2012, dropped by 18.4%.

In 2013, the greatest daily volume of gas transported from Belarus to Lithuania was 24 MCM, the greatest daily volume supplied to the Kaliningrad Region of the Russian Federation by transit through Lithuania amounted to 8.9 MCM and the greatest daily gas volume transmitted to users of Lithuania was 14.5 MCM.

In 2013, transit to the Kaliningrad Region of the Russian Federation amounted to 2,152 MCM of gas, in 2012 it was 2,167 MCM.

At the end of 2013, the Company had entered into 87 gas transmission service agreements with natural gas transmission system users (natural gas users, natural gas distribution system operator, natural gas supply companies, which supply gas up to consumer systems). As for natural gas supply companies, which trade natural gas, but do not transport it via transmission systems, with such companies the Company had entered into 6 natural gas balancing agreements.

Structure of transmitted natural gas volumes by transmission system users is illustrated in Chart 1.

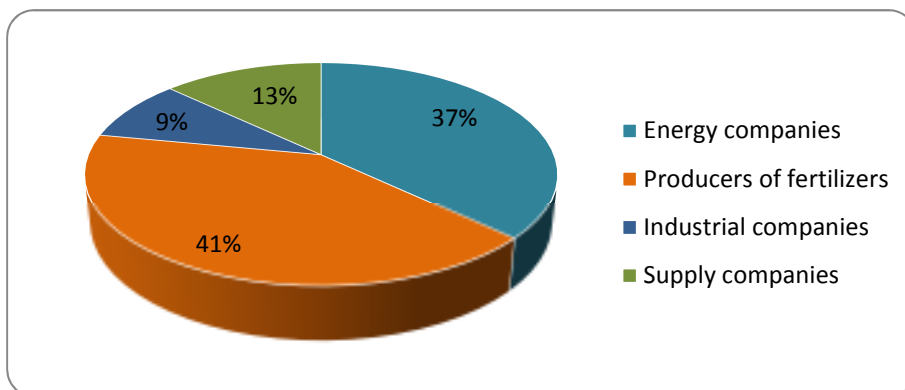


Chart 1: Structure of transmitted natural gas volumes by natural gas transmission system users in Lithuania, 2013

Natural gas tariffs regulation

Natural gas transmission service prices are subject to regulation.

In October 2013, the NCCPE determined the natural gas transmission price cap for a new 5 year regulatory period (from 1 January 2014 to 31 December 2018), which can be annually adjusted by the decision of the NCCPE in the procedure prescribed in the Methodology for the Determination of the Prices Regulated by the Government in the Natural Gas Sector.

On 30 October 2013, the Board of Directors of the Company approved specific natural gas transmission service tariffs for 2014. In November 2013, the NCCPE unilaterally determined the Company's natural gas transmission service tariffs 0.5% lower than the price cap set by the NCCPE effective as from 1 January 2014 according to the forecast of transmission volumes for 2014 used in calculations of the price cap rather than based on revised data of system users.

Natural gas transmission system balancing

Amber Grid ensures the balance in the natural gas transmission system. The Company purchases balancing gas for a price determined by the NCCPE from a gas market participant, if the market participant has caused excess gas in the transmission system, and sells balancing gas to a market participant if the latter caused lack of gas in the transmission system.

In 2013, transmission system users and other gas market participants taking part in the transmission system balancing balanced gas flows delivered to the transmission system and taken from the transmission system, thus gas was not purchased or sold because of the imbalance.

Besides the balancing of flows of system users and other gas market participants, gas reserves in the Company's transmission system pipelines also range due to technological transmission system features as well as technical reasons caused by gas flow deviations.

Administration of funds allocated for the construction and operation of the LNG terminal, its infrastructure and connector

In the implementation of the requirements of the Law on the LNG terminal of the Republic of Lithuania and its implementing legislation, the Company collects and administers funds allocated for the construction and operation of the LNG terminal, its infrastructure and connector.

In accordance with the procedure established by the NCCPE, when paying for the natural gas transmission services, natural gas system users who transported natural gas via the transmission system in 2013 paid an extra component of the natural gas transmission tariff the LNG terminal surcharge.

The Company collects LNG terminal funds, administers and pays them out to a company implementing the LNG terminal project or to an LNG terminal operator in the procedure prescribed by laws. By the decision of the NCCPE, a part of the funds is allocated for covering administration expenses incurred by the Company.

RESEARCH AND DEVELOPMENT ACTIVITIES

Natural gas is measured in units of volume (cubic meters m³) in the Lithuanian gas system, which has been absolutely sufficient up until now.

However, with increasing diversity of alternative sources of gas supply and upon the launch of the LNG terminal in Klaipėda, gas of more diverse composition and calorific value in line with quality requirements approved in October 2013 by the order of the Ministry of Energy will be supplied to Lithuania. The accounting thereof will also have to be carried out in units of energy - kilowatt-hours (kWh).

In order to accurately account the energy content of supplied and transported gas, a concept for the reorganization of gas metering systems and the plan for the implementation thereof compliant with the Description of Natural Gas Metering Procedure approved by the Order of the Ministry of Energy in December 2013 was drawn up during the previous year.

The implementation of the plan has been started - all the necessary measuring instruments for determining the composition of natural gas and calculating the calorific value thereof are expected to be installed by 1 November 2014.

In 2013, a study was conducted together with natural gas transmission system operators from Latvia, Estonia and Finland on interaction of investment projects included into the EU list of projects of common interest throughout the region. The study analyses the impact of the development of gas transmission infrastructure for the ensurance of gas supply safety and reliability in the region, examines various gas supply flow scenarios in the natural gas sectors of the countries of the Eastern Baltic Region.

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EMPLOYEES

As of 31 December 2013, the Company employed 356 employees, of which 32 (9%) were in management positions, 190 (53.4%) were specialists and 134 (37.6%) - workers (Chart 2).

Employee rotation from the day of the establishment of the Company accounted for 2%.

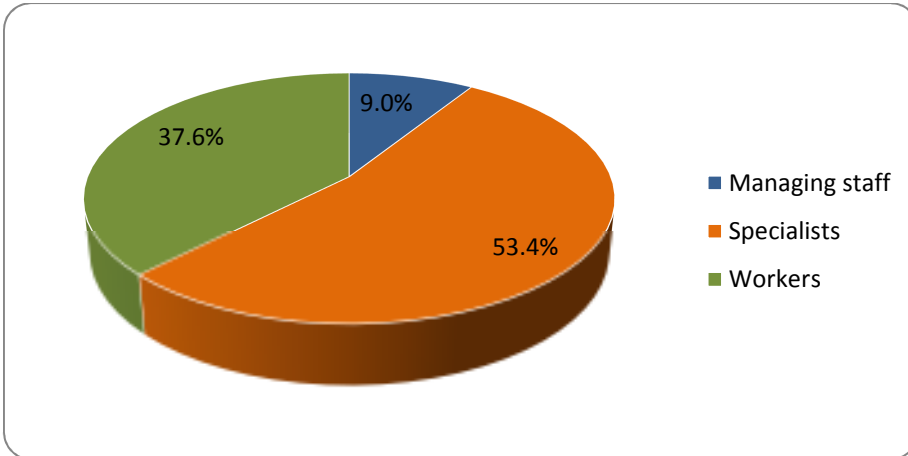


Chart 2: Employee distribution by groups, 2013.

