Amber Grid

AMBER GRID
CONSOLIDATED INTERIM REPORT
FOR H1 2023

Vilnius
2023

TURINYS

1.OVERVIEW

The reporting period covered by the consolidated annual report is the first half of 2023.

1.1. BASIC DATA

Name	Amber Grid AB (hereinafter – Amber Grid, the Company)
Legal form	Public limited company
Date of registration and register	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Registrar of legal persons	State Enterprise Centre of Registers
Authorised 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
Website	www.ambergrid.lt

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

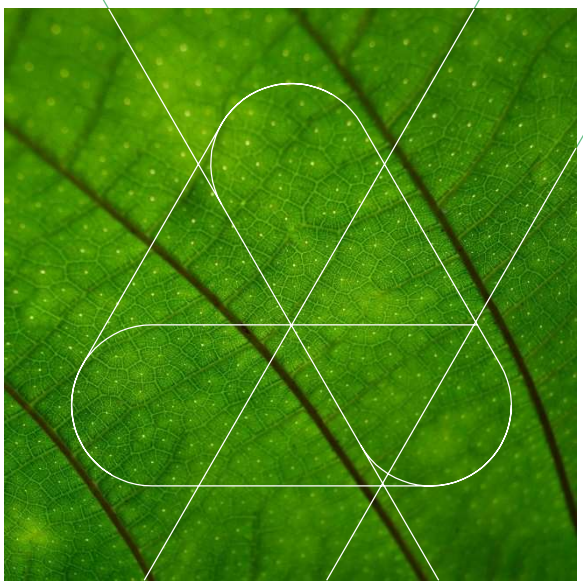
In 2022, the Company implemented two strategic energy projects, GIPL and ELLI, which interconnected the Polish and Lithuanian gas transmission systems and strengthened the integration of the Baltic and Finnish gas markets into the single European Union market.

In order to achieve the decarbonisation of the gas sector, Amber Grid is actively working to find new technological and market solutions and to create the conditions for adapting the gas transmission system to transport 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 a company within the EPSO-G group of companies (hereinafter – EPSO-G, EPSO-G Group). EPSO-G is a state-owned group of energy transmission and exchange companies, and UAB EPSO-G acts as the management company of the EPSO-G Group, with the Ministry of Energy of the Republic of Lithuania exercising its shareholder rights and obligations. For more information on UAB EPSO-G and the EPSO-G Group, see www.epsog.lt.

Amber Grid holds 34% of the shares of the gas exchange UAB GET Baltic. GET Baltic, as part of the gas exchange EEX, organises and develops natural gas trading 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.



VISION

The environmentally friendly, innovative energy company within the integrated European gas network.

MISSION

Developing a system that enables competition and the use of climate-friendly energy.

1.2. PERFORMANCE INDICATORS

Table 1. Company's performance indicators, H1 2021–H1 2023

	H1 2023	H1 2022	H1 2021
Volume of gas transported to the internal discharge point, GWh	6289	9564	14707
Gas transported to adjacent transmission systems[1], GWh	24274	22715	14371
Number of system users at the end of period	127	119	106
Length of gas mains, km	2288	2285	2115
Number of gas distribution stations and gas metering stations	68	68	67
Number of employees at the end of period	327	327	317

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

1.3. KEY EVENTS

01 January

13 January 2023, a fire incident occurred in Pasvalys district, northern Lithuania, in the gas mains of Amber Grid. There were no injuries during the incident and the gas that caught fire stopped burning after 4 hours. The gas transmission system at the site of the incident consists of two parallel pipelines running towards Latvia. The incident occurred in one of the pipelines, while the other pipeline was not damaged. The gas supply through the damaged pipeline was immediately cut off. The gas supply to Pasvalys district and other consumers in northern Lithuania were ensured through the parallel pipeline. The gas supply to Latvia was restored the same evening. The damaged pipeline was repaired in a few days and the gas supply to Latvia was fully restored on 16 January. The investigation into the causes of the incident is ongoing.

02 February

8 February 2023, Amber Grid started the reconstruction of one of the most important gas transmission arteries in Lithuania – Vilnius-Kaunas gas pipeline. By end-2023, it is planned to reline almost 17 km of gas pipeline sections in Kaunas and Kaišiadorys districts.

03 March

16 March 2023, European Energy Exchange AG (EEX) was awarded the contract following the conclusion of the international public tender to select a strategic partner for GET Baltic gas exchange. Amber Grid's Board decided to approve the sale of 66% of the shares of the subsidiary gas exchange GET Baltic to EEX for EUR 6.5 million. This price reflects GET Baltic's strong performance in 2022, with revenues of EUR 1.61 million and EBITDA of EUR 0.93 million.

04 April

11 April 2023, the ordinary General Meeting of Shareholders, elected Paulius Butkus, nominated by the parent company EPSO-G to the Board of Amber Grid for the remainder of its term of office.

11 April 2022, the ordinary General Meeting of Shareholders of Amber Grid resolved to distribute the Company's profit for 2022 and to grant a dividend of EUR 0.0676 per share. In total, more than EUR 12 million in dividends was paid.

14 April 2023, Amber Grid participating in the international Nordic-Baltic Hydrogen Corridor project, launched the international public procurement for developing the feasibility study. This is another important step in the development of Europe's hydrogen infrastructure, following the signing last December of the cooperation agreement between the transmission system operators of six European Union countries for the implementation of a cross-border project – the Nordic-Baltic Hydrogen Corridor.

05 May

16 May 2023, Amber Grid and the European Energy Exchange AG (EEX) officially signed the agreement according to which EEX acquired 66 % of shares of the regional gas exchange GET Baltic. The gas exchange, which operates in three Baltic States and Finland, thus became part of the EEX Group. Amber Grid continues to hold the remaining 34% of shares.

23 May 2023, Amber Grid set the prices for gas transmission services for 2024. The prices are based on the regulatory revenue cap approved by the NERC. Compared to the average price of transmission services for Lithuanian consumers in 2023 (EUR 1.39/MWh), the price will increase by 7% to EUR 1.49/MWh in 2024. The gas transmission service price makes up only a few percent of the final price paid by consumers for gas.

06 June

2 June 2023, during the internal investigation and assessment of the available information, Amber Grid contacted the Prosecutor's Office regarding the GIPL pipeline fittings. The ongoing process does not have any impact on the normal operation of the GIPL pipeline. Previous and new additional tests and investigations carried out on the pipeline and its components confirm that the pipeline is technically safe and reliable.

June 2023, the internal diagnostics of the GIPL pipeline was carried out as previously planned.

1.4. MEMBERSHIP

The Company is a member of the European Network of Transmission System Operators for Gas (ENTSOG) (www.entsog.eu), the Polish-Lithuanian Chamber of Commerce, the National Energy Association of Lithuania, the Lithuanian Liquefied Natural Gas (LNG) Platform, the EASEE-Gas Association, the European Renewable Gas Guarantee Registry (ERGaR), the European Clean Hydrogen Alliance, the Lithuanian Hydrogen Platform, the Hydrogen Energy Association of Lithuania, the INFOBALT Association, 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 to ensure cooperation between gas transmission system operators at the European Community level.

Polish-Lithuanian Chamber of Commerce is a bilateral economic cooperation organisation between Lithuania and Poland. The Association collects information for its members on business opportunities in both countries, cooperates with organisations and individuals involved in business management and development, organises conferences and thematic events.

National Energy Association of Lithuania forms a common position of the energy sector, represents the interests of its members in state institutions, public and international organisations, strives for the development and improvement of the conditions of supply of electricity and gas to the Lithuanian consumers, and promotes the economic and technical progress of the energy economy.

EASEE-Gas was founded to develop and promote simplified and streamlined physical gas transport and gas trading across Europe.

The objective of the **ERGaR Association** is to promote, develop and maintain a reliable, EU-compliant system to enable cross-border trading of guarantees of origin for gas produced from RES in the European natural gas system, avoiding double selling and double accounting of renewable gas

Lithuanian LNG Platform partners aim to promote the use of LNG as a new, cleaner and quieter fuel in the transport, industrial and other

sectors of the economy, and to create a common information and working platform for all potential LNG market participants.

EŠVA

Amber Grid participates in the **European Clean Hydrogen Alliance**, which aims to contribute to the objectives of the EU's Hydrogen Strategy to create a complete and affordable renewable hydrogen value chain.

LVP

Amber Grid is a member of the **Lithuanian Hydrogen Platform**, established under the Ministry of Energy. The Platform aims to contribute to the objectives of the EU Hydrogen Strategy to create a complete and affordable 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 the involvement of Lithuanian companies and organisations in the hydrogen value chain, developing and manufacturing products and services for the needs of Lithuania and other countries.

Amber Grid is a member of the **Lithuanian Hydrogen Energy Association**. The association, which brings together the country's scientists and business organisations, participates in the formulation of national, regional and EU policies and objectives, including the preparation of a strategy and action plan for the development of hydrogen in the Lithuanian hydrogen energy sector, contributes to the proposal of legislative initiatives that would stimulate the development of hydrogen technologies in the country, ensures cross-sectoral integration of hydrogen and the deployment of related technologies, promotes joint research, experimental development and innovation activities, etc.

Amber Grid is a member of **INFOBALT**. INFOBALT is the association of the information, communication and technology sector, aiming to create the best conditions for technology application, market development and export. Amber Grid, together with other partners of this association, is developing EnergyTech, a think tank platform for energy, science and IT cooperation, 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 future energy.

Amber Grid has joined the European **Hydrogen Backbone initiative.** Members of the initiative are developing a vision for hydrogen transport infrastructure across Europe.

AIB

Amber Grid is a member of the **AIB**, the European organisation of origin guarantee authorities. The AIB creates and develops a standardised system for the exchange of guarantees of origin between the bodies issuing guarantees of origin in the European Union and Member States of the European Economic Area, with the aim of ensuring the reliable, transparent and cost-effective cross-border exchange of guarantees of origin of energy.

Amber Grid has joined the Oil & Gas Methane Partnership 2.0 (OGMP 2.0). This is the United Nations Environment Programme's (UNEP) flagship programme for oil and gas reporting and environmental impact reduction. OGMP 2.0 is the only comprehensive, measurement-based reporting framework for industry that improves the accuracy and transparency of methane emissions reporting. OGMP 2.0 directly engages oil and gas companies that have the power to address methane emissions. It helps them to better understand their emission profiles and, most importantly, to use this knowledge to reduce emissions in a cost-effective way, focusing their efforts on the largest emission sources.

2. BUSINESS ENVIRONMENT

2.1. BUSINESS ENVIRONMENT AND FORECAST

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 the war in Ukraine, and Lithuania's gas transmission system operates without Russian gas imports. Lithuania's entire gas demand is met through Klaipėda Liquefied Natural Gas (LNG) terminal and Santaka entry point for gas from Poland.

Gas continues to be transported by transit through Lithuania for the needs of Kaliningrad, 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 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 H1 2023, 18.8 terawatt hours (TWh) of gas were delivered to Lithuania, excluding transportation to the Kaliningrad region. This is by 1.6% less than 19.1 TWh of gas transported to Lithuania in the first half of 2022. The pipeline connection to Latvia transported 10.0 TWh of gas for the needs of other Baltic States and Finland, which is by 27% more than 7.8 TWh transported to the Baltic States in H1 2022. 2.3 TWh of gas was transported via pipeline interconnectors to Poland.

Gas consumption in Lithuania was lower in H1 2023. In H1 2023, Lithuania consumed 6.3 TWh of gas, by 34% less than in H1 2022, when gas demand was 9.6 TWh. The lower gas consumption is due to the warm winter, high gas prices in the first months of the year and the resulting significant reduction in gas use for fertiliser production and urban heating.

Klaipėda LNG terminal continues to be the most important source of gas supply for Lithuania and the Baltic States. In H1 2023, the terminal supplied 16.4 TWh of gas, or 87% of the total, 0.7 TWh, or 3.9%, from Latvia and 1.7 TWh, or 9.1%, from Poland.
From end-2022, biomethane produced in EU countries meeting sustainability criteria will be imported to Lithuania. In H1 2023, a total of 0.24 Terrawatt hours (TWh) of biomethane was imported to Lithuania.

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 in meeting European and national targets for reducing greenhouse gas emissions into the atmosphere. At the same time, gas transported through pipelines will change. Green gases, such as biomethane, and gases produced from the conversion of green electricity, such as green hydrogen and synthetic methane, are expected to make up an increasing share.

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.

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. In the period 2020-2030, the country's annual gas demand is expected to be around 20 TWh, of which more than 50% will come from the fertiliser industry's need for gas as a raw material.

The transformation of Europe's energy system is being pursued for two reasons

In order to end the EU's dependence on Russian fossil fuels, which are used as an economic and political weapon to fight climate change, the European Commission (EC) has launched the RePowerEU plan in 2022 as a response to the difficulties and disruptions in the global energy market caused by Russia's invasion of Ukraine.

As foreseen in the REPowerEU Plan, the objectives will be pursued by:

- saving energy,
- diversifying energy supply,
- accelerating the use of energy from renewable sources,

The gas sector and networks can effectively contribute to the creation and development of the European hydrogen economy as envisaged in the EU Hydrogen Strategy. The European Commission envisages two phases – the transition period until 2030 and the period until the hydrogen market is established in 2050.

On 15 December 2021, the European Commission published a new set of draft legal acts of the EU (the hereinafter – the Gas Package). The initiative of Directive and proposals of the Regulation 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 rising energy prices have highlighted the importance of energy security, especially at a time when global markets are volatile. The European Commission has proposed to improve the resilience of the gas system and strengthen the existing supply security 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 gas package 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.

2.2. REGULATORY ENVIRONMENT

During the ongoing 5-year regulatory period (from 2019 to end-2023), the European Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code for a harmonised tariff structure for gas transmission (TAR NC) has been applied to the pricing of transmission activities from 2020.

The changes resulting from the established regulation of the NERC have had an impact on the Company's operations and results: the current regulatory period, which started in 2019, resulted in the application of the new methodology for determining the rate of return approved by the NERC to the Company, and a significant reduction in the rate of return from 7.09% to 3.33% from the beginning of 2019. According to provisions of the said methodology, the rate of return on investments shall vary annually during the course of the regulatory period from the beginning of the current regulatory period. For 2023, it has so far been used for the determination of the Company's allowed revenue at 3.94 %, but will be adjusted to 3.96 %.

The new regulatory period of 2024-2028 is approaching and the related actions carried out in H1 2023 were as follows:

- The public consultation on Amber Grid's pricing for the period from 2024 onwards was published by the NERC from 1 December 2022 to 1 February 2023 (https://www.vert.lt/Puslapiai/bendra/viesosios-konsultacijos/vykstancios-viesosios-konsultacijos.aspx) and did not receive any comments from market participants.

- Following the public consultation on 31 March 2023, the Agency for the Cooperation of Energy Regulators (ACER) published its opinion with recommendations on gas transmission pricing in Lithuania(acer.europa.eu/Publications/Agency_report-analysis_of_the_consultation_document_for_Lithuania.pdf).
- In H1 2023, the methodology for determining the revenues and prices of state-regulated natural gas transmission activities was amended.
- In May 2023, the NERC set the Company's revenue cap (RC) for 2024, the first year of the new regulatory period.
- In May 2023, the transmission service prices for 2024 were set.

Changes to the methodology for determining the rate of return on investments are scheduled for H2 2023. The position that the next public consultation on the applicable pricing principles would be published in end-2024 in respect of the pricing methodology to be applied from the 2026 tariff period has also been discussed with the NERC.

2.3. INFORMATION ON ACTIVITIES OF GET BALTIC, IN WHICH AMBER GRID HOLDS SHARES, IN H1 2023

GET Baltic, the gas exchange owned by the European Energy Exchange (EEX) and the Lithuanian gas transmission system operator Amber Grid, is a licensed natural gas market operator with Registered Reporting Market Operator (RRM) status granted by the ACER. The company operates the electronic trading system for short-term and long-term (one-month) natural gas products with physical delivery on virtual trading venues in Lithuania, Latvia, Estonia and Finland. By developing tailor-made solutions for natural gas trading, GET Baltic aims to increase the liquidity, competitiveness and transparency of the wholesale natural gas market in the Baltic States and Finland.

Amber Grid, the former sole shareholder of GET Baltic, announced the selection of a strategic partner for the GET Baltic gas exchange at the beginning of last year in order to exploit the potential of the opening European gas market and to enable the regional gas exchange to offer its customers the most advanced gas trading solutions. On 16 March 2023, following the public international procurement procedures, European Energy Exchange AG was selected as the strategic partner of GET Baltic regional gas exchange in the Baltic States and Finland. On 16 May 2023, Amber Grid and the energy exchange EEX officially signed the agreement under which EEX acquired 66% of the shares in GET Baltic. GET Baltic, the gas exchange operating in three Baltic States and Finland, thus became part of the EEX Group. The remaining 34% of the shares will continue to be held by Amber Grid, which will be involved in further development of the gas business in the dynamic Baltic Sea region.

