

**AB AMBER GRID  
CONSOLIDATED INTERIM REPORT  
FOR THE FIRST SIX MONTHS OF 2021**

Vilnius  
2021

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## 1. OVERVIEW

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The Consolidated Interim Report covers the reporting period of the first six months of 2021.

### 1.1. MAIN DETAILS

Name	Amber Grid AB ('Amber Grid' or the 'Company')
Legal form	Public company
Date of registration and name of register	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Manager of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised share capital	EUR 51,730,929.06
LEI code	097900BGMP0000061061
Registered office address	Savanorių pr. 28, LT-03116 Vilnius, Lithuania
Phone	+370 5 236 0855
Fax number	+370 5 236 0850
Email address	<a href="mailto:info@ambergrid.lt">info@ambergrid.lt</a>
Website	<a href="http://www.ambergrid.lt">www.ambergrid.lt</a>

Amber Grid – the gas transmission system operator in Lithuania – ensures reliable and safe transportation of natural gas to its consumers through high pressure gas pipelines. The Company is responsible for the operation, maintenance and development of the Lithuanian gas transmission infrastructure consisting of a network of over 2,100 km-long gas pipelines and two gas compressor stations. A well-developed gas transmission infrastructure in Lithuania is convenient for transportation of large volumes of energy to the Baltic countries and Finland.

The Company is currently implementing a strategic energy project Gas Interconnection Poland-Lithuania (GIPL), which will connect the gas transmission systems of Poland and Lithuania as well as the gas markets of the Baltic States and Finland with those of the European Union. As Amber Grid seeks to achieve the decarbonisation targets set for the gas sector, it takes active measures to look into new technological and market solutions and create conditions for adapting the Lithuanian gas transmission system to the transportation of green gas, including hydrogen. Amber Grid also administers the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES).

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

Amber Grid controls 100% of the authorised share capital of GET Baltic UAB. GET Baltic UAB is a company holding the natural gas market operator's licence, organising and conducting trade on the natural gas exchange in Lithuania, Latvia and Estonia. For more information about GET Baltic UAB, visit [www.getbaltic.com](http://www.getbaltic.com).

The Company does not have branches or representative offices.

### AMBER GRID'S VISION

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

### AMBER GRID'S MISSION

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

## 1.2. PERFORMANCE INDICATORS

Table 1. The Company's performance indicators in the first six months of 2019, 2020 and 2021.

	First 6 months of 2021	First 6 months of 2020	First 6 months of 2019
Quantity of gas transported to domestic exit point, GWh	14.707	12.556	12.551
Quantity of gas transported to adjacent transmission systems <sup>1</sup> , GWh	14.371	14.877	14.674
Number of system users at the end of the period	106	109	104
Length of main gas transmission pipelines, km	2115	2115	2115
Numbers of gas distribution stations and gas metering stations.	67	68	68
Number of employees at the end of the period	317	318	321

## 1.3. SIGNIFICANT EVENTS

### January

- Amber Grid concluded agreements with the Lithuanian Business Support Agency (LBSA) under which the Company will digitalise the control of Jauniūnai gas compressor station in Širvintos district and install a new system security element in the gas pipeline in Marijampolė district. The gas system renovation projects will receive support from the European Union. These projects the value of which is almost EUR 2 million will be completed by spring of 2023. The EU structural funds' assistance will account for half of the funds, i. e. approx. EUR 1 million.

### February

- Contractors of the GIPL project constructing the gas pipeline in Lithuania and Poland installed a pre-welded section of the pipeline, which will be connected with the parts of the gas pipeline constructed in both countries. Under the GIPL project, 102 km of the new gas interconnection were tested in February. Total length of the gas pipeline: 165 km.
- On 9 February 2021, a notice of suspension of gas transit from Lithuanian to Kaliningrad at Gazprom's request was received. Gas is transported to Kaliningrad by transit from the Belarus. The

<sup>1</sup> Transmission systems of the Republic of Latvia and the Kaliningrad Region of the Russian Federation

reasons for the suspension were not specified. The transit was renewed in the evening of the same day by placing an order for gas transportation.

- On 25 February 2021, Amber Grid entered into the management holding services agreement with EPSO-G UAB. The maximum price of the Agreement EUR 425 thousand term of the agreement 36 months.

### March

- On 3 March 2021, Amber Grid received a copy of the decision rendered by the Supreme Court of Lithuania in the proceedings over decisions taken by the Procurement Commission formed for the GIPL. The court ruled to reverse decisions of two courts of lower instance and to refer the case to a court of first instance for reconsideration. The Supreme Court held that the courts of first instance duly assessed Amber Grid's arguments regarding re-evaluation of tenders, assessment of natural security and calculation of the economic efficiency score upon which the score of the plaintiff's tender was lowered. Relevant claims by MT Group stated in its lawsuit were rejected. The case was referred back to the court of first instance regarding part of MT Group's claims within the scope of substantiation of the claim filed by the plaintiff but not considered.
- On 23 March 2021, the Board of GET Baltic – Amber Grid's subsidiary – appointed Jūratė Marcinkonienė, Chairwoman of the Board of GET Baltic, as an acting Managing Director of the Company.
- On 31 March 2021, Amber Grid received a confirmation from the State Territorial Planning and Construction Inspectorate to the effect that Phase I of the GIPL construction (73 km gas pipeline) was duly completed and the gas pipeline quality meets statutory requirements.

### April

- New member of the Board of GET Baltic – Amber Grid's subsidiary – Ingrida Kudabienė, Amber Grid's Director for Law and Administration, and new Chairman of the Board Viktoras Baltuškonis, Financial Manager of EPSO-G, started working in their new positions.
- On completion of 75% of the GIPL construction, the final phase of the construction was started: installation of the Santaka gas metering and pressure regulation station.
- Amber Grid concluded an agreement with the LBSA for the reconstruction of above-surface sections of the main gas pipelines at various places in Lithuania that are too high above the ground surface. The agreement also enables the Company to modernise the gas pipeline by installing innovative infrastructure elements, i. e. corrosion speed sensors. The project value exceeds EUR 4 million, with over EUR 2 million to be financed by the EU structural funds. The project will be completed in the second half of 2023.

### May

- On 10 May 2021, the State Energy Regulatory Council (SERC) approved the income cap for Amber Grid for 2022. The cap of EUR 40.4 million is 4 % lower compared with 2021 (EUR 42.4 m).
- The Board of Amber Grid approved the natural gas transmission prices for 2022. The average gas transmission price set for Lithuanian consumers is 29% lower compared with year 2021: 1 EUR/MWh.

### June

- Amber Grid, Energijos skirstymo operatorius (ESO) and SG dujos Auto concluded an agreement on cooperation in the development of the hydrogen production technology Power-to-gas (P2G). During implementation of this pilot project, a green hydrogen production unit will be connected to

Lithuania's natural gas system for the first time. It is estimated that production of green hydrogen according to P2G technology will be launched in Lithuania in 2024.

- Amber Grid conducted a survey of participants in the Lithuanian market for renewable energy sources (biomethane) in order to determine the situation in the market, identify areas for improvement and facilitate the market development.

### Significant events after end of reporting period

#### July

- Amber Grid announced a tendering procedure for the modernisation of Šiauliai and Telšiai gas distribution stations. The project is implemented on receiving approval of the EU assistance. The estimated project investments will be known after concluding a contract with the winning tenderer in October 2021. It is expected that the project will be completed by mid 2023.
- On 8 July 2021, SERC updated the hourly capacity product prices at the future Santaka (GIPL) cross-border interconnection point for 2022.
- On 14 July 2021, the Board of Amber Grid approved the new operating strategy of the Company, which will be presented publicly in August 2021.

#### 1.4. MEMBERSHIPS

The Company is a member of the following organisations: European Network of Transmission System Operators for Gas (ENTSOG; [www.entsog.eu](http://www.entsog.eu)), Association *Polish and Lithuanian Chamber of Commerce*, National Lithuanian Energy Association, Lithuanian Liquefied Natural Gas (LNG) Platform, EASEE-gas Association, European Renewable Gas Registry (ERGaR), European Clean Hydrogen Alliance, Lithuanian Hydrogen Platform, and Lithuanian Hydrogen Energy Association:

- ENTSOG was established in accordance with Regulation No. 715/2009 of the European Parliament and of the Council, as an organisation facilitating cooperation between the gas transmission system operators at the European Community level.
- Association *Polish and Lithuanian Chamber of Commerce* is a bilateral organisation for economic cooperation between Lithuania and Poland. The Association collects information for its members about the emerging business opportunities in both countries, cooperates with organisations and individuals ensuring business management and development, and organises conferences and events on various subjects.
- The National Lithuanian Energy Association was set up in 2016. The Association develops a common position of the energy sector, represents the interests of its members with the state authorities, public and international organisations, seeks to ensure development and improvement of electrical energy and gas supply conditions for the domestic consumers, and promotion of progress in the economic and technical energy sector.
- The Lithuanian Liquefied Natural Gas (LNG) Platform was set up in 2017. The Platform partners seek to promote the use of LNG as a new, cleaner and less noisy fuel in the sectors of transport, industry and others, in order to build a single information and operation platform for all potential LNG market participants.
- EASEE-gas Association was set up to develop and promote business practices to simplify and streamline physical gas transportation and trading across Europe.
- The main purpose of ERGaR Association is to promote, develop and maintain a trustworthy system that meets the EU regulatory requirements and enables cross-border trade in certificates of origin for renewable gases via the European natural gas network while preventing double sale and double counting of renewable gases.