The average age of the Company's employees was 43.8 years old (Chart 3), the average term of service - 12.5 years (Chart 4). 50.8% of the Company's employees hold higher education degrees (Chart 5). Males accounted for 82.3% and females for 17.7% of the Company's employees. Since Amber Grid was established having unbundled it from AB Lietuvos Dujos, 337 employees were transferred to the Company. The accrual of seniority of all transferred employees was continued.

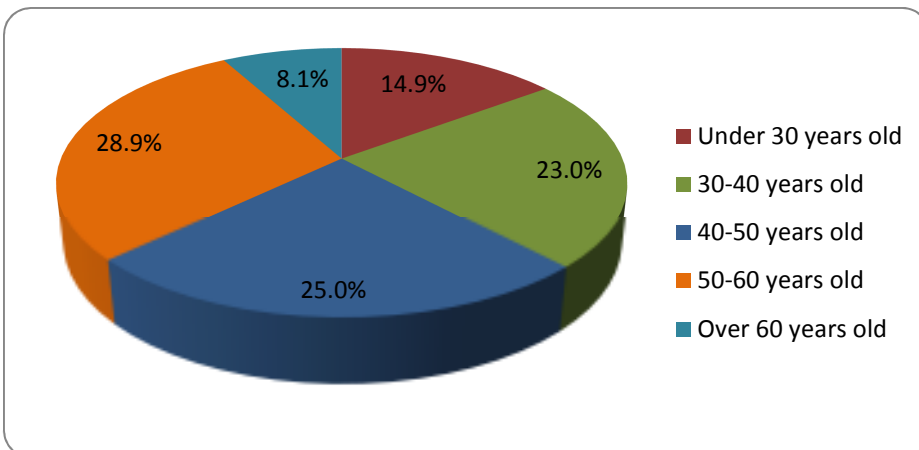


Chart 3: Employee distribution by age groups, 2013.

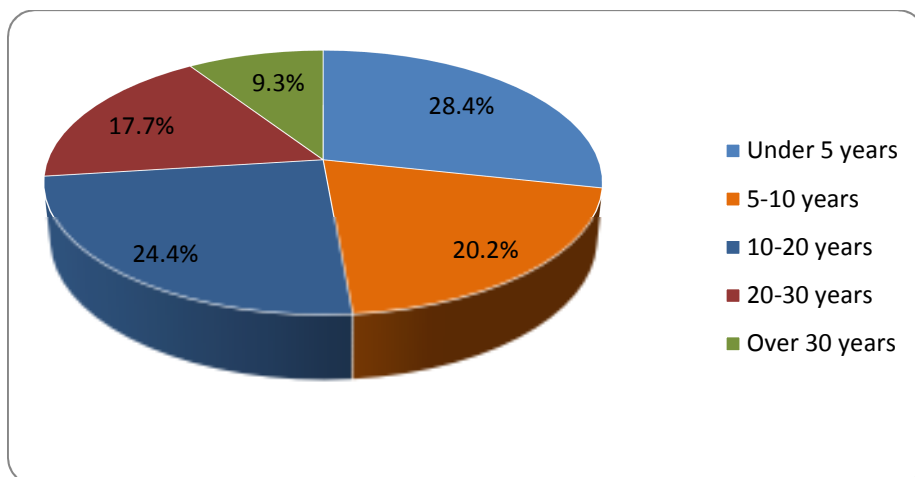


Chart 4: Employee distribution by term of service, 2013.

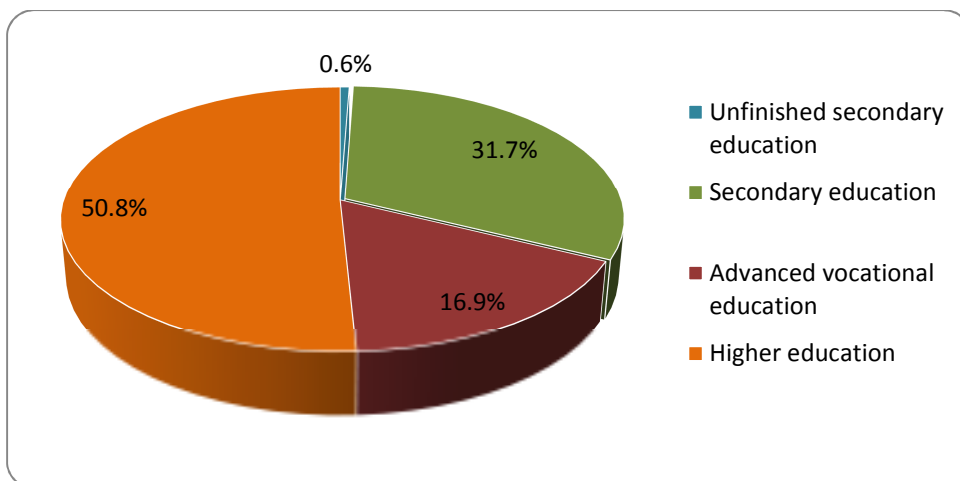


Chart 5: Employee distribution by education, 2013.

Average monthly salary in the Company by employee groups, LTL

Employees	Average number of employees as of 31 December 2013	Average monthly salary (gross, LTL)
Managing staff	32	8,795
Specialists	190	4,026
Workers	134	3,166
Total:	356	4,141

Table 1: Average monthly salary by employee groups, 2013.

Collective Bargaining Agreement

Collective Bargaining Agreement effective until 31 December 2014 is applied in the Company. Rights and obligations of the Company's employees applied in general practice are provided for in employment agreements and the Collective Bargaining Agreement.

Trainings and apprenticeship opportunities

The Company devotes great attention to trainings and acquisition of skills and upholding them. In 2013, 124 employees attended general trainings, 130 employees took part in professional trainings. A total of 254, or 71.3% of all employees, attended trainings from the start of the Company's operations.

In accordance with the cooperation agreement on practical trainings with AB Lietuvos Dujos Training Centre, 11 people from energy sector companies were admitted for apprenticeship according to trainings programs related to the operation of the gas transmission pipeline.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

The Company's production activities have an impact on the environment. During the execution of gas system repair works, in case of an accident or improper operation of the system, gas can get into the atmosphere. This risk is minimized by the application of an integrated maintenance system.

The Company is implementing innovative accident, malfunction, gas loss, pollution prevention measures, carries out the reconstruction of polluting objects and other necessary actions. In 2013, there were no

accidents during which large volume of gas was emitted into the atmosphere causing damage to the environment.

In September 2013, the Company approved the Environmental Policy.

Environmental management system in accordance with ISO 14000 standard requirements is planned to be implemented in 2014. Amber Grid is a socially responsible company, which seeks to actively participate in social life.

SPONSORSHIP PROGRAMMES

In 2013, the Company participated in various sponsorship programs. It rendered support to more than 10 institutions, organizations and their projects - Vilnius University Hospital Santariškės Clinic, Order of Malta Relief Organization, students of Vilnius Gija youth school, sports club for residents of Vilnius with physical disabilities, day care centre Feniksas, Vilnius Jonas Laužikas General Education Centre, etc.

INTERNATIONAL COOPERATION

The Company is an associate partner of the European Network of Transmission System Operators for Gas (hereinafter referred to as ENTSOG) (www.entsog.eu).

