AMBER GRID CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF-YEAR OF 2022

Vilnius
2022

INTERIM REPORT FOR THE FIRST HALF-YEAR OF 2022

TABLE OF CONTENTS

1. OVERVIEW

The Interim Report for the First Half-year covers the reporting period for the first half of 2022.

1.1. BASIC DETAILS

Name	Amber Grid AB (hereinafter referred to as "Amber Grid" or the "Company")
Legal form	Public limited liability company
Date of registration and name of register	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Manager of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised share capital	EUR 51,730,929.06
LEI code	097900BGMP0000061061
Registered office address	Laisvės pr. 10, LT-04215 Vilnius, Lithuania
Phone	+370 5 236 0855
Email address	info@ambergrid.lt
Official website	www.ambergrid.lt

Amber Grid, Lithuania's gas transmission system operator, ensures reliable and safe transmission of natural gas to its customers through high-pressure gas pipelines. The Company is responsible for the operation, maintenance and development of the Lithuanian gas transmission infrastructure, which consists of a network of nearly 2,300 km-long gas pipelines and two gas compressor stations. A well-developed gas transmission infrastructure in Lithuania is convenient for transportation of large volumes of energy to the Baltic States and Finland.

In 2021, the Company implemented a strategic energy project GIPL (Gas Interconnection Poland-Lithuania). The international gas interconnection, which became operational on 1 May 2022, not only connected the Polish and Lithuanian gas transmission systems, but also the Baltic and Finnish gas markets with the rest of the European Union. To achieve the decarbonisation goals of set for the gas sector, Amber Grid takes active measures to look into new technological and market solutions and create conditions for adapting the Lithuanian gas transmission system to the transportation of green gas, including hydrogen. Amber Grid also manages the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES).

Amber Grid is part of the EPSO-G UAB group of companies (hereinafter referred to as "EPSO-G" or "EPSO-G Group"). EPSO-G is a state-owned group of energy transmission and exchange companies, and UAB EPSO-G acts as a holding company of EPSO-G Group, with its shareholder's rights and obligations implemented by the Ministry of Energy of the Republic of Lithuania. For more information on EPSO-G UAB and EPSO-G Group, see the official website at www.epsog.lt.

Amber Grid owns 100% of the authorised share capital of GET Baltic UAB. GET Baltic is a company holding the natural gas market operator license, organising and conducting trade on natural gas exchange in Lithuania, Latvia, Estonia and Finland. For more information on GET Baltic, please visit www.getbaltic.com.

The Company has no branches or representative offices.

INTERIM REPORT FOR THE FIRST HALF-YEAR OF 2022

AMBER GRID'S VISION

An environmentally friendly, innovative energy company in the integrated European gas network.

AMBER GRID'S MISSION

To develop the system that enables competition and the use of climate-friendly energy.

1.2. PERFORMANCE INDICATORS

Table 1. The Company's performance indicators, H1 2020 - H1 2022

	H1 2022	H1 2021	H1 2020
Volume of gas transported to the domestic exit point, GWh	9,564	14,707	12,556
Quantity of gas transported to adjacent systems[1] , GWh	22,715	14,371	14,877
Number of system users at the end of the period	119	106	109
Length of trunk gas pipelines, km	2,285	2,115	2,115
Number of gas distribution stations and gas metering stations	68	67	68
Number of employees at the end of period	327	317	318

1.3. SIGNIFICANT EVENTS

January

- Amber Grid started to develop a roadmap for the national development of hydrogen technology in Lithuania. It is prepared together with the consultants awarded the public tender, namely, Baringa Consulting Limited, a UK-based consultancy company, in cooperation with Civitta, an international management consultancy company.
- On 28 January 2022, the Management Boards of Amber Grid and EPSO-G adopted the decision to announce the selection of a strategic partner for the subsidiary's gas exchange, GET Baltic, which would be offered to acquire a stake in the company. The public tender is organised to attract an experienced strategic partner that can offer the region's gas market participants a modern, advanced solution-driven gas trading platform with both short and long-term products and clearing services in line with market best practice. The tender started on 1 February 2022. The successful bidder is expected to be selected in 2022.

February

- 1 February 2022, Amber Grid joined the European Hydrogen Backbone, the largest hydrogen initiative in Europe, to strengthen its position in hydrogen research and development. This initiative brings together 31 gas and energy infrastructure operators in 28 European countries with a common vision of a climate-neutral Europe. The initiative aims to make a significant contribution to the creation of a market for renewable resources as well as green and low-carbon hydrogen.

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

- 3 February 2022, Amber Grid joined the EnergyTech Digital group, formed by INFOBALT, the Lithuanian digital technology sector association, and EPSO-G, the energy group. It promotes the wider use of digital technologies in the energy sector and close market cooperation.
- On 10 February 2022, in preparation for the doubling of gas transmission capacity between Lithuania and Latvia, Amber Grid signed a EUR 2.8 million ELLI project contract with MT Group, the energy contracting company that was awarded the public tender, for one of the ELLI project's contract stages - reconstruction of the Kiemėnai gas metering station. The contract will involve modernisation of the Kiemėnai gas metering station at the gas entry-exit point at the Lithuanian-Latvian border. The contract works are scheduled to be completed by the second quarter of 2023 and the entire ELLI project is expected to be completed by 2024.

March

- 25 March 2022, Amber Grid signed contracts to upgrade two gas distribution stations in Šiauliai and Telšiai. The works worth EUR 4.5 million will be carried out by Alvora UAB, which won a public tender. The project is implemented following the approval of a EUR 2 million EU grant for the modernisation of these stations.

April

- On 1 April 2022, in order to achieve full energy independence from Russian gas and in response to Russia's energy blackmail in Europe and the war in Ukraine, Lithuania completely switched away from Russian gas: since April, Lithuania's gas transmission system has been operating without Russian gas imports.
- The Ordinary General Meeting of Shareholders held on 20 April 2022 elected three new members to the Management Board of Amber Grid who will carry out their duties until the end of its term of office: Vytautas Bitinas and Dalius Svetulevičius, nominated by the parent company UAB EPSO-G, and a public servant Karolis Švaikauskas.
- The Ordinary General Meeting of Shareholders of Amber Grid held on 20 April 2022 resolved to distribute the Company's profit for 2021 setting the dividend per share at EUR 0.0555.
- The Board of Amber Grid elected Vytautas Bitinas, Director of Strategy and Development of EPSO-G, as the Chairman of the Board, at its meeting held on 27 April 2022. He is responsible for the development, management and oversight of the Group's strategy.

May

- The GIPL pipeline connecting Lithuania and Poland became operational on 1 May 2022, as planned. From day one, the new gas interconnector will carry physical and commercial gas flows. The 508 km long GIPL pipeline connecting Lithuania and Poland has effectively expanded the European gas market by integrating the Baltic States and Finland. This step further has strengthened the region's energy independence and increased the potential of the Klaipėda LNG terminal.
- The GIPL pipeline was officially opened on 5 May 2022. The opening ceremony took place at the Jauniūnai Gas Compressor Station, one of the main hubs of Lithuania's gas pipeline system, where the GIPL gas pipeline to Poland starts. The ceremony was attended by the Presidents of Lithuania, Poland and Latvia, the European Commissioner for Energy, and the Baltic and Polish Ministers responsible for energy.
- 20 May 2022, Amber Grid set the prices for gas transmission services for 2023. The average gas transmission price for Lithuanian consumers in 2023 will be EUR 1.39 per megawatt-hour (EUR/MWh). The price was fixed taking into account the increase in the cap on regulated revenues approved by the National Energy Regulatory Council (NERC) in May. The cost of the gas transmission service represents less than 2% of the final gas price paid by consumers. Compared to the average price for 2022 (EUR 1/MWh), it will increase by 39% next year, returning to the level of the 2021 gas

transmission price (EUR 1.40/MWh). For 2023, the NERC has set a revenue cap of EUR 64.17 million for Amber Grid's regulated gas transmission activities, which is almost 59% higher than in 2022.

June

- On 9 June 2022, Amber Grid signed three contracts for reconstruction of gas distribution stations in Kėdainiai, Vievis and Grigiškės. The total cost of the contracts with MT Group, the winner of the public tender, is EUR 7.6 million. The reconstruction of the three facilities is planned to be completed by mid-2023. All three gas distribution stations will be modernised in parallel, at the same time. Modernisation of these gas system elements has received support worth EUR 3 million from the European Union, with the aim of replacing obsolete equipment with modern technology that meets the highest environmental, efficiency and safety standards.

1.4. MEMBERSHIP

The Company has membership in the following organisations: the European Network of Transmission System Operators for Gas ENTSOG (www.entsog.eu), Association *Polish and Lithuanian Chamber of Commerce*, the National Lithuanian Energy Association, the Lithuanian Liquefied Natural Gas (LNG) Platform, the EASEE-Gas Association, the European Renewable Gas Registry (ERGaR), the Association of Issuing Bodies (AIB), the European Clean Hydrogen Alliance (ACE), the Lithuanian Hydrogen Platform, the Lithuanian Hydrogen Energy Association, Association INFOBALT, and the European Hydrogen Backbone Initiative:

- ENTSOG was established under Regulation (EC) No. 715/2009 of the European Parliament and of the Council as an organisation facilitating cooperation between the gas transmission system operators at the European Community level.
- Association *Polish and Lithuanian Chamber of Commerce* is a bilateral organisation for economic cooperation between Lithuania and Poland. The Association collects information for its members on the emerging business opportunities in both countries, cooperates with organisations and individuals involved in business management and development, and organises conferences and events on various subjects.
- The 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 with the state authorities, public and international organisations, seeks to develop and improve energy and gas supply conditions for the domestic consumers, and promote the economic and technical progress of the energy economy.
- The Lithuanian Liquefied Natural Gas (LNG) Platform was established in 2017.The Platform partners aim to promote the use of LNG as a new, cleaner and less noisy fuel in the transport, industrial and other sectors of the economy in order to build a single information and operation platform for all potential LNG market participants.
- EASEE-Gas association was founded to develop and promote simplified and streamlined physical gas transport and gas trading across Europe.
- The aim of the ERGaR Association is to promote, develop and maintain a reliable, EU-compliant system to enable cross-border trade in certificates of origin for renewable gases via the European natural gas network, while preventing double sale and double counting of renewable gas.
- The aim of the AIB Association is to establish and develop a standardised system for the exchange of energy guarantees of origin between the issuing bodies of guarantees of origin in the European Union and the Member States of the European Economic Area, in order to ensure a reliable, transparent and cost-effective cross-border exchange of energy guarantees of origin.

- Amber Grid is a member of the European Clean Hydrogen Alliance, which aims to contribute to the objectives of the EU Hydrogen Strategy in order to support the scaling up of renewable hydrogen value chain across Europe.
- Amber Grid is a member of the Lithuanian Hydrogen Platform set up under the Ministry of Energy. The Platform aims to assist with the implementation of the goals of the EU Hydrogen Strategy to support the scaling up of renewable hydrogen value chain. It also promotes the use of hydrogen as a clean fuel, energy source and carrier in the transport, industrial, energy and other sectors of the economy, as well as promotes engagement of local businesses and organisations in the activities of the hydrogen value chain as they develop and manufacture products and prove services for the domestic and internal needs.
- Amber Grid is a member of the Lithuanian Hydrogen Energy Association. The Association brings together the local scholars and business organisations and participates in the formation of national, regional and EU policies and objectives, including the preparation of strategy and action plan for the development of hydrogen within the legislative process of legal acts regulating the hydrogen energy sector in Lithuania; also contributes to the proposal of legislative initiatives that would promote local development of hydrogen technology, thereby ensuring cross-sectoral integration of hydrogen and deployment of related technologies; and promotes joint initiatives in research, experimental development and innovation activities.
- Amber Grid is a member of association INFOBALT. INFOBALT is an association of the information, communication and technology sector, which aims to create the best conditions for the application, market development and export of technology. In cooperation with partners of this association, Amber Grid develops EnergyTech, a think tank cooperation platform of energy, science and IT, bringing together energy businesses, the scientific community and the most advanced and experienced IT and technology companies. The EnergyTech platform sees itself in 3 directions: as a bank of innovative ideas and a centre of exportable competences; as a space of like-minded professionals for an effective dialogue to foster innovation in the energy sector; as a leader engaging the Lithuanian, regional and international community to ensure a sustainable energy future.
- Amber Grid has joined the European Hydrogen Backbone, a European hydrogen development initiative that is developing a vision for hydrogen transport infrastructure across Europe.

2. BUSINESS ENVIRONMENT

2.1. BUSINESS ENVIRONMENT AND PROPSECTS

As of 1 April 2022, Lithuania has completely switched away from Russian gas in order to achieve full energy independence from Russian gas, in response to Russia's energy blackmail in Europe and to the war in Ukraine, thus Lithuania's gas transmission system operates without Russian gas imports. Lithuania's entire gas demand is met through the Klaipėda Liquefied Natural Gas (LNG) terminal.

Gas continues to be transported in transit through Lithuania for the needs of Kaliningrad Oblast, but under a different technical regime from the usual one, ensuring the transmission of only the volume of gas needed for transit.

The emptying of gas storage facilities in the winter of 2021-2022 and the recovery of the world's economies after the pandemic have significantly boosted gas price indices on international exchanges. In the first half of 2022, 19.1 terawatt hours (TWh) of gas were delivered to Lithuania, excluding transportation to Kaliningrad Region. This is 124% of the same period last year, when 15.4 TWh of gas was transported to Lithuania. 7.8 TWh of gas was transported via pipeline to Latvia for the needs of the other Baltic States and Finland, an increase of 14 times compared to the first half of 2021, when 0.6 TWh of gas were transported towards the Baltic States. 1.5 TWh of gas were transported via pipeline interconnectors to Poland.

Gas consumption in Lithuania was lower in the previous period of 2022. In the first half of 2022, Lithuania consumed 9.6 TWh of gas, which is 35% less than last year's demand of 14.7 TWh. The lower gas consumption is due to high gas prices.

The Klaipėda LNG terminal remains the most important source of gas supply for Lithuania and the Baltic States. In the first half of 2022, the terminal supplied 13 TWh or 68%, Latvia supplied 2.5 TWh or 13%, Poland – 0.5 TWh or 3%, and Belarus – 3.1 TWh or 16% of the total injected gas for Lithuanian, other Baltic and Finnish consumers.

In the context of the fight against climate change, the tightening requirements of the European Union's environmental policy, the promotion and development of the use of renewable energy sources and the more efficient use of energy will reduce the consumption of natural gas for both energy and industrial needs in Lithuania. However, due to the limited alternatives available in some industries and segments of the transport sector, as well as the competitiveness of balancing and reservation services in the heat and electricity sectors, natural gas will play an important role as a transitional energy to meet European and national targets for reducing greenhouse gas emissions into the atmosphere. At the same time, gas transported through pipelines will change. An increasing proportion should be "green" gases: biomethane and gases produced by the conversion of green electricity - green hydrogen and synthetic methane.

In its National Energy Independence Strategy, Lithuania has set ambitious targets that will make a significant contribution to the implementation of the 2030 Agenda for Sustainable Development, the Paris Agreement and the EU's 2030 energy and climate policy goals. They aim to increase the share of renewable energy sources (including biomethane and other gases produced from RES) in the country's total final energy consumption to 30% in 2020, 45% in 2030 and 80% from 2050.

In March 2021, the Seimas of the Republic of Lithuania adopted the Law on Alternative Fuels, which aims to expand the infrastructure for the use of alternative fuels by increasing the production and use of advanced biofuels, by shifting to modern and efficient public transport and by promoting the use of clean vehicles, with the aim of achieving a 15% share of renewable energy in the transport sector by 2030. The aim is to bring the

use of biomethane and green hydrogen to at least 5.2% of final energy consumption in the transport sector in 2030. Natural gas infrastructure would also be promoted until the share of natural gas and biogas in the total transport fuel mix reaches 32%.

The Alternative Fuels Act has enabled the use of guarantees of origin for gas produced from renewable energy sources, together with certificates of sustainability, to be used in the transport sector to meet the obligations under the Act. Guarantees of origin with sustainability certificates used in the transport sector are converted into renewable fuel units (RFUs) and entered into the RFUs system, which is administered by Baltpool, the designated company of the state-owned EPSO-G Group. The possibility of using guarantees of origin with sustainability certificates in the transport sector in Lithuania will drive future demand for such guarantees of origin.

In December 2021, for the first time in Lithuania, support for biomethane production projects was granted under the Climate Change Programme measure "Investment Support for Biomethane Gas Production and/or Biogas Purification Plants". A total of almost EUR 15 million was granted to eight companies. The company also received 14 applications from potential green gas producers for connection conditions to the transmission network during 2021. The first biomethane producers are expected to start their operations as soon as in 2023.

Gas is expected to remain an important energy resource in Lithuania's energy sector, as in the EU, during the transition to a low-carbon economy. The country's demand for gas is expected to be around 20 TWh in 2020-2030, of which more than 50% will come from the need for gas as a raw material in the fertiliser industry.

On 18 May 2022, the European Commission (EC) presented the REPowerEU Plan, its response to the difficulties and disruptions in the global energy market caused by Russia's invasion of Ukraine.

The European energy system urgently needs to be overhauled for two reasons:

- ending the EU's dependence on Russian fossil fuels, which are used as an economic and political weapon, costing European taxpayers almost EUR 100 billion a year,
- tackling climate change. By acting as a Union, Europe can more quickly phase out its dependence on Russian fossil fuels.

Around 85% of Europeans believe that the EU should reduce its dependence on Russian gas and oil as soon as possible to support Ukraine. As set out in the REPowerEU plan, the following measures will be used to achieve these objectives:

- saving energy,
- diversifying energy supply,
- accelerating the deployment of energy from renewable sources,
- seeking to replace fossil fuels in households, industry and energy production.

The EC proposes targeted changes to the RRF Regulation to include specific REPowerEU chapters in the existing recovery and resilience plans of the Member States. Further, an overview of the main aspects of REPowerEU and the foreseen investments in different energy areas, where hydrogen is one of the main components, is provided.

Also at the end of 2019, the European Commission unveiled the *European Green Deal*, an ambitious project to help European citizens and businesses benefit from the transition to sustainability and greening. The

measures, presented alongside an initial roadmap of key policies, include large-scale emission reductions, investment in advanced research and innovation, and preserving Europe's natural environment.

The European Commission agrees that the gas sector and networks can make an effective contribution to the creation and development of a European hydrogen economy. The European Commission envisages two phases: a transition period until 2030 and a period until the hydrogen market is established in 2050.

On 15 December 2021, the European Commission published a new set of draft EU laws. The Directive and Regulation proposals aim to facilitate the integration of renewable and low-carbon gases, in particular hydrogen and biomethane, into the energy system. The aim is to reduce methane emissions by 55% below 1990 levels by 2030 and to achieve climate neutrality in the EU by 2050.

One of the main objectives of the Gas Package is to create a market for hydrogen, to create the right environment for investment and the conditions for the development of infrastructure and trade with third countries. In particular, market rules will apply to access to hydrogen infrastructure, the unbundling of hydrogen production and transport activities and the setting of tariffs.

The geopolitical context and the increase in energy prices in recent months have highlighted the importance of energy security, especially in times when global markets are volatile. The European Commission has proposed to improve the resilience of the gas system and strengthen the existing security of supply provisions. In the event of shortages, no European household will be left alone, and cross-border automatic solidarity will be reinforced through new predefined measures and adjustments to controls and compensation in the internal energy market. The proposal extends the current rules to cover renewable and low-carbon gases and includes new provisions to cover emerging cyber-security risks.

In 2020, the European Commission unveiled the EU's methane reduction strategy, which will also aim to reduce methane emissions from the energy sector, among other targets. A hydrogen strategy was also presented. It states that hydrogen, produced from renewable energy sources, will be critical to the EU's climate-neutral economy by 2050. This document, like the Gas Package, is expected to have a significant impact on future gas transmission activities.

In the first half of 2022, the COVID-19 pandemic in Lithuania did not have a significant impact on Amber Grid's business continuity, implementation of strategic projects and financial results. The company had an Emergency Operations Centre, a revised Emergency Management Plan, additional documents and implementation measures such as lists of critical activities, measures required to ensure continuity of these activities, lists of resources and responsible persons, etc. Business continuity and preventive measures were put in place. All company employees were provided with personal safety equipment such as masks, respirators, disposable gloves, hand sanitizer, etc. During the quarantine, the majority of the Company's employees worked remotely, while the operating units, due to the nature of their work, worked as usual, applying the recommended safety measures.

2.2. REGULATORY ENVIRONMENT

A new five-year regulatory period started in 2019 and the European Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (TAR NC) has been applied for the pricing of transmission services in 2020. The application of the provisions of the TAR NC, as well as regional market integration, may lead to changes in the pricing structure of the services provided by the Company (see also the section "Regulation of Gas Transmission Prices").

The changes resulting from the regulation have had an impact on the Company's operations and results: the new regulatory period starting in 2019 has resulted in the application of the new methodology for determining the rate of return approved by the NERC and a significant reduction in the rate of return on

investments from the beginning of 2019 (from 7.09% to 3.33%). As the cost of borrowed capital component is recalculated annually in accordance with the provisions of this methodology (adjusted by the NERC in 2021), the rate of return on investment will now be adjusted annually in the course of the regulatory period. Accordingly, it has been adjusted to 3.38% for 2020, 3.86% for 2021 and 3.94% for 2022.

2.3. INFORMATION ON THE ACTIVITIES OF AMBER GRID'S SUBSIDIARY GET BALTIC UAB IN THE FIRST HALF OF 2022

Amber Grid holds 100% of GET Baltic UAB. GET Baltic is a licensed natural gas market operator that has the status of a Registered Reporting Mechanism (RRM) granted by the Agency for the Cooperation of Energy Regulators (ACER). The company operates the electronic trading platform for trading short-term and long-term natural gas products in the market area in Lithuania, the common market area of Latvia and Estonia, and the market area in Finland. By developing solutions tailored to natural gas trading, GET Baltic aims to increase the liquidity, competitiveness and transparency of the wholesale natural gas market in the Baltic countries and Finland.

At the beginning of the year, the Company's sole shareholder announced the selection of a strategic partner for the GET Baltic gas exchange in order to exploit the potential of the emerging European gas market and to enable the regional gas exchange GET Baltic to offer its customers cutting-edge gas trading solutions. Together with an experienced strategic partner, GET Baltic is expected to offer gas market participants a modern, solution-driven gas trading platform with both short- and long-term products and clearing services in line with market best practices. This need is backed up by the expectations identified by the exchange's customer opinion survey for upgrading of the trading system, introduction of improved functionalities and availability of new trading opportunities.

At the beginning of 2022, taking into account the new version of the Amber Grid natural gas transmission system balancing rules agreed by the natural gas transmission system operator Amber Grid with the State Energy Regulatory Council, the gas exchange operator GET Baltic initiated amendments to the UAB GET Baltic Regulation on trading on the natural gas exchange, which exclusively relate to the following issues as from 1 March 2022. The previous day's product on the Lithuanian trading floor shall be cancelled.