- As from August 2020, Amber Grid joined the European Clean Hydrogen Alliance, which aims to assist with the implementation of the goals of the EU Hydrogen Strategy in order to support the scaling up of renewable hydrogen value chain across Europe.
- In November 2020, Amber Grid joined the Lithuanian Hydrogen Platform set up by the Ministry of Energy. The Platform aims to assist with the implementation of the goals of the EU Hydrogen Strategy in order to support the scaling up of renewable hydrogen value chain across Europe, to promote the use of hydrogen as a clean fuel, energy source and carrier in the sectors of transport, industry and others, as well as to promote engagement of local businesses and organisations in the activities of the hydrogen value chain as they develop and manufacture products and provide services for the domestic and external needs.
- On 30 December 2020, the Company became a member of the Lithuanian Hydrogen Energy Association. The Association joins the local scholars and business organisations and participates in the formation of national, regional and EU policy and goals, including the preparation of strategy and hydrogen development action plan during the legislative process of legal acts regulating the hydrogen energy sector in Lithuania; also contributes to proposition of legislative initiatives that would promote local development of hydrogen technology, thereby ensuring cross-sector hydrogen integration and implementation of related technologies; and promotes joined initiatives in research & development activities.

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## 2. BUSINESS ENVIRONMENT

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### 2.1. BUSINESS ENVIRONMENT AND PROJECTIONS

The start of the year 2021, marked by high gas consumption due to cold winter and cool spring, emptied gas storage facilities and signs of global economic recover after the pandemic have increased the gas price indexes on international markets significantly. While gas consumption in Lithuania was increasing, transmission of gas to other Baltic countries was sluggish due to unattractive prices.

During the first 6 months of 2021, 15.4 terawatt hours (TWh) of gas was supplied to Lithuania excluding transportation to the Kaliningrad Region. This figure is similar to that recorded in the same period last year (15.3 TWh). 0.6 TWh of gas was transmitted to Latvia for the needs of other Baltic States and Finland, which is a 78% decrease compared with the same period of 2020 when the transportation volumes amounted to 2.5 TWh due to record low prices on the market and significant differences between the prices in the warm period and future winter prices.

Gas consumption increased in Lithuania. During the first 6 months of 2021, it reached 14.7 TWh, which is a 17.1% increase compared with the same period of 2020 (12.6 TWh). The increase was largely determined by a very cold winter and prolonged cool spring, leading to a demand for gas for the energy generation in the heat and electricity sectors.

The Klaipėda LNG terminal remains the main gas supply source for Lithuania just as for other Baltic countries. During the first 6 months of 2021, the terminal supplied 9.4 TWh of gas (61% of the total gas input for the consumers of Lithuania, the Baltic States and Finland), from Latvia 2.5 TWh (16%), and from Belarus 3.6 TWh (24%).

Due to measures to fight the climate change, adoption of more stringent requirements of the European Union environmental policy, promotion and expansion of use of renewable energy sources, and more efficient use of energy, lower consumption of natural gas for energy purposes in Lithuania is expected. However, due to the limited number of alternatives in some of the industries and segments of the transport sector, and due to competitiveness while rendering balancing, reservation services in the heat and electricity sectors, natural gas will play an important role as a transitional period energy in the attainment of both pan-European and national targets of greenhouse gas emissions reduction. At the same time, there will be changes in the gas transported via pipelines as the share of green gas will increase: biomethane and gas generated through the process of conversion of green electricity - hydrogen and synthetic methane.

In its National Energy Independence Strategy, Lithuania has set ambitious goals that will contribute significantly to the implementation of the United Nations' 2030 Agenda for Sustainable Development, and implementation of the goals set forth in the Paris Agreement, and the goals set forth in the EU's 2030 Climate and Energy Framework. The purpose of the above is to increase the share of renewable energy sources (including biomethane and other gases from RES) in the domestic gross final energy consumption: up to 30% in 2020, up to 45% in 2030, and up to 80% from 2020.

On 23 March 2021, the Seimas (Parliament) of the Republic of Lithuania adopted the Law on Alternative Fuels the purpose of which is to enlarge the infrastructure for the use of alternative fuels by increasing production and use of advanced biofuel, effecting transition to modern and efficient transport, and promoting the use of non-polluting vehicles so that the share of RES in transport reaches 15%. Transformation of the goods transport sector is in the focus of attention. The target is to achieve that the consumption of biomethane and green hydrogen is at least 5.2% of the total energy consumption in the transport sector in 2030. The natural gas consumption infrastructure will also be promoted until the share of natural gas and biogas in the transport consumption reaches 32%.

In Lithuania, similarly as in the EU, it is expected that natural gas will remain an important energy source at the time of transition to a low-carbon economy. The domestic natural gas demand will reach around 20 TWh in 2020-2030, of which more than 50% will represent demand for gas as a raw material in the fertilizer production industry.

At the end of 2019, the European Commission presented the European Green Deal, an ambitious project to help European citizens and businesses benefit from the transition to sustainability and ecology. The measures presented along with the initial outline of key policies include large-scale emission reductions, investment in advanced research and innovation activities, and preservation of Europe's natural environment. The Green Deal sets the target stating that in 2030 compared to 1990, the EU's greenhouse gas emissions will be reduced by 55% and by 2050 climate neutrality will be achieved.

On 15 December 2020, the European Commission introduced a new Regulation on Trans-European Transport Network (TEN-E). It provides a list of energy projects eligible for the EU funding and granting of permits with particular urgency. The list excludes the oil and gas infrastructure, whereas priority is given to hydrogen pipelines, offshore grids and smart gas grids in order to integrate electric energy and low carbon dioxide emission gas.

In 2020, the European Commission introduced the EU Strategy for Methane Emission Reduction, which, inter alia, aims to reduce the methane emission levels in the energy sector. The European Commission also introduced the Hydrogen Strategy. The Strategy provides for that hydrogen generated from renewable energy sources will become of critical importance by the year 2050, seeking to achieve climate-neutral economy in the EU. The above documents are expected to have considerable impact on gas transmission activities in the future.

The COVID-19 quarantine that was in effect in Lithuania 2021 did not have a significant impact on the continuity of Amber Grids' operations, implementation of strategic projects and financial performance. The Emergency Operations Centre was set up at the Company; the emergency management plan was reviewed; and additional documents and measures were introduced such as the list of critical activities, measures to ensure that such activities are not interrupted, list of resources, list of responsible persons etc. All employees of the Company were provided with personal protection equipment (face masks, respirators, disposable gloves, disinfecting liquid for hands etc.). During the quarantine, most employees of the Company worked from home; operational divisions worked normally due to their specificity, however, with recommended safety measures implemented.

## **2.2. REGULATORY ENVIRONMENT**

In 2019, a new five-year regulatory period has started together with the network code on harmonised transmission tariff structures for gas (TAR NC) established by the Commission Regulation (EU) 2017/460 of 16 March 2017, the application of which has started in 2020 for pricing of transmission services. Changes

are expected in the price structure of the Company's services due to application of the provisions of the TAR NC, and due to the regional market integration (for more details see section *Regulation of Gas Transmission Prices*).

The changes in the existing regulation had an impact on the Company's operations and results. The new five-year regulatory period that started in 2019 resulted in a necessity for the Company to apply new NERC-approved methodology for determining the rate of return on investments, and the rate of return on investment was significantly reduced (from 7.09% to 3.33%) as from the beginning of 2019. Based on the provisions of the above methodology, the cost of debt capital is re-calculated annually, and therefore, the rate of return on investment is adjusted annually in the course of the regulatory period. Accordingly, the adjusted and established rate for 2020 and 2021 is 3.38% and 3.86%, respectively..

### **2.3. INFORMATION ON THE ACTIVITIES OF GET BALTIC UAB (THE SUBSIDIARY OF AMBER GRID) IN THE FIRST 6 MONTHS OF 2021**

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

2021 is a year of changes and rapid development for GET Baltic. The company seeks to create innovative solutions, contribute to the development of the common wholesale Baltic States-Finnish market for natural gas, increasing its liquidity and transparency and market price formation, therefore, it continuously improves the range of its services and the service quality.

Trading in the new secondary capacity trading platform controlled by GET Baltic and operated in Finland since 1 December 2020 has been increasing. 25 transactions were concluded on this platform during the reporting period.

Considering the needs of participants on the wholesale market and increasing activity on the exchange, GET Baltic presented a new BGS-DA index (Baltic-Finnish Gas Spot Index for Day-Ahead Product). The index is designed to help market participants to assess the current market situation in a transparent and objective manner and to monitor short-term changes in the natural gas prices both in the region of the Baltic States and Finland in general and on each trading site individually. Calculation and publication of the new index was started on 1 May 2021.

With the aim to improve the quality of services to participants in the natural gas market, a new service of monitoring the submission of data on standard contracts traded on the GET Baltic natural gas exchange to ACER is being designed. This service will enable the exchange participants to monitor the information on orders placed on the exchange and contracts concluded, which is provided by GET Baltic to ACER. The participants will be able to order the new monitoring service from 1 August 2021.

The Company also focussed on the increase in IT security and improvement of internal processes. Innovative solutions were implemented in order to automate manual work, monitor exchange trading in a more convenient and detailed manner, effectively share internal information, and ensure reliability of published data.

#### **GET Baltic Exchange performance in the first 6 months of 2021:**

- trade turnover increased to 4.6 TWh. Compared with the same period of 2020, trade turnover increased 18% (from 3.9 TWh);

- 51% of the total gas quantity traded was acquired in Lithuania (2.3 TWh), 27% in Finland (1.2 TWh) and 22% at the joint Latvian-Estonian trading spot (1.0 TWh);
- the highest rate of growth was observed at the joint Latvian-Estonian trading spot: compared with the same trading period in 2020, natural gas purchases here increased more than 4-fold (first 6 months of 2021 – 1.0 TWh; of 2020 – 0.2 TWh), and sales nearly doubled (first 6 months of 2021 – 1.3 TWh; of 2020 – 0.7 TWh);
- 11,902 transactions were concluded at the natural gas trading spots, which is a 17 % increase compared with the 6 months of 2020 (10,207 transactions).
- Orders were placed by 49 exchange participants, who have all completed transactions successfully. During 2020, 56 participants were active in placing orders, and transactions were concluded by 55 of them;
- the lowest-price transaction was concluded in March (14 EUR/MWh), the highest price in February (29.6 EUR/MWh).