EEX operates gas exchanges in 10 countries and 11 trading centres across Europe. Leipzig-based exchange, with a trading volume of around 6,669 terawatt hours (TWh), is the world's largest spot exchange and the second-largest futures exchange.

On 1 March 2023, GET Baltic expanded the functionality of the data exchange service via the API solution to meet the needs of the growing community while ensuring the highest standards of transparency. The API service for Electronic Trading System (ETS) customers has been extended with a new dataset that includes information on every transaction executed on the exchange, including volume, price and other relevant transaction information. The information on each exchange transaction is available on an anonymous trading basis and is subject to the highest standards of transparency. The new dataset provides real-time data that allows participants to better understand the depth of the market, the current market situation and helps them to make even more informed trading decisions. Historical data also allows

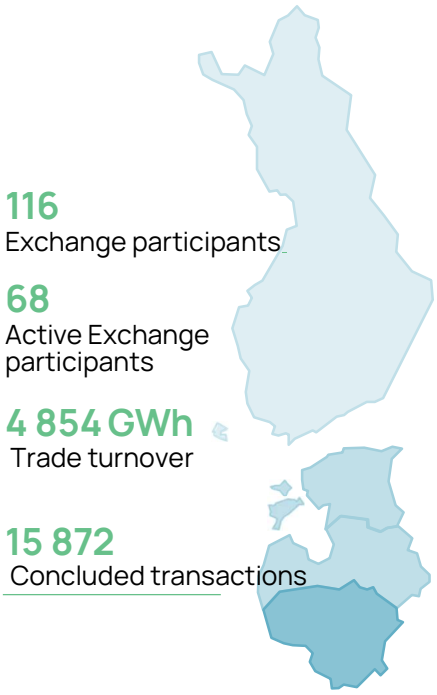
for deeper analysis of the Baltic and Finnish markets, the development of trading models and trading algorithms.

In the next six months, GET Baltic will continue the work it has started, further improve the quality of servicing and of the provided services, and meet the expectations of market participants and shareholders. The company will strive to achieve its objectives in a transparent and efficient manner.

Operations of GET Baltic stock exchange in H1 2023:

- Trade turnover amounted to 4.9 TWh or 70% of the total annual trade turnover of 2022 (6.9 TWh);
- Gas quantities traded through cross-border transactions increased by 8% (1.2 GWh in H1 2022; 1.3 GWh in H1 2023);
- 50% of the total traded gas volume was purchased in Lithuania (2,424 GWh), 21% in the joint Latvian-Estonian trading floor (1,039 GWh) and 29% in Finland (1,392 GWh);
- A total of 15,872 transactions were made on the exchange – by 22% more compared to H1 2022 (13,055 transactions);
- Orders were submitted by 68 participants of the exchange, all of them concluded transactions successfully. During the whole year of 2022, 66 participants actively submitted orders and all of them concluded transactions;
- At the end of H1 2023, there 116 registered participants on the exchange: 84 on the Lithuanian trading floor, 41 on the joint Latvian-Estonian trading floor and 34 in Finland.
- The cheapest transaction was recorded in June for EUR 26.5/MWh and the most expensive transaction was registered in February – for EUR 139/MWh.
- In H1 2023, 6 new participants registered on the Exchange.

Figure 1: GET Baltic's performance in H1 2023



Trade floor	Number of Exchange participants	Purchase turnover, GWh	Sale turnover, GWh
Finland	34	1 392	983
Latvia-Estonia	41	1 039	1 011
Lithuania	84	2 424	2 861

3.STRATEGY

3.1. VISION, MISSION, COMMITMENTS, PRIORITIES

The Company continues to implement Amber Grid's updated long-term strategy for 2021–2030 approved by the Board in early 2023.

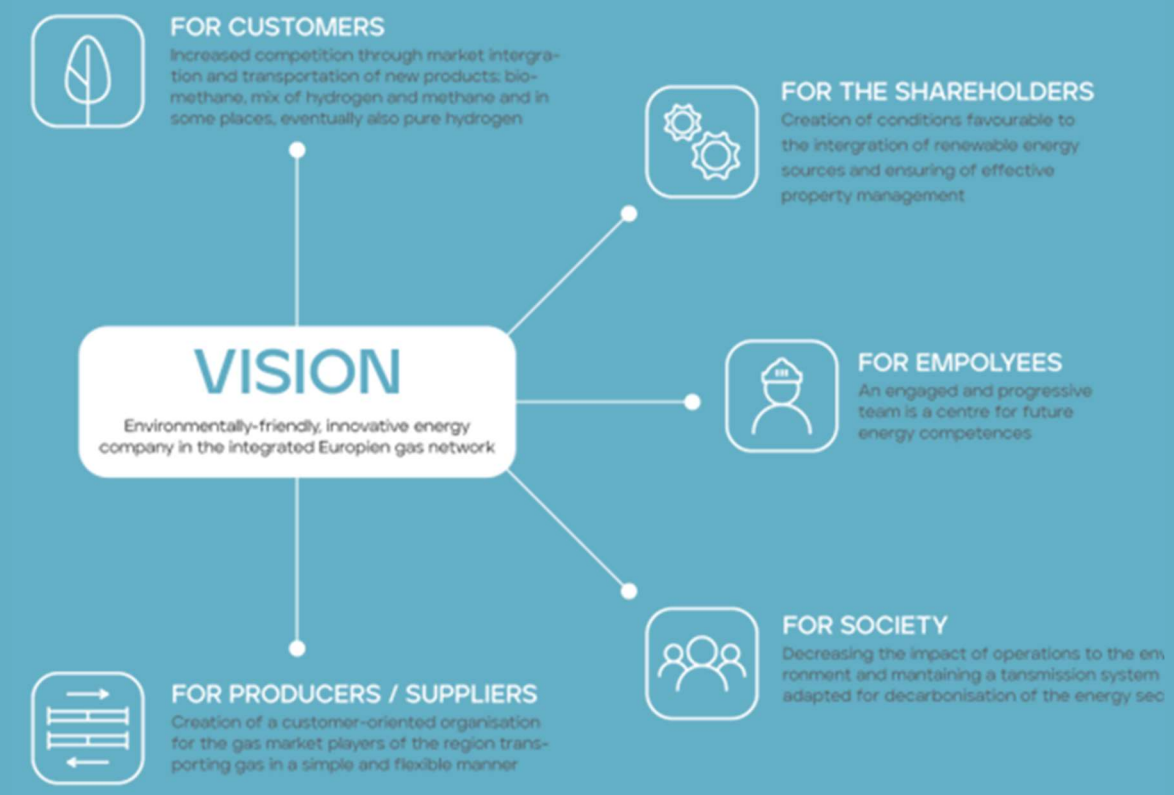
The Company's strategy sets out the main goal of acting together on Lithuania's energy transformation towards a climate-neutral economy. The natural gas transportation system – the main pipelines, gas distribution, metering and compressor stations – is an integral part of Lithuania's energy system, which plays an important role in creating a climate-neutral economy 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 by creating a single platform operating efficiently and transparently, which will enable the state to confidently follow Europe's green course and consumers – to use clean energy simply and at the best price.

The core of the strategy is the stakeholder value. By focusing on five stakeholders – consumers, producers/suppliers, the founder, society and employees – we are committed to create 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.

Figure 2: Amber Grid commitments to stakeholders

Figure 3: Amber Grid's strategic priorities for 2030



For each stakeholder, key events 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 strategy implementation guidelines the objectives, measures and strategic performance indicators have been formulated for the short-term period of three years.

Table 2. Long-term strategic objectives and key performance indicators of the Company

	Consumers	Producers / Suppliers	Founder	The public	For each other
Objectives	• Adapt the transmission system for green gas supply to the market	• Create the customer-centric organisation • Implement strategic projects provided for in the NEIS in a timely manner and to the envisaged extent	• Ensure sustainable returns to shareholders • Ensure efficient management of the system to accommodate RES integration	• Reduce the environmental impact of operations • Enable gas sector transformation through RES integration	• Create inclusive and advanced organisation • Create an advanced organisation - Centre of Excellence for Future Energy

Key performance indicators	• Implementation of the action plan for adapting the transmission system for the supply of green gas to the market on time and to the envisaged extent	• Customer satisfaction index, % • Implementation of strategic projects covered by the NEIS in a timely manner and to the envisaged extent	• ROE • Allowable return to be earned by the regulator (EUR m) • Quantity of RES gas in the system (TWh)	• Reduction of the environmental impact of operations (CO2, CH4 emissions, etc.) • Quantity of RES gas in the system (TWh)	• Employee engagement (%) • Recognised new gas experts are invited to deliver reports on this topic in at least two Lithuanian and international conferences each year
Result in 2030	• Created possibilities for transporting hydrogen and gas mixtures according to new national and transnational standards	• Strategic projects provided for in the NEIS / NECS implemented in a timely manner and to the envisaged extent • Increased regional integration with neighbouring countries	• ROE not less than established by the RL Government • 100% of allowable return to be earned by the regulator • Quantity of RES gas entering the gas system (with guarantees of origin) – 1.6 TWh	• Environmental impact of operations (CO2, CH4 emissions, etc.) reduced by 2/3 compared with the established base year • Quantity of RES gas entering the gas system (with guarantees of origin) – 1.6 TWh	• Employee engagement by 70 % • Centre of Excellence for New Gas – shaping future energy trends, lawmaking, business model

Amber Grid continuously evaluates the implementation and progress of the strategy to achieve its objectives. More detailed information on the Company's strategy can be found at www.ambergrid.lt/strategija.

3.2. OPERATIONAL AND FINANCIAL OBJECTIVES

Amber Grid's Board has set and approved the Company's annual performance targets for 2023. 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.

The Company's Board conducts the annual assessment of the achievement of the objectives. The result of this assessment determines the level of variable remuneration for both the Company's executives and employees, up to the proportion of individual and Company objectives set out in the Remuneration Policy.

The Company's objectives for 2023 are identical to those of the CEO. They are published on Amber Grid's website.

3.3. STRATEGIC INFRASTRUCTURE PROJECTS

In H1 2023, the Company continued implementing the strategic gas transmission infrastructure project – Enhancement of Latvia – Lithuania Interconnection (ELLI). This project is included in the Ten-Year Network Development Plan for 2020 (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSOG), the BEMIP Regional Investment Plan for Gas published in 2017, *the* Baltic Energy Market Interconnection Plan (BEMIP), the Transmission System Operator's Ten-Year Network Development Plan for Natural Gas (2022–2031), the National Implementation Plan for Priority Projects for Electricity and Natural Gas Transmission Infrastructure approved by the Government and the EU's fifth list of Projects of Common Interest (PCIs) published on 19 November 2021.

The aim of the project is to increase the capacity of the gas interconnector between Latvia and Lithuania, ensuring security and reliability of gas supply, more efficient use of the infrastructure and better

integration of the Baltic gas markets. It also improves access to Latvia's Inčukalns underground gas storage facility. The project promoters are Amber Grid and the Latvian transmission system operator AS Conexus Baltic Grid.

Figure 4: Project for the Enhancement of Latvia – Lithuania Interconnection (ELLI).

In 2022, Amber Grid expanded Kiemėnai gas metering station in Pasvalys district and increased its capacity. The gas pipelines of the Panevėžys gas compressor station were also reconstructed, enabling more gas to be transported from the Klaipėda LNG terminal to Latvia. From November 2022, this pipeline will allow the transmission of 90 gigawatt hours (GWh) of gas per day – by 30% more than before. The ELLI project is financed by Amber Grid and AS Conexus Baltic Grid with their own funds and EU financial support under the Connecting Europe Facility (CEF).

In 2022, Klaipėdos nafta AB (hereinafter – KN) and Amber Grid (hereinafter collectively – the Operators) launched the project to assess the possibility of expanding the current Klaipėda LNG terminal's degassing capacity, together with the capacity of the gas transmission system at the respective entry and exit points, and thus creating the possibility of reserving additional LNG import capacity for the future. The project would create up to 1.25 billion m^3 /year of additional LNG import capacity (increasing the existing capacity from 3.75 billion m^3 /year to 5 billion m^3 /year), tentatively from the beginning of 2028. In December 2022 – Q1 2023, the Operators conducted a non-binding phase of market survey which identified significant interest in accessing the expanded import capacity of the Klaipėda LNG terminal. The general

binding market survey will be published when the Operators have agreed all the steps and documents related to this procedure with the relevant stakeholders, including the regulator. It is envisaged that the binding market research could be published by end-2023. This is a joint project of KN and Amber Grid and would be implemented in a coordinated manner by both companies, with KN investing in the LNG terminal and, where appropriate, the quay and Klaipėda GAS, and Amber Grid – in the gas transmission system.

It is emphasised that the project would only be implemented if:

- market participants order the available spare capacities of the LNG terminal until 2044, which will be offered to the market in September of this year;
- market participants undertake to order during the Open Season binding market survey the full amount of the offered additional capacity (10 TWh) at both Klaipėda LNG terminal and Klaipėda entry point for a period of 15 years;
- The project will not increase the price of Amber Grid's gas transmission services.

3.4. REGIONAL MARKET

On 1 July 2017, Amber Grid started, jointly with the transmission system operators from Latvia and Estonia, 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 from 1 July 2018, the Company started using the within-day capacity allocation model. It is a transitional instrument for the integration of the Baltic gas, which is intended to improve competitiveness of the gas markets and promote cross-border trade in gas. The regional gas market is expected to develop gradually.

In 2020, a single gas market area was created by Latvia and Estonia, which together with Finland formed a common tariff zone. As from 2020, a zero transmission price has been introduced for the interconnection with Finland, and the common tariff zone entry prices have been made uniform.

In 2020, the results of the study regarding integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets revealed the economic benefits for each of the countries within the region, if the gas market of Lithuania were integrated with the gas market in Latvia, Estonia and Finland. Based on results of the study of economic benefits for the market of 2020, the analysis of alternatives in relation to potential Inter-TSO Compensation (ITC) mechanism was developed in 2020.

While Lithuania supports the idea of a common regional gas market, the terms of such an agreement, as currently exists between Latvia, Estonia and Finland, do not safeguard Lithuania's interests, as joining would impose an unjustified additional financial burden on domestic consumers. Negotiations have therefore continued with the Latvian, Estonian and Finnish operators on the terms under which Lithuania would join the zone in 2022. The aim was to create a single market on terms acceptable to all parties, including Lithuanian citizens and businesses. At the end of 2021, a joint application by 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 the Finnish and Baltic regulators for assessment, and was subject to adjustments at the request of the regulators in March, July and August 2022. Due to new

geopolitical circumstances, such as the war in Ukraine, the suspension of gas flows from Russia for EU needs, the development of infrastructure in the EU Member States for alternative sources of supply (e.g., a new LNG terminal in Finland), and the reduced relevance of transmission tariffs due to the increase in gas prices, the countries decided to postpone the creation of the tariff area. On 26 October 2022, a public announcement was made by the national regulatory authorities of the Baltic States and Finland that the establishment of a single gas transmission tariff area would be delayed by at least one year (for more information see: https://www.vert.lt/Puslapiai/naujienos/2022-metai/2022-10-26/atidetas-baltijos-suomijos-gamtiniu-duju-rinkos-sujungimas.aspx).

It is not excluded that once the geopolitical situation stabilises, additional infrastructure is created (the LNG terminal in Finland-Estonia, the increase of the capacity of the Lithuanian-Latvian interconnector, the increase of the capacity of the Latvian Inčukalnis storage facility, as well as the development of LNG terminals and cross-border interconnections in Europe) and the gas market is established in the new environment, the Baltic States and Finland will continue to coordinate their positions on the further integration of the market in order to create the cooperation model between operators that is acceptable to all countries.