In response to feedback from the exchange participants, the regional natural gas exchange GET Baltic has implemented upgrades to the electronic trading system (ETS) of the exchange at the end of June 2022. The new functionalities will allow the exchange participants to trade in a more safe and convenient manner and to make trading decisions more quickly. The new functionalities include:

1. Two-Factor Authentication (2FA) for even greater security for user account and the data it contains;
2. Displaying the latest transaction information in the main trading window of the ECA, which will help exchange participants to assess the current market situation even more objectively, to monitor natural gas price changes and to make trading decisions promptly;
3. Transaction notifications by email;
4. Automated trading using a REST API solution, allowing not only the retrieval of trade data, but also the submission of orders to the EPS.

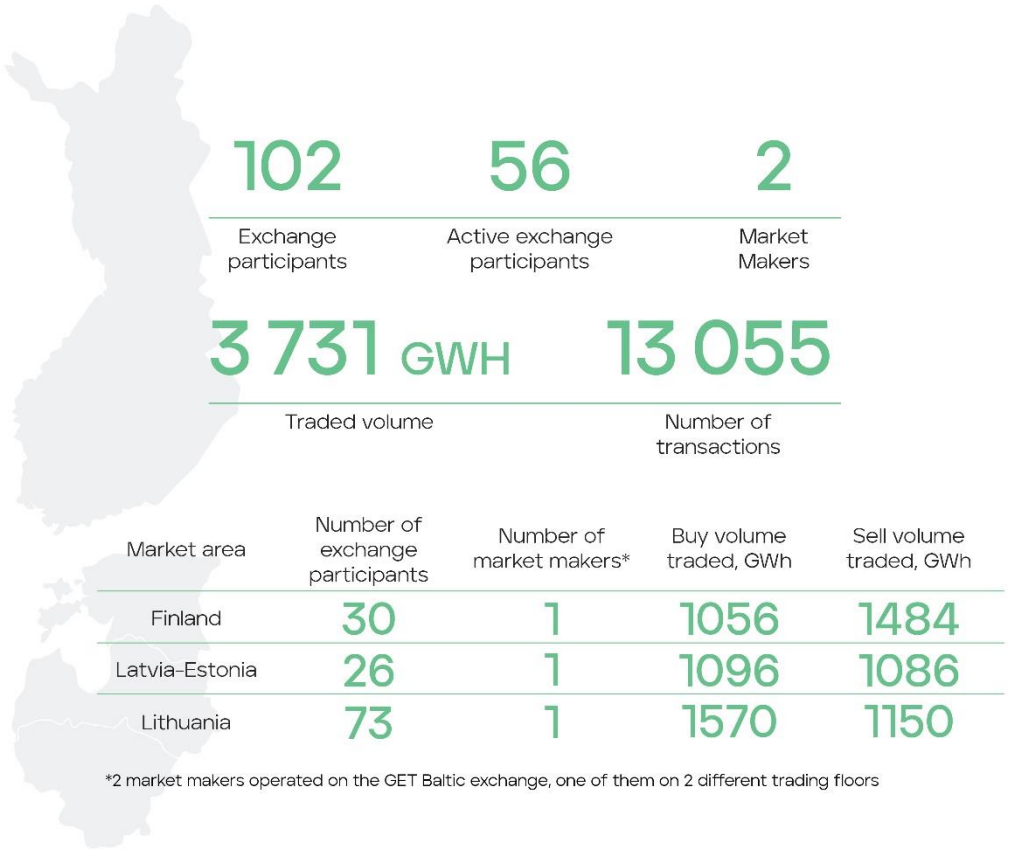
In the next six months, we will continue the work we have started, further implement smart solutions, improve the quality of our service and the services we provide, and respond to the expectations of market participants and shareholders. We will strive to achieve our objectives in a transparent and efficient manner.

GET Baltic exchange activity in the first half of 2022:

- trade turnover amounted to 3.7 TWh, which is 47% of the total annual trade turnover in 2021 (8 TWh);
- Cross-border gas volumes increased by 47% (0.8 GWh in H1 2021; 1.2 GWh in H1 2022);

- 42% of the total volume of gas traded was purchased in Lithuania (1,570 GWh), 29% in the joint Latvian-Estonian market area (1,096 GWh) and 28% in Finland (1,056 GWh);
- The Finnish trading floor has seen a rapid increase in sales, with 66% more natural gas sold this year compared to the same period last year (H1 2021 - 0.9 GWh; H1 2022 - 1.5 GWh);
- A total of 13,055 transactions were made on the exchange, an increase of 10% compared to H1 2021 (11,902 transactions);
- 56 participants submitted orders, 55 of them successfully concluded transactions. For the full year 2021, 52 participants actively submitted orders, all of them transacting;
- At the end of the first half of 2022, there were a total of 102 registered participants on the exchange: 73 on the Lithuanian trading floor, 26 on the joint Latvian-Estonian trading floor and 30 in Finland.
- The cheapest transaction was recorded in February at EUR 70/MWh and the most expensive – in June at EUR200/MWh.

Fig. 1. GET Baltic's performance in the first half of 2022



3. STRATEGY

3.1. VISION, MISSION, COMMITMENTS AND PRIORITIES

The Company continues to implement the updated long-term strategy of Amber Grid for 2021-2030, which was approved by the Board in early 2022.

The main objective set in the new strategy is to work together on the way of Lithuania's energy system's transformation towards a climate-neutral economy. The natural gas transportation system – the main gas pipelines, gas distribution, metering and compressor stations - is an integral part of the Lithuanian energy system, which plays an important role in creating climate neutrality and, most importantly, a cleaner and safer future. Amber Grid is ready to transform the natural gas system to safely transport renewable energy sources such as biogas, methane-hydrogen mixtures and pure hydrogen. We aim to integrate this system into the single European market, creating a n efficient and transparent single platform which will enable the state to confidently follow Europe's green course, while consumers will be able to use clean energy at best prices.

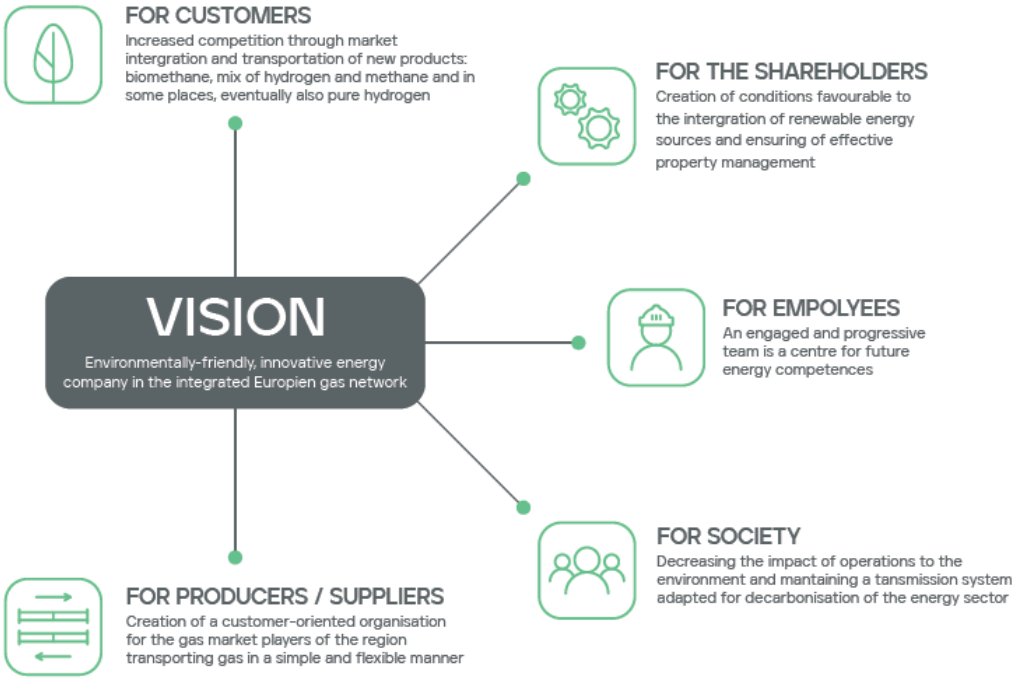
Stakeholder value is at the heart of the new strategy. We focus on five stakeholders - consumers, producers/suppliers, the founder, society and employees - and we are committed to creating value for them.

For each stakeholder, we have defined commitments and a unifying mission, thus identifying the main purpose and identity, and describing them as long-term commitments to stakeholders.

Fig. 2. Amber Grid's commitments to stakeholders.

Priorities have been identified for all stakeholders and a common vision for a 10year period has been formulated.

Fig. 3. Amber Grid's strategic priorities for 2030



For each stakeholder, key milestones for the implementation of the strategy have been drawn up for a period of 10 years, with concrete actions for each year.

Based on the main guidelines for the implementation of the strategy, objectives, measures and strategic performance indicators have been formulated for the short-term (3-year period).

Table 2. The Company's long-term strategic objectives and key performance indicators

	CONSUMERS	PRODUCERS/SUPPLIERS	FOUNDER	SOCIETY	TO EACH OTHER
Goals	• To adapt the transmission network to placing of green gas on the market • To achieve a close-to-zero price difference in the target trade areas of Lithuania and the neighbouring countries (according to exchange trading data)	• To create a customer-oriented organisation • To implement the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope	• To ensure a sustainable return to the shareholder • To ensure efficient management of the gas system by adapting it to integration of renewable energy sources	• To significantly mitigate the impact of operations on the environment • To enable the transformation of the gas sector by integrating renewable energy sources	• To create an engaged and intelligent organisation • To create an advanced organisation - the future centre of energy competence
Main performance indicators	• Implementation of the action plan for the adaptation of the transmission system for placing green gas on the market in a timely manner and within the planned scope • Difference in wholesale prices, percent	• Customer satisfaction rate, % • Implementation of the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope	• ROE • Earned return allowed by the regulator (EUR million) • Quantity of renewable energy sources in the gas system (TWh)	• 2/3 lower impact of operations on the environment (CO_2, CH_4 emissions ext.) as compared with the base year. • Quantity of renewable energy sources in the gas system (TWh)	• Involvement of employees (percent) • Recognised new gas experts invited to deliver reports on this topic at least in 2 conferences held in Lithuanian and internationally on an annual basis
Results in 2030	• Created opportunities for the transportation of hydrogen and gas mixture according to the new and cross-border standards • The price on the exchange not more than ≤ 1 EUR/MWh higher than the Netherlands (TTF) VTP price index for 90% of day	• Implementation of the strategic projects provided for in the National Energy Independence Strategy and the National Energy and Climate Action Plan in a timely manner and within the planned scope, i.e. 100 percent • Increased regional integration with neighbouring countries (LV, EE, F, PL)	• ROE not lower than set by the Government of the Republic of Lithuania • 100% of the earned return allowed by the regulator • Quantity of renewable energy source-gas in the gas system (with the guarantees of origin: 0.95 TWh	• 2/3 lower impact of operations on the environment as compared with the year 2020 • Quantity of renewable energy source-gas in the gas system (with the guarantees of origin: 0.95 TWh	• Involvement of employees 65 (per cent) • Centre for competences of new parts shaping the future energy trends, lawmaking, business model

Amber Grid continuously evaluates the implementation and progress of the strategy to achieve its objectives. For more details on the Company's strategy visit the official website at www.ambergrid.lt/strategija

3.2. OPERATING AND FINANCIAL OBJECTIVES

The Management Board of Amber Grid has set and approved the Company's annual performance targets for 2022. The financial and non-financial objectives for the Company are identical to those of the CEO of Amber Grid. The CEO is accountable to the Board for the achievement of the objectives.

3.3. STRATEGIC INFRASTRUCTURE PROJECTS

The gas interconnector between Poland and Lithuania (GIPL) became operational in May as part of Amber Grid's strategic projects in the first half of 2022. The company continued to implement another strategic gas transmission infrastructure project, the Enhancement of the Capacity of the Gas Pipeline Interconnector between Latvia and Lithuania (ELLI).

Both strategic projects are included in the *European Network of Transmission System Operators for Gas* (*ENTSOG*), the Ten-*Year Network Development Plan* (*TYNDP*) for 2020, and the Regional Gas Investment Plan of the Baltic Energy Market Interconnection Plan (BEMIP) announced in 2017, the Natural Gas Transmission System Operator's Ten-Year Network Development Plan (2020-2029) and the Gas transmission Infrastructure Projects approved by the Government. Only one strategic ELLI project by Amber Grid remains on the fifth list of the EU Projects of Common Interest published on 19 November 2021, as the GIPL project has already been completed.

3.3.1. GAS INTERCONNECTION POLAND–LITHUANIA (GIPL)

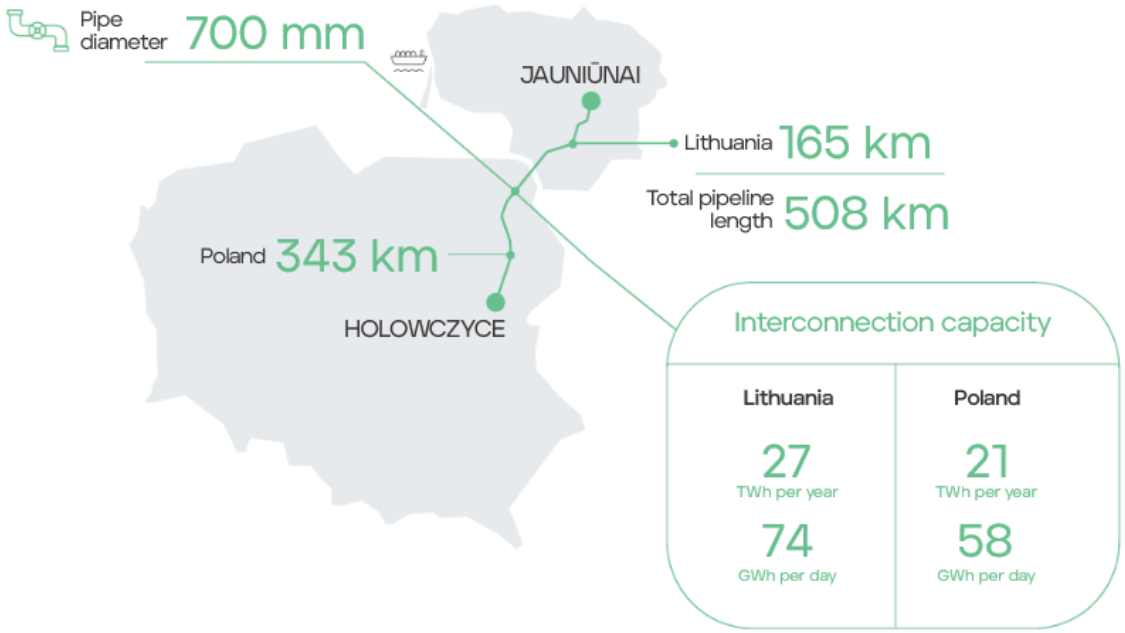
The construction of the international gas pipeline connecting Lithuania and Poland (GIPL), which has been underway for two years since January 2020, is now complete. This was confirmed by the last completion certificate for the GIPL project, received on 31 December 2021. The GIPL gas pipeline connecting Lithuania and Poland became operational on 1 May 2022. The new gas interconnector has transferred the first commercial gas flows.

The European Commission has recognised the *Gas Interconnection Poland-Lithuania* (GIPL) project as a major infrastructure project for the security of gas supply, making a significant contribution to the EU's energy security. Amber Grid implemented the GIPL project together with the Polish gas transmission system operator GAZ-SYSTEM S.A.

Project objectives:

- integrating the Baltic and Finnish gas markets into the single EU gas market,
- diversifying sources of gas supply,
- increasing security of gas supply.

Fig. 4.: Gas pipeline interconnection project between Poland and Lithuania (GIPL).



The total length of the pipeline is 508 km, of which 165 km belong to the territory of Lithuania. During the construction of the GIPL, which took place between 2020 and 2021, a gas pipeline was built in Lithuania across nine municipalities from Širvintos to Lazdijai. The project was contracted by a consortium of companies consisting of Alvora UAB and Šiaulių Dujotiekio Statyba UAB. The pipeline was laid under Lithuania's largest rivers, the Nemunas and the Neris, using the environmentally friendly horizontal directional drilling (HDD) technique, mass archaeological research was carried out, the Santaka gas metering and pressure regulation station was built, and the pipeline installed in Lithuania was connected to the pipeline laid in Poland by welding a gold seam at the intersection of the borders. On the Lithuanian side, the

starting point of the gas pipeline connection is located near the Jauniūnai gas compressor station near Vilnius. In Poland, the pipeline is connected to the Holowczyce gas compressor station.

The capacities resulting from the construction of the gas interconnection will allow transportation of annual gas quantity up to 27 TWh to the Baltic countries and up to 21 TWh to Poland; and the Baltic and Finnish gas markets will become part of the EU's single gas market. The project investment in Lithuania amounted to EUR116 million.

Benefits of the GIPL project:

- Integration of the Baltic and Finnish gas markets into a single EU gas market,
- Provision of access to alternative f gas supply sources and improvement of competitiveness,
- Improvement of security and reliability of gas supply, both through additional gas transmission capacity and the possibility of application of the EU solidarity mechanisms in case of emergency,
- Provision of conditions allowing more flexible and efficient use of the LNG terminals and transmission infrastructure in Poland and Lithuania,
- Improvement of liquidity of gas trade in the Polish and Baltic market areas and strengthening of their role across the region.

Major achievements during the implementation of the GIPL project in 2021-2022:

- In February 2021, a pre-welded section of the GIPL pipeline was installed, which will later be connected to the sections of the new gas pipeline constructed in Lithuania and Poland;
- in February 2021, 102 kilometres of the new gas interconnector were tested as part of the construction of the GIPL pipeline;
- In April 2021, the final stage of the interconnector construction - the construction of the Santaka Gas Metering and Pressure Regulating Station - started;
- In October 2021, the gas transmission systems of the two countries were interconnected after Lithuania and Poland built sections of gas pipelines to their borders;
- In December 2021, the Lithuanian part of the GIPL project was successfully completed;
- On 1 May 2022, the first commercial gas flows were transferred through the new gas interconnector.

The GIPL project is financed from own and borrowed funds of Amber Grid and GAZ-SYSTEM S.A., using the EU financial support 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, Lithuania, Latvia and Estonia will finance the construction of the GIPL project under a cross-border cost sharing solution, covering part of the investment in the GIPL project on Polish territory.

For more information on the GIPL project, its progress and news, please visit its website (http://www.ambergrid.lt/lt/projektai/dujotiekiu-jungtis-tarp-lenkijos-ir-lietuvos-gipl).

3.3.2. CAPACITY enhancement OF THE GAS PIPELINE INTERCONNECTOR BETWEEN LATVIA AND LIETUVIA (ELLI)

The project aims to increase the capacity of the gas interconnection between Latvia and Lithuania, ensure safe and reliable gas supply and achieve more efficient use of infrastructure and a better integration of the Baltic gas markets. It will also improve access to Latvia's Inčukalnis underground gas storage facility. The project promoters are Amber Grid and the Latvian transmission system operator AS Conexus Baltic Grid.

Fig. 5. Project for the Enhancement of Latvia–Lithuania Interconnection (ELLI).

The project will increase the capacity of the Kiemėnai gas metering station and reconstruct the pipeline to the Panevėžys gas compressor station on the Lithuanian side, while in Latvia the project will cover reconstruction of the main gas pipeline to increase the maximum operating pressure from 40 to 50 bar.

The investments will result in capacity enhancement to 130.5 GWh per day towards the direction of Latvia (currently it is 67.6 GWh/day) and to 119.5 GWh per day towards the direction of Lithuania (currently it is 65.1 GWh/day). The project will create capacity to transport up to 47.6 TWh/year in the Latvian direction and up to 43.6 TWh/year in the Lithuanian direction, and the enhanced capacity between Lithuania and Latvia will also be beneficial due to the already existing gas interconnection between Lithuania and Poland (GIPL).

On 28 January 2022, a contract was signed for the extension of the Kiemėnai Gas Metering Station, and on 25 March 2022 – for the relining of the gas pipeline to the Panevėžys Compressor Station, and the construction works started.

In Lithuania, the ELLI project includes the reconstruction of the Kiemėnai gas metering station and the Panevėžys gas compressor station. It is expected that all planned works in Lithuania will be completed by the end of this year. In Latvia, the project work to increase capacity will continue in 2023. Once fully completed, the gas interconnector between Latvia and Lithuania will increase roughly twice.

The ELLI project is financed by Amber Grid and AS Conexus Baltic Grid from their own funds and the EU financial support under the European Infrastructure Network Facility (CEF).

3.4. EUROPEAN UNION'S FINANCIAL ASSISTANCE

More details on Amber Grid's completed and ongoing infrastructure projects area available on the website: https://www.ambergrid.lt/lt/perdavimo-sistema/perdavimo-sistemos-pletra/infrastrukturosprojektai

3.5. REGIONAL MARKET

On 1 July 2017 Amber Grid, jointly with the transmission system operators from Latvia and Estonia, started using the implicit capacity allocation model at the Baltic cross-border interconnection points, thereby allocating part of the day-ahead capacity via the GET Baltic gas exchange. As of 1 July 2018, this method was extended to intraday capacity allocation. It is a transitional instrument for the integration of the Baltic gas which is intended to increase the competitiveness of the gas markets and promote cross-border trade in gas. The regional gas market is expected to develop gradually.

Latvia and Estonia have created a common gas market area since 2020 and have formed a common tariff area with Finland. As from 2020, a zero-transmission price for the interconnection with Finland and the common tariff zone entry prices have been made uniform.

The results of the 2020 study on the integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets revealed the economic benefits for each country within the region of integrating the Lithuanian market with the Latvian, Estonian and Finnish gas markets. Based on the results of the study of economic benefits for the market, an analysis of alternatives for a possible *Inter-TSO Compensation (ITC*) mechanism was prepared for 2020-2021. For more details, see the section "Regulation of the prices of natural gas transmission system operator services".

While Lithuania supports the idea of a single regional gas market, the terms of such an arrangement do not safeguard Lithuania's interests as its accession would impose an unjustified additional financial burden on domestic consumers. Negotiations are therefore continuing with the Latvian, Estonian and Finnish operators on the conditions under which Lithuania would join the zone. The aim is to create a single market on terms acceptable to all parties, including Lithuanian citizens and businesses. Lithuania expects to join the common tariff area at a later stage, probably by 2023-2024. At the end of 2021, a joint application from the transmission system operators of Finland and the Baltic States for the establishment of a common tariff area and the introduction of an ITC mechanism was submitted to Finnish and Baltic regulators for assessment and was revised at the request of the regulators in March-July 2022. The Baltic countries and Finland will continue to coordinate their positions on further market integration with a view to developing a mutually acceptable model of cooperation among the operators. A public consultation on the creation of a common tariff area and the introduction of an ITC mechanism is foreseen in 2022.