ENTSOG was established pursuant to Regulation (EC) No. 715/2009 of the European Parliament and Council as an organization aimed at the cooperation of gas transmission system operators at the EC level. ENTSOG is engaged in preparing the European gas network codes, approving a ten-year gas network development plan of the European Community, general measures for network operation and carrying out other functions.

The status of an associate partner grants the Company the right to take part in preparation of long-term natural gas system development plans, allows for closer cooperation with other European gas transmission system operators. The Company provides recommendations in the preparation of the European natural gas network codes.

In 2013, the preparation of the Gas Regional Investment Plan 2014-2023 of the transmission system operators from the BEMIP region – Gasum Oy (Finland), AS EG Võrguteenus (Estonia), AS Latvijas Gāze (Latvia), GAZ-SYSTEM S.A. (Poland), Energinet.dk (Denmark), Swedegas AB (Sweden) and Amber Grid (Lithuania) - was started. The Company is the coordinator of the preparation of this plan.

In 2009-2013, an investment project was being carried out together with AS Latvijas Gāze, upon the completion of which capacities of cross-border gas interconnector between Latvia and Lithuania were enhanced.

The GIPL project is being implemented in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A.

II. FINANCIAL PERFORMANCE

MAIN INDICATORS OF THE TRANSMISSION SYSTEM

	2013
Volume of transported natural gas	
Volume of transmitted natural gas (out of which the Company), MCM	2,667.1 (934.4)
Volume of gas transported by transit (out of which the Company), MCM	2,152.4 (934.7)
Number of system users, at the end of the period	87
Operated system	
Length of gas transmission pipelines, km	2,007
Number of gas distribution stations and gas metering stations, pcs.	69
Employees	
Number of employees, at the end of the period	356

Table 2: Company's performance indicators

COMPANY'S KEY FINANCIAL INDICATORS²

	2013
Financial results (thousand LTL)	
Sales revenues	74,101
EBITDA	35,755
EBIT	3,534
Profit before tax	2,425
Net profit	5,071
Net cash flows from operating activities	33,221
Investments	39,381
Net financial debt	160,483
Profitability ratios (%)	
EBITDA margin	48.25
EBIT margin	4.77
Profit before tax margin	3.27
Net profit margin	6.84
Return on assets (ROA)	0.31
Return on equity (ROE)	0.42
Return on capital employed (ROCE)	0.25
Liquidity	
Current ratio	1.00
Quick ratio	0.58
Leverage (%)	
Equity to total asset ratio	73.37

² Financial indicators reflect a 5-month period ended on 31 December 2013.

Financial debt to equity ratio	14.91
Net financial debt to equity ratio	13.28
Market value ratios	
Price-earnings ratio (P/E), times	83.90
Basic earnings per share, LTL	0.03
Dividend payment ratio, %	297 ³
Dividends per share for the current year, LTL	0.084 ³

Table 3: Company's financial indicators

The Company's financial ratios were calculated disregarding the assets and liabilities generated by the LNG Terminal markup funds.

The financial statements for 2013 of the Company also include the financial results of UAB GET Baltic - a joint venture controlled jointly with AB Lietuvos Dujos and the Finnish gas company Gasum Oy, which have been accounted for under the equity method.

Revenues

In 2013, the revenues of the Company were LTL 74,101 thousand, of which 94.5% were revenues from the transmission of natural gas via gas transmission pipelines to system users and transit to the Kaliningrad Region of the Russian Federation.

The remaining part was revenues for the natural gas sold in the execution of transmission system reserves management and balancing, and revenues for the administration of funds of the LNG terminal; also, a share of previously received grants, with the help of which fixed assets of the Company were created, corresponding to the useful life of those assets was recognized as revenues (Chart 6).

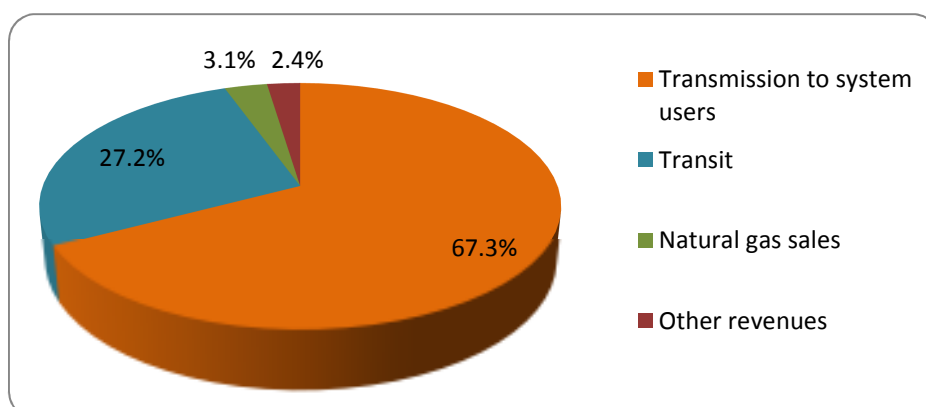


Chart 6: Revenue structure, 2013.

Natural gas transmission revenues received from system users are divided into revenues for acquired transmission capacity and revenues for transmitted natural gas volume (Chart 7).

³Proposed for the approval in the General Meeting of Shareholders

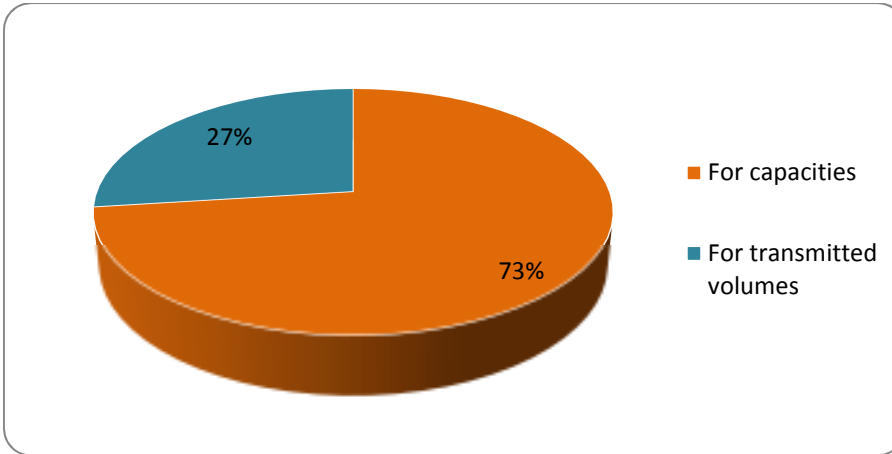


Chart 7: Structure of transmission revenues, 2013.

Revenues for the transmission of natural gas were received managing the natural gas reserve volumes contained in the natural gas transmission system. Their constant fluctuations are affected by technological features of the transmission system and gas flow deviations (imbalances) determined by technical reasons and actions of system users and other gas market participants taking part in the transmission system balancing. Decreasing natural gas reserves in the transmission system means that gas needs to be sold, while increasing reserves means that it has to be purchased. In 2013, due to the imbalance caused by gas market participants, natural gas was not bought or sold.

The Company is obliged under requirements of laws to administer funds of the LNG terminal. For more information and disclosures about the accounting of funds of the LNG terminal, see the financial statements of the Company for 2013.

Expenses

The Company's expenses amounted to LTL 70,574 thousand in 2013.