Figure 1. Operating results of GET Baltic for the first 6 months of 2021

GET Baltic activity in 2021 6 months:



MARKET AREA	NUMBER OF EXCHANGE PARTICIPANTS	NUMBER OF MARKET MAKERS*	BUY VOLUME TRADED, GWh	SELL VOLUME TRADED, GWh
FINLAND	28	1	1 229	894
LATVIA-ESTONIA	21	2	1 017	1 276
LITHUANIA	68	1	2 315	2 391

\*There are 3 market makers on GET Baltic gas exchange, one of them operates in 2 different market areas.

### 3. STRATEGY

#### 3.1. VISION, MISSION, OBLIGATIONS AND PRIORITIES

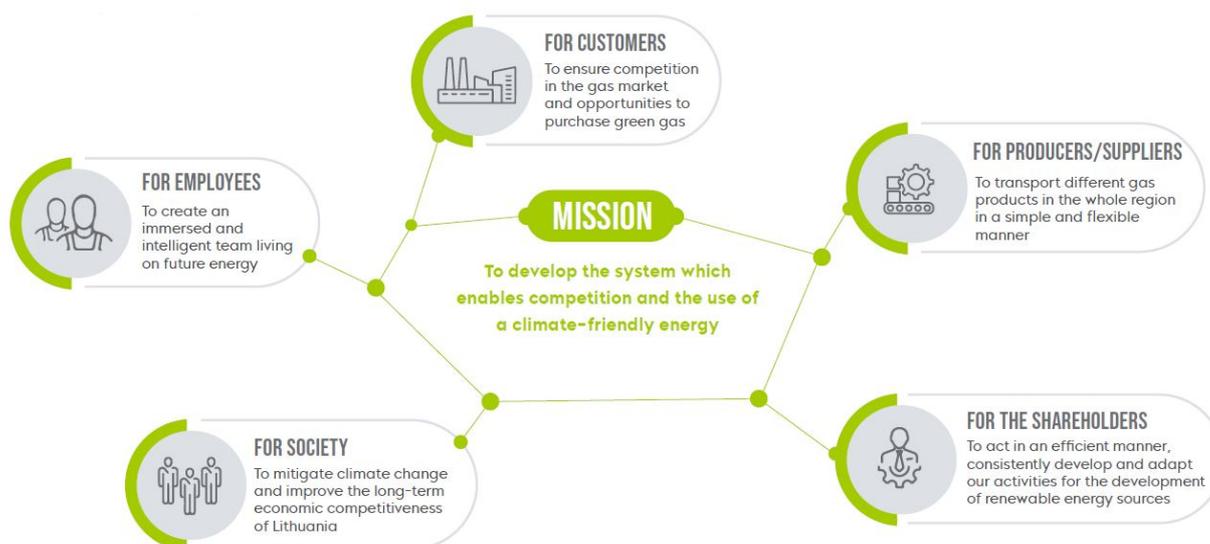
In mid-2021, the Board of the Company approved the new Amber Grid’s strategy for 2021–2030.

The main objective set in the new strategy is to work together on the way of Lithuanian energy system’s transformation towards climate neutral economy. The natural gas transportation system – the main gas pipelines and the gas distribution, accounting and compressor stations form an integral part of the Lithuanian energy system which plays a very important role in creating climate neutrality and a cleaner and safer future at the same time. Amber Grid is prepared to transform the natural gas system in order to adapt it to the secure transportation of renewable energy sources – biogas, methane and hydrogen mixture and pure hydrogen, and to integrate the system into the common European market to create an efficient and transparent platform which will enable the state to hold the new European Green Deal and consumers will be able to use clean energy at best prices.

Value for stakeholders is the axis of the new strategy. Five stakeholders are in the focus of attention: customers, producers/suppliers, shareholders, the society and employees, and the Company is committed to create value for each of them.

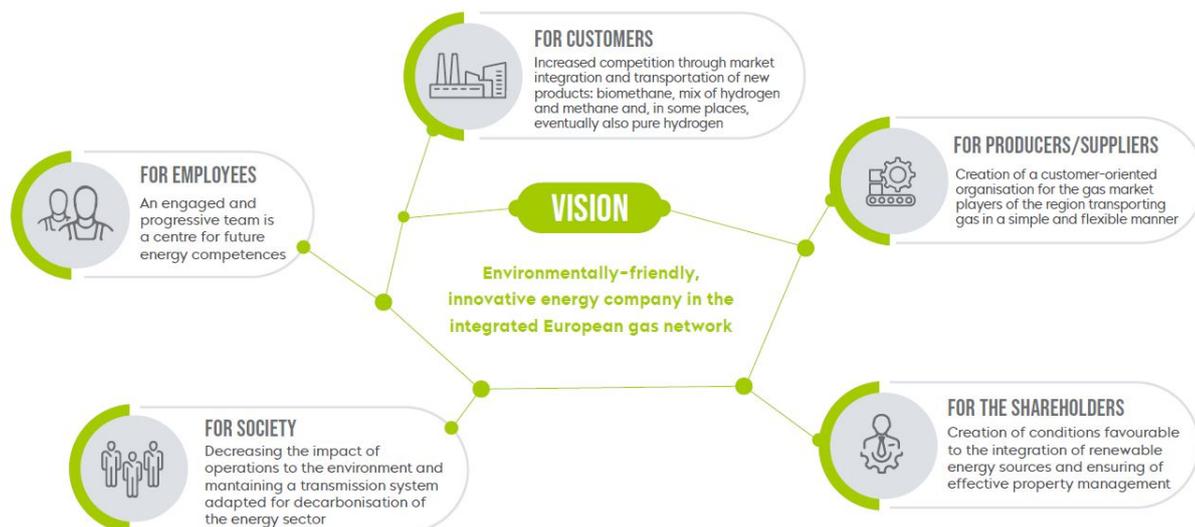
For each stakeholder, we have defined obligations and the unifying mission thus identifying the main purpose as long-term obligations to the stakeholders.

Figure 2. Amber Grid’s commitments to stakeholders.



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

Figure 3. Amber Grid’s strategic priorities for the period until 2030.



Main guidelines for the implementation of the strategy during the 10-year period have been prepared for each stakeholder, with specific actions planned for each year of the period.

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

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

	CONSUMERS	PRODUCERS/SUPPLIERS	FOUNDER	SOCIETY	TO EACH OTHER
<b>Goals</b>	<ul style="list-style-type: none"> <li>To adapt the transmission network to placing of green gas on the market</li> <li>To achieve a close-to-zero price difference in the target trade areas of Lithuania and the neighbouring countries</li> </ul>	<ul style="list-style-type: none"> <li>To create a customer-oriented organisation</li> <li>To implement the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope</li> </ul>	<ul style="list-style-type: none"> <li>To ensure a sustainable return to the shareholder</li> <li>To ensure efficient management of the gas system by adapting it to integration of renewable energy sources</li> </ul>	<ul style="list-style-type: none"> <li>To significantly mitigate the impact of operations on the environment</li> <li>To enable the transformation of the gas sector by integrating renewable energy sources</li> </ul>	<ul style="list-style-type: none"> <li>To create an engaged and intelligent organisation</li> <li>To become recognised professionals</li> </ul>
<b>Main performance indicators</b>	<ul style="list-style-type: none"> <li>Implementation of the action plan for the adaptation of the transmission system for placing green gas on the market in a timely manner and within the planned scope</li> <li>Difference in wholesale prices, percent</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction, percent (NPS)</li> <li>Implementation of the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope</li> </ul>	<ul style="list-style-type: none"> <li>ROE</li> <li>Earned return allowed by the regulator (EUR million)</li> <li>Quantity of renewable energy sources in the gas system (TWh)</li> </ul>	<ul style="list-style-type: none"> <li>Impact of operations on the environment (CO<sub>2</sub>, CH<sub>4</sub> emissions etc.)</li> <li>Quantity of renewable energy sources in the gas system (TWh)</li> </ul>	<ul style="list-style-type: none"> <li>Involvement of employees (percent)</li> <li>Recognised experts of new areas invited to deliver reports on this topic in conferences held in Lithuania and internationally on an annual basis</li> </ul>
<b>Results in 2030</b>	<ul style="list-style-type: none"> <li>Created opportunities for the transportation of hydrogen and gas mixture according to the new and cross-border standards</li> <li>The price on the exchange not more than ≤ 1 EUR/MWh higher than the German (THE) VTP price index for 90% of days</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the strategic projects provided for in the National Energy Independence Strategy and the National Energy and Climate Action Plan in a timely manner and within the planned scope, i.e. 100 percent</li> <li>Increased regional integration with neighbouring countries (LV, EE, F, PL)</li> </ul>	<ul style="list-style-type: none"> <li>ROE not lower than set by the Government of the Republic of Lithuania</li> <li>100% of the earned return allowed by the regulator</li> <li>Quantity of renewable energy source-gas in the gas system (with the guarantees of origin: 0.95 TWh)</li> </ul>	<ul style="list-style-type: none"> <li>2/3 lower impact of operations on the environment as compared with the year 2020</li> <li>Quantity of renewable energy source-gas in the gas system (with the guarantees of origin: 0.95 TWh)</li> </ul>	<ul style="list-style-type: none"> <li>Involvement of employees 65 (per cent)</li> <li>Centre for competences of new parts shaping the future energy trends, lawmaking, business model</li> </ul>

### **3.2. OPERATING AND FINANCIAL OBJECTIVES**

The Board of the Company formulated and approved the annual operating objectives of the Company for the year 2021. Both financial and non-financial objectives set for the Company and the objectives of the Company's Managing Director are identical. The Managing Director reports to the Board for the attainment of set objectives.