As the company proceeds with the implementation of the GIPL project, it cooperates closely with its Polish partners: Amber Grid continues cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A., while the gas exchange operator GET Baltic (the subsidiary of Amber Grid) continues cooperation with the Polish power exchange TGE (Towarowa Gielda Energii SA). In 2020, a study on the commercial feasibility of GIPL and its economic value to the market was completed. A questionnaire based on the results of the study was distributed to market participants and feedback was received. According to the results of the study and answers provided in the survey, as well as taking into account the actual commercial use practices of GIPL in 2022, further steps to harmonise the markets will be decided.

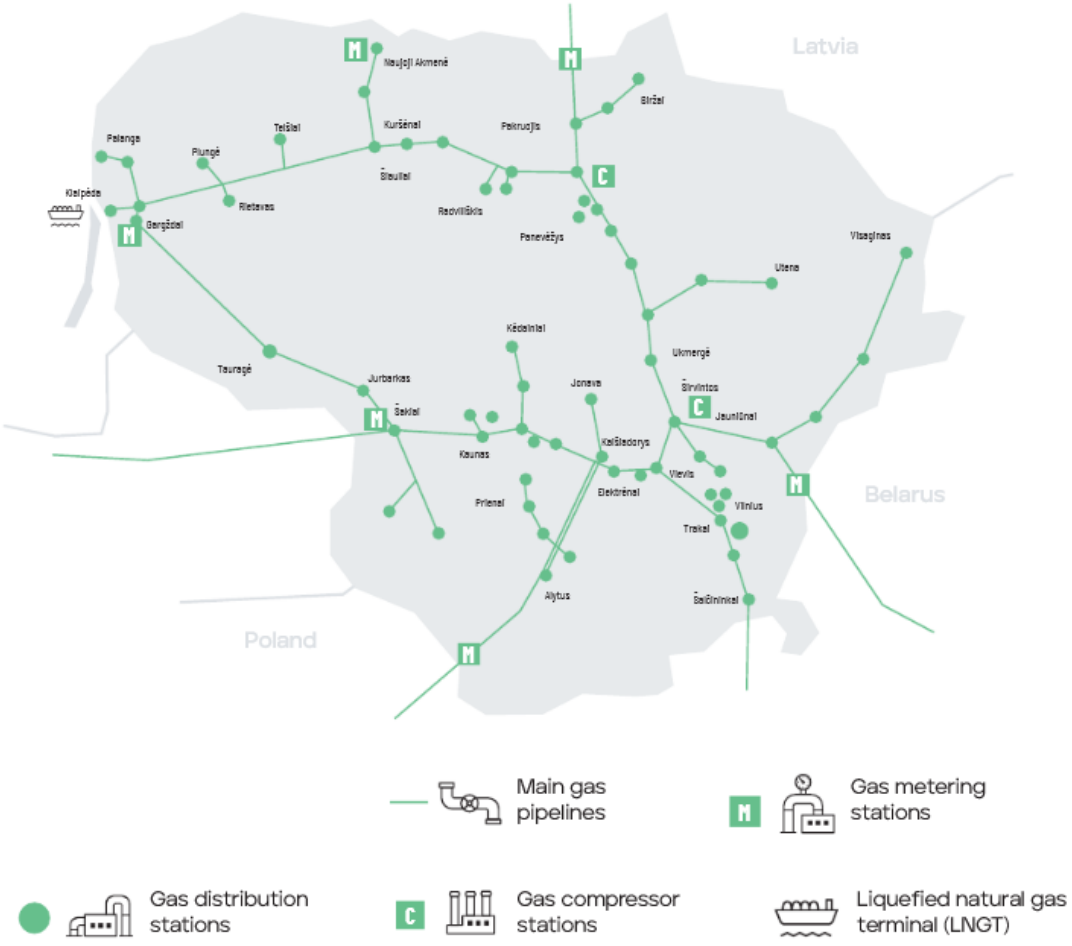
4. OPERATIONS

4.1. TRANSMISSION SYSTEM

The natural gas transmission system consists of main gas pipelines, gas compressor stations, gas distribution stations, gas metering stations, pipeline corrosion protection facilities, data transmission and communication systems and other assets assigned to the transmission system. The Lithuanian gas transmission system is interconnected with the gas transmission systems of the Republic of Poland, the Republic of Latvia, the Republic of Belarus, the Kaliningrad Region of the Russian Federation and the Klaipėda Liquefied Natural Gas (LNG) terminal.

The Company operates 64 gas distribution stations (GDS), four gas metering stations (GMS) and two gas compressor stations (GCS). The length of the pipelines in operation is 2,285 km, with diameters ranging from 100 to 1,220 mm. The majority of the transmission system has a design pressure of 54 bar.

Fig. 6. Gas transmission system in Lithuania.



4.2. MAINTENANCE, RECONSTRUCTION AND MODERNISATION

The maintenance operation of trunk gas pipelines is regulated under legal acts and is carried out strictly in compliance with the requirements laid down therein. Maintenance and repair work is carried out on a regular basis to ensure the reliability and safety of the transmission system.

In the first half of 2022, the 59 km gas trunkline to Utena was inspected through internal diagnostics.

In the first half of 2022, the Company carried out the following reconstruction and modernisation works:

- replacement of shut-off devices and connection to the remote-control system on the branch to the Šiauliai gas distribution station (DSS) and on the Panevėžys-Šiauliai gas pipeline in line II;
- installation of control device start-up chambers in the Ivacevičiai-Vilnius-Ryga gas pipeline and in the Ivacevičiai-Vilnius-Ryga gas pipeline interconnection with the Vilnius-Kaunas gas pipeline, on the branch to the Biržai DSS, the branch to Kėdainiai DSS, the branch to Pajiešmeniai DSS, the branch to Vandžiogala DSS, the gas pipeline Šiauliai-Kuršėnai in line II, the gas pipeline Panevėžys-Siauliai and the gas pipeline Panevėžys-Siauliai in line II;
- design works for the modernisation of individual sections of the trunk gas pipeline in the branch to Alytus DSS, to Marijampolė DSS, to Panevėžys DSS, to Kaliningrad, to Vilnius-Kaunas, to Ivacevičiai-Vilnius-Riga, to Šiauliai-Klaipėda, and to luping to Jonava DSS;
- replacement of trunk gas pipeline insertions, taking into account the technical condition of the pipelines and the results of diagnostics;
- relining of a part of the main gas pipeline in the territory of Kaunas FEZ;
- design of a pressure relief unit to be installed on the gas pipeline branch to the Marijampolė DSS;
- design of the reconstruction of individual sections of the Vilnius-Kaunas trunk gas pipeline;
- design works for the replacement of shut-off devices and connection to the remote-control system on the branches to A. Paneriai-I DSS, to A. Paneriai-II DSS and to Pajiešmeniai DSS;
- upgrading of the gas filters at the Panevėžys compressor station;
- upgrading of the control of gas compressor stations and setting up of a data centre;
- reconstruction and expansion of gas distribution stations;
- upgrading of control measurement columns.

In the first half of 2022, the Company completed the following reconstruction and modernisation works:

- installation of control device start-up and acceptance chambers in the Ivacevičiai-Vilnius-Riga gas pipeline, in the branch to the Biržai DSS, in the branch to the Kėdainiai DSS, in the branch to the Pajiešmeniai DSS, in the branch to the Vandžiogala DSS, in the Šiauliai-Kuršėnai pipeline, in line II, and in the gas pipelines Panevėžys-Šiauliai and Panevėžys-Šiauliai in line II;
- installation of two photovoltaic solar power plants;
- installation of a car park.

4.3. MARKET OF THE SERVICES

Amber Grid provides natural gas transmission services to the system users, other operators, and gas market participants in the territory of Lithuania: it transmits gas to the domestic consumers, and transports natural gas to Latvia and Kaliningrad Region of the Russian Federation. Gas is fed into the system via the LNG terminal in Klaipėda and gas entry points from Belarus and Latvia. From 1 April 2022. On Lithuania's initiative, gas from Russia will no longer be supplied to the country's needs.

The GIPL project in Lithuania, completed in 2021 and implemented by Amber Grid together with the Polish gas transmission system operator GAZ-SYSTEM S.A., will connect the Baltic and Finnish gas markets to the EU natural gas market and will increase access to new gas supply sources.

Amber Grid is also responsible for balancing natural gas flows in the transmission system and for administering the LNG terminal, its infrastructure, the installation of the interconnector and the funds intended for compensation of fixed operating costs and the nominated supplier's reasonable costs of supplying the necessary volume of liquefied natural gas. The Company is actively working with its partners to create the conditions for the efficient functioning of the natural gas market, to increase the competitiveness and liquidity of the gas market, and to ensure attractive conditions for customers to operate on the natural gas market.

Amber Grid administers the National Register of Guarantees of Origin for gas produced from renewable energy sources, i.e., it provides the functions of issuing, transferring and cancelling guarantees of origin, supervising and controlling the use of guarantees of origin, and of recognising guarantees of origin issued in other countries as acceptable in Lithuania. Green gas is produced from biomass and other RES. The guarantee of origin is granted per unit of energy: one megawatt-hour (MWh) supplied to the gas transmission and distribution network. The system of guarantees of origin allows the origin of the biogas produced to be identified, recorded and monitored, and consumers of this fuel can be assured that the gas they consume has been produced from renewable energy sources.

4.4. CLIENTS

Amber Grid's customers for natural gas transmission via gas transmission pipelines and gas flow balancing services in the transmission system are large Lithuanian electricity and district heating companies, as well as industrial companies and medium-sized Lithuanian business companies, Baltic and third-country energy and gas supply companies, which are provided natural gas transmission services.

The customers of the National Register of Guarantees of Origin for Gas from Renewable Energy Sources are gas producers, gas suppliers, gas transmission system operators, gas distribution network operators and other market participants who intend to obtain or already have the guarantees of origin.

4.5. DESCRIPTION OF THE SERVICES

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

- gas transmission in Lithuania;
- balancing gas flows in the transmission system;
- administration of the funds allocated for the Klaipėda LNG terminal, its infrastructure, the installation of the interconnector and the fixed operating costs, as well as for the compensation of the reasonable costs of supplying the necessary volume of liquefied natural gas by the designated supplier;
- administering the Register of Guarantees of Origin for gas produced from renewable energy sources.

4.5.1. GAS TRANSMISSION

GAS TRANSMISSION VOLUMES

In the first half of 2022, the amount of 13,012 GWh of natural gas was injected from Klaipėda LNG terminal into the gas transmission system operated by Amber Grid for consumers in Lithuania and EU countries (Latvia, Estonia, Finland), 2,497 GWh of natural gas were transported from Latvia to Lithuania, 507 GWh of gas were transported from Poland to Lithuania, and 3,082 GWh of natural gas – from Belarus. The Klaipėda LNG terminal supplied 68.1% of the total gas required by Lithuanian and other EU consumers.

In the first half of 2022, the amount of 9,564 GWh of gas was transported to the domestic exit point for Lithuanian consumers. Compared to the first half of 2021, when 14,707 GWh of gas were transported, transmission volumes decreased by 35%.

In the first half of 2022, 7,845 GWh of gas were transferred from the Lithuanian transmission system to Latvia via the Kiemėnai gas metering station, which is 14 times more than in the first half of 2021 (553 GWh).

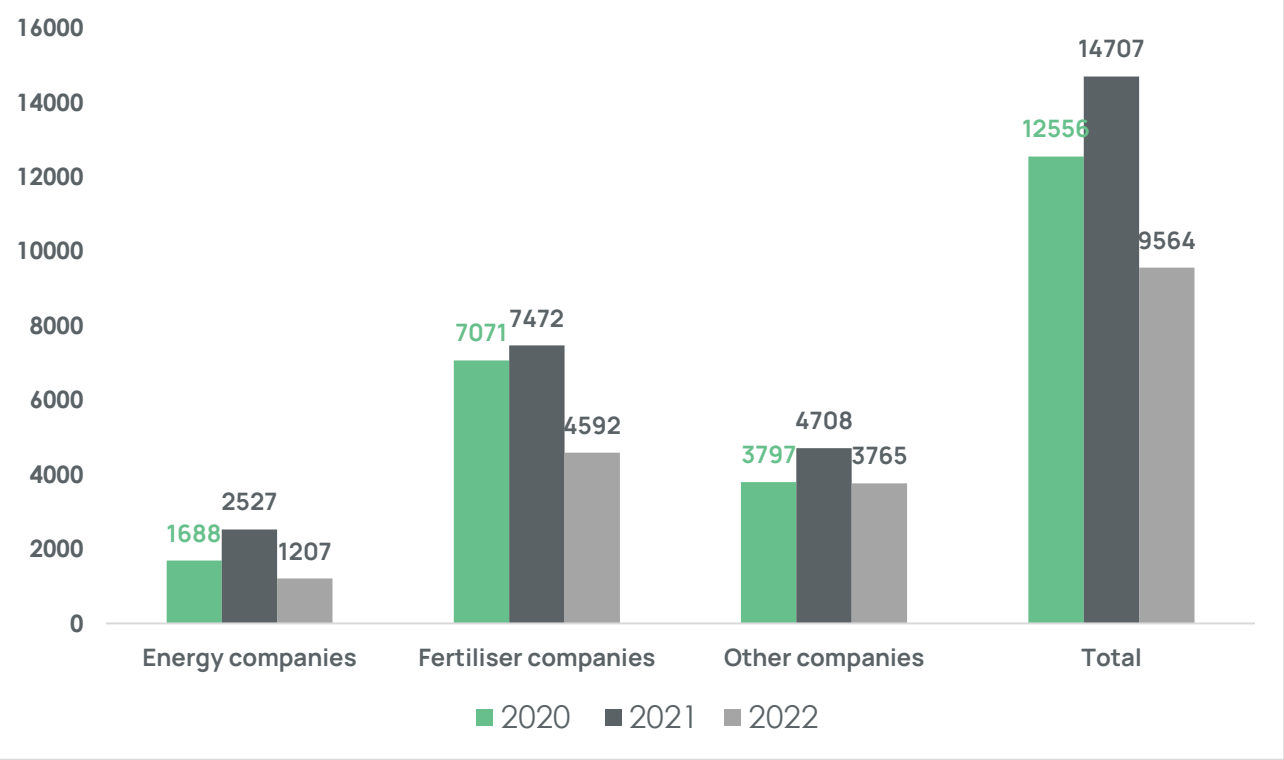
In the first half of 2022, the Lithuanian transmission system transferred 1,524 GWh of gas s to Poland via the Santaka gas metering station, which has been operational since this May.

As many as 13,345 GWh of gas were transported to the Kaliningrad Region of the Russian Federation over the reporting period (compared to 13,818 GWh in the first half of 2021).

By 30 June 2022, the Company had 119 gas transmission service contracts with transmission system users (gas consumers, gas distribution system operators, importers, gas supply companies supplying gas to downstream systems), of which 53 system users used transmission capacity during the reporting period. The Company had one gas balancing contract with market participants that trade gas on a virtual trading point but do not transport it via the transmission system.

The structure of gas volumes transported at the domestic exit point by type of transmission system users is shown in Fig. 7.

Fig. 7. Transmitted gas volumes by type of transmission system users in Lithuania, GWh, H1 2020 - H1 2022



REGULATION OF THE PRICES OF GAS TRANSMISSION SYSTEM OPERATOR SERVICES

Regulation of gas transmission prices is conducted by NERC through setting the revenue cap, the pricing methodology, and through approval of the specific prices set by the Company. The revenue caps for regulated activities can be annually adjusted by the decision of NERC in accordance with the procedure established in the *Methodology for Determining Revenue from and Prices for Regulated Natural Gas Transmission Activities*.

In view of the opinions received from market participants in the course of public consultation carried out by the NERC between 16 December 2020 and 17 February 2021 in line with the provisions of the European Commission Regulation establishing a network code on harmonised transmission tariff structures for gas (TAR NC), on 10 May 2021 the NERC set Amber Grid's revenue cap for its regulated activities for 2022 at EUR 40.44 million (which was slightly lower than the 2021 revenue cap of EUR 42.4 million, due to the estimation of a discrepancy in the return on investment for the last few years at the 2022 allowed revenue level). On 10 May 2022, the NERC set a cap on Amber Grid's natural gas transmission revenues, effective from 1 January 2023. The NERC set the revenue cap for the regulated activity for 2023, the last year of the current regulatory period, at EUR 64.17 million per year. This is 58.7% higher than the revenue cap approved for 2022. The increase in the revenue cap compared to 2022 is mainly due to the increase in technological costs (due to the significant increase in natural gas prices), the lower correction returned to the market for the excess revenue collected in 2021, and the partial inclusion of the higher compensation paid to the Polish operator GAZ System for the implementation of the GIPL project of common interest.

More details on the prices for gas transmission services applicable from 1 January 2022 is available on the Company's website at https://www.ambergrid.lt/lt/paslaugos/kainos-ir-mokesciai/kainos-nuo-2022-01-01. Prices effective from 1 January 2023 are available at https://www.ambergrid.lt/lt/paslaugos/kainos-ir-mokesciai/kainos-nuo-2023-01-01.

In 2023, 66.6 TWh of natural gas is planned to be transported through the Lithuanian natural gas transmission system, which is 18.7% more than estimated for 2022. The projected levels of ordered capacity, consumption capacity and transported gas volumes are based on historical data, the needs of the existing and potential system users, and taking into account Russia's hostilities in Ukraine and the resulting sanctions by Western countries and the gradual withdrawal of Russian gas from Europe. Lithuania has stopped importing Russian gas from April 2022. The pricing of gas transmission services for 2023 was influenced by the results of the public consultation survey on the multipliers, seasonal factors and discounts to be applied in Amber Grid's transmission service structure in 2023 for the remainder of the regulatory period and the opinion of market participants at the beginning of the year.

In 2023, the prices for transmission services at all entry points are expected to remain aligned with the entry prices in the neighbouring tariff area of Latvia, Estonia and Finland. With the Klaipėda LNG terminal becoming the main gas entry point in the region, and with demand expected to remain high, it has been decided to charge the same price at the Klaipėda entry point in 2023 as in other Lithuanian entry points and to waive the 75 % discount applied.

The pricing of gas transmission services in 2023 was influenced by the results of the public consultation survey on the multipliers, seasonal coefficients and discounts to be applied in Amber Grid's transmission service structure in 2023 for the remainder of the regulatory period and the opinions of market participants.

In 2022, the average price of gas transmission services for Lithuanian consumers (considering both long- and short-term services) is EUR 1/MWh, which is a decrease of about 29% compared to the average price for 2021 (EUR 1.40/MWh). The trend of low prices for transmission services is due to a one-off adjustment, returning to consumers the additional revenues and cost savings for 2019 and 2020, and higher forecasted natural gas flows. For 2023, an average gas transmission price of EUR 1.39/MWh for Lithuanian consumers is expected. Compared to the average price for 2022 (EUR 1/MWh), next year's price will increase by 39% and will be close to the average price for 2021.

Discussions are continuing intensively on Lithuania's accession to the neighbouring tariff area comprising Latvia, Estonia and Finland (hereafter referred to as the "FINESTLAT tariff area") and on the measures to be

taken to integrate the Baltic and Finnish gas markets. The results of a study on the integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets, commissioned by the transmission system operators of Lithuania, Latvia, Estonia and Finland and carried out from April 2020, have shown that Lithuania's accession to the neighbouring tariff zones makes sense and is beneficial for the region. In order for Lithuania to join the FINESLAT tariff area on mutually beneficial and balanced terms, an analysis of alternatives for a possible Inter-TSO Compensation (ITC) Mechanism was prepared together with other operators in 2021. At the end of 2021, a joint application by the TSOs of Finland and the Baltic States for the establishment of a common tariff area and the implementation of an ITC mechanism was submitted to the Finnish and Baltic regulators for evaluation. The Baltic countries and Finland will continue to coordinate their positions on further market integration with a view to developing a model of cooperation between operators that is acceptable to all parties. A public consultation on the creation of a common tariff area and the introduction of an ITC mechanism is planned to be launched in 2022. If a compromise solution is found, Lithuania would join the FINESTLAT tariff area from 2023-2024.

Close cooperation with the Polish transmission system operator Gaz-System is also becoming increasingly important to facilitate cross-border flows between Lithuania and Poland from 2022, when the new GIPL pipeline interconnection comes into operation.

4.5.2. BALANCING OF GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid ensures the balancing of natural gas flows in the transmission system. By following the Rules for Balancing Natural Gas Flows in the Transmission System, the Company purchases balancing gas from a gas market participant when gas surplus occurs in the transmission system and sells balancing gas to the market participant when the transmission system experiences gas shortage.

As of 1 March 2022, the Natural Gas Transmission System Balancing Rules came into force, which stipulate that the virtual trading point cannot trade in day-ahead products, which has increased the number of market participants causing imbalances. The TSO calculates a neutrality fee for each market participant to ensure financial neutrality for the reporting period. The amendments are made in accordance with the provisions of the Regulation of 26 March 2014. Commission Regulation (EU) No 312/2014 of 26 March 2014 laying down a balancing code for gas transmission networks.
In the first half of 2022, due to imbalances caused by system users, the Company purchased 100.6 GWh and sold 87.8 GWh of gas.

In the case of gas transfers from a third country to a third country, the mixing of physical flows in the transmission system results in a difference between the calculated value of the gas energy at the entry and exit points of the transmission system. In 2021, the gas transmission to the Kaliningrad Region resulted in a difference of 41,4 GWh at the entry and exit points of the transmission system, which was compensated to the Company through the settlement of the third country to third country transmission services provided.

In addition to balancing the flows of system users and other gas market participants, the volumes of gas in the Company's transmission pipelines fluctuate due to the technical and technological characteristics of the transmission system.

4.5.3. ADMINISTRATION OF THE FUNDS ALLOCATED FOR THE COMPENSATION OF CONSTRUCTION COSTS AND FIXED OPERATING COSTS OF THE LNG TERMINAL, ITS INFRASTRUCTURE, THE INSTALLATION OF THE INTERCONNECTOR AND FOR REIMBURSEMENT OF THE REASONABLE COSTS INCURRED BY THE DESIGNATED SUPPLIER

To ensure compliance with the requirements of legal acts (the Law on Liquefied Natural Gas Terminal and supplementary legal acts), the Company collects, administers and disburses the LNG terminal funds to the terminal operator (AB Klaipėdos Nafta) and the designated supplier (UAB Ignitis) in accordance with the procedure established by legal acts, and the costs of administration of LNG terminal funds are compensated to Amber Grid from these funds.

19 November 2021, the NERC approved an extra charge of EUR 252.86/(MWh/day/year) related to gas supply security for the period from 1 January to 30 April 2022, 27% lower than the 2021 level of EUR346.11/(MWh/day/year). On 31 March 2022, the NERC approved a recalculated extra charge in relation to gas supply security amounting to EUR 102.98/(MWh/day/year), which entered into force on 1 May 2022, 41% lower than the one in force for the period January-April 2022 (EUR 252.86/(MWh/day/year).

The apportionment of the LNG terminal funds among their beneficiaries, as agreed with the NERC, is presented in Table 3.

Table 3. Information on the distribution of the 2022 LNG funds among their beneficiaries.