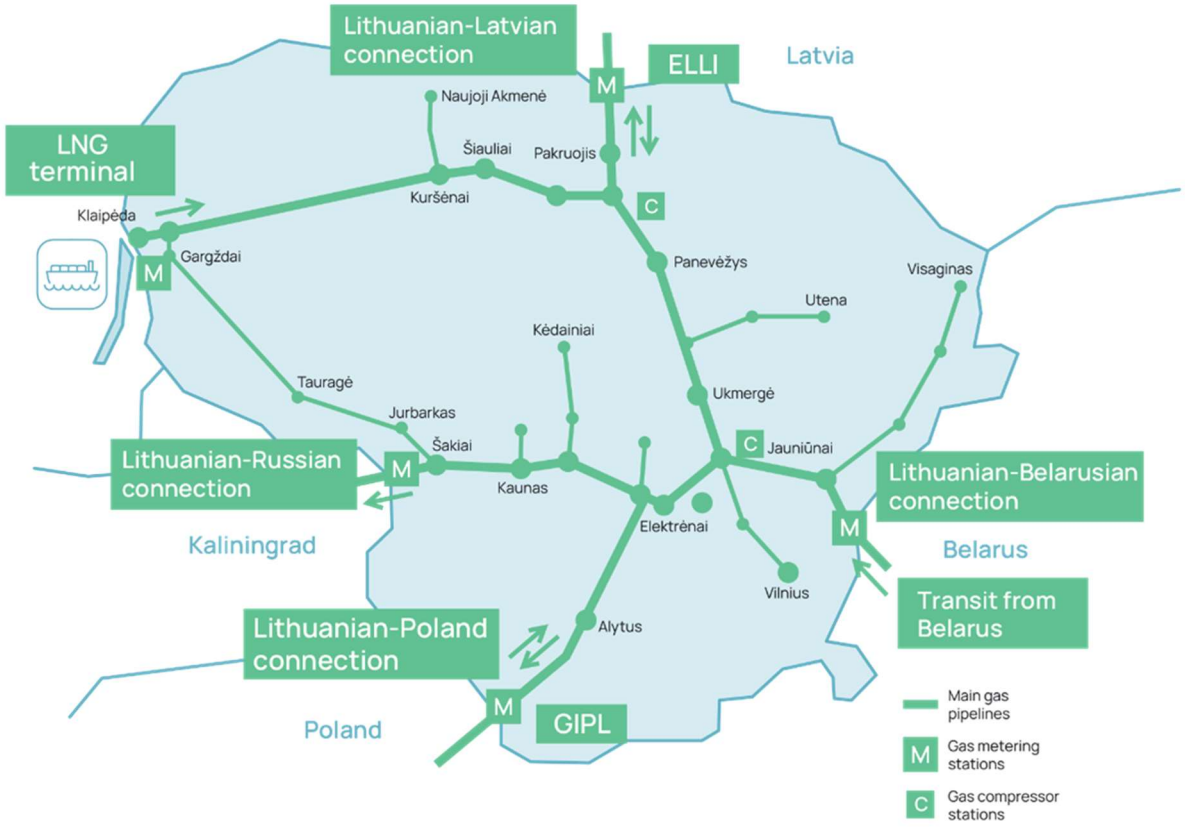
4. ACTION

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 equipment, 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), 4 gas metering stations (GMS) and 2 gas compressor stations (GCS). The length of the operated pipelines is 2,288 km, with diameters ranging from 100 to 1,220 mm. The design pressure in the larger part of the transmission system is 54 bar.

Figure 5: Lithuanian gas transmission system.



4.2. OPERATION, RECONSTRUCTION AND MODERNISATION

2023, 451 km of the main gas pipelines were inspected through internal diagnostics: Klaipėda-Kuršėnai, Minsk-Vilnius-Vievis, Riga-Panevėžys-Vilnius and GIPL.

In H1 2023, the Company carried out the following reconstruction and modernisation works:

- installation of pig launchers of the control device in Ivacevičiai-Vilnius-Riga interconnector with the main gas pipeline of Vilnius-Kaunas;
- deepening works in individual sections of the main gas pipeline in the branch to Alytus GDS, to Karaliaučius, to Marijampolė GDS, to Panevėžys GDS, in the main gas pipelines Vilnius-Kaunas, Ivacevičiai-Vilnius-Riga, Šiauliai-Klaipėda, and in the pipeline looping to Jonava GDS;
- replacement of the gas main inserts, taking into account the technical condition of the gas main pipelines and the results of diagnostics;
- installation of a pressure relief unit in the branch of the main gas pipeline to Marijampolė GDS;
- reconstruction works in individual sections of the main gas pipeline Vilnius-Kaunas (about 16.9 km);
- replacement of shut-off devices and connection to the remote control system in the branches to Alytus GDS, Prienai GDS, Birštonas GDS, Vilkaviškis GDS, Batniava GDS, Miežiškių GDS, Šiauliai GDS, Pajiešmenių GDS, Panevėžys GDS, A. Paneriai-I GDS, A. Paneriai-II GDS, in the main gas pipelines Ivacevičiai-Vilnius-Riga, Vilnius-Panevėžys-Riga, in the 2nd strand of Panevėžys-Šiauliai, Vilnius-Kaunas and in the technological connection to Klaipėda;
- renovation of buildings and other structures at Panevėžys Gas Compressor Station;
- design works for the reconstruction of the control-room building;
- modernising the control of gas compressor stations and installing a data centre;
- works of reconstruction and extension of 5 gas distribution stations.

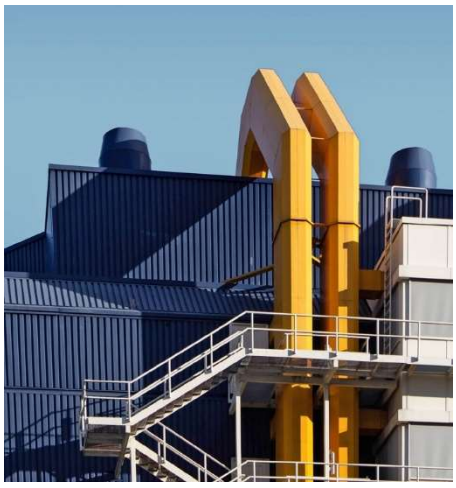
4.3. MARKET FOR THE SERVICES PROVIDED

Amber Grid provides natural gas transmission services to system users, other operators, and gas market participants in the territory of Lithuania: it transmits gas to Lithuanian consumers and transports natural gas to Latvia and Kaliningrad Region of Russia. Gas is supplied to the system via the LNG terminal in Klaipėda and gas entry points from Belarus, Poland and Latvia. From 1 April 2022, on Lithuania's initiative, the supply of gas for the country's needs from Russia was terminated.

Amber Grid is also responsible for balancing gas flows in the transmission system and administering the LNG terminal, its infrastructure, the installation of the interconnector and the funds to compensate for fixed operating costs and the designated 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 its 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. issuance, transfer and cancellation of the guarantees of origin, supervision and monitoring of the use of the guarantees of origin, and recognition of the guarantees of origin issued in other states 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



The clients of Amber Grid's services of natural gas transmission via gas transmission pipelines and balancing of natural gas flows in the transmission system are large Lithuanian electricity and district heating companies, industrial and medium-size businesses in Lithuania, energy and natural gas supply companies in the European Union and third countries that receive natural gas transmission services.

At the end of 2022 and beginning of 2023, the Company received a number of requests from biomethane producers for the issuance of preliminary connection conditions, following the adoption of amendments to Article 32 of the Law of the Republic of Lithuania on Renewable Energy Resources in 2022, which entered into force on 1 November 2022, which provide that a biogas producer, after coordinating with the gas system operator, shall have the right to design and/or construct / install and perform works in the gas system on behalf of the gas system operator, according to the procedure, terms and conditions set out in the gas system service agreement for connection of the biogas production facilities to the gas system.

It is expected that biomethane will start to be transported via Amber Grid's transmission system in the second half of 2023, after the first biogas interconnector is built.

The clients of the National Register of Guarantees of Origin for gas produced from renewable energy sources: the gas producers, gas suppliers, gas transmission system and gas distribution network operators and other market participants who intend to obtain or have already obtained guarantees of origin.

4.5. SERVICES PROVIDED

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

- gas transmission in the territory of Lithuania
- balancing gas flows in the transmission system
- administering the funds allocated for the costs of installation and fixed operating costs of Klaipėda LNG terminal, its infrastructure, the interconnection well as for the compensation of reasonable costs of supplying the required quantity 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 QUANTITIES

In H1 2023, 16,358 GWh of natural gas was injected into Amber Grid's gas transmission system from Klaipėda LNG terminal for consumers of Lithuania and EU Member States; 739 GWh was transported from

Latvia to Lithuania and 1,701 GWh – from Poland to Lithuania. Klaipėda LNG terminal supplied 87 % of the total required quantity of gas for consumers of Lithuania and EU Member States.

In H1 2023, 6,289 GWh of gas was transported up to the domestic exit point for Lithuanian consumers. Compared to 9,564 GWh of gas transported in H1 2022, the transmission quantities decreased by 34 %.

In H1 2023, 9,974 GWh of gas was transported from the Lithuanian transmission system to Latvia via Kiemėnai gas metering station, which is by 27 % more than in H1 2022 (7,845 GWh).

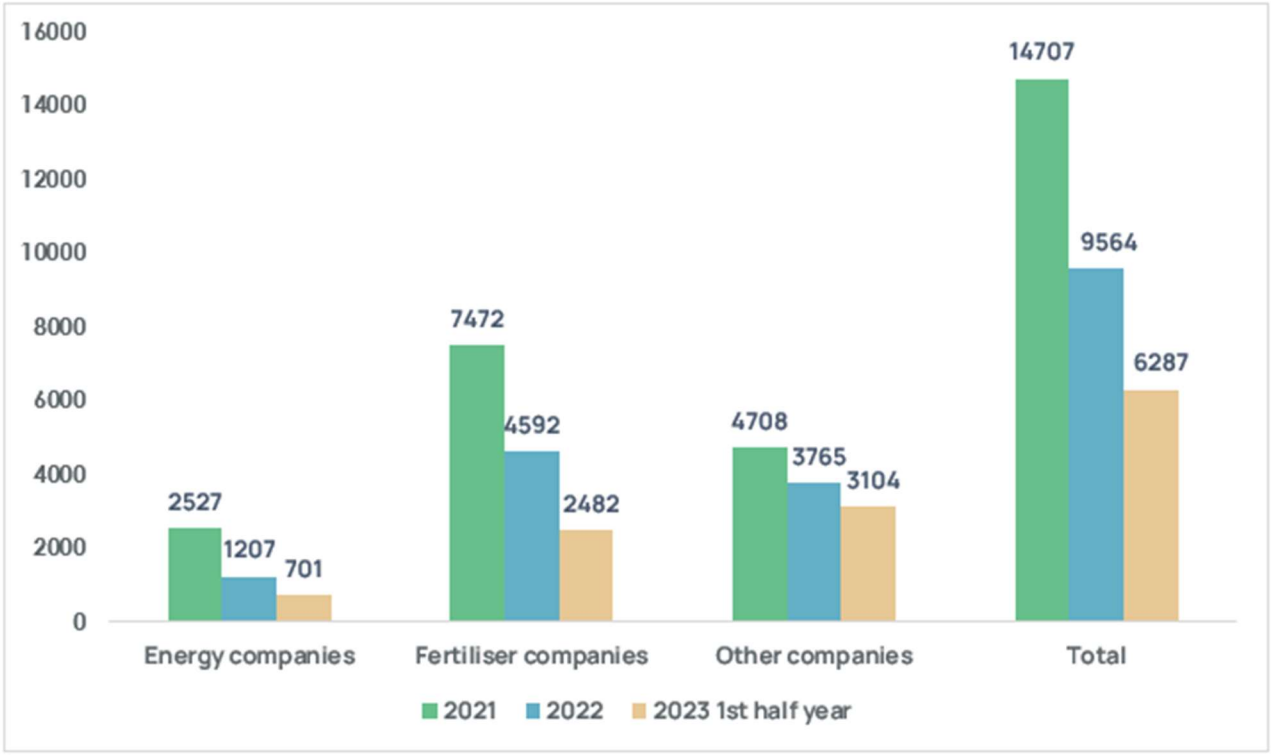
In H1 2023, 2,280 GWh of gas was tranported from the Lithuanian transmission system to Poland via Santaka gas metering station.

During the reporting period, 12,020 GWh of gas was transported to Russia's Karelia region (H1 2021: 13,345 GWh).

Until 30 June 2023, the Company had concluded 127 gas transmission service contracts with transmission system users (gas consumers, gas distribution system operators, importers, gas supply companies supplying gas up to consumers' systems), of which 66 system users used transmission capacities during the reporting period. The Company had 1 gas balancing contract with market participants that trade gas on a virtual trading point but do not transport it through the transmission system.

The structure of gas quantities transported at the domestic exit point by transmission system user is shown in Figure 6.

Figure 6: Transmitted gas quantities by type of transmission system users in Lithuania, GWh, H1 2020–H1 2023



REGULATION OF PRICES FOR THE GAS TRANSMISSION SYSTEM OPERATOR'S SERVICES

Regulation of gas transmission prices is conducted by the 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 the NERC in accordance with the procedure established in the Methodology for determining revenue from and prices for regulated natural gas transmission activities.

In May 2022, the NERC set the cap on Amber Grid's natural gas transmission revenue (NTR) effective from 1 January 2023. The NTR for the regulated activities for 2023, the last year of the current regulatory period, was set by the NERC at EUR 64.17 million, which exceeds by 58.7 % 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. The NTR for regulated activities for 2024 set by the NERC in May 2023 is EUR 67.01 million, which is by 4.4% higher than the NTR of EUR 64.17 million approved for 2023. The increase in the NTR is a result of the increase in total costs. Detailed information on the prices of gas transmission services is available on Amber Grid's website.

In 2024, 66.2 TWh of natural gas is planned to be transported via Lithuania's gas transmission system, which is by 0.6 % less than estimated for 2023. The projected level of order capacities, consumption capacities and transported gas quantity is set having regard to historical data, the needs of 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. The pricing of gas transmission services in 2024 was influenced by results of the public consultation on Amber Grid's transmission service reference price methodology and the survey on multipliers, seasonal factors and discounts to be applied in the transmission price structure for the remainder of the regulatory period, held in early 2023.

In 2024, transmission prices at all entry points (including the entry point of Klaipėda) are expected to remain aligned with entry prices in the adjacent tariff zone of Latvia, Estonia and Finland.

In 2023, the average price of gas transmission services for Lithuanian consumers (taking into account both long- and short-term services) amounts to EUR 1.39/MWh, which is an increase of about 39 % compared to the average price for 2022 (EUR 1/MWh). It should be noted that the average price of transmission services for Lithuanian consumers in 2022 is particularly low and is due to a one-off adjustment, returning to consumers the additional revenues earned and cost savings for 2019 and 2020. For 2024, the average transmission price of EUR 1.49/MWh for Lithuanian consumers was approved. Compared to the average price for 2023 (1.39 Eur/MWh), the price for next year will increase by 7 %.

Discussions on Lithuania's joining the adjacent tariff zone comprising Latvia, Estonia and Finland (hereinafter – the FINESTLAT tariff zone) and on the measures to be applied for the integration of the gas market of the Baltic States and Finland have been postponed by common agreement of the parties in the light of the prevailing geopolitical and gas market situation.

Close cooperation with the Polish transmission system operator Gaz-System creates favourable conditions for international flows between Lithuania and Poland from 2022 onwards, when the new GIPL pipeline interconnector comes into operation. In a changed geopolitical and commercial situation, and with the increased importance of security of supply in the EU, the GIPL interconnector, opened in May 2022, is still actively used by market participants without commercial incentives.

4.5.2. BALANCING GAS FLOWS IN THE TRANSMISSION SYSTEM

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

The Rules for Balancing the Natural Gas Transmission System enforced on 1 March 2022 stipulate that the virtual trading point cannot trade in day-ahead products, which has increased the number of market participants causing imbalances. The Transmission system operator calculates a neutrality fee for each market participant to ensure financial neutrality for the reporting period. The amendments have been drafted in accordance with the provisions of Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

In H1 2023, due to imbalances caused by system users, the Company purchased 135.7 GWh and sold 96.1 GWh of gas.

Following the amendments to Amber Grid's Rules for Balancing the Natural Gas Transmission System rules enforced on 1 March 2022, Amber Grid calculates a neutrality fee for market participants to ensure financial neutrality. In H1 2023, the amount refunded to system users totalled EUR 574.3 thousand and the amount collected – EUR 68.8 thousand.

In the case of gas transport by transit 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 gas transmission system. In H1 2023, the gas transmission to Kaliningrad Region resulted in a difference of 172,8 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 features of the transmission system.

4.5.3. ADMINISTRATION OF FUNDS ALLOCATED FOR REIMBURSEMENT OF THE COSTS OF THE SGD TERMINAL, ITS INFRASTRUCTURE, INTERCONNECTION AND FIXED OPERATING COSTS AND THE REASONABLE COSTS OF THE DESIGNATED SUPPLIER

The Company, ACTING in compliance with requirements of legal acts (the Law on Liquefied Natural Gas Terminal and supplementary legal acts), 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 the LNG terminal funds are compensated to Amber Grid from the said funds.

On 25 November 2015, the NERC approved the extra charge for gas security of EUR 0 per MWh/(MWh/day/year) for the period from 1 January to 30 June 2023 (the last surcharge in force until then was EUR 102.98 per MWh/day/year in the period from May to December 2022). By Resolution of the Council of 29 May 2023, the extra charge for gas security was set at EUR 152.45/MWh/day/year. It applies from 1 July 2023 to 31 December 2023.