### **3.3. STRATEGIC INFRASTRUCTURE PROJECTS**

In the first half of 2021, Amber Grid continued implementation of the strategic gas transmission infrastructure projects: construction of the gas interconnection Poland-Lithuania (GIPL), and capacity enhancement of Latvia-Lithuania interconnection (ELLI).

These strategic infrastructure projects were included in the following: the Fourth List of the EU Projects of Common Interest announced in October 2019, the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSO-G) announced in 2018, the Regional Gas Investment Plan 2017 of the Baltic Energy Market Interconnection Plan (BEMIP), the Natural Gas Transmission System Operator's Ten-Year (2020-2029) Network Development Plan, and the National Plan on Implementation of Key Electricity and Gas Transmission Infrastructure Projects approved by the Government.

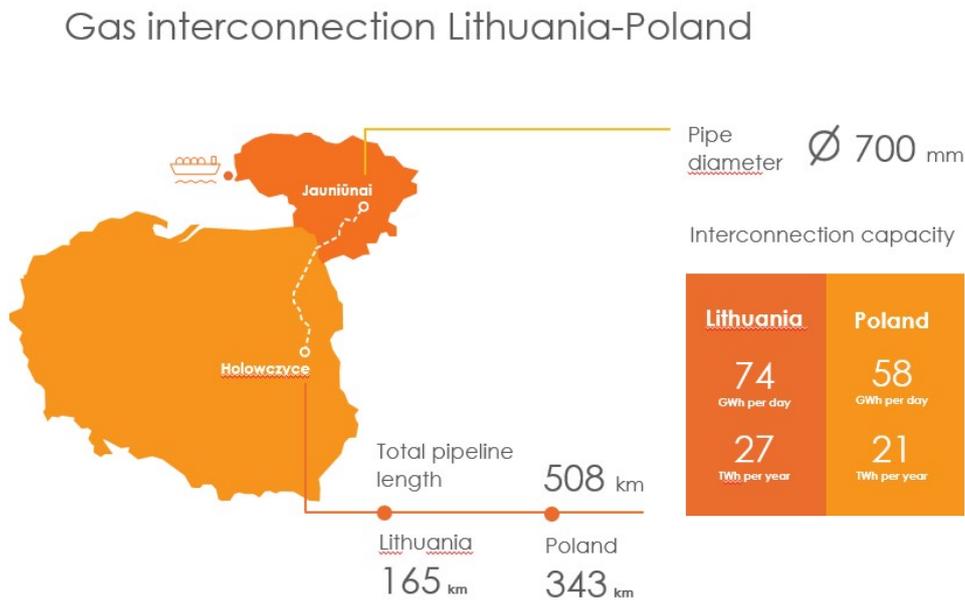
#### **3.3.1. GAS INTERCONNECTION POLAND-LITHUANIA (GIPL)**

The European Commission has recognised the GIPL (Gas interconnection Poland-Lithuania) as one of the key infrastructure projects of significant importance that ensures security of gas supply and contributes substantially to ensuring energy security across the EU. Amber Grid is implementing the GIPL project in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A.

The project objectives are as follows:

- Integration of the Baltic and Polish gas markets into a single gas market of the EU;
- Diversification of gas supply sources;
- Improvement of security of gas supply.

Figure 4. Project for Gas Interconnection Poland-Lithuania (GIPL).



The total length of the planned gas pipeline will be 508 km, of which 165 km belongs to the territory of Lithuania. The capacities resulting from the construction of the gas interconnection will allow transportation of annual gas quantity up to 27 TWh to the Baltic countries and up to 21 TWh to Poland; and the Baltic and Finnish gas markets will become a part of a single gas market of the EU.

**Benefits of the GIPL project:**

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

**Major achievements during the implementation of the GIPL project:**

- In February 2021, a pre-welded section of the GIPL pipeline was installed; later it will be connected to the sections of the new gas pipeline constructed in Lithuania and Poland;
- 102 km of the newly installed GIPL pipeline have been tested;
- The final phase of the GIPL construction was started in April – construction of Santaka gas accounting and pressure regulation station;
- By the end of June 2021, 87.7 % of all GIPL works in the territory of Lithuania were completed.

The GIPL project is financed from own and borrowed funds of Amber Grid and GAZ-SYSTEM S.A., using the EU financial assistance under the European Commission Trans-European Networks for Energy (TEN-E)

Programme and the EU Connecting Europe Facility (CEF). In addition to the EU financial assistance, the construction of the GIPL project will be funded by Lithuania, Latvia and Estonia under the Cross-Border Cost Allocation, whereby they will cover part of the GIPL project investment costs pertaining to the territory of Poland..

More information on the GIPL project, its progress and news can be found on the project website.

### 3.3.2. ENHANCEMENT OF LATVIA-LITHUANIA INTERCONNECTION (ELLI)

The purpose of the project is to enhance the capacity of Latvia-Lithuania interconnection, ensure safe and reliable gas supply and achieve more effective utilisation of the infrastructure and a better integration of the Baltic gas markets. This will provide better conditions for the utilisation of the Latvian Inčukalns underground gas storage facility. The project promoters are Amber Grid and the Latvian transmission system operator AS Conexus Baltic Grid.

Figure 5. Project for the Enhancement of Latvia-Lithuania Interconnection (ELLI).



The project’s implementation in the territory of Lithuania will cover capacity enhancement of Kiemėnai gas metering station and reconstruction of the gas pipeline at Panevėžys gas compressor station. The project’s implementation in the territory of Latvia will cover reconstruction of the main gas pipeline in order to increase the maximum working pressure from 40 to 50 bar.

The investments will result in capacity enhancement to 130.5 GWh per day towards the direction of Latvia (currently it is 67.6 GWh per day) and to 119.5 GWh per day towards the direction of Lithuania (currently it is

is 65.1 GWh per day). As a result of implementation of the project, the enhanced gas transmission capacity will enable the transportation of up to 47.6 TWh of gas/year in the direction of Latvia, and up to 43.6 TWh/year in the direction of Lithuania; the enhanced capacity will also be beneficial due to the already existing gas interconnection between Poland and Lithuania (GIPL).

ELLI project is financed by own funds of Amber Grid and AS Conexus Baltic Grid as well as the EU financial support under the European infrastructure network facility (CEF).

### **3.4. EUROPEAN UNION'S FINANCIAL ASSISTANCE**

In March 2021, implementation of an investment project 'Implementation of a system for remote process control and data collection from gas metering units in the gas transmission system' was completed. The project was implemented under the European Union investment operational programme for 2014–2020, with the EU funding up to 50% of the project expenses. Total value of the project EUR 2,086,000; during the project period, software for the remote control of the gas transmission system and collection of meter readings was developed and implemented.

In April 2021, Amber Grid signed a financing agreement with the Lithuanian Business Support Agency under 2014-2020 Operational Programme for the European Union Funds' Investment, where the EU financial assistance accounts for up to 50%. Total value of the project 'Reconstruction of Individual Sections of the Main Gas Pipeline' (Phase II) is almost EUR 4,080,000; during its implementation, by QII 2023, nearly 4 km of the main pipeline will be reconstructed and state-of-the-art infrastructure elements will be installed. The project will result in the improved quality of service and ensuring reliable, safe and efficient operation of the gas transmission system.

### **3.5. 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.

While Lithuania supports the idea of creating a single regional gas market, the terms of such arrangement do not serve the interest of Lithuania, since such joining would result in an ungrounded additional financial burden on the domestic consumers. Therefore, negotiations are under way with the Latvian, Estonian and Finnish operators on the terms of the arrangement under which Lithuania would join the zone. The aim is to create a single market on acceptable terms for all the parties, including Lithuanian citizens and businesses. Lithuania expects to join the common tariff zone at a later stage, probably by the year 2023. The Baltic countries and Finland will continue negotiating their position on further market integration in order to develop a mutually acceptable model of cooperation among the operators.

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 the results

of the study of economic benefits for the market, an alternative analysis was started in November 2020 in relation to potential Inter-TSO Compensation (ITC) mechanism. More information is provided in section *Regulation of Natural Gas Transmission Prices*.

As the Company proceeds with the implementation of the GIPL project, cooperation with the Polish partners is continued as follows: Amber Grid continues cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A., while the gas exchange operator GET Baltic (the subsidiary of Amber Grid) continues cooperation with the Polish power exchange TGE (Towarowa Giełda Energii SA). In 2020, a study was completed to look into the commercial viability and economic benefits for the market of the GIPL project. Based on the results of the study, a survey was prepared and distributed among the market participants. Based on the results of the study and answers provided in the survey, the decision will be made in relation to further steps necessary to harmonise the markets.