Components	Proportion applicable from 1 January 2022 to 30 April 2022	Proportion applicable from 1 January 2022
Regasification of liquefied natural gas	59.275%	0%
Administrative costs	0.139%	0.341%
Reasonable supply costs of the required quantity for the LNG terminal	40.586%	99.659%
Total:	100%	100%

Due to the unpaid LNG terminal funds, one civil case is currently pending before the court, in which Amber Grid (the Claimant) is claiming from AB Achema (the Respondent) the LNG terminal add-on funds of EUR 4,678,130 and the late payment interest of EUR 54,707 under Natural Gas Transmission Service Contract No. P10/2015-59-274-15-085P/677F of 22 December 2014, and EUR 763,119 in respect of the debt under the Natural Gas Transmission Service Contract No. P10/2013-01-203-13-085P/759F of 21 December 2012. By order of 17 March 2022, the Court suspended the proceedings in respect of the Claimant's claims under the Natural Gas Transmission Service Contract No. P10/2015-59-274-15-085P/677F of 22 December 2014, and by order of 20 June 2022, the Court suspended the proceedings in respect of the Claimant's claims under the Natural Gas Transmission Service Contract No. P10/2013-01-203-13-085P/759F of 21 December 2012. The Court suspended both parts of the case pending the decision of the European Commission on the compatibility of the LNG surcharge funds collected for the period from 1 January 2016 to 31 December 2018 with the State aid rules under European Union law. Disagreeing with the Court's order of 20 June 2022 to suspend the part of the proceedings relating to the Claimant's claims for the payment of EUR 763,119 in respect of the debt owed pursuant to the Natural Gas Transmission Service Contract of 21 December 2012, the Claimant lodged a separate appeal for annulment of that order. The Claimant's separate appeal was referred to the Lithuanian Court of Appeal on 14 July 2022. No date has yet been set for the hearing of the appeal.

4.6. THE COMPANY'S TEN-YEAR NETWORK DEVELOPMENT PLAN

In accordance with the provisions of the Natural Gas Law, Amber Grid prepares a Ten-Year Network Development Plan for the transmission system operator every two years. In June 2022, Amber Grid prepared the Ten-Year Network Development Plan (2022-2031) and submitted it to the NERC for approval. It estimates

the value of investments in gas transmission system expansion projects over the next ten years at around EUR 264 million. Lithuania's gas consumption is expected to remain stable over the next ten years, and there is an opportunity to transport gas in new directions via the gas pipeline between Poland and Lithuania. Given the geopolitical situation (Russia's hostilities in Ukraine, the resulting Western sanctions and the gradual withdrawal of Russian natural gas), gas flows through the Klaipėda LNG terminal and the cross-border interconnection points with Latvia and Poland are expected to intensify. The Network Development Plan also sets out the main directions for the development of the transmission system, including a focus on innovation and the development of green energy.

More details on the planned investments will be made available on the Company's website once the plan has been approved by the NERC (until then, the plan document is available on the NERC website under the heading of public consultation at https://www.vert.lt/Puslapiai/bendra/viesosios-konsultacijos/vykstancios-viesosios-konsultacijos.aspx).

4.7 GREEN GAS ACTIVITIES

The Company is active in the following green gas areas:

- Green gas development;
- Administration of guarantees of origin.

4.7.1. GREEN GAS DEVELOPMENT

The intensive development of RES energy production and the significant increase in the share of RES in the overall energy balance, as well as the current and future challenges of balancing the electricity grid and integrating it into the electricity transport system create opportunities for the development of one of the most potential technologies, namely, Power-to-Gas – green hydrogen produced from renewable electricity. It will enable high-capacity storage of the energy generated by RES and will help to meet these challenges. This technology can transform electricity generated from RES into a gaseous form of energy (hydrogen or synthetic methane) and transport it through gas transmission and distribution networks to energy storage and consumption sites, thus contributing to the decarbonisation of the energy and transport sectors. Therefore, in order to assess the relevance and applicability of hydrogen gas and Power-to-Gas technologies in Lithuania, in 2021, the Company continued to analyse the technical and economic feasibility of applying these technologies in Lithuania, which is also one of the components of the EPSO-G Group's overall project *Raida 2050*. The results of the study are available at: https://innovation.epsog.lt/musu-projektai/2020-2050-metu-lietuvos-elektros-energetikos-sistemos-raidos-scenariju-sudarymas/

In order to contribute more broadly to the development of hydrogen and Power-to-Gas technologies in the country and the region, the Company participates in the Lithuanian Hydrogen Platform, established by the Ministry of Energy, and is a member of the European Clean Hydrogen Alliance and the Lithuanian Hydrogen Energy Association. In 2021, the Company joined the *European Hydrogen Backbone* initiative, which brings together 23 transmission system operators from across Europe. The aim is to create a hydrogen transmission infrastructure in Europe that connects all countries.

In cooperation with the transmission system operators of the Baltic countries and Finland, the Company prepared a research and development plan for 2021 to identify technical feasibility and investment required for hydrogen transport in the region. The first phase of the R & D plan will start at the end of 2022.

4.7.2. ADMINISTRATION OF GUARANTEES OF ORIGIN

In the first half of 2022, the Company administered the National Register of Guarantees of Origin for gas produced from RES, established in 2019, which performs the functions of issuing, transferring and cancelling

guarantees of origin and supervising and controlling the use of guarantees of origin and recognising guarantees of origin issued in other countries as acceptable in Lithuania. This system is beneficial for energy consumers who want to use green energy produced in Lithuania or in any other EU Member State. The Company cooperates with designated bodies in other countries and with organisations in the RES gas sector.

In 2021, the first 10 (10 MWh) of green gas with guarantees of origin were imported to Lithuania through the Guarantee of Origin system which were granted guarantees of origin to prove that

The Company continues its successful participation in REGATRACE (REnewable GAs TRAde Centre in Europe), a project funded by the EU's Horizon 2020 research and innovation programme, which aims to establish a European registry of origin for biomethane and other renewable gases, and to stimulate the development of the green gas production and market. The project will end in November 2022.

In 2021, the Company was active in the Working Group on the Harmonisation of the Activities of Green Gas Origin Guarantee Registers established by the Finnish, Estonian and Latvian TSOs. Draft common rules and an agreement were prepared in 2021 to facilitate the regional exchange of guarantees of origin. In January 2022, the Company, together with the Latvian and Estonian TSOs, carried out a survey of market participants to ascertain the need for regional exchange of guarantees of origin. The results showed that the most efficient and cost-effective way to proceed would be to join the European Association for the Cooperation of Guarantees of Origin (AIB), which has the necessary IT system, standards and rules for guarantees of origin.

In order to provide a user-friendly, transparent and European best practice service to the guarantee of origin market, the Company has decided to upgrade the IT system of the Register of Guarantees of Origin. The upgrade is currently underway and should be completed by the beginning of September 2022. These upgrades will additionally allow the integration of the Company's existing system with systems in other countries or with common European solutions for the exchange of guarantees of origin, thereby facilitating and automating the exchange of guarantees of origin with other European countries.

4.8. THE COMPANY'S RESEARCH AND DEVELOPMENT ACTIVITIES

Amber Grid, together with European gas transmission system operators, has analysed and presented a vision to accelerate the development of a European hydrogen network by 2030. As part of the joint European Hydrogen Backbone (EHB) initiative, five potential corridors for large-scale hydrogen supply in Europe have been developed and announced. These corridors will initially connect local supply and demand in Europe, and will then be expanded and connected to European regions and neighbouring countries with hydrogen export potential.
Five hydrogen supply corridors:
- Corridor A: North Africa and Southern Europe
- Corridor B: South-West Europe and North Africa
- Corridor C: North Sea
- Corridor D: Northern and Baltic regions
- Corridor E: Eastern and South-Eastern Europe

As Lithuania has moved towards a rapid transition to renewable energy in the first half of 2022, the completion of the first national hydrogen sector development study shows that Lithuania has the potential to become a significant player in the development and transport of hydrogen resources in Europe. Following a detailed analysis of the situation, independent foreign experts have concluded that Lithuania has the necessary capabilities to organise hydrogen production, storage, transmission and export. Experts identify the development of renewable electricity capacity in Lithuania and surrounding markets as one of the most important conditions for creating a hydrogen economy. They stress that once hydrogen production capacity is in place, the gas transmission system could become the main transport network for green hydrogen gas in

the region and in Lithuania. This recommendation was also made by the experts who carried out the study. As they stated, Amber Grid, the gas transmission system operator, should develop a hydrogen network in Lithuania in preparation for transporting surplus energy to hydrogen consumption centres in Europe, thus decarbonising the industrial, transport and energy sectors.

4.9. THE COMPANY'S BUSINESS PLANS AND PROSPECTS

The regional gas market is expected to develop gradually. So far, only Latvia and Estonia have agreed on a common gas market from 2020, and together with Finland they have formed a common tariff area as from 2020. Lithuania continues to engage in discussions with its regional partners with a view to ensuring that all countries participate in the common gas market on terms that benefit all. If agreements are reached between the countries in the region, Lithuania is likely to join the common tariff area in 2023-2024.

Contributing to Lithuania's ambitious goals of increasing the share of renewable energy sources in the country's energy mix, the Company is involved in a number of initiatives and projects that enable the Company's specialists to develop their competences in the field of gas produced from RES. The participation of the Company's specialists in the REGATRACE project, membership in the ERGaR (European Renewable Gas Registry) association, membership in the AIB *(*Association of Issuing Bodies*)* association, in addition to the above-mentioned objectives, will enable the development of new competences that will contribute to the promotion of green gas production and market development in Lithuania, ensuring the continuity of the Company's activities and the implementation of the National Energy Strategy.

In 2022, the Company's transmission system is expected to transport around 23 TWh of natural gas to the domestic exit point for the Lithuanian system users, around 5 TWh of natural gas to Latvia and around 27 TWh of natural gas to the Kaliningrad Region of the Russian Federation. The Klaipėda LNG terminal is expected to provide the bulk of the natural gas for Lithuanian and other Baltic consumers. The exact quantity of gas flows and gas supply sources will depend on the market situation in the course of the year, weather temperatures and other circumstances.

5. FINANCIAL RESULTS

The figures presented in the financial results section reflect the consolidated financial performance of Amber Grid and its subsidiary GET Baltic UAB, which is presented below in the Annual Report as the Group's results.

5.1. FINANCIAL PERFORMANCE INDICATORS[2]

Table 4. Financial performance indicators

	H1 2022	H1 2021	H1 2020
Financial results (EUR '000)			
Revenue	56, 497	31, 625	24, 876
EBITDA	15, 519	17, 755	11, 408
Profit (loss) before tax	8, 729	11, 647	5, 638
Net profit (loss)	7, 470	12, 482	7, 404
Net cash flow from operating activities	14, 006	18, 036	11, 046
Investments	3, 830	26, 164	48, 989
Financial debt	104,378	120, 489	87, 007
Profit margins (%)			
EBITDA margin	27.5	56.1	45.9
Net profit (loss) margin	13.2	39.5	29.8
Average return on assets (ROA)	2.0	4.0	3.0
Average return on equity (ROE)	4.2	7.7	5.3
Liquidity ratios			
Current ratio	0.69	1.08	0.39
Quick ratio	0.61	1.02	0.36
Turnover of non-current assets	0.20	0.12	0.11
Capital structure ratios			
Equity-to-assets ratio	0.47	0.53	0.56
Financial debt-to-equity ratio	0.59	0.72	0.60
Financial debt-to-EBITDA ratio, times	6.7	6.8	7.6
Market value indicators			
Share price to earnings per share ratio (P/E), times	29.97	16.86	23.41
Net earnings (loss) per share, EUR	0.04	0.07	0.04

Formulas used for calculations:

[2] The financial indicators are presented after elimination of assets or liabilities arising from the LNG terminal funds.

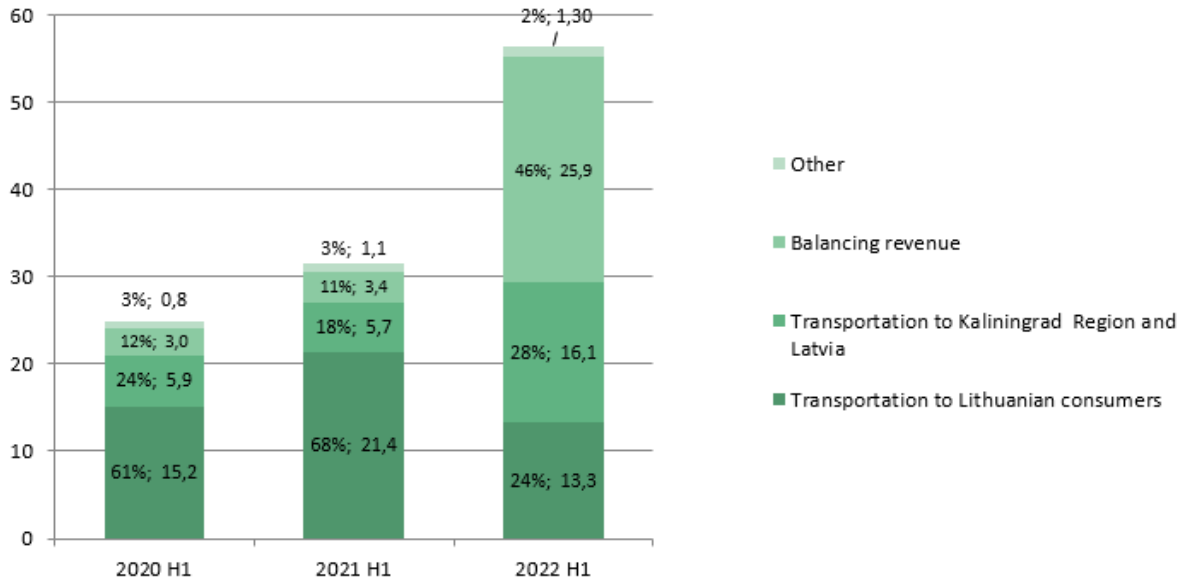
EBITDA = profit (loss) before tax + finance costs - finance income + depreciation and amortisation charges + impairment charges + asset write-offs
Net financial debt = financial debt - cash and cash equivalents
EBITDA margin = EBITDA/revenue
Net profit (loss) margin = net profit (loss)/revenue
ROA = net profit (loss)/average asset value
ROE = net profit (loss)/average equity
Current ratio = current assets / current liabilities
Quick ratio = (current assets - inventories)/current liabilities
Turnover of non-current assets = revenue/fixed tangible and intangible fixed assets
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 the period / (net earnings/number of shares)

5.2. REVENUE

In the first half of 2022, the Group's revenue amounted to EUR 56,497 thousand and increased by 78.6% compared to the first half of 2021. Transmission services for the transportation of natural gas amounted to EUR 29,342 thousand (H1 2021: EUR 27,126 thousand). Drastic revenue growth was caused by revenue received from system's balancing products, reaching EUR 25,854 thousand in the first half of 2022 (H1 2021: EUR 3,429 thousand increase 7.5 times). Both gas balancing volume and natural gas prices increased. After cancelation of natural gas imports from Russia, the Klaipėda LNG terminal became the main entry point for gas in the Baltic region and, as a result, flows were redistributed. More gas was transported in the direction of Latvia, and from May of 2022 in the direction of Poland. Gas transportation into neighbouring transmission systems was important for the growth of revenues and changed their structure.

Other revenue in the first half of 2022, compared to the corresponding period of 2021, showed growth which was 21.6% and amounted to EUR 1,301 thousand (Fig. 8). GET Baltic continued to trade successfully on the natural gas exchange in all markets.

Fig. 8. The Group's revenue structure, %, EUR million.



Balance sheet income is generated by:

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

The Company administers the LNG terminal funds in accordance with the requirements of the legislation. Further information and disclosures on the accounting of LNG terminal funds are provided in the financial statements for the first half of 2022.

5.3. EXPENSES

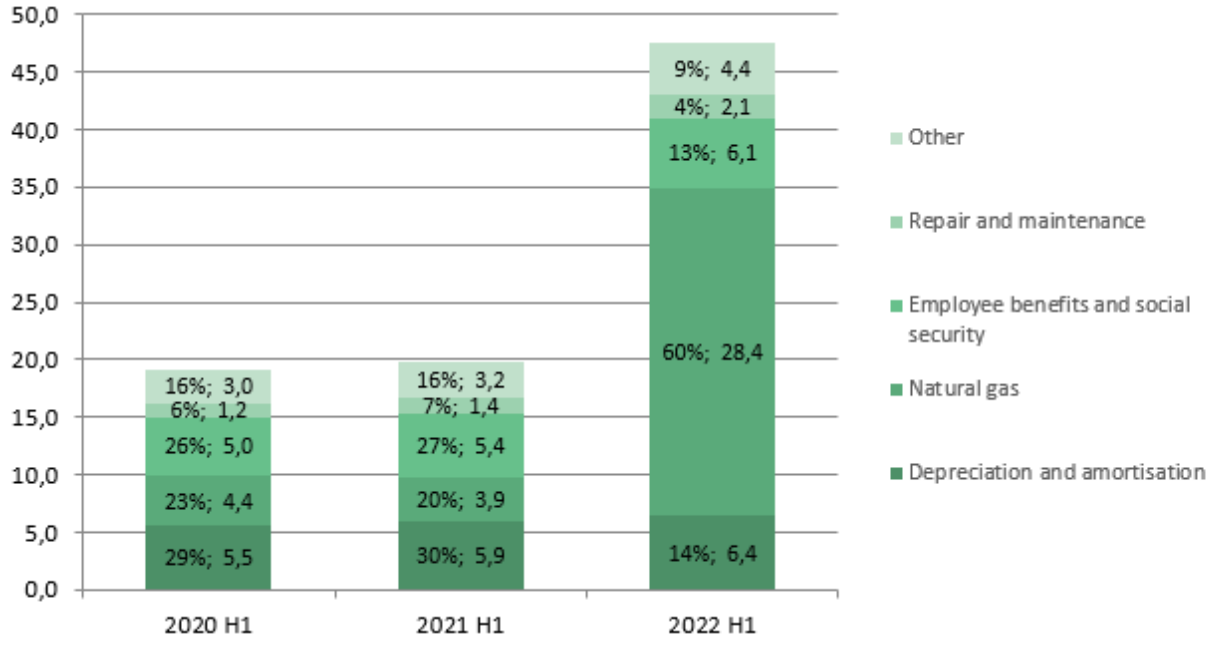
In the first half of 2022, the Group's expenses amounted to EUR 47,470 thousand in 2022, an increase of 2.4 times compared to the corresponding period in 2021. The increase is due to higher gas prices and gas balancing volumes.

Depreciation and amortisation of fixed assets accounted for a significant part of the cost at EUR 6,422 thousand (13,5% of the total expenses) and increased by 9.1% compared to the first half of 2021 (Fig. 9), following the commissioning of the gas pipeline connecting Lithuania and Poland.

Employee benefits and social security costs amounted to EUR 6,132 thousand (12.9% of total expenses), an increase of 13.2% compared to the first half of 2021. Repair and maintenance costs amounted to EUR 2,079 thousand (4.4% of total expenses), an increase of 49.1% compared to the first half of 2021**.**

Natural gas costs amounted to EUR 28,403 thousand and accounted for 59.8% of total expenses. Compared to the first half of 2021, gas costs increased 7.2 times due to higher gas prices and increased balancing volumes. The Company purchased natural gas for its technological needs, balancing of system users and other gas market participants, gas flow and technical balancing.

Fig. 9. The Group's expense structure, %, EUR million.



5.4. PERFORMANCE

In the first half of 2022, the Group's net profit amounted to EUR 7,470 thousand and was 40.2% lower than in the first half of 2021 (EUR 12,482 thousand). The Group's profit before tax in H1 2022 amounted to EUR 8,729 thousand (H1 2021: EUR 11,647 thousand), and earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 15,519 thousand (2020: EUR 17,755 thousand).

The underperformance is due to lower transmission prices in 2022 and higher gas prices resulting in higher gas costs for process gas.

Fig. 10. The Group's financial performance, EUR million.

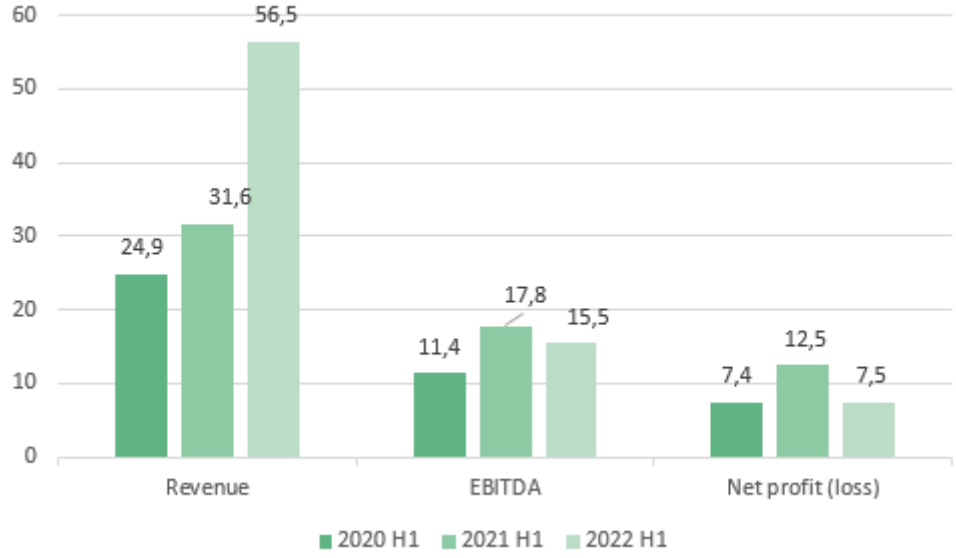
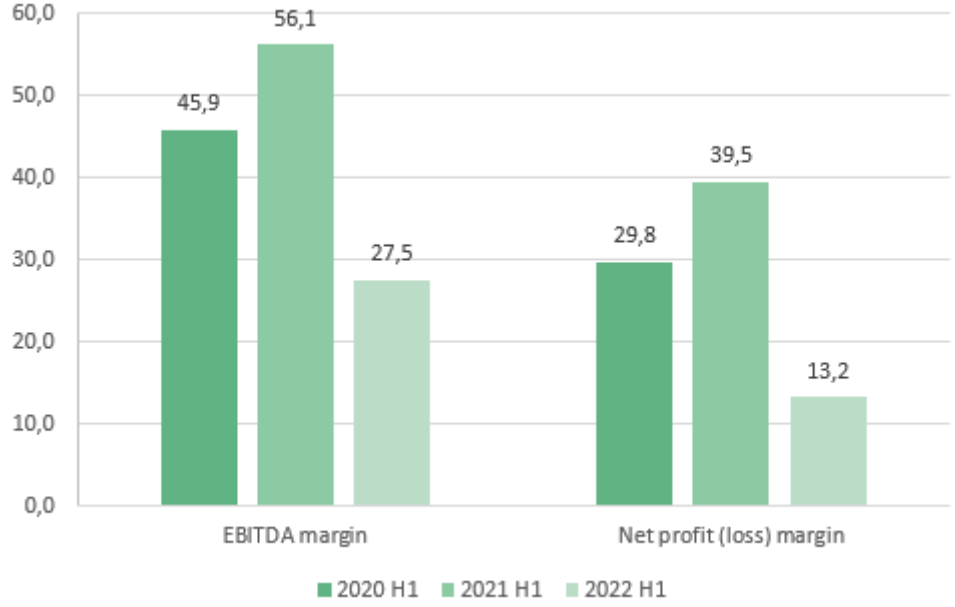


Fig. 11. The Group's profitability, %.