The proportions of the allocation of funds of the LNG terminal to the beneficiaries of the SGD terminal's funds, as agreed with the NERC, are presented in Table 3.

Table 3. Information on the allocation of funds collected by the LNG terminal in 2023 among their beneficiaries

Components	Proportion applicable between 01 01 2023 and 30 06 2023	Proportion applicable from 01 07 2023
Liquefied natural gas regasification component	0%	0%
Administrative cost component	0%*	0%
Reasonable costs' component for supplying the necessary quantity to the LNG terminal	0%	100%
Total:	-	**100%**

*In observance of the NERC decision, the costs of administering the funds for 2023 were reimbursed by the designated supplier

Due to funds unpaid to the LNG terminal, the Company currently has one civil case pending regarding the award of LNG terminal's funds and default interest from AB Achema.

By order of 20 January 2022, Kaunas Regional Court suspended the part of the case concerning the claims for EUR 4,678 thousand of LNG terminal surcharge funds and EUR 55 thousand of default interest under the natural gas transmission services contract of 22 December 2014, pending the European Commission's decision on the compatibility of the LNG terminal surcharge funds collected for the period from 1 January 2016 to 31 December 2018 with the State aid rules under European Union law. By order of 17 March 2022, the Court of Appeal of Lithuania upheld the order of the Kaunas Regional Court of 20 January 2022.

The remainder of the case concerning the default interest of EUR 763 thousand under the natural gas transmission services contract of 21 December 2012 and the counterclaim, by which AB Achema requests that the actions of the Company in calculating the liquidated damages under the contract of 21 December 2012 be declared unlawful and void, was also suspended by order of 20 September 2022 of Kaunas Regional Court pending adoption of the decision of the European Commission on the compatibility of the LNG terminal funds applied for the period from 1 January 2016 to 31 December 2018 with the State aid rules under European Union law. The Company, disagreeing with the order of Kaunas Regional Court of 20 June 2022, lodged a separate appeal against the annulment of that order. On 8 September 2022, the Court of Appeal of Lithuania, having examined the Company's separate appeal, ruled on upholding the order of 20 June 2022 of Kaunas Regional Court.

On 17 March 2023, the Company filed with Kaunas Regional Court the application for increasing the claim of the action (hereinafter – the Application) requesting the court to order AB Achema to pay to the Company EUR 763 thousand of default interest, EUR 5,655 thousand of the LNG terminal surcharge funds pursuant to the natural gas transmission services agreement of 21 December 2012 and EUR 169 thousand of default interest under the natural gas transmission services agreement of 22 December 2014. The issue of the admissibility of this Application of the Company will be decided by Kaunas Regional Court after the resumption of the proceedings.

4.6. 10-YEAR NETWORK DEVELOPMENT PLAN

According to the provisions of the Natural Gas Law, Amber Grid prepares a 10-year network development plan for the transmission system operator every two years. In June 2022, Amber Grid prepared and submitted to the NERC the 10-year network development plan (2022–2031). The value of investments in

the gas transmission system expansion projects over the next ten years provided for in the plan amounts to EUR 264 million. Lithuania's gas consumption is expected to remain stable over the next ten years, and furthermore, there is a possibility to transport gas in new directions – through the gas pipeline between Poland and Lithuania. Given the geopolitical situation, gas flows through Klaipėda LNG terminal and 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 green energy development.

On 6 September 2022, the NERC approved the publication of Amber Grid's ten-year network development plan (2022-2031) of the natural gas transmission system operator. The plan is published on the Company's website.

4.7. GREEN GAS ACTIVITIES

Amber Grid is active in these green gas areas:

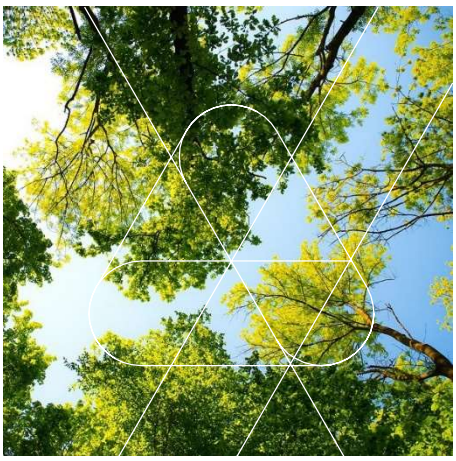
- Green gas development,
- Administration of guarantees of origin.

4.8.1. GREEN GAS DEVELOPMENT

The intensive development of renewable energy sources (RES) and the significant increase in the share of RES in the total 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 – Power-to-Gas (P2G) 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 energy and transport sectors. Therefore, in order to assess the relevance and applicability of hydrogen gas and Power-to-Gas technologies in Lithuania, the Company, together with its regional partners (the Baltic and Finnish gas transmission system operators), in 2022 launched the technical feasibility study in order to adapt gas transmission networks for transporting methane and hydrogen mixtures, which will also provide the investment requirements for the system based on different hydrogen concentrations. The first phase of the research and development plan is expected to be finalised in Q3 2023.

In order to contribute more broadly to the development of hydrogen and Power-to-Gas technologies in the country and region, the Company continues to participate 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. Since 2022, the Company has continued to participate in the European Hydrogen Backbone initiative, which brings together 27 transmission system operators from across Europe to develop a vision, analyse alternatives, and draw up implementation plans for a nationwide interconnected hydrogen transport/storage infrastructure.

In April 2023, the Baltic Sea Region gas transmission system operators: Gasgrid Finland Oy (Finland), Elering AS (Estonia), AS Conexus Baltic Grid (Latvia), AB Amber Grid, GAZ-SYSTEM S.A. (Poland) and Ontras Gastransport GmbH (Germany) signed the cooperation agreement whereby they decided to draw up the feasibility study for a Finnish-Baltic green hydrogen transport corridor (project name Nordic-Baltic Hydrogen Corridor) linking the H2 production and consumption centres of the Member States between Finland and Germany. The objective of the feasibility study is to assess the main business opportunities for a cross-border hydrogen corridor and the main infrastructure parameters and implementation conditions. The study is scheduled to be carried out in Q1 2024.



4.8.2. ADMINISTRATION OF GUARANTEES OF ORIGIN

The Company administers 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, supervising and controlling the use of guarantees of origin and recognizing in Lithuania of the guarantees of origin issued in other countries. This system is useful for energy consumers who want to use green energy produced in Lithuania or in another EU Member State. The Company cooperates with designated bodies in other countries and with organizations in the RES gas sector. In the first half of 2023, more than 23 GWh of green gas with guarantees of origin were imported into Lithuania through the Guarantee of Origin system.

Imports of biomethane from the Netherlands, accompanied by guarantees of origin and sustainability certificates, started in November 2022. This biomethane is used in transport as fuel and the guarantees of origin are used in the Renewable Energy Fuel Units (REFU) system to cover the obligations of fuel suppliers regarding the share of renewable fuels in the final fuel blend.

In order to provide participants in the guarantees of origin market with a user-friendly, transparent service in line with European best practices, the Company is upgrading the IT system of the Register of Guarantees of Origin. 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, thus facilitating and automating the exchange of guarantees of origin with other European countries.

4.9. RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY

As Lithuania moves towards a rapid transition to renewable energy in 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 organize 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 the hydrogen economy. It is emphasized that once hydrogen production capacities are developed, the gas transmission system could become the main transport network for green hydrogen gas in the region and in Lithuania itself. This recommendation was also provided by experts who carried out the study – in their opinion, the gas transmission system operator Amber Grid

should develop a hydrogen network in Lithuania in preparation for transporting surplus energy to hydrogen consumption centers in Europe, thus decarbonizing the industrial, transport and energy sectors.

4.10. OPERATING PLANS AND PROJECTIONS OF THE COMPANY

The regional gas market is expected to develop gradually. So far, only Latvia and Estonia have agreed on a single gas market from 2020, and together with Finland they have formed the common tariff zone from 2020. At the beginning of 2022, in the wake of the Russian-led war in Ukraine, the Baltic countries focused their attention and efforts on gas supply and its security. This has led to the opening of another LNG terminal in Finland from the end of 2022, the GIPL interconnection, which became operational in 2022, and the expansion of gas transmission capacity between Lithuania and Latvia. Later, as the situation stabilizes under new circumstances (gas prices stabilizing, consumption reaching a new stable level, flow trends in the region becoming clearer), discussions with regional partners could be reopened with a view to ensuring that all countries participate in the single gas market on mutually beneficial terms.

Contributing to Lithuania's ambitious goals of increasing the share of renewable energy sources in the country's energy mix, the Company participates in a number of initiatives and projects that enable its 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 2023, the Company's transmission system is expected to transport around 17 TWh of natural gas to the domestic gas exit point for Lithuanian system users, around 15 TWh to Latvia, 8 TWh to Poland and around 25 TWh to Kaliningrad Region. Klaipėda LNG terminal is expected to provide the bulk of the natural gas for Lithuanian and other Baltic consumers. The specific volumes of gas flows and sources of gas supply will depend on the market situation during the year, weather temperatures and other circumstances.

In 2024, the Company is expected to transport about 21 TWh to domestic gas exit points, 11.5 TWh to Poland, 26 TWh to Kaliningrad Region, and due to the commissioning of the Inkoo LNG terminal in Finland, the Company is expected to transport 30% less gas to Latvia than forecasted for 2023, i.e. 7.7 TWh of gas. As estimated for 2023, the bigger part of the natural gas quantity for consumers of Lithuania and other Baltic States is forecast to come from Klaipėda LNG terminal.

5. FINANCIAL RESULTS

The figures presented in the financial results section reflect the financial performance of the Amber Grid Group, which as of 30 June 2023 consisted of AB Amber Grid and the associated company UAB GET Baltic (Amber Grid owns a 34% stake in the gas exchange UAB GET Baltic).

5.1. FINANSIAL INDICATORS[2]

Table 4. Financial Indicators

	H1 2023	H1 2022	H1 2021
Financial results (thousands of euros)			
Revenue	43 597	43 019	31 625
EBITDA	11 187	15 519	17 755
Profit (loss) before tax	12 935	8 729	11 647
Net profit (loss)	12 165	7 470	12 482
Net cash flows from operating activities	24 204	14 006	18 036
Investments	18 890	30 777	26 164
Financial debt	94 913	104 378	120 489
Profitability indicators (%)			
EBITDA margin	25,7	36,1	56,1
Net profit (loss) margin	27,9	17,4	39,5
Average return on assets (ROA)	2,8	2,0	4,0
Average return on equity (ROE)	6,6	4,2	7,7
Liquidity indicators			
Total liquidity ratio	0,32	0,69	1.08
Fixed assets turnover	0,15	0,15	0,12
Capital structure indicators			
Equity to assets ratio	0,34	0,47	0,53
Financial debt to equity ratio	0,52	0,59	0,72
Financial debt to EBITDA ratio, times	8,5	6,7	6,8
Market value indicators			
Share price to earnings per share ratio (P/E), times	17.45	29.97	16.86
Net earnings (loss) per share, EUR	0,07	0,04	0,07

Formulas for calculating indicators:
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
Total liquidity ratio = current assets/current liabilities
Fixed assets turnover = revenue/fixed tangible and intangible fixed assets

[2] The financial indicators are calculated after eliminating the assets or liabilities generated by the LNG terminal funds.

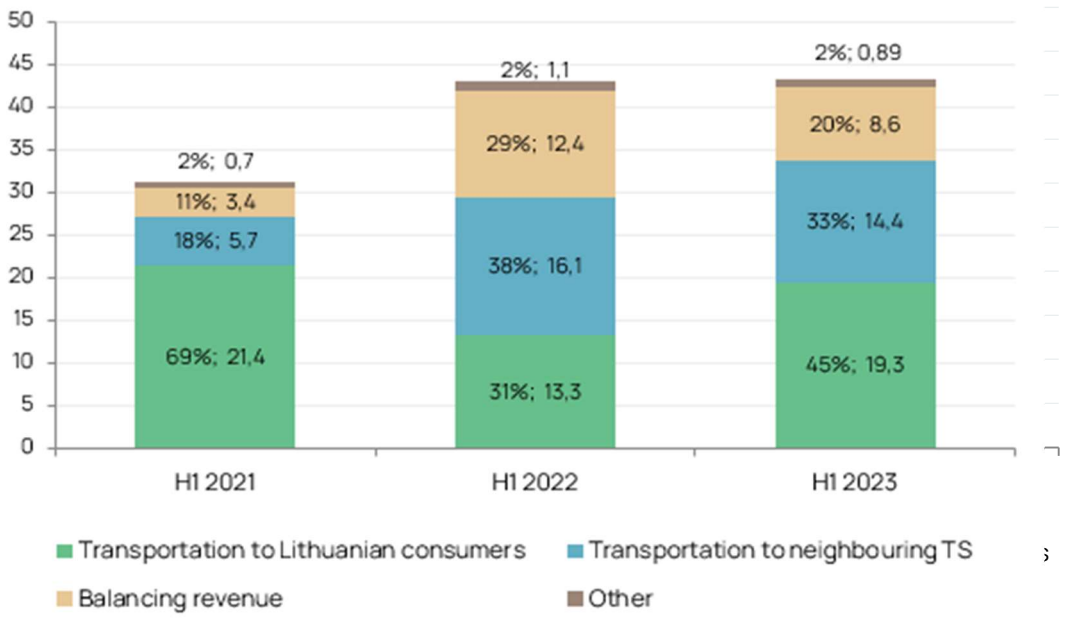
Equity to assets ratio = equity/assets
Financial debt to equity ratio = financial debt/equity
Financial debt to EBITDA ratio = financial debt/EBITDA
Share price to earnings per share ratio = share price at the end of the period/(net profit/number of shares)

5.2. REVENUE

In the first half of 2023, revenue (after eliminating the gain on the transfer of shares in the subsidiary GET Baltic) amounted to EUR 43,597,000 and increased by 1.3% compared to the first half of 2022. The increase in revenue was due to higher gas transmission prices and a corresponding 15.1% increase in transmission revenue. Due to the decrease in gas prices and the application of the agent principle for the accounting of system users' balancing activities as from 1 March 2022 (net result in the financial statements, balancing revenue netted against costs), the revenue from balancing products decreased.

Other revenues in the first half of 2023 amounted to EUR 1,264,000 (EUR 1,300,000 in the first half of 2022).

Fig. 7. Revenue Structure, %; millions of euros



Balancing products generate revenue:

- By balancing gas flows between system users and other gas market participants involved in balancing the transmission system (until 1 March 2022);
- As a result of technological balancing of the transmission system due to technological features of the transmission system and gas flow deviations (imbalances) caused by technical reasons.

5.3. COSTS

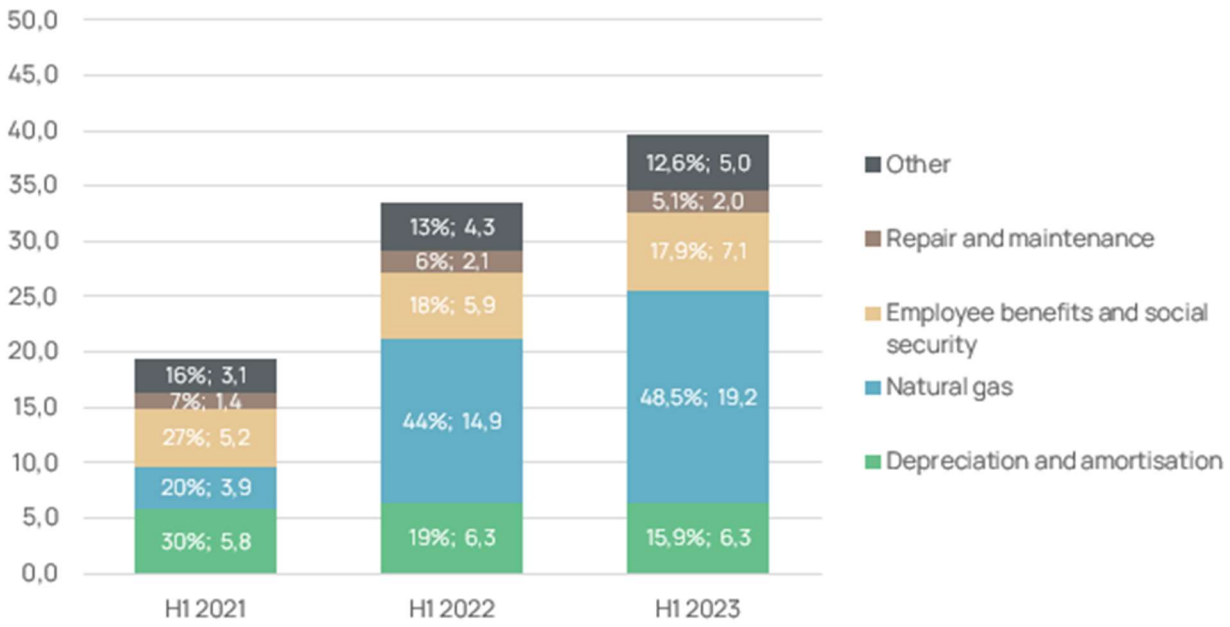
In the first half of 2023, costs amounted to EUR 38,707,000, an increase of 13.9% compared to the corresponding period of 2022. The increase was caused by higher gas costs.