The largest expenses of the Company were incurred due to the depreciation of fixed assets - LTL 32,221 thousand (or 45.7% of all expenses), repairs and maintenance - LTL 14,860 thousand (21.1%), payroll and related social security expenses - LTL 10,314 thousand (14.6%) and expenses of natural gas - LTL 8,012 thousand (11.4%) (Chart 8).

The Company purchased natural gas for technological needs and for the change in natural gas reserves.

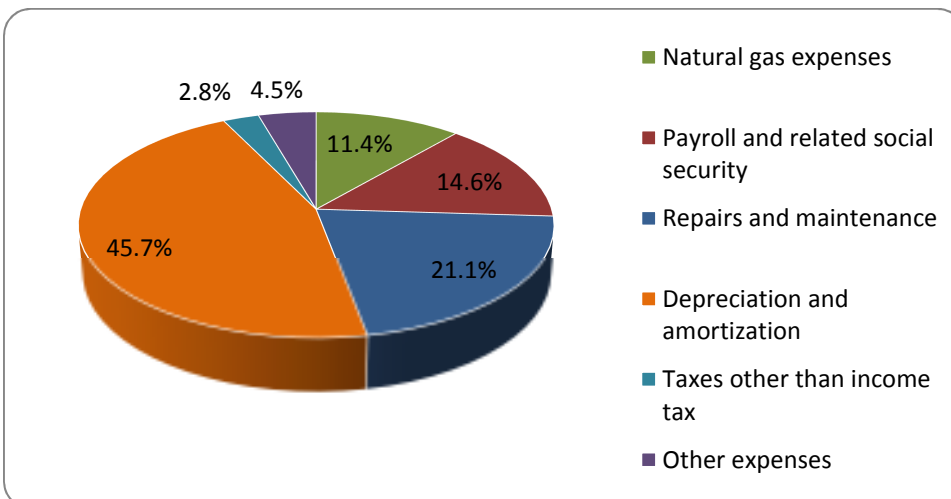


Chart 8: Structure of expenses, 2013.

Activity results

In 2013, profit before tax amounted to LTL 2,425 thousand, while profit before tax, interest, depreciation and amortization (EBITDA) accounted for LTL 35,755 thousand (Chart 9).

Since the establishment of the Company, Amber Grid earned LTL 5,071 thousand net profit during 2013 and this profit was LTL 2,646 thousand greater than profit before tax. The Company took advantage of investment incentive provided for in the Law on Profit Tax and formed deferred profit tax assets, which amounted to LTL 4,034 thousand.

The Company's gas transmission activity is subject to regulation, thus the main reason for low profitability of the Company is the fact that depreciation and amortization expenses in financial statements are much greater than those recognized by the NCCPE when setting the natural gas transmission price cap. Chart 10 illustrates profitability ratios.

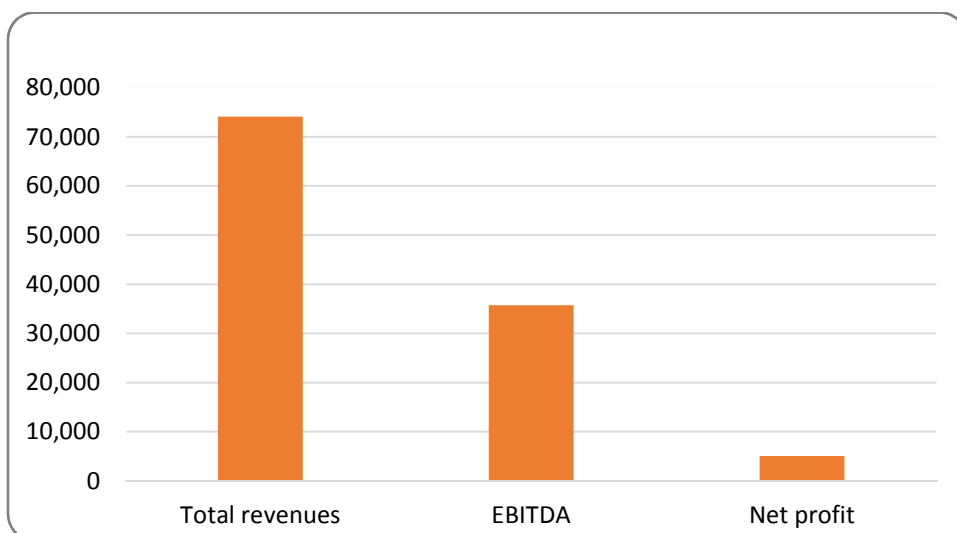


Chart 9: Financial results, thousand LTL

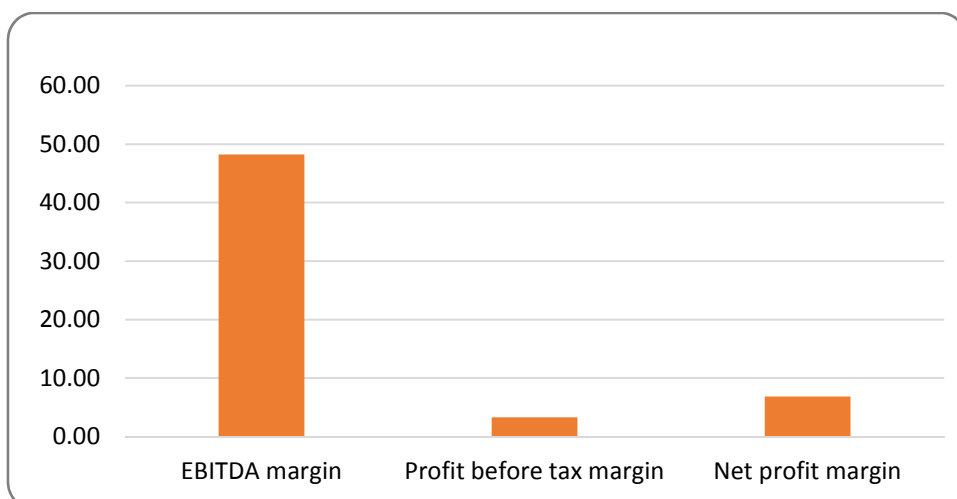


Chart 10: Profitability, per cent

Investments

During 2013, LTL 91,840 thousand (during 2012 - LTL 110,740 thousand) was invested into the development and modernization of the transmission system (from the beginning of 2013 till 31 July 2013 - by AB Lietuvos Dujos, from 1 August 2013 till the end of 2013 - by Amber Grid). In 2013, 70% of funds was invested into new gas system construction objects, 30% was allocated for investments into gas system reconstruction and modernization.

49% of investments into the transmission system were financed from the EU financial assistance funds. During 2013, assistance in the amount of LTL 45,108 thousand (in 2012 - LTL 23,778 thousand) was received.

Amber Grid investments amounted to LTL 39,381 thousand since the establishment of the Company in 2013 (Chart 11). The Company took over and continued investment projects planned and started by AB Lietuvos Dujos.