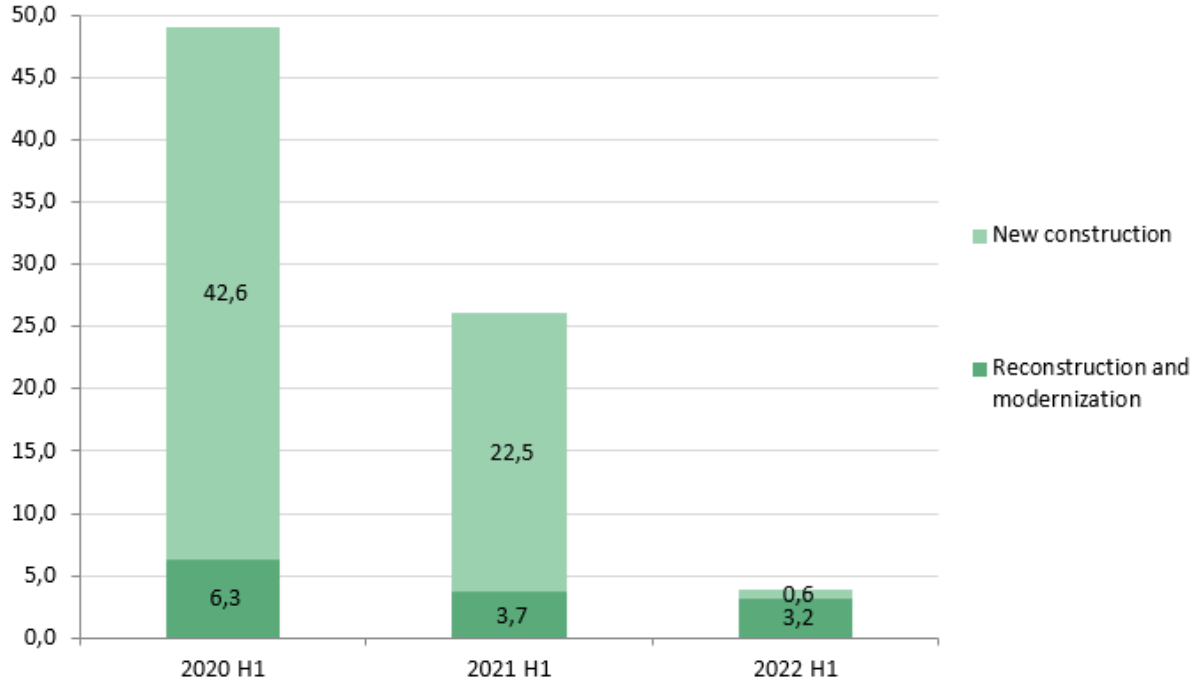


5.5. INVESTMENT

Following the completion of the GIPL pipeline in 2022, the Group's investments decreased and amounted to EUR 3,830 thousand in the first half of 2022 (EUR 26,164 thousand in the first half of 2021) (Fig. 12).

The investments in H1 2022 do not include the CBCA contribution payable of EUR 27,045 thousand recorded as non-current assets. This contribution is expected to be paid in 2023.

Fig. 12. The Group's investment structure, EUR '000.



5.6. ASSETS

As at 30 June 2022, the Group's assets totalled to EUR 383,411thousand : non-current assets accounted for 76.8% and current assets for 23.2% of total assets.

Non-current assets increased by 8.2% to EUR 294,413 thousand in 2022 due to the CBCA contribution payable recorded as non-current assets. The Group's current assets amounted to EUR 88,998 thousand as at 30 June 2022, a decrease of 17.7% over 2022. The main contributors to this change were the decrease in LNG terminal receivables and the prepayments received from the exchange participants.

5.7. EQUITY AND LIABILITIES

In the first half of 2022, the Group's equity decreased by 1.4% due to dividends paid and amounted to EUR 175,609 thousand at the end of the reporting period. At the end of the reporting period, equity represented 45.8% of the Group's total assets.

During the first half of 2022, payables and liabilities increased by 2.8% and amounted to EUR 207,802 thousand at the end of the reporting period.

As at 30 June 2022, financial debt amounted to EUR 104,378 thousand, a decrease of EUR 471 thousand over the reporting period. The financial debt-to-equity ratio was 59.4%.

5.8. CASH FLOWS

In the first half of 2022, the Group's cash flow from operating activities amounted to EUR 14,006 thousand (EUR 18,036 thousand in the first half of 2021). The Group allocated EUR 5,018 thousand (H1 2021: EUR

26,986,000) to investments in non-current assets. In 2022, the Group received EUR 1,466 thousand of EU financial support for funding of investment projects (H1 2021: EUR 8,492 thousand).

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

Further information is provided in the notes to Amber Grid's financial statements for the first half of 2022.

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

Significant events after the end of the reporting period are disclosed in the notes to the financial statements of Amber Grid for the first half of 2022.

5.11. INFORMATION ON ANY FORM OF FINANCIAL ASSISTANCE

The policy on financial assistance/support is set out in the Sustainibility Report for the year 2021.

During the reporting period, investing in the most in-demand future specialities, Amber Grid have signed a cooperation agreement with "Panevėžio kolegija" and have allocated EUR 16,000 for scholarships for engineering students. The aim of this step is to address the issue of attracting specialists needed for the transformation of the Lithuanian energy sector.

5.12. INFORMATION ON RELATED-PARTY TRANSACTIONS, SIGNIFICANT ARRANGEMENTS AND DETRIMENTAL TRANSACTIONS

Information on related-party transactions is provided in Amber Grid's financial statements for the first half of 2021.

The Company has entered into the following significant arrangements entitling the counterparties to terminate their transactions with the Company as a result of changes in the control of the Company:

1. Loan agreement with Nordic Investment Bank dated 19 August 2015;
2. Loan agreement dated 18 May 2018 with the Lithuanian branch of OP Corporate Bank plc;
3. Long-term financing agreement with the European Investment Bank (EIB) of 30 June 2020.

The terms of these agreements are considered to be bilateral confidential information of the signatories and disclosure of such information could cause damage to the Company.

During the period under review, the Company did not enter into any detrimental transactions (inconsistent with the Company's objectives, current normal market conditions prejudicial to the interests of its shareholders or other groups of persons, etc.) or any transactions involving a conflict of interest between the Company's directors, controlling shareholders, or other related parties' duties to the Company and their private interests and/or other duties.

The Audit Committee of EPSO-G, which operates at the group level and performs the functions of Amber Grid's Audit Committee, provides opinions on each of related-party transactions of Amber Grid. The Audit Committee assesses whether the respective related party transaction is at arm's length and whether the transaction is fair to all shareholders.

Table 5. Amber Grid's related-party transactions, H1 2022

Agreement No.	Type of relationship	Name of the related party	Details of the related party	Agreement effective date	Type	Object of agreement	Estimated value of the transaction, excl. VAT	Notes
6-379	SOE	UAB IGNITIS	Entity code303383884, Laisvės pr. 10, LT-04215 Vilnius	01/01/2022	Other than public procurement contracts	Agreement on Technical Balancing for 2022 (purchase/sale of gas while operating the technical balance of gas in the transmission system).	N/A	
6-378	SOE	UAB IGNITIS	Entity code303383884, Laisvės pr. 10, LT-04215 Vilnius	01/01/2022	Purchase of goods	Natural gas for 2022 (January - April)	2, 619, 000.00	
22-09661	SOE	AB Energijos Skirstymo Operatorius, ESO	Entity code304151376, Aguonų g. 24, LT-03212 Vilnius	25/02/2022	Other than public procurement contracts	Connection service of MD Šakiai-Jurbarkas LČ-2, 3A (address: Papiškių k., Kidulių sen., Šakių r.) to ESO AB electricity grid	16, 572.00	
22-09561	SOE	AB Energijos Skirstymo Operatorius, ESO	Entity code304151376, Aguonų g. 24, LT-03212 Vilnius	25/02/2022	Other than public procurement contracts	Connection service of the branch of MD Panevėžys-Vilnius to DSS ČA-3 of Utena (address: Dembuvkos k., Kurklių sen., Anykščių r.) to the electricity network of ESO AB	5, 571.00	
22-09495	SOE	AB Energijos Skirstymo Operatorius, ESO	Entity code304151376, Aguonų g. 24, LT-03212 Vilnius	25/02/2022	Other than public procurement contracts	Connection service of the branch of MD Panevėžys-Vilnius to DSS ČA-2 of Utena (address: Dejūnų k., Kurklių sen., Anykščių r.) to the electricity network of ESO AB	6, 323.00	
2022-113374	EPSO-G Group	UAB TETAS	Entity code300513148, Senamiesčio g. 102B, LT-35116 Panevėžys	28/02/20228	Asset lease (rental) agreements	Vehicle rental contract (two Mercedes Benz U4000s).	19, 045.00	
581924/SUT2201	EPSO-G Group	UAB GET BALTIC	Entity code 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	17/02/2022	Purchase of services	Publication services for information required to be published under the EU Balancing Network Code for Gas Transmission Networks	8, 400.00	
2022-118134	EPSO-G Group	UAB EPSO-G	Entity code 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	01/03/2022	Financial contracts	Lending and borrowing	20,000,000 / 40,000,000	Maximum lending/borrowing limits excluding interest on funds actually lent/borrowed.
2022-SUT-030	EPSO-G Group	UAB EPSO-G	Entity code 302826889, A. Juozapavičiaus	14/03/2022	Cooperation agreements	Cooperation agreement for joint procurement	N/A	

			g. 13, LT-09311 Vilnius					
588406	EPSO-G Group	UAB GET BALTIC	Entity code 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	23/03/2022	Purchase of services	Allocation services for interconnected transmission capacity at system interconnection points on the natural gas exchange	401, 500.00	
40900/920966	SOE	AB Energijos Skirstymo Operatorius, ESO	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	01/06/2022	Cooperation agreements	Cooperation agreement	N/A	
22-28193	SOE	AB Energijos Skirstymo Operatorius, ESO	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	10/05/2022	Other than public procurement contracts	LČ-2, 3 (Kadriškių k., Aukštieji Paneriai, Vilnius city municipality), connection service for the interconnection of the interconnection between the MD Ivacevičiai-Vilnius-Riga and the MD Vilnius-Kaunas to the electricity grid of ESO AB	7, 267.08	
22-14967	SOE	AB Energijos Skirstymo Operatorius, ESO	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	10/05/2022	Other than public procurement contracts	Connection service of MD Pabradė-Visaginas ČA-9 (Magunkų k., Rimšės sen., Ignalinos r.) to the electricity grid of ESO AB	3, 891.51	
CPO211107	SOE	UAB IGNITIS	Entity code 303383884, Laisvės pr. 10, LT-04215 Vilnius	01/06/2022	Purchase of goods	(VPP-2437) Electricity	648, 000.00	
440222/TV-SUT-19-787	SOE	UAB Transporto Valdymas	Entity code 303383884, Laisvės pr. 10, LT-04215 Vilnius	01/05/2022	Asset lease/purchase /sale agreements	Supplementary Agreement No. 3 to the Vehicle Rental Contract	N/A	
	EPSO-G Group	UAB GET BALTIC	Entity code 2861178, Geležinio vilko g. 18A, LT-08104 Vilnius	07/03/2022	Confidential information	Non-disclosure agreement	N/A	
593454	SOE	UAB PROJECT EXPERTISE	Company registration number 120091161, A. Vienuolio g. 6-11, Vilnius	20/04/2022	Purchase of services	(VPP2733) Expertise services for the TP of individual sections of the trunk gas pipeline, Phase II	10, 367.00	

5.13. INFORMATION ON MATERIAL OWNERSHIP INTERESTS HELD DIRECTLY AND INDIRECTLY

As at 30 June 2022, the Company held 100% of the shares of its subsidiary GET Baltic UAB. More detailed information on the holding is provided in Amber Grid's financial statements.

6. RISKS AND RISK MANAGEMENT

6.1. RISKS AND RISK MANAGEMENT

Risk is understood by the Company as the possibility of unforeseen events that could affect the achievement of the strategy and business objectives both negatively and positively. The Company seeks to actively manage risk and in doing so pursues the following objectives:

- increase the likelihood of achieving the Company's operational objectives and improve operational efficiency;
- pro-actively plan and co-ordinate implementation of measures aimed at mitigating the adverse impacts and/or the likelihood of occurrence of potential events;
- improve safety of employees, third parties and the environment;
- improve prevention and management of unforeseen events;
- build public and government confidence in the Company.

Risk management is understood as a structured approach to managing uncertainties.

Fig. 13. Key risk management processes

A group of risk management processes consists of the following processes:
I. Business environment understanding. Each year, the risk owners assess changes in the Company's objectives, internal and external environment, organisational structure and identify new potential risks.
II. Risk identification and assessment. Using historical data, expert judgement and the results of monitoring the implementation of risks and risk management measures, the Company's risks are identified by identifying the sources of the risks, the areas of exposure, the events associated with the risks, their causes, the potential

impact in financial terms (in euro) and the sustainability of the risks. The type of risks shall be identified and the risk management measures currently in place shall be described. The probability, impact and level of the risks shall be determined, and possible risk management measures shall be identified, taking into account the interdependencies between risks. The units responsible for risk management shall carry out a process of risk identification and assessment.

III. Risk prioritisation. A risk mapping session shall be initiated to review the list of risks established in process II. The risks to be prioritised are identified by the Company. If this process raises doubts about the likelihood, impact, management measures or other elements of certain risks, a re-analysis of these risks is initiated.

IV. Developing a risk management plan. A plan of measures to manage the Company's risks identified in process III, with the resources required to manage the risks, shall be established and approved by the Board following the recommendations of the Audit Committee. The identified resource requirements for the implementation of the risk management measures shall be considered in the planning of the following year's budget. If the amount budgeted for risk management in the budget prepared for approval differs from the amount foreseen in the risk management plan, the Company's risk management plan shall be adjusted. The Board shall approve the final risk management plan together with the budget. The objectives of the risk monitoring and risk management action plan shall be linked to the annual objectives of those responsible for monitoring and managing risks.

V. Monitoring. Periodic monitoring of risks and of implementation the risk management measures shall be carried out to assess changes in the level of risks, progress in the implementation of risk management measures and the effectiveness of the measures. The results of monitoring shall be regularly reported by the risk owners and the persons responsible for the implementation of the risk management measures to EPSO-G's Risk Management and Prevention Unit and to the Management Board of the Company. Where a risk tolerance or critical value of a key risk indicator (KRI) is exceeded, and new risks are identified with the KRI exceeding the appetite, new risk management measures shall be planned and an adjustment to the risk management plan shall be prepared for the approval of the Board.

VI. Communication and information transfer. The basis for effective risk management is continuous communication within the Company between the Risk Owners, the Risk Management Unit, the Compliance and Risk Management Unit of EPSO-G, the Chief Executive Officer of the Company and the collegial bodies. Effective communication requires that relevant information reaches those responsible in a timely manner.

Risk management is carried out in accordance with the *Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management* (COSO ERM) methodology. The Company is fully subscribed to the EPSO-G Group Risk Management Policy and follows a common Group Risk Management methodology.

Key risks managed by the Company in the first half of 2022:

Information security (cyber security) risks. The Company is an undertaking of importance for national security, which operates facilities and property critical to national security. The information and data managed by the Company is of strategic importance, and the loss, unauthorised alteration or disclosure of such information (or) and data, corruption or interruption of the flow of data necessary for the secure operation of the transmission system may cause disruption of operations and damage to other natural and legal persons. In order to manage this risk, during the reporting period, the Company carried out the expansion of the critical infrastructure data network monitoring system, as well as the upgrade and installation of software necessary to ensure cyber security. Vulnerability assessments of equipment were also carried out, and staff exercises were organised to assess their resilience to social engineering techniques. Due to the importance of cybersecurity not only for the Company, but also at the national level, active cooperation with the Ministry of Energy and the National Cybersecurity Centre is being conducted in order to ensure the highest level of information security and the recommendations of the competent state authorities are being implemented.

Technological risks. One of the Company's key functions and responsibilities is to ensure safe, reliable and efficient operation of the natural gas transmission system. For this reason, the Company implements and improves specialised information systems, continuously updates its emergency and technological disruption response and emergency management plans, business continuity plans, and imposes high requirements on contractors. During the reporting period, pipeline diagnostics were carried out and are planned to be continued in 2022 with the timely remediation of identified critical defects in the trunk gas pipeline. In order to manage the risk of relining the pipeline sections above the development standard, a study was carried out at the Company's expense to assess the constraints in the class unit of the area, which is the basis for the preparation of draft amendments to the Rules for the Installation and Expansion of the Trunk Gas Pipeline and other related legislation in 2022.

Risk of shortage of properly qualified staff, employee turnover rate and motivation. The Company faces competition for highly skilled professionals to contribute to strategic projects. In order to manage the risks of lack of properly qualified staff, employee turnover and motivation, critical shift plans have been drawn up for critical positions and actions have been taken to minimise these risks, and a management development training programme has been implemented.

Risk of non-compliance with the project portfolio plan. To manage this risk, the Company has carried out timely procurement, ensuring non-deviation from deadlines and full compliance with the legislation governing public procurement procedures, limited and minimised the occurrence of interim delays in the execution of works, implemented the recommendations of the internal management audit, and held periodic discussions with the Group's companies on the status of the projects as well as on critical risks.

Regulatory risk. Natural gas transmission prices are regulated and price/revenue caps, return on investment are set and investments are coordinated by the NERC. These decisions directly determine the Company's operating results and the allocation of funds for necessary operating costs, investments to maintain the reliability of the transmission network, as well as the ability to finance strategic projects with own or borrowed funds. During the reporting period, the monitoring of the drafting and/or amendment of legal acts regulating the regulated activities of the NERC and other authorities was carried out and the positions on draft legal acts was presented.

Risk of non-compliance with occupational safety requirements. Due to the nature of its activities and the nature of its work, the Company pays particular attention to occupational safety of its employees. This risk has remained a priority area for many years. The monitoring of the application of Covid-19 preventive measures and compliance with the requirements continued in 2022 and has contributed to this risk since 2020.

The management of these risks during the reporting period included the updating of the occupational risk assessment and ongoing structured internal controls at all levels, in accordance with the description of the internal control procedures in the areas of Occupational Health and Safety and the Environment, which was approved and updated in December 2021. This included the assessment of compliance with OSH requirements through the use of checklists, training and awareness of potential risks, timely health checks and the development of a safety and health culture. An assessment of psychosocial risk factors was also carried out during the reporting period.

In the first half of 2022, no fatal or serious accidents occurred to either the Company's or the contractors' employees.

Financial risks. The Company's activities expose it to financial risks: credit and liquidity risks. The Company has a treasury and financial risk management policy and a share sale transaction policy approved in November 2021. The Treasury and Financial Risk Management Policy applies the credit rating requirements

of financial institutions, regular review and updating of cash flow forecasts, and the provision of an unused reserve. In March 2022, EPSO-G and the Company entered into a Lending and Borrowing Agreement.

Business transparency risk. The Company continued to focus on oversight of public procurement processes and prevention of corruption in its operations.

The company has also identified existing/gapping procurement competencies and developed a procurement competency matrix and measures to address the gaps. It has also developed a matrix of responsibilities for the development of qualification requirements in order to improve the quality of the qualification requirements for suppliers.

During the reporting period, the Company has been updating its internal documents and processes to implement the amendments to the Laws on Prevention of Corruption and Whistleblower Protection, which come into force in 2022. The Company has also continued to focus on not tolerating corruption, patronage of family members, relatives, friends or any other forms of influence peddling, and has consistently and systematically implemented the prevention of conflicts of interest between the Company and its employees. The Company encourages its employees and other interested parties to report directly or anonymously any possible irregularities, unethical or dishonest behaviour to the helpline or directly to the address of the Special Investigation Service of the Republic of Lithuania. The Company also has a zero-gift policy, which means that the Company's employees are not allowed to accept or give gifts, either directly or indirectly, in the performance of their duties, except for exceptions provided for by law.

In accordance with the Law on the Harmonisation of Public and Private Interests and the decision of the High Official Ethics Commission, as of 1 January 2021, the Company's executives, heads of structural units and functional areas, members of procurement committees, organisers of low-value procurements, experts involved in procurement procedures and employees initiating procurements, and the members of the Board of the Company have declared their private interests on the public information platform PINREG.

The risk of decrease in domestic gas consumption caused by competition with other fuels. In 2022, risk management measures focused on diversifying gas supplies and increasing the potential for transit to other EU countries by seeking a common agreement with the Baltic countries and Finland in the regional market project and by building a gas interconnection pipeline with Poland (GIPL). In order to attract green gas supplies to gas transmission networks, decisions were taken on the adaptation of the national registry of guarantees of origin to the international trade in guarantees of origin, work continued on the project to study the conditions and possibilities of adapting the Baltic gas networks to transport green hydrogen and methane, and seven preliminary connection conditions were issued to biogas producers for their connection to the Lithuanian gas transmission networks.

6.2. COVID-19 RISK MANAGEMENT

in 2022 The company continued to take all possible actions, with the protection of employees from the possible risk of infection with COVID-19. Considering the changing epidemiological situation, the flow of employees was limited in the Company, remote work remained a priority and other preventive measures were continued:

- appointment of staff responsible for monitoring of and reporting the situation;
- possibility for employees returning from risk countries to work remotely, take a leave or sick leave;
- identification of the departments, staff members and replacements that administer critical functions and key systems;

- use of remote work organisation measures;
- sharing information on the application of preventive measures with employees;
- provision of personal protective equipment (PPE);
- disinfection of premises;
- management of staff flows;
- explanation of benefits of vaccination to staff;
- provision of access to vaccination.

6.3. THE COMPANY'S INTERNAL CONTROL SYSTEM

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

The Company has adopted the Manual of Accounting Procedures and Policies which governs the principles, methods and rules for accounting, reporting and presentation. In addition, in order to ensure that the financial statements are prepared in a timely manner, the internal rules adopted by the Company regulate the timing of the submission of accounting documents and the timing of reporting.

The financial statements follow the "four eyes" principle. The Accounting Unit is responsible for the preparation and review of the financial statements.

7. GOVERNANCE REPORT

7.1. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complies with the Corporate Governance Code for Companies Listed on NASDAQ Vilnius (available at www.nasdaqbaltic.com; hereinafter referred to as the "Code"). The Code shall apply to the extent that the Company's Articles of Association do not provide otherwise. The Company has disclosed its compliance with the provisions of the Code and this information is available on the Company's website at www.ambergrid.lt and on 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 with a par value of EUR 0.29 each. One ordinary registered share with a value of EUR 0.29 grants its holder one vote at the General Meeting of Shareholders. All shares are fully paid up.