Depreciation and amortisation of fixed assets accounted for a significant part of the cost at EUR 6,375,000 (16.5% of the total costs) and remained stable compared to the first half of 2022 (Fig. 9).

Employee benefits and social security costs amounted to EUR 7,352,000 (19.0% of total costs), an increase of 19.9% compared to the first half of 2022. Repair and maintenance costs amounted to EUR 1,367,000 (3.5% of total costs).

Natural gas costs amounted to EUR 17,903,000 and accounted for 46.3% of total costs. Compared to the first half of 2022, gas costs increased by 20.0% due to higher technological costs and balancing volumes.

Fig. 8. Cost Structure, %; millions of euros.



5.4. PERFORMANCE

In the first half of 2023, the Company's net profit amounted to EUR 12,165,000 and was 62.9% higher than in the first half of 2022 (EUR 7,470,000). The Company's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 11,187,000 (in 2022: EUR 15,519,000).

The higher earnings were due to the gain on transfer and revaluation of a subsidiary (EUR 8,419,000).

Fig. 9. Financial Results, millions of euros

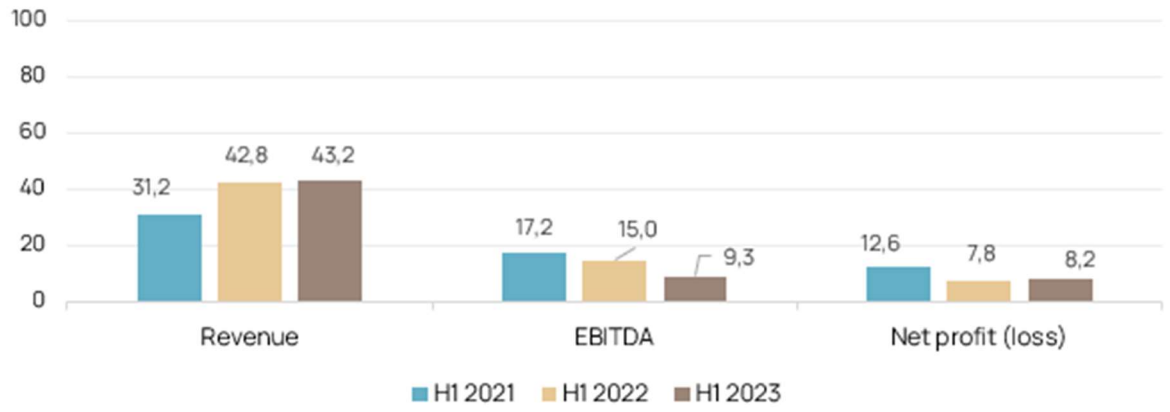
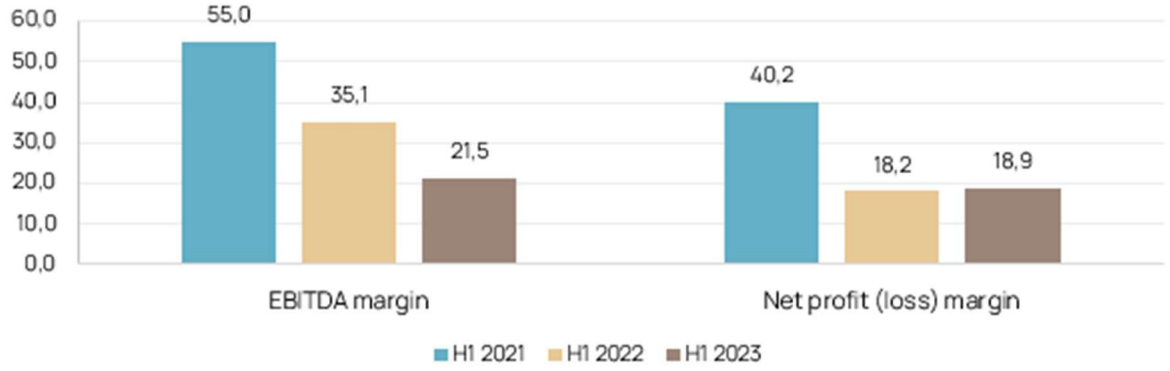


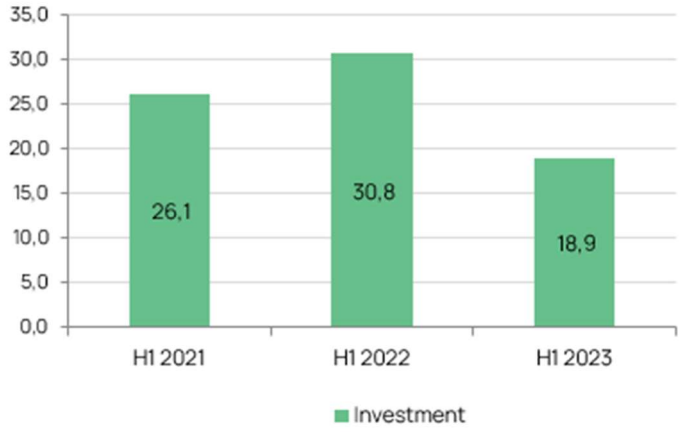
Fig. 10. Profitability of the Company, %



5.5. INVESTMENT

The completion of the GIPL pipeline resulted in a decrease in investments and amounted to EUR 18,890,000 in the first half of 2023 (EUR 30,777,000 in the first half of 2022) (Fig. 11).

Fig. 11. Investments, thousands of euros



5.6. ASSETS

As of 30 June 2023, the value of assets amounted to EUR 328,454,000: fixed assets accounted for 91.1% of total assets and current assets for 8.9%.

Fixed assets increased by 2.4% to EUR 299,122,000 in 2023 due to investments above depreciation. The value of current assets on 30 June 2023 amounted to EUR 29,332,000.

5.7. EQUITY AND LIABILITIES

During the first half of 2022, equity increased by 0.1% and amounted to EUR 183,911,000 at the end of the reporting period. At the end of the reporting period, equity represented 56.0% of total assets.

At the end of the reporting period, payables and liabilities at the end of the first half of 2023 amounted to EUR 144,543,000.

As of 30 June 2023, financial debt amounted to EUR 94,913,000, a decrease of EUR 6,049,000 over the reporting period. The ratio of financial liabilities to equity was 52.9%.

5.8. CASH FLOW

In the first half of 2023, the Company's cash flows from operating activities amounted to EUR 24,204,000 (in the first half of 2022: EUR 14,006,000). The Company allocated EUR 19,039,000 (in the first half of 2022: EUR 5,018,000) for investments in fixed assets. In 2023, EUR 7,379,000 (in the first half of 2021: EUR 1,466,000) of EU funding was received for financing investment projects.

5.9. ADJUSTED INDICATORS

Adjusted performance indicators are presented to reflect the Company's performance more accurately in a given period and to provide a more objective comparison with prior periods. The adjustments to the regulated revenue, cost and profitability indicators are due to temporary regulatory deviations from the regulatory profitability approved by NERC. Atypical/one-off transactions are also eliminated.

The adjustments to the indicators take into account:

- The profitability adjustment for the reporting period was approved by a NERC decision;
- A projected NERC adjustment for the next period due to deviations in the current period's regulated profitability;
- Other atypical transactions, income tax on adjustments.

Table 5. Adjusted indicators

	H1 2023	H1 2022
EBITDA	10 619	15 020
Adjustment for the current period approved by NERC	-1 442	4 388
Projected NERC adjustment due to deviations in the current period's regulated profitability	3 315	-2 890
Adjusted EBITDA	12 493	16 518
Net profit	12 577	7 800
NERC approved adjustment for the current period	-1 442	4 388
Projected NERC adjustment due to deviations in the current period's regulated profitability	3 315	-2 614
Other (atypical transactions, income tax adjustments)	-6 467	-266
Adjusted net profit	4 840	9 308
Adjusted return on equity (ROE)	2,7%	5,3%

5.10. REFERENCES AND ADDITIONAL EXPLANATORY NOTES TO THE DATA PRESENTED IN THE FINANCIAL STATEMENTS

Further information is provided in the notes to Amber Grid's financial statements for the first half of 2023.

5.11. INFORMATION ON SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Significant events after the end of the financial year are disclosed in the notes to Amber Grid's financial statements for the first half of 2023.

5.12. INFORMATION ON ANY FINANCIAL ASSISTENCE

On 11 April 2023, the Company's General Meeting of Shareholders allocated EUR 471,000 of distributable profit to support. However, during the first half of 2023, the Company did not grant any support to any natural or legal person or to any organization having the status of a beneficiary (charity). The Company's

support policy is publicly available at:
https://www.epsog.lt/uploads/documents/files/Politikos/20220527_Paramos%20politika.pdf.

5.13. INFORMATION ON RELATED PARTY TRANSACTIONS, MATERIAL ARRANGEMENTS AND HARMFUL TRANSACTIONS

Information on related party transactions is provided in Amber Grid's financial statements for the first half of 2023.

The Company has entered into the following material agreements giving the contracting parties the right to terminate their transactions with the Company in the event of a change of control of the Company:

1. Loan agreement with the Nordic Investment Bank (NIB) dated 19 August 2015
2. Long-term financing agreement with the European Investment Bank (EIB) dated 30 June 2020.

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

During the reporting period, the Company did not enter into any harmful transactions (inconsistent with the Company's objectives, current normal market conditions, prejudicial to the interests of shareholders or other groups of persons, etc.) or 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.

EPSO-G's Audit Committee, which operates on a group-wide basis and performs the functions of Amber Grid's Audit Committee, provides opinions on each transaction of Amber Grid and a related party. The Audit Committee assesses whether the relevant related party transaction is entered into under market conditions and whether the transaction is fair to all shareholders.

Table 6. Amber Grid's Transactions with Related Parties, H1 2023

Contract Number	Relation Type	Name of the Related Party	Data of the Related Party	Date of Entry into Force of the Contract	Type	Subject Matter of the Contract	Estimated Value of the Transaction Excluding VAT	Notes
23-10081	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-04-06	Other contracts not related to public procurement	Service of connecting the technological site for biogas supply to the MGP networks (11, Vytartai village, Eld. of Pasvalys Surroundings, Pasvalys D. Municip.) to the electricity grid of AB ESO	1 455,41	
23-06199	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-17	Other contracts not related to public procurement	Service of connecting the MGP branch to Kužiai GDS LČ-1-II (Kužiai village, Šiauliai D.) to the electricity grid of AB ESO	6 615,40	

23-06208	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-17	Other contracts not related to public procurement	Service of connecting the MGP branch to Daugėliai GDS LČ-1-II (Liepkalnis village, Kuršėnai village eld., Šiauliai D.) to the electricity grid of AB ESO	18 843,70	
23-06179	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-17	Other contracts not related to public procurement	Service of connecting the LČ-6M line of the MGP Panevėžys-Šiauliai II (Beniuliai village, Lygumai Eld., Pakruojis D. Municip.) to the electricity grid of AB ESO	15 718,69	
23-06337	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-17	Other contracts not related to public procurement	Service of connecting the MGP Klaipėda - Kuršėnai ČA-20M (Saulažoliai village, Klaipėda D.) to the electricity grid of AB ESO	12 820,13	
23-06247	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-17	Other contracts not related to public procurement	Service of connecting the MGP branch to Pajiešmeniai and Biržai GDS LČ-1-I/1-II (Tetirvinai village, Vaškai Eld., Pasvalys D.) to the electricity grid of AB ESO	7 928,81	
23-05962	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-17	Other contracts not related to public procurement	Service of connecting the LČ-4M/5M line of the MGP Panevėžys-Šiauliai II (Galeliai village, Rozalimas Eld., Pakruojis D.) to the electricity grid of AB ESO	9 763,06	
21-96868	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-01-30	Other contracts not related to public procurement	Service of relocating electrical equipment in Neveronys village, Neveronys Eld., Kaunas D. Municip.)	402,14	
21-96863	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-01-30	Other contracts not related to public procurement	Service of relocating electrical equipment in Romaškiai village, Domeikava Eld., Kaunas D. Municip.	748,60	
22-24879	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-01-16	Other contracts not related to public procurement	Service of connecting ČA-11D (Grabučiškės village, Rumšiškės Eld., Kaišiadorys D.) to the electricity grid of AB ESO	7 796,35	
23-10373	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-03-16	Other contracts not related to public procurement	Design service for the connection of electrical equipment (Mediniškės village, Rozalimas Eld., Pakruojis D.) to the electricity grid of AB ESO	Value not established	
22-D7190	SOE	AB Energijos skirstymo operatorius	Įm.k. 304151376, Aguonų g. 24, LT-03212 Vilnius	2023-02-23	Other contracts not related to public procurement	Design service for the connection of the utility networks of the closing device of the MGP Vilnius-Kaunas (Rykantai village, Lentvaris Eld., Trakai D.) to the electricity network of AB ESO	Value not established	
PS-1959 (10.46 E)/23	SOE	Registrų centras VĮ	Įm.k. 124110246, Lvivo g. 25-101, LT-09320 Vilnius	2023-03-23	Other contracts not related to public	Provision of data for the Beneficiary Subsystem of the Legal Entity Participants Information System	Value not established	

					procurement			
22/EPST-3420/S-2	SOE	Registrų centras VĮ	Įm.k. 124110246, Lvivo g. 25-101, LT-09320 Vilnius	2023-04-19	Other contracts not related to public procurement	SPECIAL CONDITIONS FOR A CONTRACT FOR THE PROVISION OF ELECTRONIC DELIVERY SERVICES BY MEANS OF THE NATIONAL INFORMATION SYSTEM FOR THE DELIVERY OF ELECTRONIC ITEMS BY MEANS OF THE POSTAL NETWORK, WHERE PAYMENT IS MADE AFTER THE PROVISION OF THESE SERVICES	Value not established	
2023-278021	EPSO-G Group	UAB Get Baltic	Įm. k. 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	2023-06-27	Other contracts not related to public procurement	On the reimbursement of costs	3 660,00	
P10/2015-23	SOE	UAB Ignitis	Įm.k. 303383884, Laisvės pr. 10, LT-04215 Vilnius	2023-04-01	Natural gas transmission services	Supplementary Agreement No. 11 (for uninterrupted supply)	Value not established	
2023-68633	SOE	UAB Ignitis	Įm.k. 303383884, Laisvės pr. 10, LT-04215 Vilnius	2023-02-09	Other contracts not related to public procurement	Guarantee of origin service contract	Value not established	
639306	EPSO-G Group	UAB Tetas	Įm.k. 300513148, Senamiesčio g. 102B, LT-35116 Panevėžys	2023-01-16	Purchase of services	(PPP-2583) Verification services for electrical protection measures	12 000,00	
VPP-3245	SOE	UAB Transporto valdymas	Įm.k. 303383884, Laisvės pr. 10, LT-04215 Vilnius	2023-03-03	Purchase of services	Periodic replacement services for vehicle tyres and fire extinguishers	4 999,00	
616772	SOE	VĮ Žemės Ūkio Duomenų Centras	Įm.k. 306205513, Vinco Kudirkos g. 18-1, LT-03105 Vilnius	2023-02-21	Purchase of services	Supplementary agreement (extension of time limits)	29 472,10	

5.14. INFORMATION ON SIGNIFICANT DIRECT AND INDIRECT HOLDINGS

On 30 June 2023, the Company owned 34% of the shares of the associated company UAB GET Baltic. More detailed information on the associated company is provided in Amber Grid's financial statements.