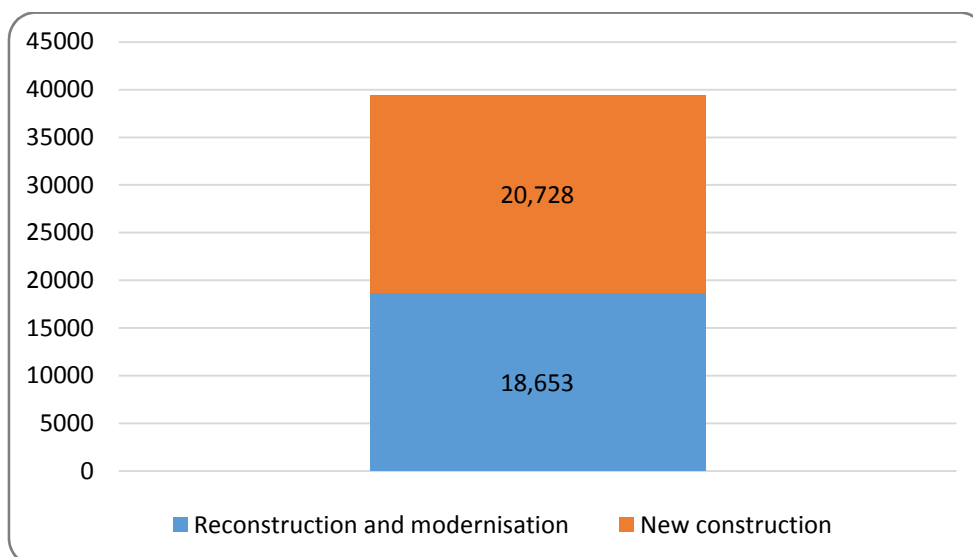


Chart 11: Investment structure, thousand LTL.

Assets

The value of assets amounted to LTL 1,748,927 thousand at the end of 2013. As of the end of 2013, the non-current assets accounted for 90.6% and the current assets - for 9.4% of the total assets of the Company.

During the period from August to December 2013, the value of non-current assets increased by 0.5%, or LTL 7,067 thousand, mostly due to investments into gas transmission pipelines and installations thereof. The value of current assets increased by 38.7% (LTL 46,064 thousand). Amounts receivable from buyers increased due to the seasonal nature - more gas is transported in winter time than during warm season. Other amounts receivable and other financial assets increased mainly due to debts and funds of the LNG terminal already received but not yet paid out.

Equity and liabilities

The Company's equity increased by 0.42% (LTL 5,071 thousand) during August - December 2013 and at the end of the year amounted to LTL 1,208,560 thousand. Equity at the end of the reporting period accounted for 69.1% of the total assets of the Company.

Amounts payable and liabilities increased by 9.74% (LTL 47,954 thousand) during August - December 2013 and at the end of the year amounted to LTL 540,367 thousand. Amounts payable increased mainly due to accumulated and not yet paid LNG terminal funds. The increase in trade debts was mainly determined by amounts payable to the Company's contractors.

Financial debt of the Company as of the end of 2013 accounted for LTL 180,201 thousand and during August - December 2013 remained essentially unchanged (Chart 12).

Retained earnings, including the profit received from the transmission activity of AB Lietuvos Dujos in January-July 2013 and transferred to the Company under the Terms and Conditions of the Spin-Off (LTL 9,996 thousand), amounted to LTL 15,067 thousand.

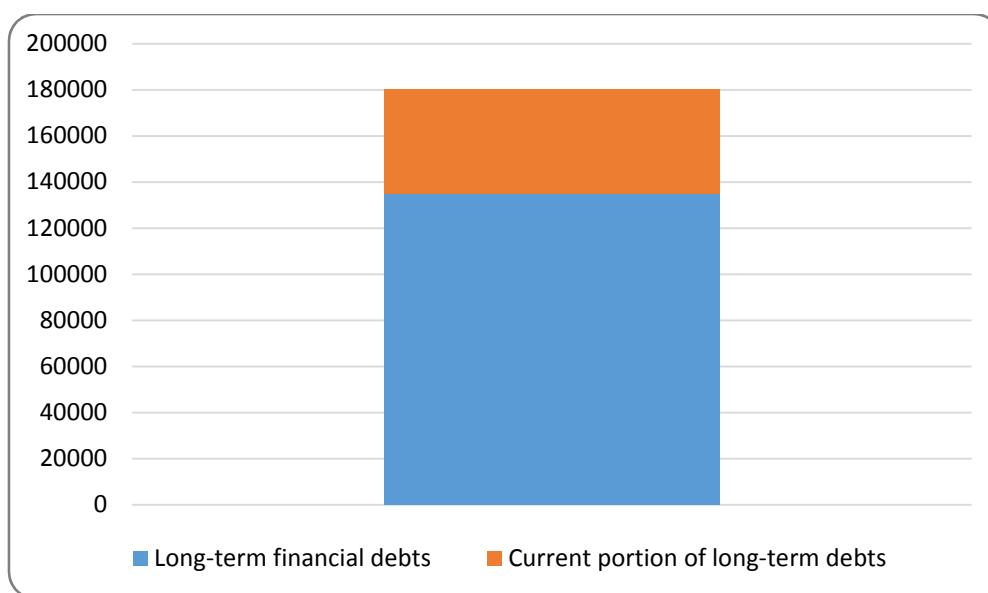


Chart 12: Financial debt structure, thousand LTL.

Cash flows

The Company's cash flows from its operating activities were positive in 2013 and amounted to LTL 33,221 thousand. Investment activities required investments in the amount of LTL 39,026 thousand, however, a part of these investments was funded from the EU assistance funds. Annual cash flow of the Company was positive and this allowed maintaining unchanged level of financial debts.

For more information on the financial results of the Company, see the Company's financial statements for 2013.

References and additional notes on the data provided in the annual financial statements

Other information is presented in the notes of audited annual financial statements of Amber Grid for 2013.

BUSINESS PLANS AND FORECASTS

Strategic infrastructure and other projects aimed at the enhancement of the efficiency of the Company's activities and cost optimization will be implemented in 2014. In 2014, actions will be undertaken in order to receive financial assistance for the implementation of GIPL and KKP projects under the EU's Connecting Europe Facility. Completion of the KKP project is planned by the end of 2015 and of the GIPL project - by the end of 2018.

The forecast is that in 2014 the Company will transport via its transmission system about 2.5 BCM of natural gas to consumers of Lithuania.

RISK MANAGEMENT

The Company faces the following main risks in the performance of its activities: regulation-related risk, competition-related risk, natural gas purchase/ sale price fluctuation risk, credit risk, technology-related risk and macroeconomic factors-related risk.

Information on gas purchase price fluctuation risk, credit risk and other financial risks is presented in financial reports of the Company for 2013.

The macroeconomic factors-related risk

Lithuania's economic situation and economic development trends, price of natural gas as a product to the end-user have an impact on gas transmission volumes and investments into the development of gas transmission pipelines. Natural gas transmission volumes that have been decreasing during the previous years in Lithuania have a negative effect on the Company's financial results. However, the Company's activity is subject to regulation, thus it, under the supervision of the NCCPE, is undertaking various measures necessary for the ensurance of the stability, sustainability and development of its activities.

The regulation-related risk

The regulation-related risk is closely related to changes in the legal environment and decisions taken by regulatory authorities. Natural gas transmission tariffs and investments into the natural gas transmission systems are subject to state regulation. The Company directly cooperates with regulatory authorities and takes an active part in the legal acts drafting process.