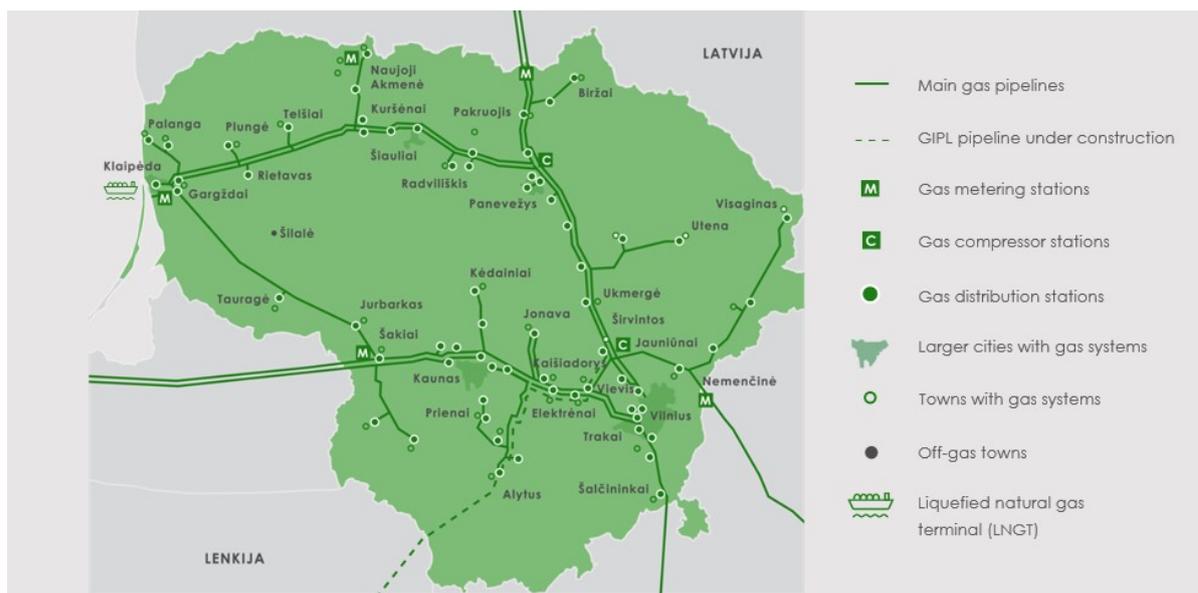
## 4. OPERATIONS

### 4.1. TRANSMISSION SYSTEM

The natural gas transmission system consists of gas transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, anti-corrosion equipment for protection of pipelines, data transmission and communication systems and other facilities belonging to the transmission system. The Lithuanian gas transmission system is connected to the gas transmission systems of the Republic of Latvia, Republic of Belarus, Kaliningrad Region of the Russian Federation, and Klaipėda LNG terminal.

The Company operates 64 gas distribution stations (GDS), 3 gas metering stations (GMS) and 2 gas compressor stations (GCS). The length of the operated pipelines is 2115km, and the diameter ranges between 100 and 1220mm. The design pressure in the larger part of the transmission system is 54 bar.

Figure 6. The gas transmission system in Lithuania.



### 4.2. MAINTENANCE, RECONSTRUCTION AND MODERNISATION

Maintenance of the main gas pipelines is regulated under the legal acts and is carried out strictly in compliance with the requirements set forth therein. Maintenance and repair works are conducted continuously to ensure a reliable and safe transmission system.

In the first six months of 2021, internal diagnostics was conducted for the main gas pipelines to the Kaliningrad Region, in the section between Vilnius and Kaunas (97 km), and in both strings of the Kaliningrad pipeline section from Kaunas to the Lithuanian-Russian border (81 and 83 km). In total, 261 km of pipelines were inspected during the said period.

In the first half of 2021, the Company carried out the following reconstruction and modernisation works:

- replacement of shut-off devices and connection to the remote control system in the branch to Vandžiogala gas distribution station (GDS), in the Ivacevičiai-Vilnius-Riga gas pipeline, in the gas pipeline to Kaliningrad, in the Minsk-Vilnius-Vievis gas pipeline, in the branch to Širvintos GDS, in the branch to Maišiagala GDS, and the Panevėžys-Vilnius gas pipeline;
- installation of pig launchers in the Ivacevičiai-Vilnius-Riga, the Vilnius-Kaunas gas pipeline, the branch to Vandžiogala GDS, the branch to Kėdainiai GDS, in the Panevėžys-Šiauliai gas pipeline and Panevėžys-Šiauliai 2nd string, the branch to Pajiešmenys GDS, and the branch to Biržai GDS;
- replacement of 22 pipe inserts in the main pipeline based on the internal diagnostics results;
- designing of reconstruction and extension of a gas distribution station and gas metering stations;
- renovation of the buildings' video surveillance equipment;
- and continued implementation of software for the efficient gas flow management by and information exchange between the TSO and the system's users.

During the first six months of 2021, the Company completed the following reconstruction and modernisation works:

- modernisation of the automated control system at the gas compressor station in Jauniūnai;
- implementation of the system for remote control of technological processes and collection of data from the gas metering devices.

#### **4.3. MARKET FOR THE SERVICES OF AMBER GRID**

Amber Grid provides natural gas transmission services to the system users, other operators and gas market participants in the territory of Lithuania: it transmits gas to the domestic consumers, also transports natural gas to Latvia and Kaliningrad Region of the Russian Federation. Gas is supplied to the system via the LNG terminal in Klaipėda and via the entry points from Belarus and Latvia.

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

In addition, Amber Grid is responsible for balancing natural gas flows in the transmission system and for administering the funds intended for compensation of construction costs and fixed operating costs of the LNG terminal, its infrastructure and the connector, as well as for compensation of natural gas supply costs incurred by the designated supplier. The Company actively works with its partners to create conditions for efficient functioning of the natural gas market by increasing the competitiveness and liquidity of the gas market and by ensuring attractive conditions for customers to operate in the natural gas market.

Amber Grid administers the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES), i.e. fulfils the following functions: 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 guarantee of origin system enables identification, registration and monitoring of the biogas produced, while the end-users of such fuel can be assured that the gas they use is 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 Baltic and third countries that receive natural gas transmission services.

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 intending to obtain or have already obtained the guarantees of origin.

#### 4.5. THE SERVICES

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

- Natural gas transmission in the territory of Lithuania;
- Balancing of natural gas flows in the transmission system;
- Administration of funds intended for compensation of construction costs and fixed operating costs of the LNG terminal, its infrastructure and the connector, and for compensation of reasonable costs of supply of the required quantity of natural gas incurred by the designated supplier;
- Managing the Register of Guarantees of Origin for gas produced from renewable energy sources.

##### 4.5.1. GAS TRANSMISSION

#### GAS TRANSMISSION QUANTITIES

During the first 6 months of 2021, 9.356 GWh of natural gas were injected to the gas transmission system managed by Amber Grid from Klaipėda LNG terminal for consumers in Lithuania and other EU Member States (Latvia, Estonia and Finland), gas transported from Latvia to Lithuania amounted to 2.457 GWh, and gas transported from Belarus to Lithuania amounted to 3.629 GWh. Gas transmission quantities from the LNG terminal to the consumers in Lithuania and other EU Member States accounted for 65.1% of the total required quantity of gas.

During the first 6 months of 2021, 14.707 GWh of gas were transported up to the domestic exit point for the gas consumers in Lithuania. Compared to the same period of 2020, when 12.556 GWh of gas were transported, the gas transmission increased by 17%.

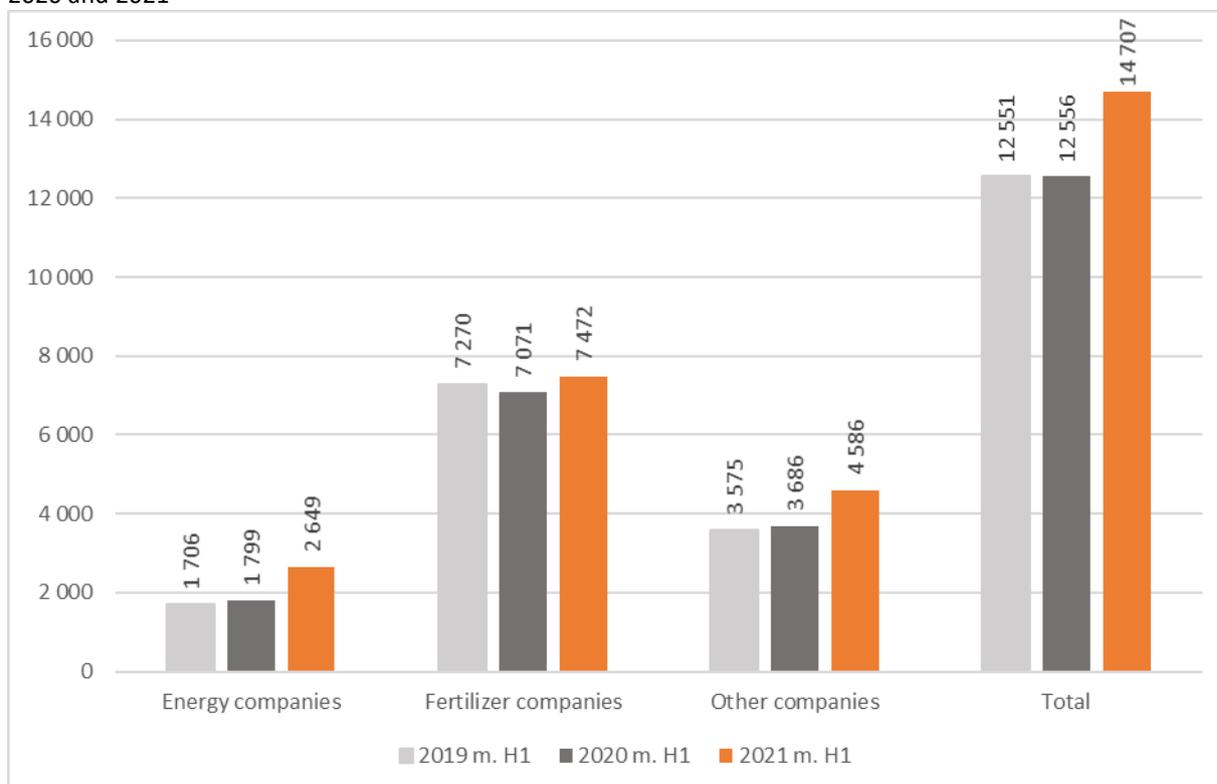
553 GWh of gas was transported from the Lithuanian transmission system to Latvia through the gas metering station in Kiemėnai in the first 6 months of 2021, i.e. 78% less than in the same period of 2020 (2.525 GWh).

13.818 GWh of gas were transported to the Kaliningrad Region of the Russian Federation during the reporting period (2020: 12.35 GWh).

As of 1 July 2021, the Company had 106 agreements on natural gas transmission services with the transmission system users (gas consumers, gas distribution system operators, importers, gas suppliers supplying gas up to the consumer systems), of which 43 system users used the transmission capacity during the reporting period. The Company had 1 natural gas balancing agreement with the market participants trading natural gas via the virtual trading point, but not transporting it via the transmission system.