6. RISK AND THEIR MANAGEMENT

6.1. RISK AND THEIR MANAGEMENT

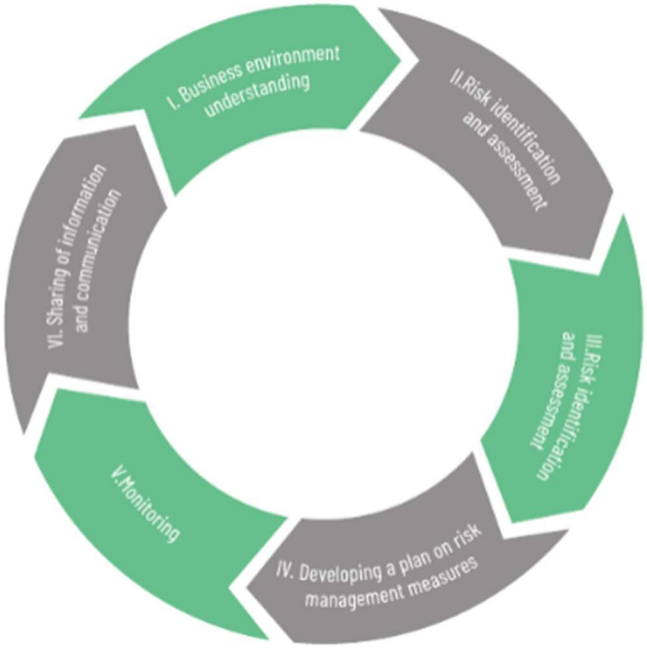
6.1.1. RISK MANAGEMENT POLICY

The Company views risk management as a structured approach to managing uncertainties by methodically assessing the impact and likelihood of risks and applying appropriate risk management tools.

In 2023, the Company followed the Risk Management Policy and Risk Management Methodology of the EPSO-G Group approved by the Board. These documents provide the Company with a best practice risk management framework based on the internationally accepted COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management) methodology.

The Risk Management Policy is publicly available on EPSO-G UAB's website https://www.epsog.lt/lt/apie-mus/veiklos-politikos/riziku-valdymas.

The Company applies the risk management process set out below:



I. Identification of business environment. Each year, the risk owners assess changes in the Company's objectives, internal and external environment, organisational structure and identify new potential risks.

II. Identification and assessment of risks. Using historical data, expert judgement and the results of monitoring the implementation of risks and risk management measures, the Company's risks are defined by identifying the sources of risks, affected areas, risk-related events, their causes, the potential impact in financial terms (in euro) and the existence of risks in the long run. The type of risks is identified, and the risk management measures currently in place are described. The probability, impact and level of the risks are determined, and possible risk management measures shall be identified taking into account the interdependencies between risks. The units responsible for risk management carry out the risk identification and assessment process.

III. Prioritization of risks. A session on prioritization of risks is initiated in order to review the list of risks drafted during the process II. The Company identifies the top priority risks. If during this process any doubts
arise in relation to certain probabilities, impact, risks management measures or any other aspects, a repeated analysis of those risks is initiated.

IV. Development of the plan of risk management measures. This process involves elaboration and approval of the Company's plan on risk management measures in respect of the risks identified during the process III. The plan also includes the resources required for management of risks, and it is subject to approval by the Board after receiving recommendations from the Audit Committee. The amount of funds

required for the implementation of the risk management measures is considered when planning the next year budget. In case the amount budgeted for risk management differs from the amount specified in the plan on risk management measures, adjustments should be made to the Company's plan on risk management measures. The final plan on risk management measures together with the budget are subject to approval by the Board. The goals of the plan on risk monitoring and risk management measures are linked to the annual performance goals of employees fulfilling the risk monitoring and management functions.

V. Monitoring. The periodic monitoring of risks and of implementation of the risk management measures is carried out. It includes the assessment of changes in risk level, the progress achieved with the implementation of risk management measures, and their effectiveness. The risk owners and the employees responsible for implementation of risk management measures regularly report the monitoring results to EPSO-G's the risk management and prevention unit and to the Company's Board. When a value greater than the risk tolerance or a critical value of the key risk indicator (KRI) is recorded and new risks are identified, the KRI value of which exceeds the risk appetite, the new risk management measures are envisaged and corrections are made in the plan on risk management measures, which are subject to approval by the Board.

VI. Communication and information sharing. The basis for effective risk management is continuous communication within the Company between the Risk Owners, the unit responsible for risk management, EPSO-G, the Company's Chief Executive Officer, and the collegiate bodies. Effective communication requires that relevant information reaches those responsible in a timely manner.

6.1.2 MAIN RISK AND THEIR MANAGEMENT

The main risks areas affecting the Company in 2023:

1. Developing the energy and raw materials exchange business

This area is dominated by the risks related to the continuity of transit activities or the occurrence of negative factors resulting from these activities (political, financial, technological), as well as the increase in the volumes of gas for technological needs. The Company manages these risks by monitoring and analyzing trends in actual gas flows, by making more efficient use of its technological facilities and by purchasing gas not only on the exchange but also under bilateral contracts.

2. Asset management of transmission system

This area is dominated by the risks associated with incidents and disruptions caused by missing data on technological equipment or unsolicited, untimely internal diagnostics. The Company manages these risks by timely signing of service contracts and timely data capture and analysis.

3. Staff development and reward management

There are risks related to the shortage of appropriately qualified staff. The Company is actively engaged in managing this risk through regular review of staff remuneration, ensuring rotation of critical posts, cooperation with educational institutions and continued management development Staff development and reward management.

4. Worker safety

Risks associated with occupational incidents involving damage to health. The Company has put in place the following risk management measures: occupational risk assessment at each workplace, training, certification and briefing of employees on health and safety issues, a defined process for recording and investigating safety incidents and other risk management measures.

5. Financial management

Financial management. Risks associated with non-implementation of the budget. The Company manages this risk through the control of financial performance as part of its integrated planning and monitoring policy.

6. Asset management for transmission system

Asset management for transmission systems. Risks related to the compliance of interconnectors. The Company is carrying out an inventory of suspect interconnectors and an application has been sent to the Prosecutor General's Office for investigating allegations of falsification of documents.

7. Project management

Project management. There are risks related to non-compliance with the project portfolio execution plan, delays in asset renewal and development are possible. The Company minimises these risks by confirming the next year's project portfolio as early as possible, so that resources can be planned in advance. Investment projects are approved by the committee after a prior analysis of the Company's available resources.

6.1.3 TRANSITIONAL AND PHYSICAL RISK POSED BY CLIMATE CHANGE

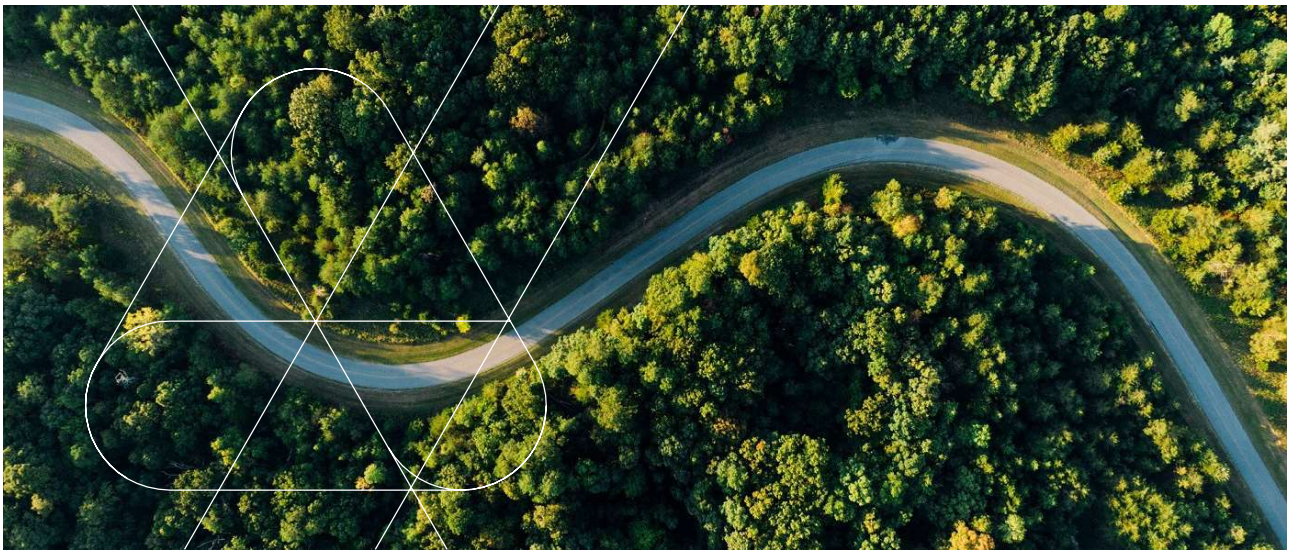
The tightening European Union regulation to accelerate greenhouse gas reductions, the entry into force of the Taxonomy Regulation and the rising cost of emission allowances can have financial and reputational impact on the Company. The EU's "Green Deal" could make natural gas activities less attractive to investors, which would make it more difficult for the Company to attract the financing it needs to continue operations. Meanwhile, the climate change may lead to a decrease in the volumes of transported natural gas due to rising annual temperatures, which would have a negative impact on the Company's revenues. To mitigate these risks, the Company is implementing the plan of measures to reduce greenhouse gas and is also looking for opportunities to diversify its activities by connecting biomethane and green hydrogen producers to the gas transmission network, exploring the potential of the existing system to interact in a natural gas and hydrogen environment, preparing to implement the pilot Power-to-Gas project, and developing the competence of its specialists in the field of hydrogen integration. The Company has set the strategic goal to adapt the gas transmission system to hydrogen transport by 2030.

6.1.4 THE COMPANY'S INTERNAL CONTROL FRAMEWORK

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

The Company has adopted an Accounting Procedures and Policies Manual governing 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 “four-eye” principle is followed in the preparation of financial statements. The Accounting Unit is responsible for the drawing up and reviewing of financial statements.



7. MANAGEMENT REPORT

7.1. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company applies the Corporate Governance Code for Companies Listed on NASDAQ Vilnius (available at www.nasdaqbaltic.com; hereinafter – 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 Regulatory Information Database at www.crib.lt.

7.2. SHARE CAPITAL

The Company's authorised capital is EUR 51,730,929. It is divided into 178,382,514 ordinary registered shares with a nominal value of EUR 0.29 per share. One ordinary registered share with a value of EUR 0.29 confers to 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 2023. EPSO-G UAB retained a 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 issued shares and amounts to 178,382,514 units. The shares of Amber Grid carry equal economic and non-economic rights and no shareholder of the Company has any special control rights. Pursuant to Article 20 of the Republic of Lithuania Law on Companies (hereinafter – the Law on Companies), only the General Meeting of Shareholders of the Company may take decisions on the issuance of new shares and the purchase of its own 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 any transactions involving the acquisition or disposal of treasury shares in the first half of 2023.

7.4. SHAREHOLDERS

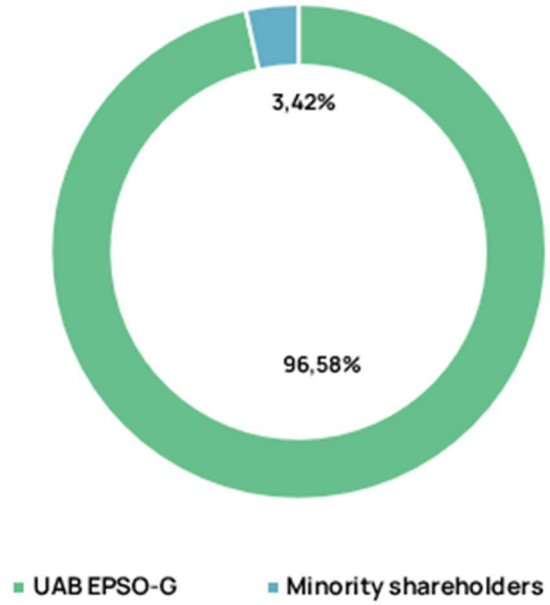
According to the data of 30 June 2023, the shareholders of Amber Grid included more than 2,500 natural and legal persons, both Lithuanian and foreign, of which 1 (one) shareholder held more than 5% in the Company.

Table 7. Shareholders of the Company

Shareholder	Registered office address / legal entity code	Number of shares held by ownership right, units
UAB EPSO-G	Gedimino pr. 20, Vilnius, Lithuania / 302826889	172,279,125
Minority shareholders		6,103,389
Total:		178,382,514

The shareholding structure of the Company is presented in Figure 12.

Figure 12. Shareholding structure as of 30 June 2023



7.5. DATA ON TRADING IN SECURITIES ON REGULATED MARKETS

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

Table 8. Main data on Amber Grid's shares

Main data on Amber Grid shares	
ISIN code	LT0000128696
LEI code	097900BGMP0000061061
Symbol	AMG1L
Issue size (units)	178.382.514

In the first half of 2023, the Company's turnover of trading in shares amounted to EUR 0.3 million (H1 2022: EUR 0.3 million), 216,093 shares were transferred by way of transactions (H1 2022: 229,335 shares). The Company's share price dynamics is presented in Figure 15 and the data on the price of shares of the Company in 2023 are presented in Figure 13.

Figure 13. Share price dynamics on NASDAQ Vilnius, H1 2023

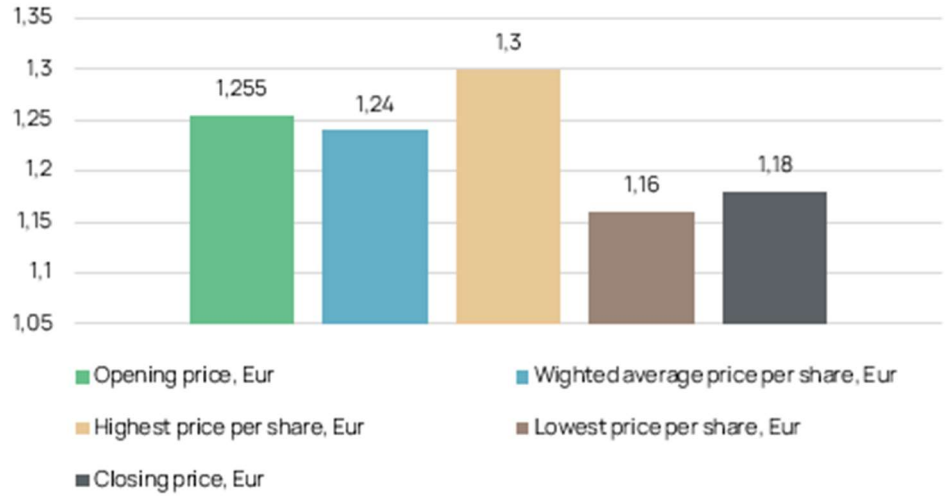
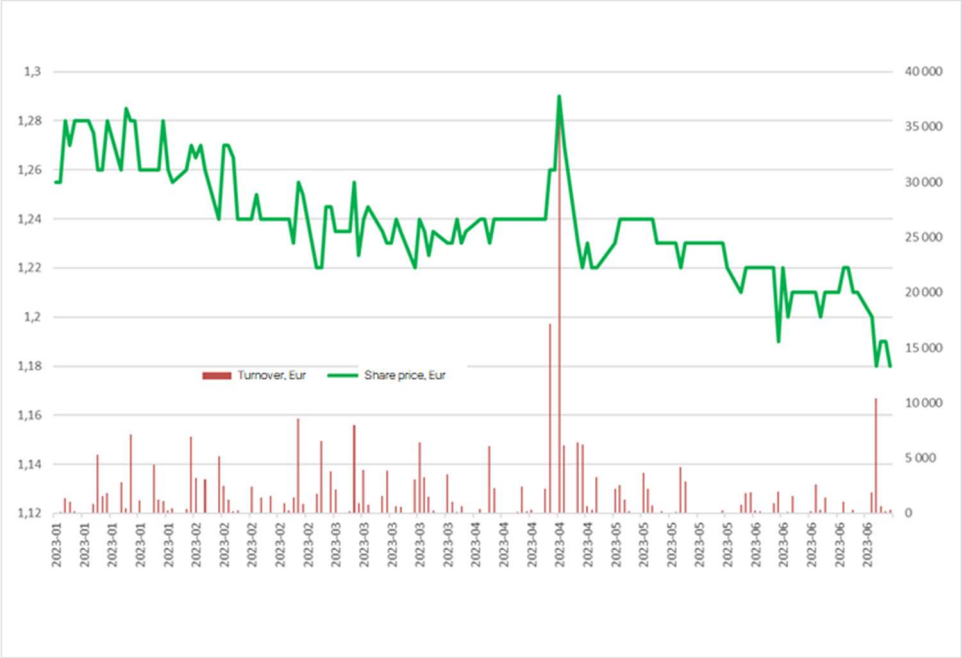


Figure 14: Amber Grid share price and turnover, H1 2023



On 30 June 2023, capitalization of shares of Amber Grid amounted to EUR 210.5 million. The price per share on the stock exchange and, accordingly, the capitalization decreased by 6.0% in H1 2023.

7.6. DIVIDENDS

The dividend policy of the Group and the Company defines identical rules for the determination, payment and declaration of dividends for 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 group of energy transmission and exchange companies.

The ordinary general meeting of shareholders held on 11 April 2023 decided to pay dividends of EUR 12.1 million or EUR 0.0676 per share.

The ordinary general meeting of shareholders held on 23 April 2021 approved the proposal of the Board of Amber Grid not to distribute the profit earned in 2020.