The competition-related risk

The Company's activity results are affected by competition in the fuel market. Increasing consumption of alternative fuel types replacing natural gas leads to decreasing demand for natural gas. High natural gas prices also have an impact in decision-making with regard to the selection of alternative fuel types.

The technology-related risk

One of the main objectives of the Company is to ensure safe, reliable and efficient operation of the natural gas transmission system. Quite a number of pipelines operated by the Company are 30 - 50 years old, thus proper maintenance of the transmission system requires special attention. The Company has prepared a strategy for the ensurance of safety and reliability of the transmission system and the activity plan for the implementation thereof.

THE COMPANY'S INTERNAL CONTROL SYSTEM

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

To ensure that the financial statements are prepared correctly, Amber Grid has adopted the Accounting Policies and Procedures Manual governing the principles, methods and rules of accounting and preparation and presentation of financial statements. Moreover, seeking to ensure that financial statements are

prepared in a timely manner, deadlines for presentation of accounting documents and preparation of reports are regulated by internal rules approved by the Company.

“Four-eye” principle is followed in the preparation of the financial statements. Accounting Department is in charge for overseeing the preparation of financial statements and final review thereof. Also, the Audit Committee monitors the process of the preparation of the financial statements.

On 11 December 2013, shareholders of Amber Grid made a decision to form an Audit Committee and approved the provisions on the formation of the Audit Committee and its activities. The composition of the Audit Committee is indicated in part III of this annual report *Management of the Company*.

The following are the main functions of the Audit Committee:

- Monitor the Company’s financial reporting process;
- Provide recommendations to the Board of Directors related to the selection of an independent audit company;
- Monitor the effectiveness of the Company’s internal control and risk management systems;
- Monitor how an independent auditor and audit company complies with the principles of independence and objectivity, oversee the Company’s audit processes.

The Company has an established position of an Internal Auditor. The aim of the Internal Auditor is to help implement the business goals of the Company by a systematic and comprehensive assessment of risk management and internal control.

III. MANAGEMENT OF THE COMPANY

Information on the observance of the Code of Governance

The Company has disclosed the information regarding the observance of the provisions of the Code of Governance. All the information is available on the Company's website www.ambergrid.lt and the Central Database of Regulated Information www.crib.lt.

Authorized share capital

The authorized capital of the Company is LTL 178,382,514. It consists of 178,382,514 ordinary registered shares with par value of LTL 1 each. In 2013, the par value of shares did not change. All shares are fully paid.

During 2013, the value of the authorized capital and the structure of shareholders did not change.

Shares and rights of shareholders

The number of shares granting votes in the General Meeting of Shareholders coincides with the number of issued shares and amounts to 178,382,514 pieces. Shares of Amber Grid entitle to equal property and non-property rights and not a single shareholder of the Company holds any special rights of control. In accordance with the Bylaws of the Company, decisions on issuing new shares and on acquisition of own shares shall be adopted exclusively by a resolution of the General Meeting of Shareholders.

Amber Grid has not been informed of any mutual agreements between shareholders that may limit the transfer of securities and (or) voting rights. There are no restrictions of voting rights in the Company.

In 2013, the Company did not acquire its own shares and it did not conclude any transactions related either to acquisition or disposal of its own shares.

Shareholders

The Terms and Conditions of the Spin-off of AB Lietuvos Dujos established that the shares of the Company and AB Lietuvos Dujos continuing its activities after unbundling shall be distributed to all shareholders in proportion to their shares in the authorized capital of AB Lietuvos Dujos, while only those persons, who were shareholders on the day when Amber Grid was registered in the Register of Legal Entities, shall be entitled to receive the shares of Amber Grid. The Company and its Bylaws were registered on 25 June 2013.

According to data of 31 December 2013, Amber Grid was controlled by 2,699 natural and legal Lithuanian and foreign residents, 3 of them controlled share portfolios of the Company greater than 5%.

Shareholder	Office address/ company code	Number of shares held by the right of ownership, pcs.
E.ON Ruhrgas International GmbH (Germany)	Brüsseler Platz 1, 45131 Essen, Germany/ HRB 21974	69,416,233
OAo Gazprom (Russia)	16 Nametkina St., Moscow, Russian Federation/ 1027700070518	66,112,761
Ministry of Energy of the Republic of Lithuania	Gedimino pr. 38, Vilnius, Lithuania/ 302308327	31,575,724
Small shareholders		11,277,796
Total:		178,382,514

Table 4: Shareholders of the Company

The structure of shareholders of the Company is illustrated in Chart 13.

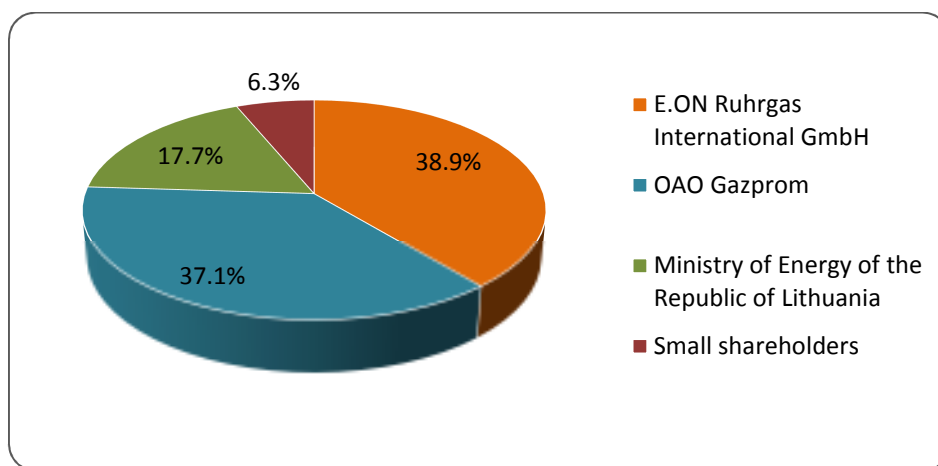


Chart 13: Structure of shareholders as of 31 December 2013.

E.ON Ruhrgas International GmbH is a holding company which is part of the E.ON Group. The E.ON Group is one of the world's largest energy companies. The activities of E.ON include, *inter alia*, energy generation from traditional and renewable energy sources as well as exploration, supply, storage, sales, distribution of natural gas and energy trading activities.

OAO Gazprom is a global energy company. Its activities include geological exploration, production, transportation, storage, processing and marketing of natural gas, also, production and sales of condensing gas and oil, gas as vehicle fuel, and trade in heat and electric energy.

The Ministry of Energy of the Republic of Lithuania is a state institution in charge of the energy sector public administration functions (delegated to it by laws and other legislation) and the implementation of state strategic goals and policies in the energy sector.

The Company's shareholders – E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania whose shares are held in trust by the Ministry of Energy of the Republic of Lithuania - jointly control 93.7% of the Company's shares and have a casting vote when making decisions at the General Meeting of Shareholders.

Restructuring of the Company's control

In the implementation of the requirements of the EU's Third Energy Package and Law on Natural Gas of the Republic of Lithuania, natural gas transmission activity carried out by the Company will have to be unbundled from the natural gas production and supply activity by 31 October 2014, unbundling the ownership of the transmission system from natural gas companies engaged in production and supply activities.

Pursuant to these legal acts, members of management bodies of the Company are not entitled to be members of a management body or the representative body of companies engaged in production or supply activities or a sole manager of these companies.