Structure of transmitted gas quantities at the domestic exit point by type of transmission system users is illustrated in Figure 7.

Figure 7. Transmitted gas quantities by type of transmission system users in Lithuania, GWh, first 6 months of 2019, 2020 and 2021



### REGULATION OF GAS TRANSMISSION PRICES

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*.

Having regard to opinions collected from market participants during a public consultation organised on 19 February 2020 – 31 March 2020 by NERC in accordance with the Commission Regulation establishing a network code on harmonised transmission tariff structures for gas of 16 March 2017 and considering the cap for the income from Amber Grid’s regulated activities set by NERC for 2021 on 7 May 2020 (EUR 42.4 million), at the end of May 2020 NERC approved the gas transmission prices for 2021 that has been set by the Board of the Company. More details on the gas transmission prices effective from 1 January 2021 are available on the Company’s official website at <https://www.ambergrid.lt/lt/paslaugos/kainos-ir-mokesciai/kainos-nuo-2021-01-01>.

In 2021, the average gas transmission price to meet the domestic consumer needs in Lithuania (for short-term and long-term products) is 1.40 EUR/MWh, which is about 15% higher compared to the average gas transmission price in 2020 (1.22 EUR/MWh); in 2021, the prices, in substance, returned to the level of 2019. On 10 May 2021, NERC approved an EUR 40.4 million cap for the income from Amber Grid’s regulated activities for 2022. Amber Grid and NERC have set a considerably reduced average price for gas

transmission for 2022. Compared with the average price applied to consumers in 2021, next year it will be 29% lower and will be 1 EUR/MWh. The lowering price trend has been determined by a one-off correction whereby additionally earned income and cost savings in 2019 and 2020 were returned to consumers as well as higher natural gas flow projections.

More detailed information on prices for the gas transmission services in effect from 1 January 2022 is provided on the Company's website.

For the transmission system to be easily accessible and flexible and for the promotion of regional gas market development, the gas transmission prices at the entry points have been harmonised since 2020 with those applicable in the adjacent tariff zone that covers Latvia, Estonia, and Finland. In addition, for the purpose of ensuring the best possible conditions for the market participants to benefit from the Lithuanian LNG terminal and in order to increase the competitors' pressure on the prices in the gas market, a 75% discount has been applied since 2019 to the gas transmission price at the entry point in Klaipėda. The prices approved for 2021 and 2022 reflect harmonisation of the entry point prices with entry point prices in the adjacent tariff zone covering Latvia, Estonia and Finland, and application of a 75% discount.

Debates are still underway regarding Lithuania's joining of the adjacent tariff zone covering Latvia, Estonia and Finland (the FINESTLAT tariff zone), and regarding the effective Baltic and Finnish gas market integration measures. The results of the study on integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets (which has been conducted since April 2020 upon request of the transmission system operators from Lithuania, Latvia, Estonia and Finland) showed that Lithuania's joining of the adjacent tariff zones is purposeful and beneficial for the entire region. In cooperation with other operators, preparation of an analysis of alternatives for potential Inter-TSO Compensation Mechanism is underway in Lithuania in order to ensure that Lithuania joins the FINESTLAT tariff zone on such terms and conditions that are beneficial and balanced for all the parties. If a compromise solution were reached, Lithuania would join the FINESTLAT tariff zone from 2023.

Close cooperation with the Polish gas transmission system operator Gaz System is becoming increasingly relevant in order to create most favourable conditions for cross-border flows between Lithuania and Poland starting from 2022 after GIPL is put into operation.

#### **4.5.2. BALANCING OF GAS FLOWS IN THE TRANSMISSION SYSTEM**

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

During the first six months of 2021, due to the imbalance caused by the system users, the Company bought 44.7 GWh and sold 18.4 GWh of gas.

Transmission of gas from/to third countries causes mixing of physical gas flows in the transmission system, which in turn results in a difference between the gross calorific value of gas at the entry and exit points of the gas transmission system. During the first six months of 2021, transmission of gas to Kaliningrad Region resulted in a 97.5 GWh difference at the entry and exit points of the transmission system, which was compensated to the Company through payment for the transmission services from/to third countries

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

#### 4.5.3. ADMINISTRATION OF FUNDS INTENDED FOR COMPENSATION OF CONSTRUCTION COSTS AND FIXED OPERATING COSTS OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND THE CONNECTOR, AND FOR COMPENSATION OF REASONABLE COSTS INCURRED BY THE DESIGNATED SUPPLIER

In order to ensure compliance with the requirements of the legal acts (the Law on Liquefied Natural Gas Terminal and the supplementing legal acts), the Company collects, administers and pays out the LNG terminal funds to the terminal operator (AB Klaipėdos Nafta) and to the designated supplier (Ignitis UAB) in accordance with the procedure prescribed by laws, and these funds are used to compensate Amber Grid for the costs of administration of the LNG terminal funds.

On 30 November 2020, NERC approved an extra charge of 346.11 EUR/(MWh/day/year) related to natural gas supply security with effect from 1 January 2021.

Table 3 below presents the allocation of the LNG terminal funds among their beneficiaries, as agreed with the NERC, with effect from 1 January 2021

Table 3. Allocation of the collected LNG terminal funds to the funds recipients in 2021.

Components	Allocation from 01 01 2021
Regasification of liquefied gas	43,74%
Administration costs	0,12%
Justified costs of supply of the quantity necessary for the LNG terminal	56,14%
Total:	100%

Judicial disputes with Achema AB over unpaid LNG terminal funds are pending in courts. Currently, two civil cases are pending in relation to the unpaid LNG terminal funds. The hearing of both cases has been adjourned until the final procedural judgement is handed down in Case No. C-847/19 P of the Court of Justice of the European Union (CJEU) under the appeal brought in relation to the judgement, which was rendered by the General Court of the European Union in Case NoT-417/16 on 12 September 2019. After a decision was rendered on 29 April 2021 in the said case pending in the CJEU, the civil cases were renewed in June 2021.

#### 4.6. TEN-YEAR NETWORK DEVELOPMENT PLAN OF THE COMPANY

In accordance with the Law on Natural Gas, Amber Grid prepares, every two years, a 10-year network development plan of the transmission system operator. In June 2020, Amber Grid submitted to the NERC a ten-year network development plan for 2020-2029. It stipulates an EUR 229.15 million investment in the network development projects during the said period. It is estimated that there will be a slight increase in the natural gas consumption in Lithuania during the period, and transportation of gas in the new direction – via the Polish-Lithuanian gas pipeline will be possible. The network development plan states the main lines of development of the gas transmission network including the focus on innovation and the green energy.

For more information about planned investments by the Company see Amber Grid's website.

#### 4.7. RESEARCH & DEVELOPMENT

During the first 6 months of 2021, the Company administered the national register of guarantees of origin for gas produced from RES. The register was set up in 2019. Its administration involves issue, transfer and revocation of the guarantees of origin, supervision over the use of the guarantees, and recognition of guarantees issued in other states. The system is useful for the energy users intending to use green energy produced in Lithuania or other EU Member States. While continuing cooperation with the designated authorities of other countries and the RES gas sector organisations, in the said period the Company continued its successful participation in the REGITRACE (Renewable GAs TRAdE Centre in Europe) project financed by the EU Horizon 2020 research and innovation programme. The project is aimed at developing a scheme of operation of the European register of guarantees of origin for biomethane and other RES and at promoting the development of green gas production and market for such gas.

In response to an intensive development of RES energy generation, a significant increase in RES share in the total energy balance, the current and future challenges in balancing the power grid and integrating it into the electricity transportation system, the use of Power-to-Gas (P2G) technology is widely researched and tested across Europe as this technology has one of the greatest potential among the currently known technologies - it allows accumulating high-power RES-generated energy and may contribute to dealing with the aforementioned challenges. It enables transformation of electricity generated from RES into gaseous fuels (hydrogen and synthetic methane) and its transportation via the gas transmission and distribution networks to the storage and consumption sites, thereby contributing to decarbonisation of the energy and transport sectors. Accordingly, in order to assess relevance and applicability of hydrogen gas and Power-to-Gas technology in Lithuania, in 2021 the Company proceeded with the technical and economic feasibility study, which is a part of EPSO-G Group's project *Development 2050*. Seeking to contribute to the development of hydrogen and Power-to-Gas technologies in the country and in the region, the Company participates in the Lithuanian Hydrogen Platform and is a member of the European Clean Hydrogen Alliance and the Lithuanian Hydrogen Energy Association.

During the first 6 months of 2021, the Company continued its participation in SecureGas R&D project the purpose of which is ensuring security of the ES gas network and its immunity to both physical and cyber threats. The project is financed from the EU Horizon 2020 programme. It aims, having regard to the European energy security strategies, the European Programme for Critical Infrastructure Protection and the EU Regulation 2017/1938 concerning measures to safeguard the security of gas supply, to prepare methodologies, measures and guidelines for the protection of both existing and future gas infrastructure facilities and for making them immune to cyber and physical threats.

On the initiative of the gas transmission system operators from Lithuania and Poland, in 2020 independent experts drafted a study, where they investigated the possibilities of how to expand the commercial viability of the GIPL, and what were the drivers that would increase the economic benefits of the GIPL for the consumers and market participants in Lithuania, Poland, and other EU Members States.

#### 4.8. OPERATING PLANS AND PROJECTIONS

The regional gas market is expected to develop gradually. Agreement on a single gas market as from 2020 has been reached only between Latvia and Estonia, which together with Finland formed a common tariff zone as from 2020. Lithuania continues its debates with the regional partners to ensure that participation in a single gas market will be beneficial for all the involved parties. If the parties of the region reach a consensus in 2021, Lithuania will join the common tariff zone as from 2023.