7.7. CONTRACTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

Amber Grid has concluded the agreement with AB SEB Bankas 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 concluded the agreement with AB SEB Bankas on payment / distribution of dividends to minority shareholders according to which AB SEB Bank calculates and distributes dividends to all shareholders of the Company, except for the principal shareholder – UAB EPSO-G.

Table 8. Bank details

Details of AB SEB bankas	
Company code	112021238
Registered office address	Konstitucijos pr. 24, LT-08105 Vilnius, Lietuva
Phone	+370 5 268 2800
Email	info@seb.lt
Website	www.seb.lt

7.8. MANAGEMENT STRUCTURE

The Company's activities are governed by the Law on Companies and the Law on Securities, the Company's Articles of Association, and other legal acts of the Republic of Lithuania. The competence of the General Meeting of Shareholders, the rights of shareholders and their enforcement are defined in the Law on Companies and in the Articles of Association of the Company. The Company's Articles of Association are posted on the Company's website: www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai.
The Articles of Association provide that they may be amended in accordance with the procedure laid down in **the Law on Companies**.

The management bodies of the Company specified in the Articles of Association:

- The general meeting of shareholders (hereinafter – the Meeting),
- The Board – the collegial management body,
- The Manager of the Company – the single-person management body.

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

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, except for the additional competence of the Meeting provided for in Article 25 of the Articles of Association of the Company.

Article 25 of the Articles of Association provides that the General Meeting of Shareholders shall also decide on (additional competence of the Meeting):

(i) appointment and removal of the Board members, remuneration of the Board members, conclusion of contracts with the Board members and standard terms and conditions;

(ii) suspension or non-suspension of members of the Board and the adoption of a decision in the event of a conflict of interest between members of the Board, in the cases provided for in Article 48 of the Articles of Association[4];

(iii) approval of decisions of the Board referred to in Article 36(iii) to (vii) of the Articles of Association, if the value, price or amount of the transaction concerned exceeds EUR 20, 000,000 (twenty million euro), and the decisions referred to in Article 36(viii) to (ix) of the Articles of Association[5] .

The Board

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. Two members of the Board are independent. A continuous term of office of a Board member shall be no longer than two consecutive terms of office and, in any case, may not hold the Board member's position for more than 10 (ten) consecutive years.

The selection of the Board members shall be carried out in accordance with the Procedure for the 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 a state or municipal enterprise approved by Resolution No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

[4] If the Board is unable to take a decision which is also related (directly or indirectly) to personal interests of the Board member concerned, because no Board member can vote on the matter due to a conflict of interest, the General Meeting of Shareholders shall take the relevant decision.

[5] 36. (iii) the acquisition of fixed assets for a price exceeding EUR 2,000,000 (two million euro) (if the price exceeds EUR 20,000,000 (twenty million euro); (iv) the investment, disposal, lease of the Company's assets with a carrying amount exceeding EUR 2,000,000 (two million euro) (calculated separately for each type of transaction) (if the value exceeds EUR 20,000,000 (twenty million euro), the Meeting's approval is required); (v) pledging or mortgaging (calculated on the aggregate amount of transactions) of the Company's assets with a carrying amount exceeding EUR 2,000,000,000 (two million euro) (if the value exceeds EUR 20,000,000 (twenty million euro), the Meeting's approval shall be required); (vi) guaranteeing or indemnifying the performance of other persons' obligations in the amount of more than EUR 2,000,000 (two million euro) (if the value exceeds EUR 20,000,000 (twenty million euro); (vii) enter into any other transactions / agreements (not mentioned in separate articles of the Articles of Association) on the basis of which the Company acquires goods, services, works, the value of which, in a specific monetary expression, exceeds EUR 2 000 000 (two million euro) (if the value exceeds EUR 20 000 000 (twenty million euro); (viii) on the transfer, pledge, change of legal status or encumbrance of disposal of the Company's assets included in the list of objects and assets of importance to ensuring national security provided for in the Law of the Republic of Lithuania on Protection of Objects of Importance to Ensuring National Security, if the value of the said objects exceeds 1/20 of the Company's authorised capital; (ix) the transfer of shares or other encumbrances on the disposal of shares or the rights conferred by such shares or other encumbrances on the disposal of the objects referred to in point (viii) of this Article, the increase or decrease of the authorised capital of such companies or any other action that may change the structure of the authorised capital of such companies (e.g., the issue of convertible bonds), and decisions on the reorganisation, spin-off, restructuring, liquidation, restructuring or any other action which changes the legal status of the undertakings referred to in this point.

The competence of the Board of the Company does not differ from the competence of the Board of the Company as set out in the Law on Companies, except for the additional competence set out in Articles 34–41 and Article 43 of the Articles of Association.

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

The Company's Board also performs the supervisory functions:

(i) approves or opposes the conclusion of related party transactions, considering the opinion of the AC

(ii) approves the description of the procedure and conditions for the valuation of transactions with related parties concluded on an arm's length basis in the ordinary course of business, as provided for in the Law on Companies

(iii) supervises the performance of the Manager, provides feedback and proposals to the Meeting on the Manager's performance

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

(v) proposes to the Manager to revoke his decisions that are contrary to laws and regulations, the Articles of Association, decisions of the Meeting or the Board

(vi) decides on other matters attributed to the competence of the Board in the Articles of Association and in the decisions of the Meeting concerning the supervision of activities of the Company and the CEO. Information on Amber Grid's Board members, CEO and Chief Accountant is presented in Table 10.

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

Table 9. Board members, CEO and Chief Accountant of Amber Grid

Forename Surname	Position	Term of office	Other positions held	Shares held in Amber Grid	Qualification
Dalius Svetulevičius	Chairman of the Board	Since 20 April 2022 (elected 20 April 2022) - Member of the Board from 22 11 2022 elected the Chairman of the Board	Technical Manager at EPSO-G UAB[6]	N/A	Kaunas University of Technology, Bachelor of Electronics Engineering, Master of Science in Measurement Engineering; Vilnius University, Master of Management and Business Administration
Karolis Švaikauskas	Board member	From 20 04 2020 (elected on 20 04 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 member of the Board	From 20 04 2020	CFO of RB Rail AS (Rail Baltica)	N/A	ISM University of Management and Economics, MSc in Economics; Baltic Institute of Corporate Governance,
Sigitas Žutautas	Independent member of the Board	From 20 04 2020	Member of the Council of the Faculty of Economics and Business Administration, Vilnius University	N/A	Vilnius University, Master of Business Management and Administration; ESMT European School of Management and Technology, Berlin, postgraduate

[6] Information on the professional experience of the members of the Board 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

Forename Surname	Position	Term of office	Other positions held	Shares held in Amber Grid	Qualification
Paulius Butkus	Member of the Board	From 11-04-2023	Head of Development and Innovation at EPSO-G UAB	N/A	Vilnius University, BSc in Nuclear Physics; Vilnius Gediminas Technical University, MSc in Electrical Engineering and PhD in Electrical and Electronic Engineering.
Nemunas Biknius	Chief Executive Officer	From 08 04 2020	AB Klaipėda State Seaport Authority, Chairman of the Supervisory Board	0.001505 % of shares in Amber Grid	Vilnius Gediminas Technical University, MSc in Energy and Thermal Engineering; Aalborg University, Denmark, Environmental Management Studies; ISM MBA in Management
Rasa Baltaragienė	Head of Accounting Department	From 02 12 2019	-	N/A	

Ten Board meetings were held in 2023.

Attendance at Board meetings in the first half of 2023

- ● **Attended**
- ○ **Absent**

Table 10. Statistics of attendance at the Board meetings of Amber Grid

Nr	Date of meeting	Dalius Svetulevičius	Karolis Švaikauskas	Sigitas Žutautas	Ignas Degutis	Paulius Butkus
1	10 January	●	●	●	●	Not elected
2	24 January	●	●	●	●	Not elected
3	21 February	●	●	●	●	Not elected
4	7 March extraordinary	●	●	●	●	Not elected
5	17 March	●	●	●	●	Not elected
6	28 March	●	●	●	●	Not elected
7	25 April	●	●	●	●	●
8	12 May extraordinary	●	●	●	●	●
9	23 May	●	●	●	●	●
10	20 June	●	●	●	●	●

Decisions adopted by the Board in 2023:

01 January

10 January. Approval of Amber Grid's revised Strategy for 2021–2030, Operating Plan for 2023–2025 and the CEO's performance targets for 2023.

02 February

21 February. Approval of the preliminary material terms and conditions of the transaction for the sale of UAB GET Baltic shares. Joining the revised Compliance Management Policy of UAB EPSO-G Group.

03 March

7 March. Convening the extraordinary meeting of the Board. Approval, by a written vote, of the contract for the purchase of ball and stop taps (Reconstruction works for the replacement of main gas pipeline shut-off devices and connection to the SCADA remote control system (Phase 3, Part 3, Materials) and of the essential terms and conditions of the contract. Approval of the new version of the Rules for the use of the natural gas transmission system of Amber Grid.

17 March Approval of shares in UAB GET Baltic and the terms and conditions of the transaction. Approval of the Annual Report and of the set of annual financial statements of Amber Grid.

Approval of the draft profit distribution and decision to submit it to the General Meeting of Shareholders.

28 March. Approval of the assessment of the achievement of 2022 goals set for the CEO of Amber Grid. Approval of the updated plan of risk management measures of Amber Grid for 2023. Approval of the conclusion of vehicle operating lease contracts under 6 (six) separate procurement object lots and of the material terms and conditions of the contracts.

04 April

11 April. Convening the ordinary general meeting of shareholders of Amber Grid AB. Approval of the set of consolidated and financial statements of the Company for 2022. Approval of the distribution of Amber Grid's profit for 2022. Approval of the remuneration report of Amber Grid AB for 2022. Election of Paulius Butkus to Amber Grid AB Board member's position. Approval of the new version of Articles of Association

05 May

12 May. Convening the extraordinary meeting of the Board. Approval, by a written vote, of the 2022 tax loss transfer and takeover transaction with the related party EPSO-G UAB and of the essential terms and conditions of the transaction.

23 May. Amendment to the terms and conditions of the employment contract of Amber Grid AB CEO by changing the monthly remuneration and the position title from "Chief Executive Officer" to "Manager of the Company". Approval of the prices for gas transmission services set by Amber Grid AB. Approval of the updated management structure of Amber Grid AB. Approval of the decision of the Manager of Amber Grid AB to join the Association for HR Professionals.

06 June

20 June. Approval of the conclusion of the transaction for the provision of services of management holdings with UAB EPSO-G and of the essential terms and conditions of the transaction. Amendment to some of the essential terms and conditions of the P2P Lending and Borrowing Agreement between AB Amber Grid and UAB EPSO-G. Approval of the conclusion of the Contract on reconstruction works for the replacement of the closing devices of the main gas pipelines and the connection to SCADA remote control system and of the essential terms and conditions of the Contract.

The Remuneration and Nomination Committee discussed the results of the evaluation of the collegial bodies (CBs) and identified the following areas and directions for improvement for the CBs in 2023:

- organizing strategy sessions for EPSO-G Group companies, focusing on strategic planning and discussing shareholder expectations
- organizing meetings of the new EPSO-G Board and the Group's governing bodies and committees (during H1 2023, after the appointment of the new EPSO-G Board).

In accordance with the Company's Articles of Association, the Audit Committee of the parent company UAB EPSO-G 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

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

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

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

- for 2019 – by Deloitte Lietuva UAB
- for 2020 – by PricewaterhouseCoopers, UAB
- for 2021 – by PricewaterhouseCoopers, UAB
- for 2022 – by PricewaterhouseCoopers, UAB.

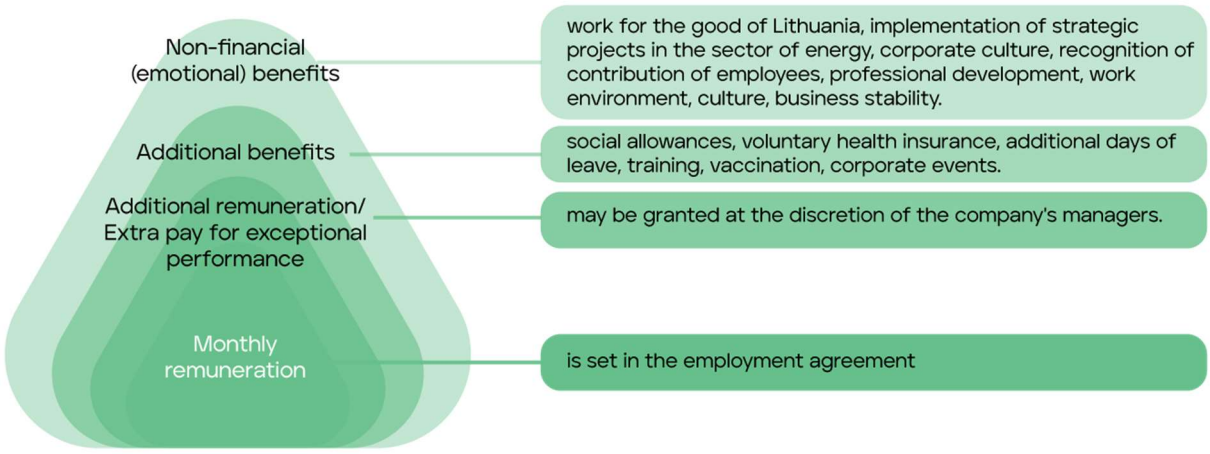
The fees for external audit services for the year ended 31 December 2019 to Deloitte Lietuva UAB amounted to EUR 36.0 thousand.

Fees for external audit services for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 to PricewaterhouseCoopers, UAB amounted to EUR 50.5 thousand each.

Remuneration management

On 25 October 2022, Amber Grid joined the updated EPSO-G Group Employee Remuneration, Performance Appraisal and Self-development Policy (hereinafter – the Policy), which applies to all employees of the Company and is posted on the Company's website. The Policy is approved / adhered to by decision of the Company's Board considering the recommendations of the EPSO-G Remuneration and Nomination Committee. The Remuneration and Nomination 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 remuneration costs in an efficient, clear, and transparent way and, at the same time, to create motivational incentives and to encourage staff to perform better, to contribute more actively to the achievement of objectives, to go beyond the formal performance of their duties, to develop innovative, out-of-the-box solutions, and to improve performance.

The remuneration of EPSO-G Group employees consists of the following components: monthly remuneration; fringe benefits provided for in the Labour Code of the Republic of Lithuania, internal regulations and collective agreements of the Companies; financial incentives; project incentives; one-off bonuses for exceptional performance and innovation; fringe benefits; non-financial remuneration.



Components of remuneration

Monthly remuneration is the largest and most important part of the monetary remuneration, which depends on the level of the post, determined for each post according to a methodology used in international practice. The monthly remuneration of staff members is set within the limits of the remuneration scales for the grade of the post concerned, taking into account the staff member's experience, competence, level of expertise and independence in performing the functions assigned to the post, and the remuneration budget for the relevant year.

Financial incentives are determined by reference to the following standard criteria for assessing the employee's performance: the results of the assessment of the employee's achievement of his/her objectives, the assessment of the employee's values, the results of the assessment of the employee's quality of performance. Financial incentives for the Company's Manager are allocated by the Board of the Company and for other employees – by the Company's Manager. The financial incentive shall be paid once a year when the Board of the Company approves the audited financial results of the Company and when they are confirmed by the resolution of the general meeting of shareholders.

By decision of the Company's Manager, a one-off bonus may be awarded for outstanding performance. In order to achieve continuous progress, the Group may establish separate innovation incentives. These may be awarded for the implementation of innovative ideas and the creativity of employees in proposing innovative ideas.

Figure 11. Average Amber Grid salary in H1 2023 by employee group:

GROUPS OF POST	H1 2023	H1 2022
Director-General	13 368	13 264
Top managers	9 359	8 432
Middle and primary level managers	5 019	4 534
Specialist experts	3 144	2 790
Workers	1 697	1 639
	3 003	**2 743**

Remuneration policy for members of the collegial management body and the Manager

On 20 April 2020, the General Meeting of Shareholders of the Company approved the Remuneration Policy for the Manager and Board Members of Amber Grid (the updated policy was approved by decision of the Company's General Meeting of Shareholders of 23 June 2022)[1]aimed at establishing common, clear and transparent principles of monetary reward for work of the Company's Manager and Board members and the remuneration system based on these principles in order to effectively manage the Company's operating costs and to create motivational incentives for the CEO and Board members to contribute to the achievement of the Company's mission, vision, values and objectives.

The principles of remuneration of members of the company's management bodies are also regulated by the Guidelines for determining the remuneration of members of the management bodies of UAB EPSO-G group companies approved by a decision of the sole shareholder UAB EPSO-G.