Shareholders of the Company E.ON Ruhrgas International GmbH and OAO Gazprom are engaged in the natural gas production and supply activities, thus the reorganization of the Company's control shall be performed by 31 October 2014, as provided for by the Law on Natural Gas of the Republic of Lithuania and its implementing regulations.

Data about trading in the Issuer's securities on the regulated markets

As from 1 August 2013, the Company's shares are traded on the regulated market; they are quoted on the Secondary List of the NASDAQ OMX Vilnius Stock Exchange.

Main data about Amber Grid shares	
ISIN code	LT0000128696
Symbol	AMG1L
Number of shares (pcs.)	178,382,514

Table 5: Main data about Amber Grid shares

In 2013, the turnover of the trading in the Company's shares amounted to LTL 1.6 million, 696,871 shares were disposed of through the concluded transactions.

In August-December 2013, OMX Baltic Benchmark PI and OMXV indices of the Stock Exchange NASDAQ OMX, reflecting stock price developments of securities of all companies listed on the Baltic States and Vilnius Stock Exchanges correspondingly decreased by 3.36% and increased by 2.5%. Meanwhile, the value of the Company's shares increased by 8.11% over the same period. The Company's share price dynamics is presented in Table 6.

Opening price, LTL 01-08-2013 ⁴	Highest price per share, LTL 13-12-2013	Lowest price per share, LTL 02-09-2013	Weighted average price per share, LTL	Closing price, LTL 30-12-2013
2.341	2.517	2.141	2.366	2.517

Table 6: Share price dynamics at NASDAQ OMX Vilnius, August-December 2013

Amber Grid share capitalization as at the end of 2013 amounted to LTL 449.0 million. Data of the Company's share price and turnover (August - December 2013) are presented in Chart 14.

⁴Since the trading of Amber Grid shares was started on 1 August 2013, the table indicates the closing price of the first trading day.

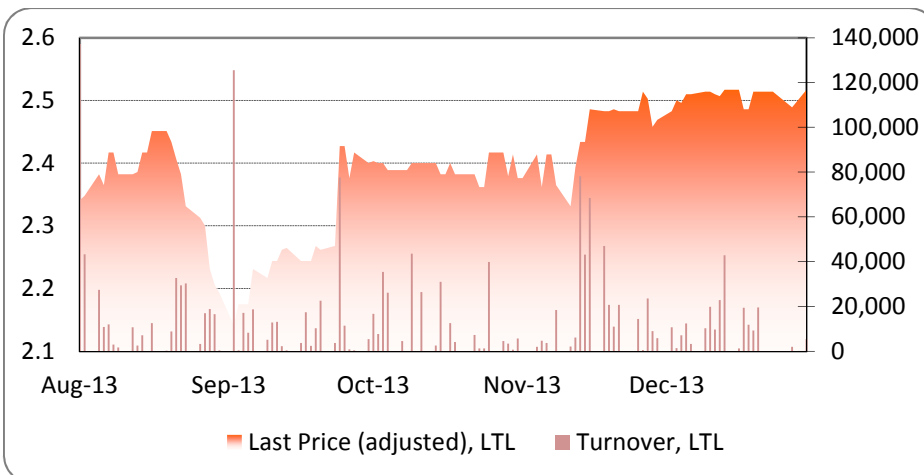


Chart 14: Amber Grid share price and turnover, August - December 2013

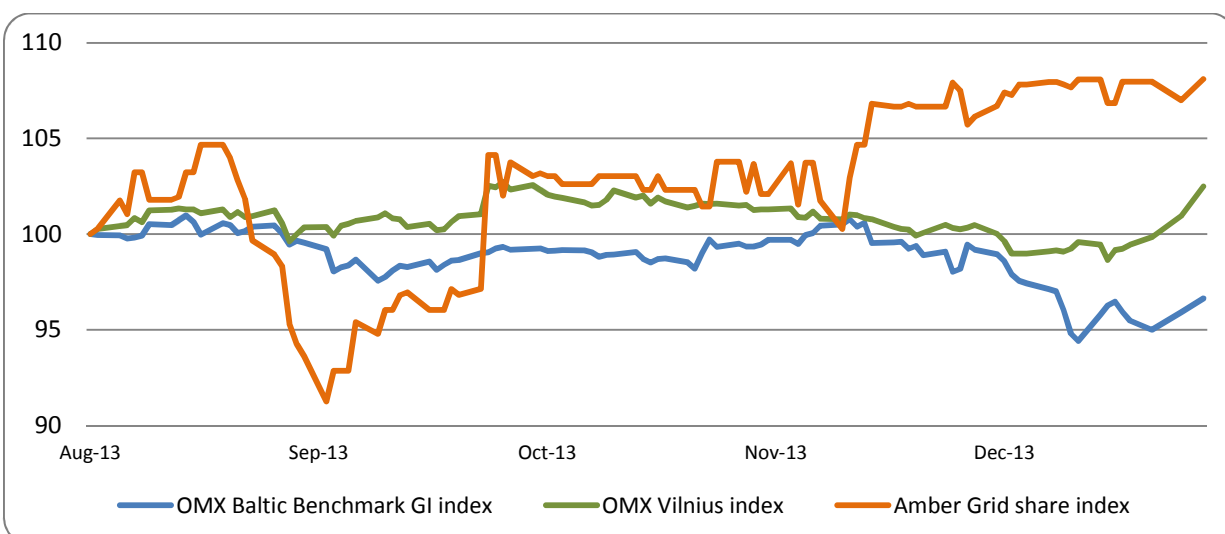


Chart 15: Fluctuations of Amber Grid share price, OMX Vilnius and OMX Baltic Benchmark PI Indices, August - December 2013

OMX Baltic Benchmark PI and OMXV indices are total return indices that include all shares listed on the Main and the Secondary lists of the stock exchanges. The indices do not include shares of those companies where one shareholder controls 90% or more of the issued shares. The indices reflect the current situation and developments on the Baltic States and Vilnius Stock Exchanges. Fluctuations of the Company's share price, OMX Vilnius and OMX Baltic Benchmark PI indices (August - December 2013) are illustrated in Chart 15.

Dividends

The payment of dividends to the shareholders of the Company depends on the profitability, investment plans and the overall financial situation of the Company. Moreover, an obligation applied by banks by default to obtain a respective bank's approval prior to paying dividends to shareholders of the Company is established by a credit agreement.

The Draft Profit Appropriation to be submitted to the General Meeting of Shareholders provides for the dividend in amount of LTL 15.067 thousand or LTL 0.084 per share. Following applicable laws, dividends are paid to those shareholders, who will be shareholders of the Company at the end of the 10th working day after the ordinary General Meeting of Shareholders, i.e. on 15 May 2014. Dividends will be paid out to shareholders in cash.

Agreements with intermediaries of public trading in securities

On 26 June 2013, Amber Grid concluded an agreement with AB SEB bank regarding the accounting of securities issued by the Company and the provision of services related to securities accounts.

AB SEB bank details	
Company code	112021238
Registered office address	Gedimino pr. 12, Vilnius, Lithuania
Telephone number	+370 5 268 2800, short 1518
E-mail	info@seb.lt
Website	www.seb.lt

Management structure

The Company's activities are governed by the Law on Companies, Law on Securities, the Bylaws of the Company as well as other applicable legal acts of the Republic of Lithuania. The competence of the General Meeting of Shareholders of the Company, rights of the shareholders and the implementation thereof are as prescribed in the Law on Companies of the Republic of Lithuania and the Bylaws of the Company.