The shareholder structure of the Company remained unchanged in the first half of 2022. EPSO-G UAB retained its 96.58% shareholding in the Company and was the only shareholder holding more than a 5% stake in the Company. EPSO-G has a casting vote at the General Meeting of Shareholders.

7.3. SHARES AND SHAREHOLDER RIGHTS

The number of the Company's shares carrying votes at the General Meeting of Shareholders is the same as the number of shares in issue and amounts to 178,382,514 units. Amber Grid shares carry equal economic and non-economic rights and no shareholder of the Company has any special control rights. In accordance with the Company's Articles of Association, only the Company's General Meeting of Shareholders may decide on the issue of new shares and the repurchase of treasury shares.

The Company is not aware of any arrangements between shareholders that may restrict the transfer of securities and/or voting rights. The Company has no restrictions on voting rights.

The Company has not acquired any treasury shares and has not entered into any transactions involving the acquisition or disposal of treasury shares in the first half of 2022.

7.4. SHAREHOLDERS

As at 30 June 2022, Amber Grid had more than 2,300 shareholders (natural and legal persons, both Lithuanian and foreign), of which 1 (one) shareholder held more than 5% of the Company's shares.

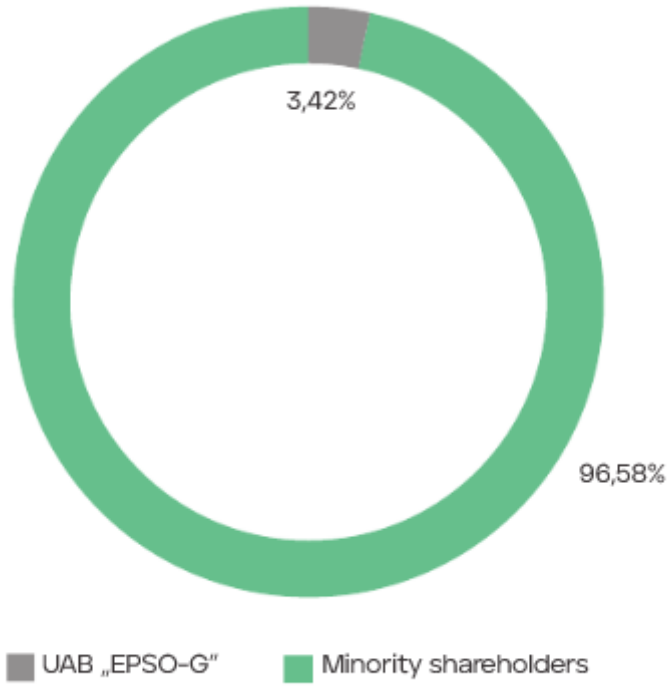
Table 6. Shareholders of the Company

Shareholder	Registered office address / legal entity code	Ownership interest, number of shares
EPSO-G UAB	Gedimino pr. 20, Vilnius, Lithuania/ 302826889	172, 279, 125
Minority shareholders		6, 103, 389

Total:		178, 382, 514

The shareholder structure of the Company is presented in Fig. 14.

Fig. 14. Shareholding structure as at 30 June 2022



7.5. DETAILS ON TRADING IN SECURITIES ON REGULATED MARKETS

Since 1 August 2013, the Company's shares have been offered for trade on a regulated market and are quoted on the Secondary List of NASDAQ Vilnius Exchange.

Table 7. Key details on Amber Grid shares

Key details of Amber Grid's shares	
ISIN **code**	LT0000128696
LEI **code**	097900BGMP0000061061
Ticker	AMG1L
Shares in issue (number of shares**)**	178,382,514

In the first half of 2022, the Company's share trading turnover amounted to EUR 0.27 million (EUR 0.36 million in the first half of 2021), 229,335 shares were transferred in transactions (342,789 shares in the first half of 2021). The Company's share price dynamics are presented in Fig. 15 and the Company's share price and turnover in H1 2022 are presented in Fig. 16.

Fig. 15. Share price dynamics at NASDAQ Vilnius in the first half of 2022.

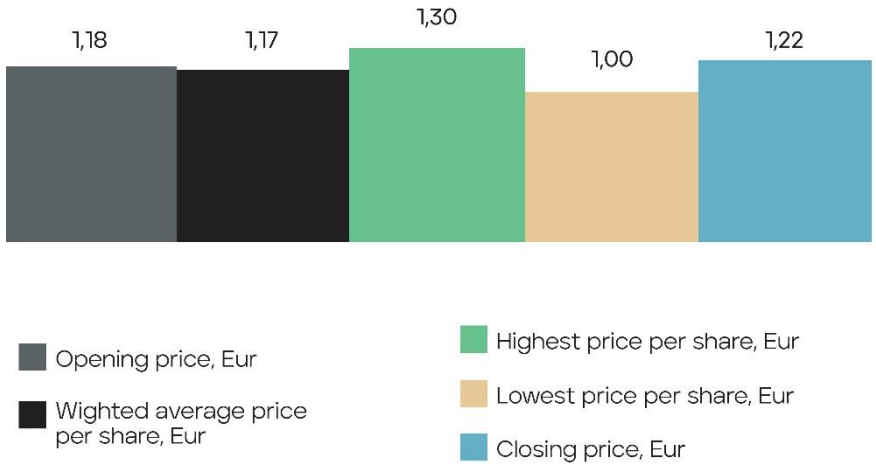
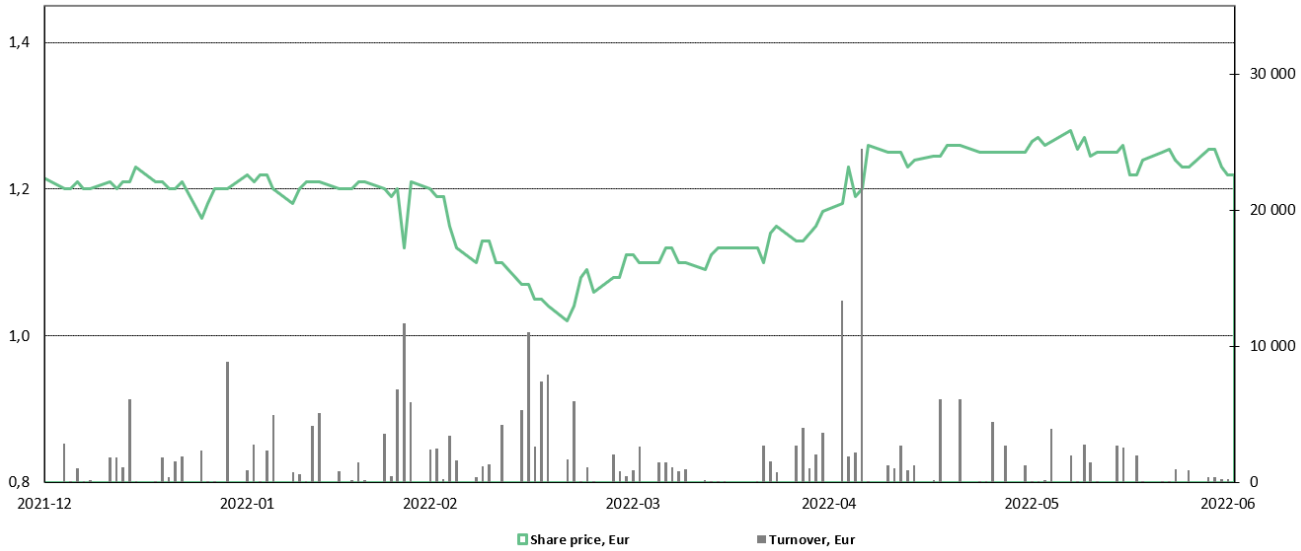


Fig. 16. Amber Grid's share price and turnover, H1 2022.



As at 30 June 2022, Amber Grid's share capitalisation amounted to EUR 217.63 million. The price per share on the stock exchange, and thus the capitalisation, remained unchanged during the first half of 2022.

7.6. DIVIDENDS

The dividend policy of the Group and the Company sets identical rules for estimation, payment and declaration of dividends across all companies in the EPSO-G Group.

The main objective of the Dividend Policy[3] is to set clear guidelines for the expected return on equity for existing and potential shareholders, ensuring sustainable growth in the value of the Group and its constituent companies and the development of strategic projects, thus consistently strengthening confidence in the Transmission and Exchange Group.

The Ordinary General Meeting of Shareholders held on 20 April 2022 approved the proposal of the Management Board of Amber Grid to distribute the profit earned in 2021 by paying a dividend of EUR 0.0555 per share. Shareholders' record (accounting) date is 4 May 2022.

The Ordinary General Meeting of Shareholders held on 23 April 2021 approved the proposals of the Management Board of Amber Grid not to distribute the profit earned in 2020.

The Ordinary General Meeting of Shareholders held on 20 April 2020 approved the proposal of the Management Board of Amber Grid not to distribute the profit earned in 2019.

The 2020 and 2021 profit distribution decisions were taken at the General Shareholders' Meeting in accordance with the Dividend Policy. As the need for funds for investments has increased, the distributable profit has been retained in the Company in view of the fact that the Company is implementing the large-scale strategic gas transmission interconnection project GIPL between Lithuania and Poland.

7.7. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

On 30 April 2021, the Company entered into an agreement with SEB Bank AB for the payment/distribution of dividends to minority shareholders, pursuant to which SEB Bank AB calculates and pays dividends to all shareholders of the Company.

Table 8. Bank details

SEB Bankas AB details	
Company code	112021238
Registered office address	Konstitucijos pr. 24, LT-08105 Vilnius, Lithuania
Phone	+370 5 268 2800
Email	info@seb.lt
Official website	www.seb.lt

7.8. MANAGEMENT STRUCTURE

The Company's activities are governed by the Law on Companies, the Company's Articles of Association and other legal acts of the Republic of Lithuania. The powers of the General Meeting of Shareholders, the rights of shareholders and their exercise are defined in the Law on Companies and the Company's Articles of Association. The Company's Articles of Association are published on the Company's website: www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai.
The Articles of Association provide that they may be amended by a resolution of the General Meeting of Shareholders adopted by a majority of 2/3 of the shareholders present at the General Meeting of Shareholders.

[3] The Dividend Policy of the Company and the Group was approved by the Board of Amber Grid AB and restated on 20 February 2020.

The Articles of Association provide for the following bodies of the Company:

- The General Meeting of Shareholders,
- The Board as the collegial management body,
- The Company's sole governing body is the Head of Company's Chief Executive Officer (CEO).

General Meeting of Shareholders

The procedure for convening, decision-making and competence of the General Meeting of Shareholders of the Company does not differ from the procedure for convening, decision-making and competence of the General Meeting of Shareholders referred to in the Law on Companies of the Republic of Lithuania (hereinafter referred to as the "the Law on Companies"), with the exception of the additional powers of the Meeting, which is provided for in Article 38 of the Articles of Association of the Company.

Article 26 of the Articles of Association provides that the General Meeting of Shareholders shall also take decisions on (additional powers of the meeting):

(i) approval of the decisions of the Board provided for in Article 38 of the Articles of Association[4]. The Meeting, in approving the Board's decisions to enter into specific transactions, shall, inter alia, approve the main terms of such transactions;

(ii) appointment and removal of the Board members, determination of the remuneration of the Board the members, determination of the annual remuneration budget for the remuneration of the Board the members and for expenses related to the performance of their functions on the Board, the conclusion of contracts with the members of the Management Board of the Company for the performance of their activities on the Board, and the establishment of the standard terms and conditions of such contracts;

(iii) the removal or non-removal from office of the Board members at the time of taking the decisions that involve the conflicts of interests of the Board members, in cases stipulated in Article 48[5] of the Articles of Association.

The Board

[4] 38. The following decisions of the Board shall be subject to approval by the Meeting: 38.1. on the transfer, pledge or other encumbrance of the Company's shares (ownership interest, member contributions) or the rights they confer or other rights of a participant in a legal entity; 38.2. on the transfer of the assets of the Company's Controlled and/or Associated Companies, or material parts thereof, if the carrying amount of the assets to be transferred is greater than 1/20th of the Company's authorised capital; 38.3. on the transfer, pledge, change of legal status, other encumbrance or disposal of the Company's assets included in the list of facilities and assets of importance for national security provided for in the Law on Protection of Objects of Importance for National Security of the Republic of Lithuania, if the value of the said facilities exceeds 1/20 of the Company's authorized capital; 38.4. on the transfer, other disposal or encumbrance of shares or rights in, or the increase or reduction of the authorised capital of, undertakings which are directly or indirectly owned, or which develop, own, operate, use or dispose of facilities referred to in paragraph 0 of this Article, or which may change the structure of the authorised capital of such undertakings (e.g, the issue of convertible bonds), and decisions on the reorganisation, separation, restructuring, liquidation, restructuring or any other action which changes the legal status of the undertakings referred hereto; 38.5. on the investment, transfer, lease (estimated individually for each type of transaction), pledge or mortgage of the Company's assets with a carrying amount exceeding 1/5 of the Company's authorised capital (calculated as a total amount of transactions); 38.6. on any transactions that involve arrangements on payment of penalties with the total amount exceeding 1/5 of the share capital of the Company; 38.7. on offering of surety or guarantee for the performance of obligations of third parties, the n amount whereof exceeds 1/5 of the Company's authorised capital; 38.8. on the acquisition of assets for the price exceeding 1/5 of the Company's authorised capital; 38.9. on the submission of the Company's projects to be recognised as projects of special national importance or projects of national significance as such projects are defined by the legislation.

[5] A member of the Board shall neither refuse to vote nor abstain, except for the cases specified by laws and these Articles of Association. If a member of the Board takes part (votes, participates in discussions, etc.) in a decision-making process, which is (directly or indirectly) related to personal interests of the respective member of the Board, the respective member of the Board shall immediately refrain from any actions pertaining to fulfilment of his functions, and shall notify the Board of the existing conflict of interests. The Board shall decide on the suspension of the member of the Board from voting at the time of making a decision on the specific matter, and when the Board is unable to decide as none of the Board members are able to vote on the specific matter due to a conflict of interests, the respective decision on the suspension of Board members shall be made by the Meeting.

The Articles of Association of Amber Grid stipulate that the Company's Board consists of five members appointed by the General Meeting of Shareholders for a term of four years, taking into account the recommendations of the Remuneration and Nomination Committee. Two members of the Board are independent. A member of the Board shall serve for a maximum of two consecutive terms, i.e., a maximum of eight consecutive years.

On 27 April 2022, the Board of Amber Grid AB has elected Vytautas Bitinas, Director of Strategy and Development of EPSO-G, as Chairman of the Board. He is responsible for shaping, managing and overseeing the Group's strategy.

Amber Grid's Board consists of 5 members elected for a 4-year term of office. The current term of the Board started in April 2020. Dalius Svetulevičius, Technical Manager of EPSO-G, who is responsible for overseeing the implementation of the strategy for the management of technological assets and investment plans, and Karolis Švaikauskas, a civil servant and Head of the Energy Competitiveness Group at the Ministry of Energy, joined the Board in April this year.

The selection of the Board members shall be carried out in accordance with *Description of selection of candidates to the board of a state or municipal enterprise and candidates to a collegial supervisory or management body elected by the general meeting of shareholders of an enterprise owned by the state or municipality*, as approved by Resolution No. 631 of 17 June 2015 of the Government of the Republic of Lithuania.

The powers of the Management Board of the Company shall not differ from the powers of the Board as set out in the Law on Companies, except for the additional powers set out in the Articles of Association[6] .

Additional powers of the Board relate to the approval of the Company's key operational documents (strategy, business plan, budget, etc.), determination of the terms of employment of the CEO, setting of prices for gas transmission and other regulated services, approval of the transfer of the Company's assets, and conclusion of significant transactions as provided for in the Articles of Association.

The Company's Board also performs the following supervisory functions:

(i) approves or opposes the conclusion of related-party transactions, taking into account the opinion of the Audit Committee;

(ii) supervises the CEO's performance and provides feedback and proposals to the Meeting regarding the activities of the CEO;

(iii) considers whether the CEO is fit for office if the Company is making a loss;

(iv) proposes to the CEO to revoke decisions of the CEO which are contrary to laws and regulations, the Articles of Association, decisions of the Meeting or the Board;

(v) decides on other matters within the powers of the Board to supervise the activities of the Company and the Chief Executive Officer as provided for in the Articles of Association, as well as in the decisions of the Meeting.

Information on Amber Grid's Board members, CEO and Chief Accountant is presented in Table 9.

Table 9. Amber Grid's Board members, CEO and Accounting Manager.

[6] The Company's Articles of Association are available on the website at https://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai

Full name	Responsibilities	Term of office	Job positions held elsewhere	Shares held in in Amber Grid	Qualification[7]
Vytautas Bitinas	Chairman of the Board	Since 20 April 2020 (elected on 20 April 2022)	Director of Strategy and Development at EPSO-G UAB	N/A	Kaunas University of Technology, Master of Computer Science; Baltic Institute of Corporate Governance, Professional Board Member
Dalius Svetulevičius	Member of the Management Board	Since 20 April 2020 (elected on 20 April 2022)	Technical Manager at EPSO-G UAB	N/A	Kaunas University of Technology, Bachelor of Electronics Engineering, Master of Science in Measurement Engineering; Vilnius University, Master of Management and
Karolis Švaikauskas	Member of the Management Board	Since 20 April 2020 (elected on 20 April 2022)	Head of the Energy Competitiveness Group, Ministry of Energy	N/A	Vytautas Magnus University, BA in History, MA in Political Science and MA in Baltic Studies; Humboldt University of Berlin, Scandinavian and Northern European Studies.
Ignas Degutis	Independent Board member	Since 20 April 2020	CFO of RB Rail AS (Rail Baltica), Member of the Board	N/A	ISM University of Management and Economics, MSc in Economics; Baltic Institute of Corporate Governance, Chairman and Board Member
Sigitas Žutautas	Independent Board member	Since 20 April 2020	Chairman of the Innovation and Development Committee of EPSO-G UAB	N/A	Vilnius University, Master of Business Management and Administration; ESMT European School of Management and Technology, Berlin, postgraduate studies
Algirdas Juozaponis	Chairman of the Board	From 20/04/2020 to 20/04/2022	CFO of EPSO-G UAB Chairman of the Board of LITGRID AB	N/A	Vilnius University, Master of Banking; Baltic Institute of Corporate Governance, Professional Board Member

Renata Damanskytė-Rekašienė	Member of the Management Board	From 20/04/2020 to 20/04/2022	Director of Legal and Corporate Governance, EPSO-G UAB	N/A	Vilnius University, Faculty of Law, specialization in commercial law, Master of Law; Baltic Institute of Corporate Governance, professional member of the Board of Directors; Lawyersificate
Nemunas Biknius	Director-General	Since 08/04/ 2020	No	0.001505 % of shares in Amber Grid	Vilnius Gediminas Technical University, MSc in Energy and Thermal Engineering; Aalborg University, Denmark, Environmental Management Studies;
Rasa Baltaragienė	Head of Accounting	Since 02/12/2019	-	N/A	

The Board held 13 meetings in the first half of 2022.

Attendance at the Board meetings in the first half of 2022

- Participated
- Absent

Table 10. Amber Grid Board meeting attendance statistics

No.	Date of the meeting	Algirdas Juozaponis	Renata Damanskytė-Rekašienė	Sigitas Žutautas	Ignas Degutis	Vytautas Bitinas	Dalius Svetulevičius	Karolis Švaikauskas
1.	10 January	●	●	●	●	Not elected	Not elected	Not elected
2.	26 January	●	●	●	●	Not elected	Not elected	Not elected
3.	28 January	●	●	●	●	Not elected	Not elected	Not elected

[7] Information on the professional experience of the members of the Board members of can be found on the Company's website at https://www.ambergrid.lt/lt/apie_mus/valdymas/valdyba, and on the professional experience of the Chief Executive Officer and other senior executives at https://www.ambergrid.lt/lt/apie_mus/valdymas/vadovybe

No.	Date of the meeting	Algirdas Juozaponis	Renata Damanskytė-Rekašienė	Sigitas Žutautas	Ignas Degutis	Vytautas Bitinas	Dalius Svetulevičius	Karolis Švaikauskas
4.	22 February	●	●	●	●	Not elected	Not elected	Not elected
5.	1 March	●	●	●	●	Not elected	Not elected	Not elected
6.	15 March	●	●	●	●	Not elected	Not elected	Not elected
7.	21 March	●	●	●	●	Not elected	Not elected	Not elected
8.	24 March	●	●	●	●	Not elected	Not elected	Not elected
9.	19 April	●	●	●	●	Not elected	Not elected	Not elected
10.	27 April	Cancelled	Cancelled	●	●	●	●	●

No.	Date of the meeting	Algirdas Juozaponis	Renata Damanskytė-Rekašienė	Sigitas Žutautas	Ignas Degutis	Vytautas Bitinas	Dalius Svetulevičius	Karolis Švaikauskas
11.	20 May	Cancelled	Cancelled	○	○	○	○	○
12.	1 June	Cancelled	Cancelled	○	○	○	○	○
13.	21 June	Cancelled	Cancelled	○	○	○	○	○

Decisions adopted by the Board in the first half of 2022:

10 January. Approval of Amber Grid's strategy for 2021-2030 and business plan for 2022-2024.

26 January. Approval of Amber Grid CEO's 2022 targets, target weights and measurement indicators. Signing up to the updated EPSO-G UAB Group Procurement Policy, EPSO-G UAB Group Sustainability Policy and EPSO-G UAB Group Equal Opportunities Policy.

28 January. Announcement of the selection of a strategic partner for the subsidiary's GET Baltic gas exchange to bid for a stake in the company.

22 February. Approval of the main terms of the lending and borrowing agreement between Amber Grid AB and EPSO-G UAB. Approval of the essential terms of the Special Vehicle Lease Agreement. Approval of the conclusion of the Natural Gas Sales and Purchase Agreement and approval of the main terms of the Natural Gas Sales and Purchase Agreement.

1 March. Submission of recommendation for the subsidiary GET Baltic UAB to enter into a mutual lending and borrowing agreement with EPSO-G UAB.

15 March. Approval of the CEO's assessment of Amber Grid's targets for 2021.

21 March. Approval of the payment of incentive payments for the successful implementation of the GIPL project to the employees of Amber Grid AB. Approval of the updated report on the implementation of Amber Grid's 2021-2030 strategy for 2021. Adoption of the decision to vote at the Ordinary General Meeting of Shareholders of GET Baltic UAB on 23 March 2022 on the approval of the audited set of financial statements of GET Baltic UAB for 2021, and on the approval of the distribution of profit (loss) of GET Baltic UAB for 2021.

24 March. Approval of Amber Grid's Annual Report 2021 and Amber Grid's Remuneration Report 2021, which forms part of Amber Grid's Annual Report 2021. Approval of separate and consolidated financial statements of Amber Grid AB for 2021. Approval of the draft distribution of Amber Grid's profit for 2021 and adoption of the decision to submit it to the General Meeting of Shareholders. Convening of the Ordinary General Meeting of Shareholders of Amber Grid AB on 20 April 2022.