As a contribution to Lithuania's ambitious goals for a greater share of renewable energy in the domestic energy balance, the Company participates in many initiatives and projects that enable its specialists to develop competencies in the field of RES gas. The Company's participation in projects REGATRACE, RAIDA 2050 and its membership in the European Renewable Gas Registry (ERGaR) association, besides the aforementioned goals, will enable it to develop new competencies that will contribute in future to the promotion of green gas production and market development in Lithuania, to safeguarding the business continuity of the Company, and to implementation of the National Energy Strategy.

It is projected that in 2021 the Company will transport about 25 TWh of natural gas to the domestic exit point for the Lithuanian system users, about 1 TWh – to the Latvia, and around 27 TWh – to Kaliningrad Region of the Russian Federation. A larger share of total quantity of natural gas intended for the consumers in Lithuania and other Baltic countries is projected to be transported from Klaipėda LNG terminal. The exact quantity of gas flows and gas supply sources will depend on the market situation in the course of the year, as well as on climate conditions and other circumstances.

## 5. FINANCIAL RESULTS

The financial results presented below reflect the consolidated financial performance indicators of Amber Grid and its subsidiary GET Baltic UAB, which are presented below as the Group's results of operations.

### 5.1. FINANCIAL INDICATORS<sup>2</sup>

Table 4 . Financial indicators

	First 6 months 2021	First 6 months 2020	First 6 months 2019
<b>Financial indicators (EUR'000)</b>			
<b>Income</b>	31,625	24,876	25,965
<b>EBITDA</b>	17,755	11,408	11,358
<b>Profit (loss) before tax</b>	11,647	5,638	6,118
<b>Net profit (loss)</b>	12,482	7,404	5,043
<b>Net cash flows from operations</b>	18,036	11,046	14,052
<b>Investments</b>	26,164	48,989	8,815
<b>Financial debt</b>	120,489	87,007	80,329
<b>Profitability ratios (%)</b>			
<b>EBITDA margin</b>	56.1	45.9	43.7
<b>Net profit (loss) margin</b>	39.5	29.8	19.4
<b>Average return on assets (ROA)</b>	3.9	2.8	2.1
<b>Average return on equity (ROE)</b>	7.7	5.3	3.9
<b>Liquidity ratios</b>			
<b>Current ratio</b>	1,07	0,48	0.57
<b>Quick ratio</b>	1,01	0,46	0,52
<b>Turnover of non-current assets</b>	0,12	0,11	0,13
<b>Capital structure ratios</b>			
<b>Equity-to-assets ratio</b>	0,51	0,54	0,56
<b>Financial debt-to-equity ratio</b>	0,72	0,60	0,61
<b>Financial debt-to-EBITDA ratio, times</b>	6,79	7,6	7,1
<b>Market value indicators</b>			
<b>Share price/earnings per share ratio (P/E), times</b>	16,9	23,4	38,5
<b>Net earnings (loss) per share, EUR</b>	0,07	0,04	0,03

<sup>2</sup> The financial indicators are presented after elimination of assets/liabilities arising from the LNG terminal funds.

Formulas used in calculations:

EBITDA = profit (loss) before tax + financial costs – financial income + depreciation and amortisation + impairment charges + asset write-offs

Net financial debt = financial debt – cash and cash equivalents

EBITDA margin = EBITDA/ revenue

Net profit (loss) margin = net profit (loss) / revenue

ROA = net profit (loss) / average asset value

ROE = net profit (loss) / average equity value

Current ratio = current assets / current liabilities

Quick Ratio = (current assets – inventories) / current liabilities

Turnover of non-current assets =revenue/property, plant and equipment and intangible assets

Equity-to-assets ratio = equity / assets

Financial debt-to-equity ratio = financial debt / equity

Financial debt-to-EBITDA ratio = financial debt / EBITDA

Share price /earnings per share ratio = share price at the end of period / (net earnings / number of shares).

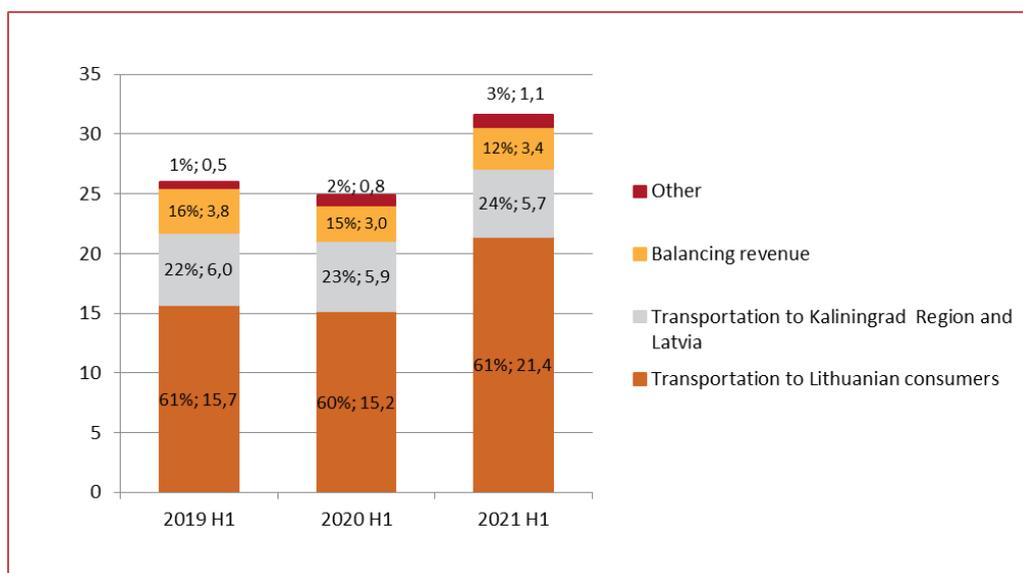
## 5.2. INCOME

In the first six months of 2021, the Group’s income totalled EUR 31,625,000, which is a 27.1% increase compared with the same period of 2020. The increase in the income was determined, in substance, by revenue from gas transmission received at Lithuania’s domestic trading spot. Both income components contributed to this: transmission quantities and capacities increased and the transmission price became higher.

In the first six months of 2021, income from the gas transmission to users of the Lithuanian system and the Kaliningrad region accounted for the largest share of income, followed by income from gas transmission to Latvia, operation of the natural gas exchange, balancing, and administration of the Klaipėda LNG terminal.

Income from balancing activities, operation of the natural gas exchange, and administration of the LNG terminal were increasing as well. Revenues from balancing services increased due to higher gas prices; GET Baltic successfully continues trading on the exchange and all its markets. Other revenues amounted to EUR 1,070,000 in the reporting period (Figure 8).

Figure 8. The Group’s revenue structure in the first 6 months of 2019, 2020 and 2021, %, in EUR million



Income from balancing services includes the following:

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

The Company is obliged to administer the LNG terminal funds under the law. For more details and disclosure of accounting for the LNG terminal funds, see the financial statements for the first 6 months of 2021.

### 5.3. COSTS

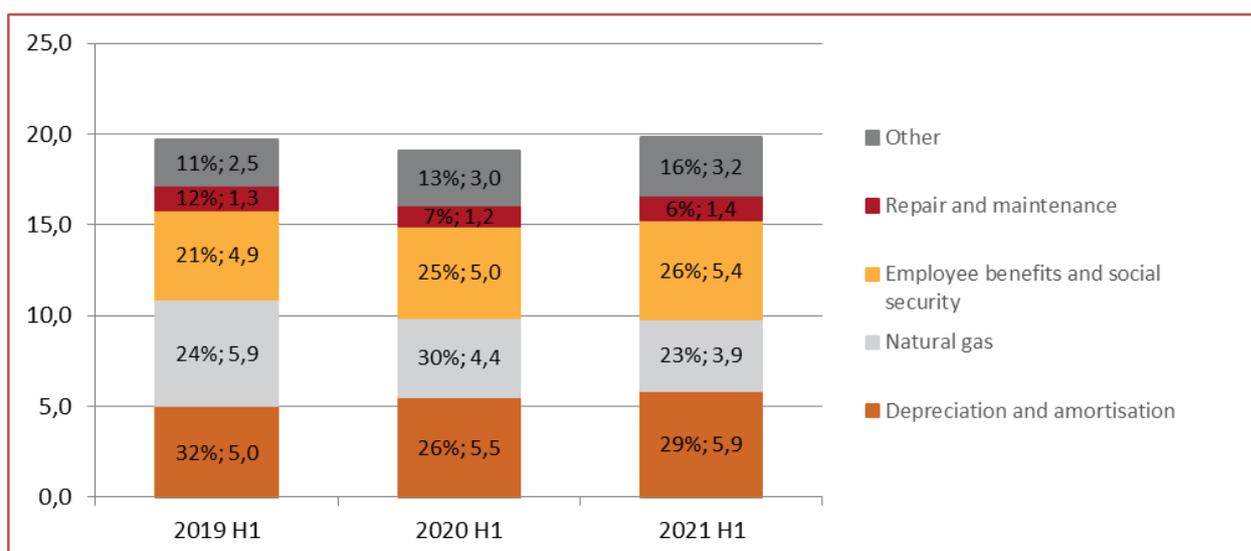
The Group’s costs for the first 6 months of 2021 totalled EUR 19,830,000, which is a year-on-year increase of 3.9%. The increase was determined by higher amortisation and depreciation costs, employee benefits and social insurance costs.

Non-current asset depreciation and amortisation costs account for a large part of costs: EUR 5,884,000 (30 % of all costs), which is a 6.5% increase compared with the same period of 2020 (Figure 9) due to increased investments.

Employee benefits and social security contributions amounted to EUR 5,418,000 (27% of total costs), which is a year-on-year increase of 8.1%. Repair and maintenance expenses amounted to EUR 1,394,000 (7% of total expenses) - an increase of 17.5 %.

Natural gas costs amounted to EUR 3,931,000 (20% of total costs) and decreased by 10.40% compared to same period of 2020 due to smaller balancing quantities. The Company purchased natural gas for technological needs, for balancing gas flows of system users and other gas market participants involved in the balancing of transmission system, and for operational balancing.