The Bylaws of the Company provide for the fact that the Bylaws may be amended by a decision of the General Meeting of Shareholders taken by a majority vote that has to be no less than 2/3 of all the votes carried by the shares held by shareholders attending the General Meeting of Shareholders.

The Bylaws provide for the following governing bodies:

- The Board of Directors,
- The Chief Executive Officer of the Company - General Manager.

According to the Bylaws, the Board of Directors of the Company consists of 5 (five) members elected for a period of three years in accordance with the procedure provided for in the Law on Companies. Members of the Board of Directors elect the Chairman of the Board. The Chairman of the Board of Directors and his Deputy are elected for a period of two years by rotation. Members of the Board of Directors may be re-elected for another term of office. Powers of the members of the Board of Directors and the fields of activity of the Chief Executive Officer of the Company are as prescribed by the Law on Companies and the Bylaws of the Company, there are no exceptions with regard to any powers of the members of the Board of Directors or the Chief Executive Officer subject to additional notification.

The Company has no branches or representative offices.

Information about Amber Grid members of the Board of Directors, General Manager and Chief Accountant is presented in Table 7.

Position title	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Chairman of the Board of Directors	Dr. Rainer Link	June 2013	June 2016	-	-
Deputy Chairman of the Board of Directors	Dr. Aleksandr Frolov	June 2013	June 2016	-	-
Member of the Board of Directors	Mario Nullmeier	June 2013	June 2016	-	-
Member of the Board of Directors	Dr. Aleksandras Spruogis	June 2013	June 2016	-	-
Member of the Board of Directors	Nikolay Vasilyev	June 2013	June 2016	-	-
General Manager	Saulius Bilys	June 2013	June 2016	-	-
Chief Accountant	Dzintra Tamulienė	June 2013	-	-	-

Table 7: Information about members of the Board of Directors, General Manager and Chief Financial Officer

During the reporting period, no pay-outs were calculated for members of the Board of Directors.

Salaries calculated for the General Manager and Chief Accountant of the Company during the reporting period totalled LTL 209,032, averaging LTL 104,516 per person (General Manager and Chief Accountant).

Employment agreements of the General Manager of the Company and his Deputies establish agreements providing for compensation should they resign or be dismissed for no valid reason, or should their employment be terminated due to the reorganization of control of the Company.

Information about members of the Audit Committee is presented in Table 8.

Position title/ place of employments	Name, surname	Start of term	End of term	Participation in the capital of the Issuer	
				Share of the authorized capital held, %	Share of the votes held, %
Independent member, UAB AV Auditas	Vaida Kačergienė	December 2013	June 2016	-	-
Member, Amber Grid	Valdemaras Bagdonas	December 2013	June 2016	0.00013	0.00013

Table 8: Information about the members of the Audit Committee

Information on the transactions between associated parties is presented in the financial statements of the Company for 2013.

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

During the reporting period, the Company has not concluded any detrimental transactions (non-compliant with the Company's objectives, the existing normal market conditions, in breach of interests of the shareholders or other groups of persons, etc.) or transactions concluded in presence of the conflict of interest between the obligations to the Company of the executives, controlling shareholders or other related parties of the Company and (or) their private interest and (or) other obligations.

Material events after the end of the financial year

On 12 February 2014, the Government of the Republic of Lithuania adopted a resolution establishing that 31,575,724 non certified ordinary registered shares of AB Amber Grid owned by the state, with a par value of LTL 1 each, granting 17.7% of votes in the General Meeting of Shareholders of the Company are being transferred to UAB EPSO-G as the additional contribution to the share capital of UAB EPSO-G with the purpose to increase the share capital of UAB EPSO-G.

On 21 February 2014, UAB EPSO-G acquired 31,575,724 non certified ordinary registered shares of AB Amber Grid, granting 17.7% of votes in the General Meeting of Shareholders of the Company.

IV. MATERIAL EVENTS IN THE ACTIVITIES OF THE COMPANY

In the performance of its obligations under the applicable laws governing the securities market, the Company publishes material events and other regulated information EU-wide. Information published by the Company can be found on the Company's website (www.ambergrid.lt) and on the website of AB NASDAQ OMX Vilnius (www.nasdaqomxbaltic.com).

In 2013, Amber Grid⁵ published the following information on material events:

Date	Material event
31-01-2013	Regarding the Terms and Conditions of the Spin-off of AB Lietuvos Dujos prepared and submitted to the NCCPE for approval
28-02-2013	The Commission approved the Terms and Conditions of the Spin-off of the natural gas transmission activity of AB Lietuvos Dujos
07-03-2013	Regarding the publication of the Terms and Conditions of the Spin-off of AB Lietuvos Dujos
15-05-2013	On convening the first General Meeting of shareholders of AB Amber Grid
11-06-2013	Regarding the resolution adopted by the First Meeting of shareholders of AB Amber Grid
11-06-2013	Regarding resolutions of the Board of Directors of AB Lietuvos Dujos
19-06-2013	Regarding the consideration of information submitted in the documentation on the Spin-off of AB Lietuvos Dujos to be equivalent to the information of the prospectus of AB Amber Grid
26-06-2013	Regarding the registration of a new company AB Amber Grid established following the Spin-off of AB Lietuvos Dujos and its Bylaws
27-06-2013	Regarding the AB Lietuvos Dujos transmission price cap and specific natural gas transmission service tariffs effective to the new company AB Amber Grid
11-07-2013	Notice regarding changing the accounting records of AB Lietuvos Dujos shares
18-07-2013	Regarding the revocation of natural gas transmission license for AB Lietuvos Dujos and issuance of a fixed-term natural gas transmission license to AB Amber Grid
01-08-2013	Notice regarding the inclusion of AB Amber Grid shares in the Secondary List of NASDAQ OMX Vilnius
02-08-2013	Notification on the Spin-off of the assets, rights and obligations of AB Amber Grid from AB Lietuvos Dujos
21-08-2013	On the preparation of the final Spin-off Balance Sheet
11-10-2013	On the natural gas price cap for 2014
31-10-2013	Pre-audited results of AB Amber Grid for Q3 of 2013
31-10-2013	Regarding new Tariffs for natural gas transmission services
31-10-2013	On convening an extraordinary General Meeting of Shareholders of AB Amber Grid.
19-11-2013	New Tariffs set for natural gas transmission services
11-12-2013	Regarding resolution adopted by the Extraordinary General Meeting of shareholders of AB Amber Grid.

All public notices that are to be published in accordance with the procedure established by laws are posted in the electronic publication of the Administrator of the Register of Legal Persons. Notifications on convening a General Meeting of Shareholders of the Company as well as other material events are published in accordance with the procedure established by the Law on Securities of the Republic of

⁵During the period from 1 January 2013 till 31 July 2013 notices on material events related to natural gas transmission activities were published by AB Lietuvos Dujos

Lithuania on the Central Database of Regulated Information www.crib.lt and the Company's website www.ambergrid.lt. Where shareholders' holdings entitle them to at least 10% of the total voting rights, notices to such shareholders on convening a General Meeting of Shareholders are sent in accordance with the procedure established in the Bylaws of the Company.