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 Board of Management; and encourage the attraction of high-calibre professionals in their field of competence for the Company's management.

The remuneration for activities in the Board of the Company may be paid only to such members of the Board of the Company who meet the criteria set out by legal acts in force in the Republic of Lithuania and in the Guidelines for determining the remuneration for activities in the management bodies of UAB EPSO-G and UAB EPSO-G Group companies.

By decision of the Extraordinary General Meeting of Shareholders of 22 December 2022, the following fixed monthly remunerations, before tax, were fixed as from the date of adoption of the decision of the General Meeting of Shareholders:

Position	Monthly fixed remuneration amount (EUR)
Chairman of the Board (independent)	4097
Member of the Board (independent)	3073
Member of the Board (civil servant), if the civil servant does not hold a position and does not perform activities in the collegial body of another SE / SOE and/or ME / MOE[7]	2458
Member of the Board (civil servant) if the civil servant holds a position and performs activities in the collegial body of another SE / SOE and/or ME / MOE	1536

In addition, by the decision of the General Meeting of Shareholders of 22 December 2022 the total annual budget for 2023 for the remuneration of the Company's Board members and additional expenses to ensure activities of the Board were set at EUR 101.4 thousand.

[7] * SE – state enterprise, SOE – state-owned enterprise, ME – municipal enterprise, MOE – municipallity-owned enterprise

Information on the remuneration of members of management bodies, annual changes in the remuneration are presented in the tables below:

Table 12. Remuneration of the Company's Manager

Position	Forename, surname	Date of appointment	Date of dismissal	Gross wage (EUR)				
				2019	2020	2021	2022	2023.01.01 – 2023.06.30
Manager of the Company	Nemunas Biknius	October 2019	-	20,075	117,192	148,586	159,410	

Table 13. Remuneration of Board members

Position	Forename, surname	Remuneration for work in the Board (EUR)					
		2018	2019	2020	2021	2022	2023.01.01 – 2023.06.30
Member of the Board since 20 04 2022, Chairman of the Board since 22 11 2022	Dalius Svetulevičius	-	-	-	-	-	-
Member of the Board	Paulius Butkus	-	-	-	-		
Independent member of the Board	Ignas Degutis	-	-	11 713	16 800	17 278	18438
Independent member of the Board	Sigitas Žutautas	3 850	14 125	21 000	30 535	30 078	18438
Member of the Management Board	Karolis Švaikauskas	-	-	-	-	439	9216

[1] The policy is published on the Company's website www.ambergrid.lt

8. SUSTAINABILITY

8.1. SUSTAINABLE PERFORMANCE MANAGEMENT, PRINCIPLES AND PRIORITIES

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 sustainability lines:

Sustainability directions:

ENVIRONMENTAL AREA	SOCIAL AREA	GOVERNANCE AREA
Enabling climate-neutral energy by reducing the environmental impact of activities	Building a progressive organisation adhering to sustainability principles	Transparent and efficient management and development of the energy exchange platform

Through its activities, the Company also aims to contribute directly to the Sustainable Development Goals of the United Nations, with a focus 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 by the following actions:

OBJECTIVE 7

Affordable and clean energy:

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

OBJECTIVE 8

Decent work and economic growth:

- We take a proactive approach to employee health and safety.
- We are building an organizational 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 unionization.

OBJECTIVE 9

Industry, innovation, and infrastructure

- We are ensuring reliable and safe operation of electricity and gas transmission systems.
- We aim to adapt company structures and incentive systems to promote innovation.

OBJECTIVE 12

Responsible consumption and production

- We aim to apply not only qualitative criteria to our business partners, but also fairness and sustainability.
- We ensure responsible sorting and management of the waste generated by companies.
- 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.

Key long-term objectives of the Company

Amber Grid's sustainability objective 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.

Sustainability and risk management

Sustainability principles are integrated into the Company's business processes, and the management of sustainability areas of competence covers all levels.

The Board is responsible for setting, reviewing, and monitoring the long-term strategic sustainability objectives and indicators. The Board also approves policies on the environment, equal opportunities, health and safety, anti-corruption, remuneration, performance evaluation and development. Within its remit, the Board also approves the company's annual objectives, which include sustainability-related objectives.

The Board also approves the list of group-level risks, which includes risks related to sustainability: risks of non-compliance with occupational health and safety requirements, lack of adequate skills, turnover, motivation risks, risks of damage caused by natural phenomena, etc. The results of the monitoring of the implementation of the identified risks and of the risk management plan are regularly reported to the company's CEO, the Board and the Audit Committee, in accordance with the competence of each of them.

The Sustainability Development Manager of the Group is responsible for monitoring and coordinating the achievement of the sustainability objectives of the Group. Within the Company, the relevant environmental, social and governance objectives are delegated to its individual functional units (e.g. environmental, occupational safety, human resources, risk and compliance management, etc.) according to their respective competences. The Company has delegated a dedicated a separate person responsible for ensuring equal opportunities within the Company.

Policies

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

Sustainability Policy – in 2021, the Board of EPSO-G approved a new Sustainability Policy of the Group, replacing the previous Group-wide Corporate Social Responsibility Policy. The new Sustainability Policy

defines sustainability guidelines and principles common to all companies of the Group on the basis of which the Group's activities are developed. By adopting the 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 strategic level, defining the key directions and principles for the development of sustainability, which guide the Group's companies' activities and creation of the progressive corporate culture. The implementation of this Policy is the responsibility of the Managers of the EPSO-G Group companies and mentors of the Sustainability Development Functional Area.

Environmental policy – EPSO-G Group 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 sustainable development in EPSO-G Group and its environment. The implementation of the environmental policy is the responsibility of managers of the EPSO-G Group companies and the environmental functional mentors. The responsibility for implementing the environmental policy lies with the managers of the EPSO-G Group companies and with the environmental functional mentors. They ensure that environmental aspects are identified in a timely manner, environmental objectives are set, plans are drawn up, targets for environmental improvement are set and sufficient resources are allocated for their implementation, results are monitored periodically, and processes, technologies and working methods are audited.

Occupational Safety and Health Policy (OSH) – defines the general principles of occupational safety and health and the guidelines for their implementation. The implementation of this policy is the responsibility of the managers of the Group companies and functional mentors of the OSH area, who ensure that OSH aspects are identified in a timely manner, OSH objectives are set, plans are developed, tasks are formulated to improve the OSH situation and sufficient resources are allocated for their implementation, results are monitored periodically, processes, technologies and working methods are audited. The OSH functional mentors of the Group companies periodically provide the managers of the Group companies and EPSO-G OSH functional mentor with reports and data on Incidents, Accidents, Occupational Accidents and OHS violations which facilitate in assessing the OSH status, the effectiveness of the policy and to make the OSH improvement decisions.

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 the 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 within the Company to ensure that equal opportunities and non-discrimination are respected in all areas of the employment relationship.

Selection Policy – updated on 01 08 2022, which defines the general principles and practices of selections of the Group in order to transparently select the best candidates with right qualifications, skills, experience and values for the collegial bodies and for managerial and professional positions at all levels, who will contribute effectively to the achievement of the Group's objectives.

Employee Remuneration, Performance Appraisal and Self-development Policy – on 25 10 2022 Amber Grid joined the new policy of the Group, which defines clear and transparent principles of remuneration and performance appraisal of the Group's employees and the remuneration system based on these principles, as well as the principles of employee development, qualification, and improvement.

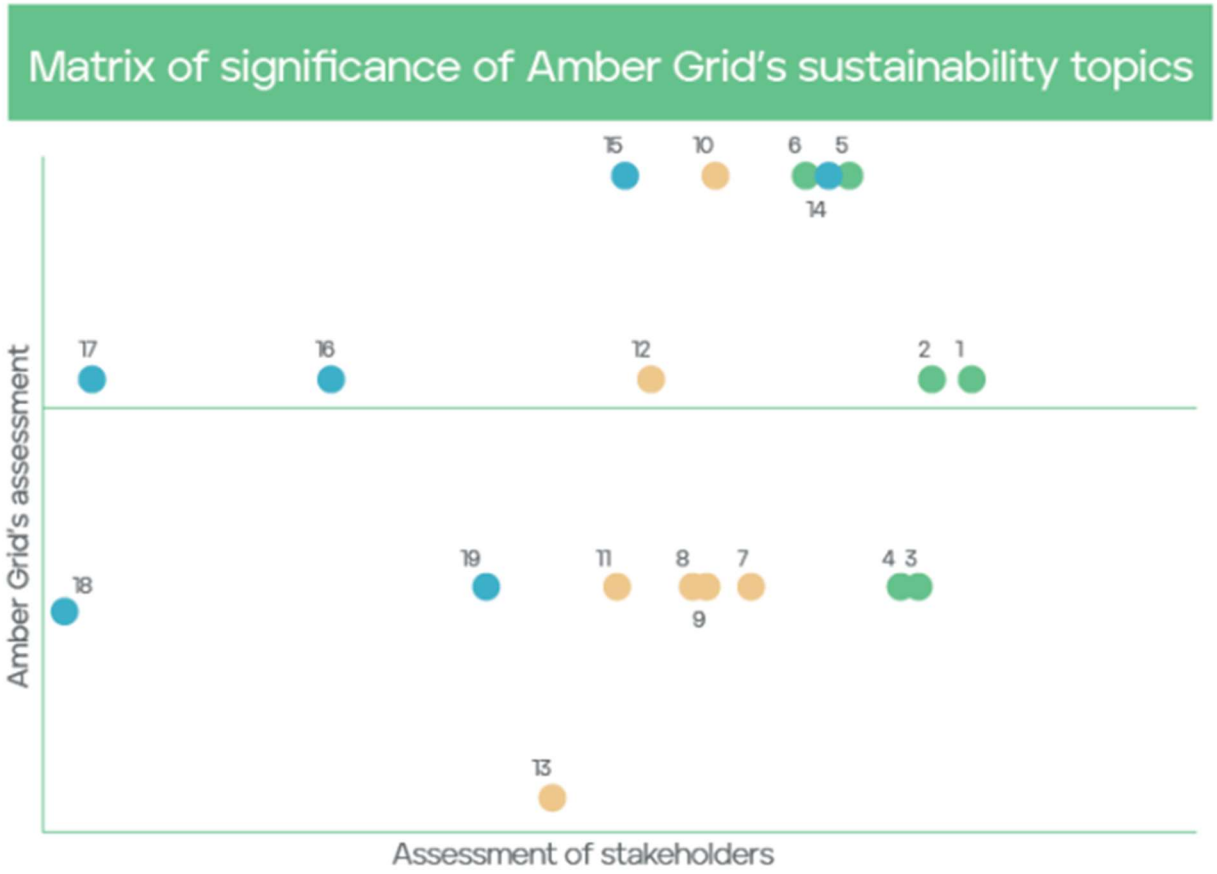
Procurement Policy – updated on 21 02 2022, which defines the key principles and objectives of the Procurement, guidelines for procurement planning and preparation, the conduct and coordination of the group procurement, implementation of procurement principles and best practices, management of supply and suppliers, control of management of contracts, and review of disputes and adopted decisions.

Supplier Code of Conduct – approved on 25 11 2022, defines the standards of conduct that the Company expects all its suppliers and sub-suppliers to adhere to in order to promote lawful, professional, sustainable and fair business practices that incorporate the objectives of environmental protection, human rights, labor standards and business ethics. The Supplier Code of Conduct is based on the principles of the United Nations Global Compact.

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.

8.2. MAIN SUSTAINABILITY IMPACTS

In 2021, Amber Grid carried out assessment of materiality of impacts in the environmental, social and governance areas relevant to the Company's operations, involving stakeholders. The survey covered 180 respondents, including the Company's employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, investors, and managers and board members of the Group companies. Under the sustainability policy approved in 2021, the Company commits to reviewing its environmental, social, and economic impacts and sustainability priority topics on a regular basis, but not less than once every two years, through materiality assessment, ensuring stakeholder involvement.



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 environmental, social, and economic impacts Amber Grid assessed the materiality of 19 impacts, which were determined in accordance with the specifics of the company's operations, its long-term strategy until 2030, and the SASB and GRI guidelines for determining the materiality.

ENVIRONMENTAL IMPACTS:

- Reducing environmental impacts and GHG emissions from operations – reducing environmental impacts (air, water, soil quality), pollution and GHG emissions (CO 2, CH 4, SF 6, etc.) from the Company's 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 minimization, responsible segregation, and management – reducing the amount of waste generated by operations and ensuring the safe and proper management of hazardous and non-hazardous waste.
- Facilitating the growth of RES quantity – ensuring efficient connection of renewable energy producers to the grid, smooth operation of the energy guarantees of origin system.
- Adapting energy systems for decarbonization – adapting transmission grids for reliable transportation of the quantity of new and increased renewable energy sources (electricity / biogas, methane and green hydrogen).

SOCIAL IMPACTS:

- Ensuring human rights and equal opportunities for employees – ensuring human rights, creating culture based on equal opportunities and non-discrimination within the Company.
- Ensuring professional development for employees – providing professional and personal development opportunities for employees and actively developing the necessary competences.
- Employee wellbeing and job satisfaction – creating the environment that enhances employee wellbeing and satisfaction and ensures work-life balance.
- Occupational health and safety – Ensuring that employees of the company and its contractors comply with safety requirements when carrying out work, and actively taking care of their good health.
- Dialogue and involvement of local communities – actively informing local communities about the activities taking place in their environment, fostering a culture of dialogue and community involvement.
- Customer satisfaction with services – the quality of services provided to customers, improving customer-centric services.
- Social action, volunteering, and social partnerships – promotion of volunteering, educational activities and targeted cooperation with NGOs, academic and government institutions.

GOVERNANCE IMPACTS:

- Reliability and security of transmission networks – ensuring the safe, reliable, and efficient operation of energy transmission systems.
- Transparent governance and creation of anti-corruption environment – compliance with standards of transparency and business ethics, zero-tolerance of corruption and active fight against all its forms.

- Cybersecurity and data protection – ensuring the security of critical data, building a cyber-attack-resistant IT infrastructure, and creating the organizational 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, digitization – creating the organizational culture that fosters innovation, ensuring the appropriate funding for the implementation of innovations.
- Sustainable management of the supply chain – 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 the recognized environmental, anti-corruption and social standards.

9. KEY EVENTS OF THE REPORTING PERIOD

In fulfilling its obligations under legal acts governing the securities market applicable to it, the Company publishes material events and other regulated information at the EU level. This published information is accessible on the Company's website (www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/esminiai-ivykiai) and on the website of NASDAQ Vilnius Stock Exchange (www.nasdaqbaltic.com).

Key events in the first half of 2023:

Table 14. Key events of Amber Grid in H1 2023

Date	Key events of the reporting period
16 01 2023	Regarding the gas pipeline incident in Pasvalys district
06 02 2023	Consolidated operating results of Amber Grid Group of 2022
07 03 2023	Adjusted Amber Grid's investor calendar for 2023
16 03 2023	Regarding the selection of a strategic partner for Amber Grid's subsidiary gas exchange GET Baltic
17 03 2023	Correction: updated Amber Grid's investor calendar for 2023
17 03 2023	Notice of the convening the ordinary General Meeting of Shareholders of AB Amber Grid
11 04 2023	Decisions taken at the ordinary General Meeting of Shareholders of AB Amber Grid
11 04 2023	Annual Information of Amber Grid for 2022
20 04 2023	Ex-dividend date
25 04 2023	Amber Grid's dividend payment procedure for 2022
02 05 2023	Consolidated operating results of Amber Grid Group for Q1 2023
09 05 2023	Regarding the revenue cap for regulated activities of the natural gas transmission system operator in 2024
09 05 2023	AB Amber Grid's subsidiary UAB GET Baltic intends to conclude with UAB EPSO-G the 2022 tax loss transfer transaction
16 05 2023	Amber Grid and EEX concluded the transaction on sale of the part of shares of the gas exchange GET Baltic
23 05 2023	Regarding the new prices for natural gas transmission services
29 05 2023	Approval of the new prices for natural gas transmission services
31 05 2023	Amber Grid and EEX finalized the transaction on sale of the part of shares of the gas exchange GET Baltic
02 06 2023	Amber Grid contacted the Prosecutor's Office regarding the GIPL pipeline fittings

Public notices to be published in accordance with the procedure laid down by legal acts are published in the electronic publication of the Registrar of the Register of Legal Entities. Notices of the convening of the General Meeting of Shareholders of the Company and other key events are published in accordance with the procedure established by the Law on Securities in the Central Regulated Information Database www.crib.lt and on the Company's website www.ambergrid.lt. Notice of a General Meeting of Shareholders to be convened is sent to the shareholders whose shareholding confers on them at least 10% of the voting rights in accordance with the procedure set out in the Company's Articles of Association.