19 April. Taking into account the assessment of the achievement of the objectives set by the Board of Amber Grid AB for the CEO for 2021, the assessment of the values and leadership principles, allocation of one-off annual variable remuneration to the CEO for 2021.

27 April. Election of Vytautas Bitinas as the Chairman of the Management Board of the Company. Approval of the conclusion of the contract for the reconstruction of the Kėdainiai gas distribution station and of the essential terms of the contract. Approval of the award of four contracts for the replacement of shut-off devices (14 units) and reconstruction of the installation of SCADA (Supervisory Control and Data Acquisition) and of the essential terms of agreements. Approval of the award of the preliminary (main) contracts for the procurement "Internal Diagnostic Services for Trunkline Gas Pipelines" and of the main terms of the agreements. Approval of the accession of Amber Grid AB to the European Association for the Cooperation of Guarantee Institutions of Origin.

20 May. Setting the prices for natural gas transmission services, effective from 1 January 2023.

1 June. Convening of an Extraordinary General Meeting of Shareholders of Amber Grid AB on 23 June 2022. Approval of giving grants to Vilnius Gediminas Technical University and Panevėžys College. Granting of approval to the upgrading of the cyber security posts (cyber security manager and cyber security specialist) to IT specialists.

21 June. Approval given to an amendment to the main terms of the contract for the investment project "Implementation of Operational Technological Control of the Gas Transmission System (Replacement of Shut-Off Devices and Connection to the Remote Control System SCADA)".

In accordance with the Company's Articles of Association, the Audit Committee of the parent company EPSO-G UAB performs the functions of the Audit Committee of Amber Grid.

Amber Grid has the following joint committees within the EPSO-G Group:

- Remuneration and Nomination Committee
- Audit Committee
- Innovation and Development Committee

Full details of Amber Grid's committees are provided in the consolidated annual report of the EPSO-G Group.

7.9. INFORMATION ON INTERNAL AND EXTERNAL AUDITS

To ensure transparency and efficiency of its operations, EPSO-G Group has implemented a centralised internal audit system. This means that the internal audit function is group-wide and reports directly to the Board EPSO-G UAB, which is composed of a majority of independent members. EPSO-G's auditors are not subordinate to the management of the audited company.

The Company's financial statements have been audited by external audit firms:

- Deloitte Lithuania UAB for 2019;
- PricewaterhouseCoopers UAB for 2020;

- PricewaterhouseCoopers UAB for 2021.

The fee for external audit services of Deloitte Lietuva UAB for the year ended 31 December 2019 amounted to EUR 36,000.

The fee for external audit services of PricewaterhouseCoopers UAB for the year ending 31 December 2020 amounted to EUR 50,500 and for the year ended 31 December 2021 also amounted to EUR 50,500.

8. PEOPLE

People are the most important investment in an organisation. Amber Grid's employees are experienced and competent professionals in their respective fields, implementing projects of strategic importance to the State.

As at 30 June 2022, the Company had 327 employees. Employee structure by job group is shown in Table 11.

Table 11. Number of staff for H1 2021 – H1 2022

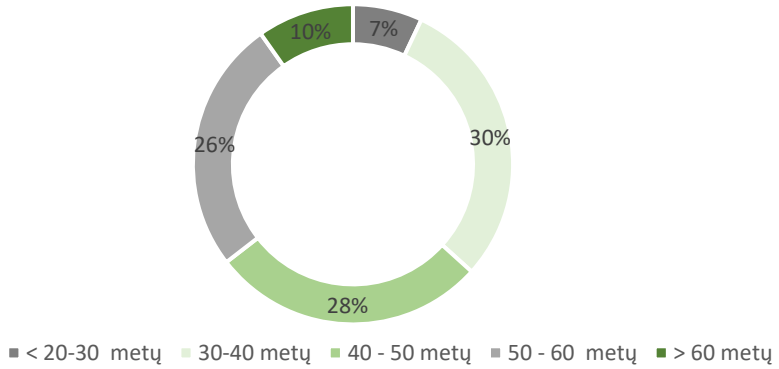
Category (job group)	Number of employees as at 30 June 2022	Number of employees as at 30 June 2021
CEO	1	1
Top level managers	5	5
Middle and first level managers	37	32
Experts - Specialists	192	181
Workers	92	100
TOTAL	**327**	**319**

Data on employees

As we value the contribution of every employee, we aim to retain and attract staff in a competitive market environment. The employee turnover rate has remained similar in recent years. The overall turnover rate was 6.79% in the first half of 2022 and 5.06% in the first half of 2021.

As at 30 June 2022, the average age of the Company's employees was 44.7 years (Fig. 17) and the average length of service was 12.5 years (Fig.18). 66% of the Company's employees have a university degree (Fig. 19).

Fig. 17. Employee structure by age, H1 2022



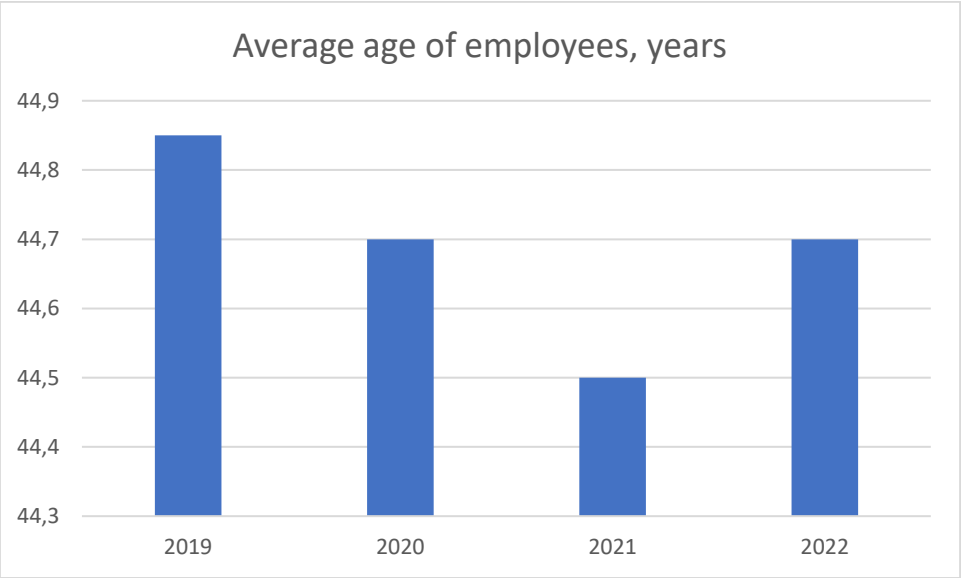


Fig. 18. Employee structure by length of service, H1 2022

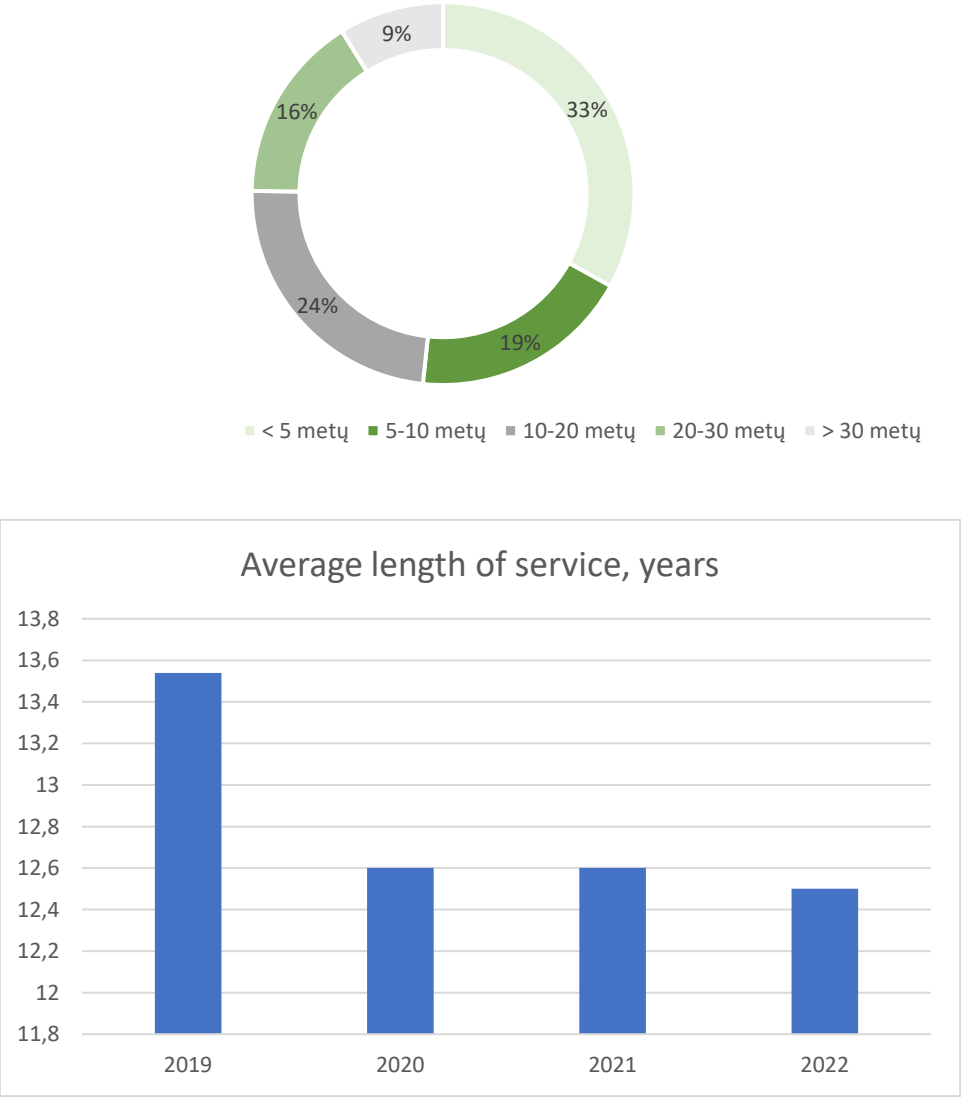
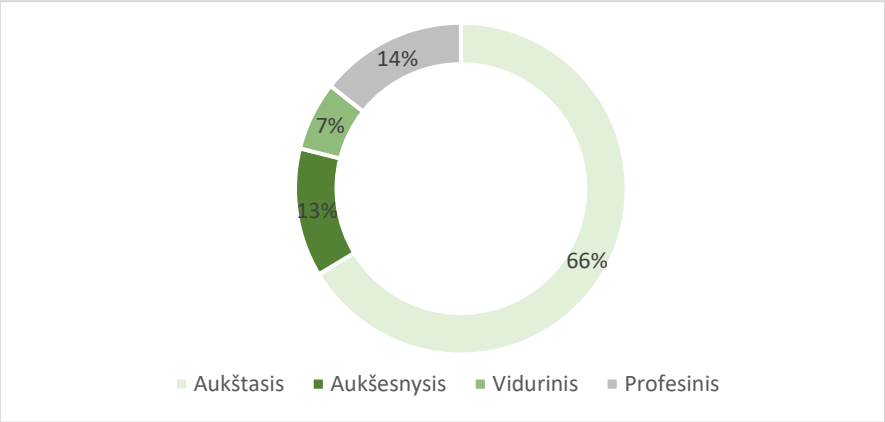
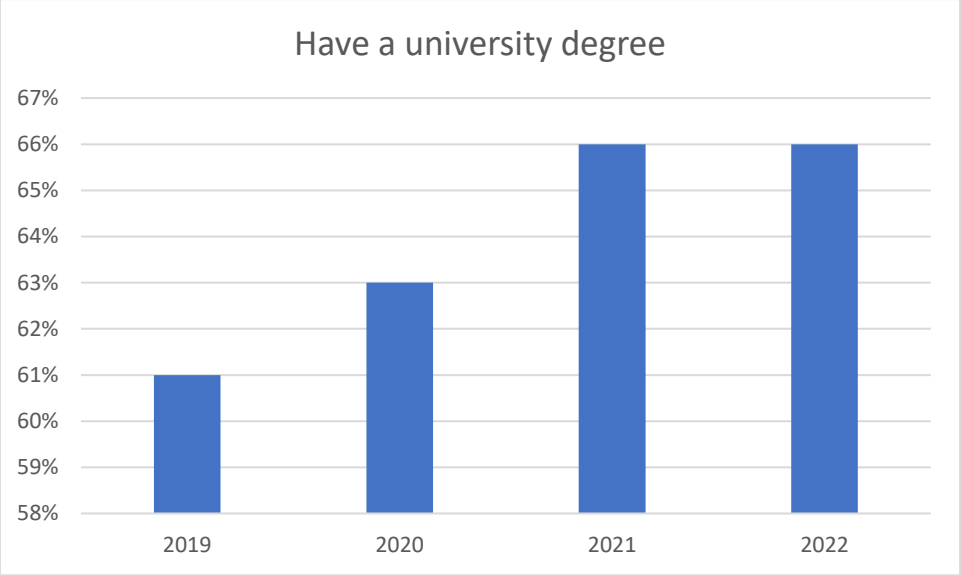


Fig.19. Employee structure by educational background, H1 2022

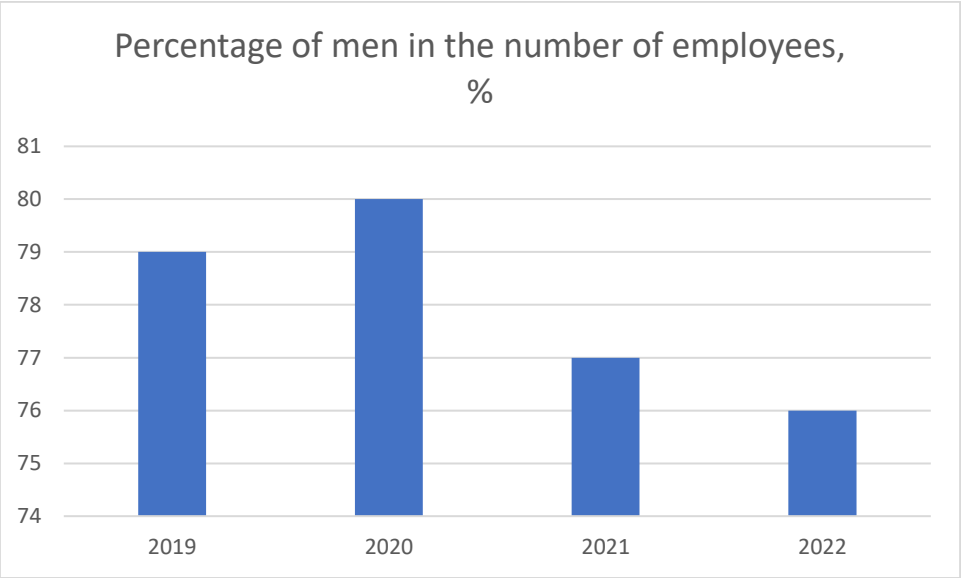


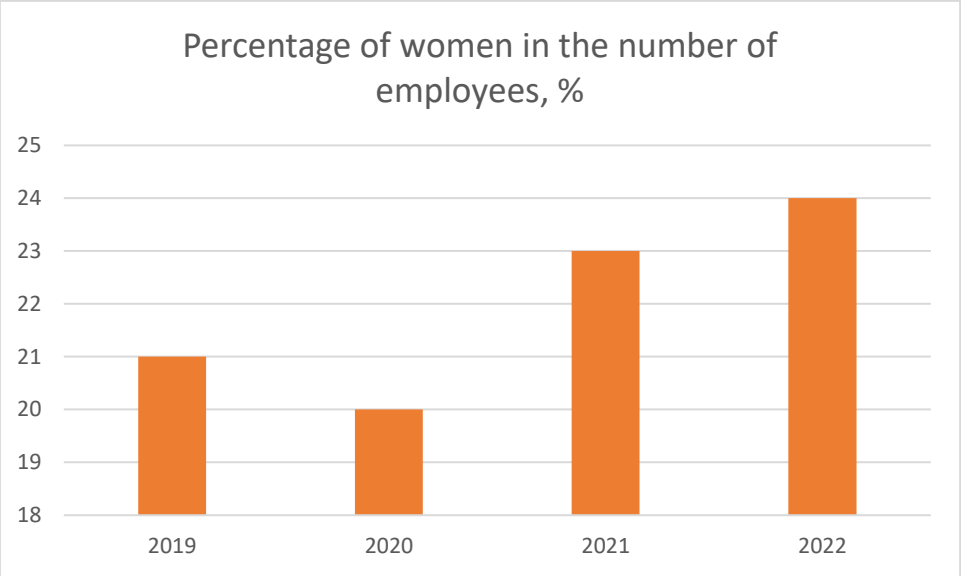


Due to the specific nature of the energy sector, the majority of the Company's workforce is made up of 250 men (76%) and 77 women (24%) (Table 12).

Table 12. Employee structure by gender, H1 2022- H1 2021

	H1 2022, %	H1 2021, %
Men	76	77
Women	24	23





We are open to career opportunities within the company and within EPSO-G. In the first half of 2022, as many as 20 Amber Grid employees made a vertical career change.

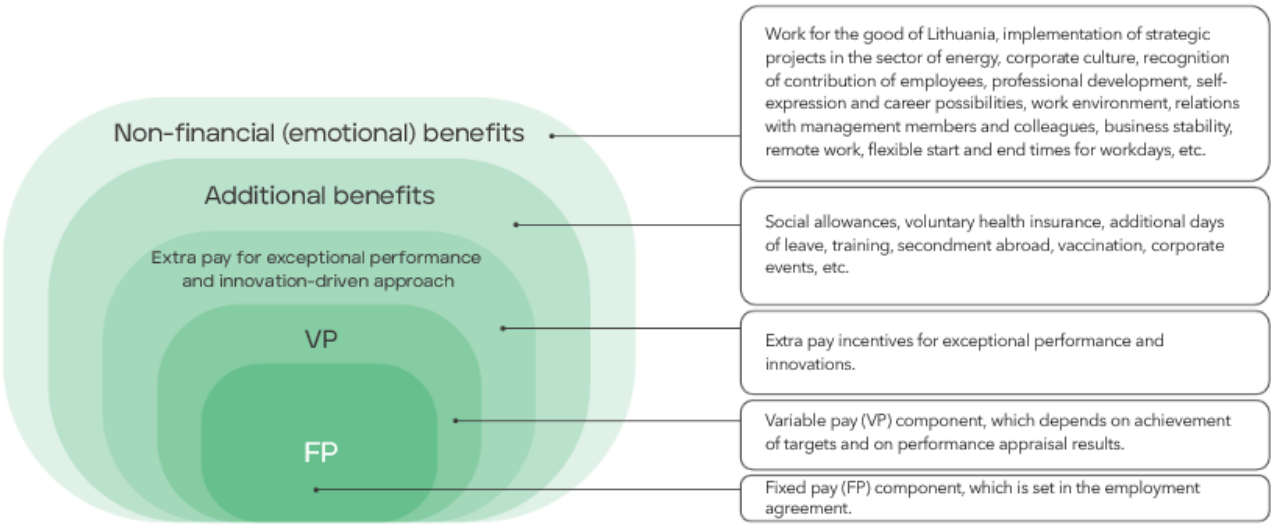
REMUNERATION MANAGEMENT

On 31 March 2021, Amber Grid joined the EPSO-G Group's Employee Remuneration, Performance Appraisal and Development Policy (hereinafter referred to as the "Remuneration Policy"), which applies to all employees of the Company and is publicly available on the website. The Remuneration Policy is approved/adhered to by a decision of the Management Board of the Company, taking into account the recommendations of the EPSO-G Remuneration and Appointments Committee. The Remuneration and Appointments Committee of EPSO-G periodically evaluates the provisions of the remuneration policy, its effectiveness, implementation and application.

The aim of the policy is to manage payroll costs in an efficient, clear and transparent manner and, at the same time, to create motivational incentives for employees to contribute to the achievement of the Company's mission, vision, values and objectives.

The remuneration of EPSO-G Group employees consists of the following components: fixed pay (FP); variable pay (VP); bonuses provided for in the Labour Code of the Republic of Lithuania, the internal regulations of the Company and the collective agreements; extra incentives for outstanding performance and innovation; additional benefits; and non-financial benefits.

Fig20. Components of remuneration



The fixed pay (FP) component is the highest and most important part of monetary remuneration, the amount of which depends on the level of a certain job position, which is established for each job position using the methodology that is applied in a global practice. The FP is established within the range set for each level of job position, taking into account the staff member's experience, competence, level of expertise and autonomy in performing their functions, and the remuneration budget for the relevant year.

The variable pay (VP) component is set to incentivise the achievement of the best possible annual performance against strategic objectives. The specific maximum amount of the VP for the CEO is set by the Board of the Company and for the rest of employees – by the CEO of the Company. The maximum VP for the CEO and top-level managers is 30%, and for middle- and first level managers, professionals and workers are 15%.

The variable pay is subject to the achievement of the annual objectives set for the CEO by the Board of the Company and upon the achievement of individual objectives. The VP component is paid once a year to managers and professionals following the approval of the Company's audited financial results by the Company's Board and their approval by a resolution of the General Meeting of Shareholders. The VP is payable to workers on a quarterly basis.

Amber Grid's average monthly pay by category of employees for the first half of 2022 is shown in Table 13.

Table 13. Average monthly pay by employee category

CATEGORIES	H1 2022			H1 2021		
	Average relative number of employees	Average estimated monthly pay (FP), EUR	Paid out VP component as an average monthly VP component, EUR	Average relative number of employees	Average estimated monthly pay (FP component), EUR	Paid out VP component as an average monthly VP component, EUR
CEO	1	9, 744	3, 207	1	9, 360	2, 791
Top level managers	5	6, 233	2, 063	5	5, 872	1, 385
Middle– and first level managers	40	3, 757	653	37	3, 563	338
Experts – Specialists	195	2, 326	364	188	2, 146	187
Workers	107	1, 360	294	114	1, 259	167
TOTAL	**346**	**2, 268**	**408**	**345**	**2, 166**	**221**

While basic pay (FP, VP) constitutes the foundation of monetary remuneration, other elements of remuneration are equally important and have a significant impact on employee motivation and engagement.

Amber Grid provides the following additional benefits to its employees:

Fig. 21. List of additional benefits

Table 14. Average monthly pay by category of employees

	Group		Company	
Categories	Number of employees (end of the reporting period)	Average monthly pay (incl. VP)	Number of employees (end of the reporting period)	Average monthly pay (incl. VP)
CEO	2	10,252	1	12.951
Top level managers	6	8,112	5	8.297
Middle– and first–level managers	40	4,379	37	4.410
Experts - specialists	194	2,693	192	2.690
Workers	90	1,655	92	1.655
Total average pay	334	2,716	327	2.676
Remuneration fund, EUR '000		5.786		5,584

Remuneration policy for the members of the collegial management bodies and the CEO

On 20 April 2020, the Company's General Meeting of Shareholders approved the Remuneration Policy for the CEO and Board Members of Amber Grid [8] , the purpose of which is to set out common, clear and transparent principles for the monetary remuneration of the Company's CEO and the Board Members and a remuneration system based on these principles, which will effectively manage the Company's operating costs and provide motivational incentives for the Company's CEO and the Board Members to contribute to the achievement of the Company's mission, vision, values and goals.

The principles of remuneration of members of the Company's management bodies are also regulated by EPSO-G UAB Guidelines for Determining the Remuneration for the Activities in the Bodies of the Group Companies, which were approved by the decision of the sole shareholder of EPSO-G UAB.

The remuneration of the management bodies is based on the principle that the level of remuneration and the way it is paid must promote the creation of long-term and sustainable value for the Company and the EPSO-G Group as a whole; be in line with the workload of the Company's individual bodies and their members; be as close as possible to the prevailing market situation in the field, i.e. be competitive with the remuneration levels offered to professionals in their respective fields on the labour market; ensure that the management bodies are compensated for the responsibility they take on; ensure the independence of the independent members of the Management Board; and encourage the attraction of high-level professionals in their field of competence for the Company's management.

Remuneration for serving on the Board of the Company may be paid only to independent members and members who are not civil servants or employees of a public authority and who are not employees of Group companies.

The members of the Company's Board are paid a fixed monthly pay (gross) (a higher amount applies in the circumstances described):

(i) EUR 1,750 (one thousand seven hundred and fifty euros) is paid to the Board members who are also members of at least one of the Management Committees formed within the EPSO-G Group;

(ii) EUR 1,400 (one thousand four hundred euros) is paid to the Board members who are not members of any of the Board Committees formed within the EPSO-G group;

(iii) EUR 2, 150 (two thousand one hundred and fifty euros) is payable to the Chairperson of the Board in view of additional administrative functions undertaken by the chairperson who is also a member of at least one of the Board Committees of the EPSO-G Group; and to the Chairperson of the Committee, who is also a member of the Management Board of the EPSO-G Group;

(iv) EUR 1,800 (one thousand eight hundred euros) is payable to, Chairman of the Board for additional administrative functions of the Chairman, who is not a member of any of the Management Committees formed within the EPSO-G Group.

By decision of the General Meeting of Shareholders of the Company of 23 April 2021, the total annual budget for 2021 for the remuneration of the members of the Board of the Company and for the additional expenses of the Company to ensure the operation of the Board of Directors was set at EUR 51,600.

On 23 June 2022, the Company's General Meeting of Shareholders decided:

1.1. to set the following amounts, before deduction of taxes, of the fixed monthly remuneration payable to the Board members of the Company who meet the criteria set out in the EPSO-G UAB Guidelines for Determining the Remuneration for the Activities in the Bodies of the Group Companies as approved by the

[8] The policy is available on the Company's website at www.ambergrid.lt

decision of the Ministry of Energy of the Republic of Lithuania, the sole shareholder of EPSO-G UAB, (hereinafter referred to as the "Remuneration Guidelines"), to be applicable as of 1 April 2022 (the higher of the two amounts shall apply, in the circumstances described):

1.1.1. EUR 1, 400 to a Board member of the Company;

1.1.2. EUR 1, 800 to the Chairman of the Board of the Company;

1.1.3. EUR 2,400 to a Board member of the Company, who is also a member of the Innovation and Development Committee (hereinafter referred to as the "IDC") of EPSO-G the UAB;

1.1.4. EUR 2,800 to a Board member of the Management Board of the Company who also serves as the Chairman of the IDC;

1.1.5. EUR 2,800 to the Chairman of the Board of the Company, who is also a member of the IDC;

1.1.6. EUR3,200 to the Chairman of the Board of the Company, who also serves as the Chairman of the IDC.

1.2 Given that the amounts set out in point 1.1 of this Decision have been calculated in accordance with current tax legislation, i.e., taking into account the tax payable, the remuneration after tax payable to the members of the collegial bodies should not change in relation to the amount calculated on the basis of the above amounts in the event of a change in the tax regime, pending the adoption of any new remuneration decisions.

1.3 To establish that in the event that a member of the Company's Board is elected as the Chairman of the Company's Board, a member of the IDC and/or the Chairman of the IDC, resigns and/or is removed from the relevant position, the remuneration of such member of the Company's Board shall be adjusted accordingly, taking into account the amounts of the remuneration of the members of the Board of the Company as referred to in Clause 1.1 of the present Decision, which shall depend on the positions held.

1.4. to amend the part of the decision of the Ordinary General Meeting of Shareholders of the Company of 23 April 2021 "On Determination of the Operating Budget of the Board of Directors of Amber Grid AB for 2021 and Subsequent Years" and to determine, with regard to the remuneration to be paid to the Board members of the Company as of 1 April 2022, that:

1.4.1. the total annual budget for 2022 for the remuneration of the Board members of the Company and for the additional expenses of the Company to ensure the operation of the Board of Directors is EUR 53, 295;

1.4.2. as long as the remuneration levels for the members of the Management Board and the principles for determining the remuneration for the Board members set out in Clauses 1.1 to 1.3 of this Decision are in force, the operating budget of the Management Board of the Company for the relevant year shall be drawn up and/or amended automatically (without the need for separate resolutions of the General Meeting of Shareholders), taking into account the positions held by the members of the Board of the Company who meet the criteria set out in the Remuneration Guidelines and the remuneration to be paid thereunder, plus 10 per cent. The Company shall not apply for a change in the level of the operating budget of the Board unless the Company applies for a change in the level of the operating budget of the Board.

The decision also approves a new version of the remuneration policy for the CEO and Board members of Amber Grid AB.

Information on the remuneration of members of the management bodies and the annual changes in remuneration are presented in Tables 15, 16:

Table 15. Remuneration of the Company's CEO

Responsibilities	Full name	Date of appointment	Date of dismissal	Gross work pay (EUR)				
				2017	2018	2019	2020	2021
CEO	Saulius Bilys	June 2013	October 2019	117, 301	119, 392	203, 391		-
CEO	Nemunas Biknius	October 2019	-	-	-	20, 075	117, 192	148, 586

Table 16. Remuneration of Board members

Responsibilities	Full name	Work pay of Board members (EUR)				
		2017	2018	2019	2020	2021
Member of the Management Board	Renata Damanskytė - Rekašienė	-	-	-	-	-
Member of the Management Board	Algirdas Juozaponis	-	-	-	-	-
Member of the Management Board	Rimvydas Štilinis	-	-	-	-	-
Independent board member	Ignas Degutis	-	-	-	11, 713	16, 800
Independent board member	Sigitas Žutautas	-	3, 850	14, 125	21, 000	30, 535
Independent board member	Nerijus Datkūnas	12, 000	11, 575	12, 305	5, 133	-

COLLECTIVE AGREEMENT

The Collective Agreement of Amber Grid employees concluded with the Amber Grid Employees' Trade Union on 10 August 2018, as amended in 2019, is in force and applicable in the Company. The agreement sets out additional work, remuneration, social, economic and professional conditions and guarantees that are not regulated by law or other regulatory acts.

PROFESSIONAL DEVELOPMENT

In line with its strategic objectives and business plans, the Company pays great attention to the development of its employees' competences and to personal and professional development.

The Company carries out its core business in a regulated energy environment with clear requirements for the professional training and certification of staff to perform core and non-core functions. In accordance with the legal framework, the Company organises compulsory, professional and other advanced training and certification of energy personnel.

In-house training focuses on the quality of training. In accordance with the Law on Occupational Safety and Health of the Republic of Lithuania and in order to ensure the training of persons authorised by the employer (heads of structural units or other persons entrusted by the employer with the implementation of occupational safety and health requirements in the company) on occupational safety and health issues, the Employer's Authorised Person Training Programme was adopted in the Company on 3 March 2022.

The company ensures that all mandatory training is organised in a timely manner (fire safety, civil protection, first aid) and that employees receive not only theoretical knowledge but also practical skills. In order to maintain a high level of emergency response among employees, the Company organises periodic fire and emergency response drills.

The company also organises general competency development training, and provides employees with the opportunity to participate in various seminars and conferences, where they improve their skills, learn about innovations in their field and best practices of other companies.

Number of staff attending training in H1 2022

Table 17. Number of staff who have received training

No.	Type of training	Number of participants	Number of staff attending training	Duration of training, hrs.	Employees attending training as a percentage of total number of employees *
1	Professional training	249	119	4,162,5	37
2	Certification of specialists in the energy sector	118	85	118	26
3	Compulsory training	337	321	1,033	99
4	Technical training	132	100	762,5	31
5	General training	1,027	243	3,659	75

** Calculated as a percentage of the average annual number of employees (324 employees in H1 2022)*

9. SUSTAINABILITY

PRINCIPLES AND PRIORITIES FOR SUSTAINABLE ACTION

Sustainability is at the heart of the Company's strategy and strategic plan. The Company is committed to implementing its strategic activities along the following sustainable development directions:

Sustainable development directions:

It also aims to contribute directly to the United Nations Sustainable Development Goals by focusing on ensuring access to clean and modern energy, combating climate change, developing modern infrastructure and innovation, safe and decent working conditions, employee well-being and a sustainable supply chain.

EPSO-G contributes to each of the United Nations Sustainable Development Goals through:

Objective 7. Affordable and clean energy:

- We aim to facilitate the connection of renewable energy producers to electricity and natural gas transmission infrastructure
- We develop a system for the exchange of guarantees of origin for green gas, maintaining a system for guarantees of origin for green electricity
- We seek to adapt gas transmission systems to transport hydrogen

Objective 8. Decent work and economic growth:

- We take a proactive approach to occupational health and safety
- We create an organisational culture based on respect for human rights
- We invest in the professional and personal development of our employees
- We ensure clear and transparent principles for rewarding staff
- We support voluntary unionisation of workers

Objective 9. Industry, innovation and infrastructure

- We ensure reliable and safe operation of electricity and gas transmission systems
- We aim to adapt company structures and incentive systems to foster innovation

Objective 12. Responsible consumption and production

- We aim to apply not only qualitative criteria to our business partners, but also fairness and sustainability criteria
- We ensure responsible sorting and management of the waste generated by your business
- We use green criteria in public procurement

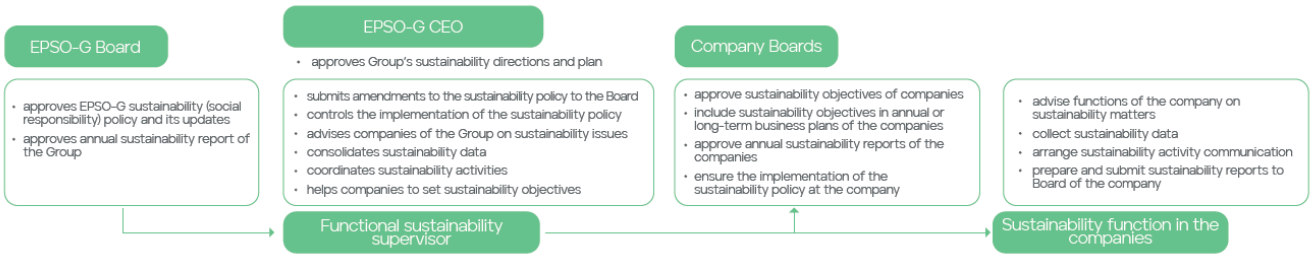
Objective 13. Combating climate change

- We assess the environmental impacts of our activities and develop plans to reduce them
- We implement advanced environmental management systems and prevention measures
- We aim to increase the use of green energy in our operations

The principal purpose of Amber Grid's sustainable activities is to transform the energy sector by striking a sustainable balance between environmental, social and economic objectives, thereby contributing to the creation of a climate neutral economy.

Flowchart for managing the sustainability function

Fig. 22. Sustainability management flowchart



Policies

The sustainability-related policies referred to in this report are publicly available on the Company's website.

Sustainability Policy. In 2021, EPSO-G's Board approved a new Group Sustainability Policy, replacing the previous Group-wide Corporate Social Responsibility Policy. The new Sustainability Policy defines sustainability guidelines and principles common to all the Group's companies and guides the Group's activities. By adopting an umbrella policy governing sustainability and other sustainability-related areas (environment, health and safety, equal opportunities, etc.), the EPSO-G Group is strengthening its management of sustainability at a strategic level, defining the key directions and principles for the development of sustainability, which guide operation of the companies of the Group and the creation of a progressive corporate culture. The implementation of this Policy is the responsibility of the Managers of the EPSO-G Group companies and the Sustainability Functional Area Mentors.

Environmental policy. EPSO-G aims to contribute to the achievement of the environmental and climate change goals set out in the United Nations 2030 Agenda for Sustainable Development, as well as the commitments set out in the Paris Agreement, the European Green Deal, the National Strategy for Energy Independence and the National Climate Change Management Agenda. This policy defines the key environmental principles that apply throughout EPSO-G to reduce the environmental impact of its activities and to establish a culture based on the principles of sustainable development within EPSO-G and its environment. The implementation of the environmental policy is the responsibility of the EPSO-G Group's corporate managers and environmental functionaries, who ensure that environmental aspects are identified in a timely manner, that environmental objectives are set, that plans are drawn up, that targets are set to

improve environmental performance and that sufficient resources are allocated to their implementation, and that the results are monitored periodically, and that the processes, technologies and working methods used are subject to audits.

Occupational Safety and Health Policy (OSH Policy). This policy defines the general principles of occupational safety and health and the basic guidelines for their implementation. The implementation of this policy is the responsibility of the Group's corporate managers and functional supervisors of OSH activities, who ensure timely identification of OSH issues, setting of OSH objectives, development of plans, formulation of targets for improvement of the OSH situation and allocation of sufficient resources for their implementation, periodic monitoring of results, auditing of processes, technologies and working methods. The Group's functional mentors of the Group's OSH activities periodically provide the Group's managers and the EPSO-G OSH functional mentor with reports and data on Incidents, Accidents, Occupational Accidents and OSH violations to assess the status of the OSH situation, the effectiveness of the policy and to take decisions to improve the OSH.

Code of Ethics defines the principles and standards of business ethics and the behaviour expected of its employees and partners in their day-to-day work.

Prevention of Corruption Policy defines the principles and requirements for the prevention of corruption and the guidelines for ensuring compliance with them, the implementation of which creates preconditions and conditions for the implementation of the highest standards of transparent business conduct.

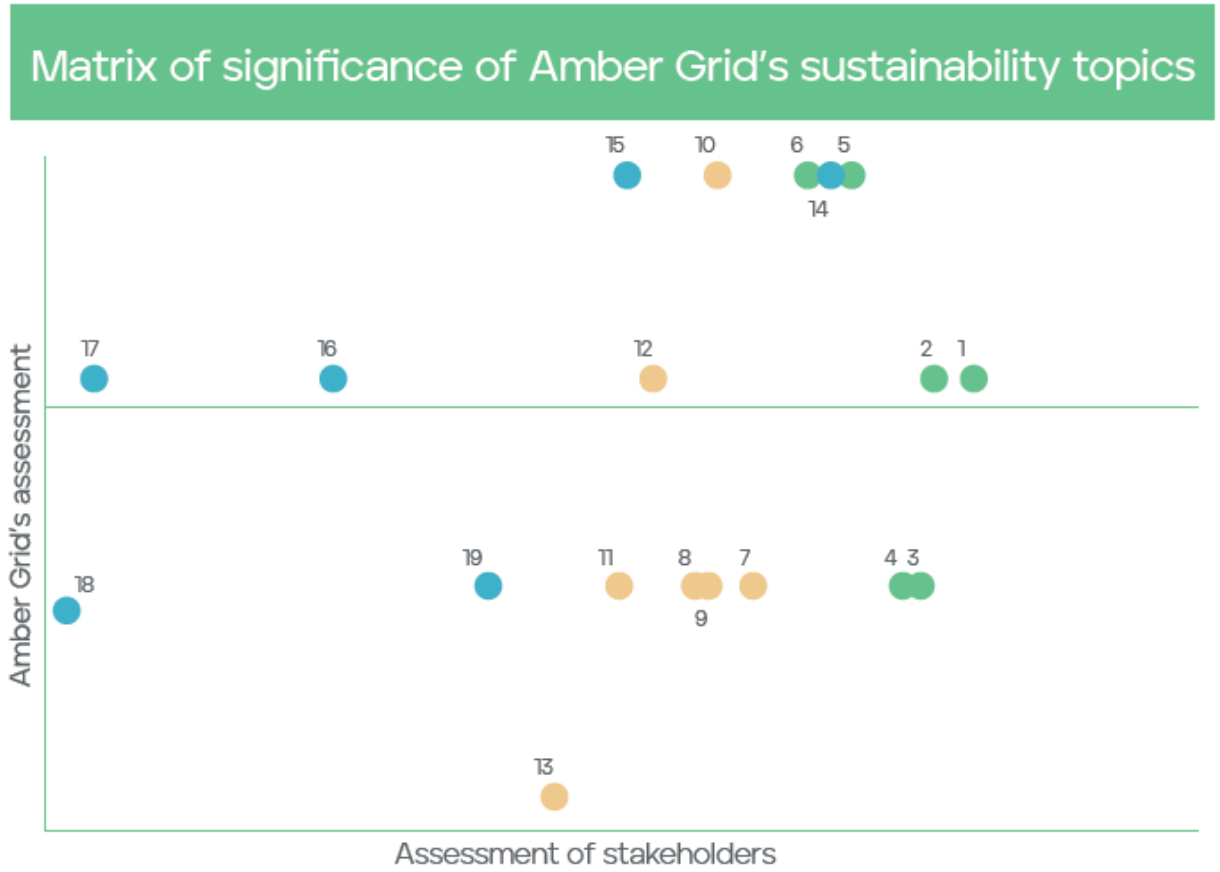
Support Policy defines the key principles of support, clear and transparent criteria for selecting projects and activities to be supported, and essential requirements for the transparency and openness of the support provided.

Equal Opportunities Policy defines the key principles the company must follow to ensure that equal opportunities and non-discrimination are respected in all areas of the employment relationship.

SUBJECTS HIGHLIGHTING THE RELEVANCE OF SUSTAINABILITY AND ITS MATRIX

The Company has carried out a stakeholder assessment of the relevance of sustainability topics across the Company. The survey, implemented in early 2022, involved 180 respondents, including the Company's employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, investors, and the Group's executives and Board members. The Sustainability Policy adopted in 2021 provides that the Group commits itself to reviewing its environmental, socio-economic impacts and sustainability priority topics on a regular basis, but at least once every two years, through a materiality assessment, ensuring stakeholder involvement.

Fig. 23. Amber Grid's assessment of the relevance of sustainability topics.



Environmental area

1. Reducing environmental impact and GHG emissions in operations
2. Preserving biodiversity and ecosystems
3. Sustainable and efficient use of resources in operations
4. Reducing waste amounts, responsible sorting and management
5. Creating favourable conditions for increasing the share of RES
6. Adapting energy systems for decarbonization

Social area

7. Ensuring human rights and equal opportunities for employees
8. Ensuring professional development for employees
9. Employee well-being and job satisfaction
10. Occupational safety and health
11. Dialogue and involvement of local communities
12. Customer satisfaction with services
13. Public activities, volunteering and social partnerships

Management area

14. Reliability and security of transmission networks
15. Transparent management and creation of anti-corruption environment
16. Cyber security and data protection
17. Sustainable value for the economy and financial return to the state
18. Implementation of innovation, research, digitisation
19. Sustainable management of the supply chain

Note: Amber Grid's assessment of importance does not have a single topic which would be awarded a score below 3. Therefore the scale of sustainability topics ranges from those of average importance, important and highly important.

EXPLANATION OF SUSTAINABILITY TOPICS

Amber Grid has assessed the relevance of 19 sustainability topics, which were identified in accordance with the specificities of the EPSO-G Group's business activities, its long-term strategy until 2030, and the guidelines provided by the international standards SASB and GRI.

Environmental sustainability themes:

- Reducing environmental impacts and GHG emissions from operations – reducing environmental impacts (air, water, soil quality), pollution and greenhouse gases (CO 2, CH 4, SF 6, etc.) from corporate operations.

- Biodiversity and ecosystem conservation – protecting terrestrial and aquatic wildlife, natural vegetation and habitats of high ecological value through activities.
- Sustainable and efficient use of resources in the Company's operations – using green energy in the Company's operations, using water and other resources efficiently.
- Waste minimisation, responsible sorting and management – reducing the amount of waste generated by operations and ensuring safe and proper management of hazardous and non-hazardous waste.
- Creating favourable conditions for the growth of RES – ensuring efficient grid connection of renewable energy producers, smooth operation of the Energy Guarantee System.
- Decarbonising energy systems – adapting transmission grids to reliably transport new and increased quantities of renewable energy sources (electricity/biogas, methane and green hydrogen).

Social sustainability themes:

- Ensuring human rights and equal opportunities for employees - ensuring human rights, creating a culture based on equal opportunities and non-discrimination within the Company.
- Ensuring professional development for staff – providing professional and personal development opportunities for staff and actively developing the necessary competences.
- Employee wellbeing and job satisfaction – creating an environment that enhances employee wellbeing and satisfaction, and ensures work-life balance.
- Occupational health and safety – ensuring that the Company and contractor employees comply with safety requirements when carrying out work, and actively managing the health of employees.
- Dialogue and community involvement – actively informing local communities about the activities taking place in their environment, fostering a culture of dialogue and community involvement.
- Customer satisfaction – the quality of customer service, improving customer-centric services.
- Social Action, Volunteering and Social Partnerships – promoting volunteering, educational activities and targeted cooperation with NGOs, academic community and the government.

Sustainability themes in governance:

- Reliability and security of transmission networks - ensuring safe, reliable and efficient operation of energy transmission systems.
- Transparent governance and creating an anti-corruption environment - adhering to standards of transparency and business ethics, not tolerating corruption and actively fighting all forms of it.
- Cybersecurity and data protection - ensuring the security of critical data, building a cyber-attack-resistant IT infrastructure and creating an organisational culture.
- Sustainable value for the economy and financial return for the State - meeting shareholders' financial return targets, ensuring return on investment, economic and social returns.
- Innovation, research, digitalisation - creating an organisational culture that fosters innovation and ensuring adequate funding for innovation.
- Sustainable supply chain management - increasing the share of public procurement of goods and services that meet environmental and sustainability standards, actively encouraging contractors, suppliers and other partners to follow recognised environmental, anti-corruption and social standards.

SUPPORT

Investing in the most sought-after specialities of the future, Amber Grid, Litgrid and Tetas, companies belonging to the EPSO-G group of energy companies, have signed a cooperation agreement with Lithuanian universities and colleges and have allocated more than EUR 100,000 for scholarships for engineering students. The aim of this step is to address the issue of attracting specialists needed for the transformation

of the Lithuanian energy sector. Companies estimate that the need for energy engineering specialists will more than triple by 2030.

On 12 July 2022, four companies signed a cooperation agreement with Vilnius Gediminas Technical University - VILNIUS TECH, Kaunas University of Technology, Klaipėda University, Kaunas University of Technology, Kaunas Technical College and Panevėžys College.

The agreement includes a EUR 103,000 corporate donation to educational institutions through long-term scholarships for engineering students, the sharing of best practices and other measures to encourage greater student involvement in corporate activities. Under the agreement, engineering students will receive monthly scholarships of EUR 200 for three years.