Figure 9. The Group’s cost structure, %; EUR million



### 5.4. OPERATING RESULTS

In the first six months of 2021, the Group’s net profit totalled EUR 12,482,000, i.e. increased by 68.6% compared to EUR 7,404,000 in the same period of 2020. The Group’s profit before tax amounted to EUR 11,647,000 in the first six months of 2021 (2020: EUR 5,638,000), while earnings before interest, tax, depreciation and amortisation (EBITDA) in the same period amounted to EUR 17,755,000 (2020: EUR 11,408,000). Improved financial performance was determined by larger gas transmission quantities and higher transmission prices.

Figure 10 . The Group’s financial performance, EUR million.

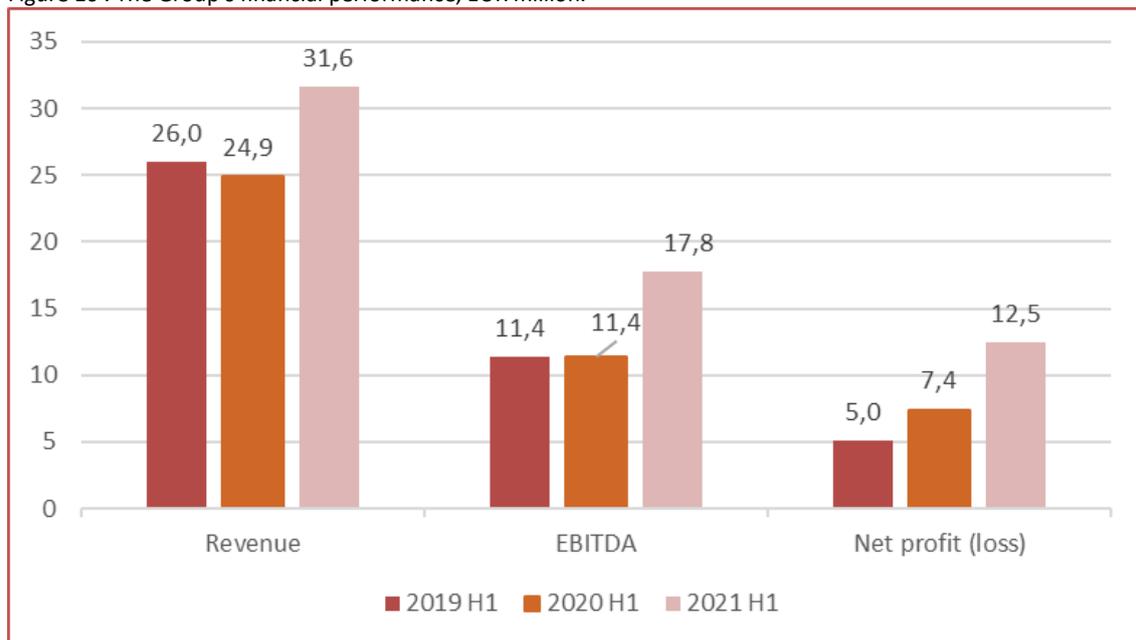
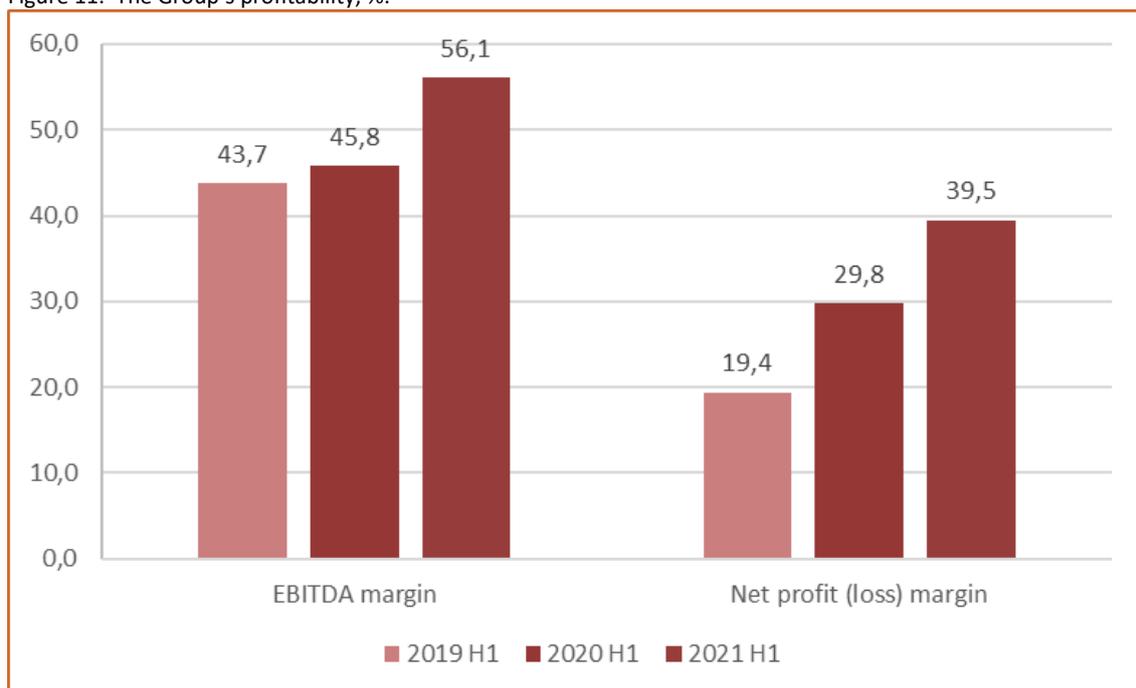


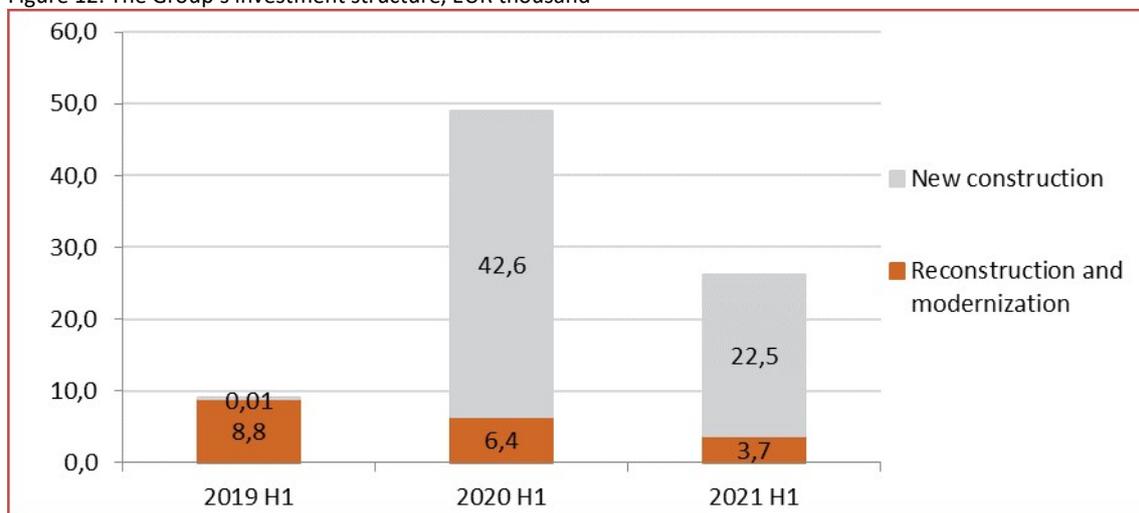
Figure 11. The Group’s profitability, %.



## 5.5. INVESTMENTS

During the first six months of 2021, the Group’s investments decreased due to the fact that the GIPL construction is nearing completion, and totalled EUR 26,137,000 (2020: EUR 48,989,000) (Figure 12). Investments in the GIPL project accounted for 85.6% of all investments in 2021.

Figure 12. The Group’s investment structure, EUR thousand



## 5.6. ASSETS

As of 30 June 2021, the Group’s assets totalled EUR 329,268,000: non-current and current assets accounted for 80.7% and 19.3% of total assets, respectively.

In the first 6 months of 2021, non-current assets increased by 3.8% and amounted to EUR 265,566 thousand due to investments that exceeded depreciation. As of 30 June 2021, the Group’s current assets amounted to EUR 63,702 thousand i.e. increased by 19.3% compared to 2020. The increase was mostly driven by larger amounts of grants.

## 5.7. EQUITY AND LIABILITIES

In the first 6 months of 2021, the Group’s equity increased by 8.1 % and totalled EUR 167,311 thousand. Equity accounted for 50.8% of the Group’s total assets at the end of the reporting period.

In the reporting period, accounts payable and liabilities increased 0.3% and amounted to EUR 161,957 thousand at the end of the period.

As of 30 June 2021, financial debt amounted to EUR 120,489 thousand i.e. increased by EUR 898 thousand during the reporting period. The financial debt-to-equity ratio was 72%.

## 5.8. CASH FLOWS

In the first six months of 2021, the Group’s cash flows from operations amounted to EUR 18,036 thousand (2020: EUR 11,046 thousand). In the same period, investments in non-current assets totalled EUR 26,986 thousand (2020: EUR 38,236 thousand). EUR 8,492 thousand of the EU assistance funds were received in the first six months of 2021 (2020: EUR 12,490 thousand).

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

Other information is disclosed in the Notes to Amber Grid Financial Statements for the first 6 months of 2021.

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

Significant events after the end of the reporting period are disclosed in the Notes to Amber Grid Financial Statements for the first 6 months of 2021.

## **5.11. INFORMATION ON ANY FINANCIAL ASSISTANCE**

The financial assistance (support) policy is described in the Social Responsibility Report for the year 2020. The Company has not provided financial assistance in any other form during the reporting period.

## **5.12. INFORMATION ON RELATED-PARTY TRANSACTIONS, SIGNIFICANT AGREEMENTS AND DETRIMENTAL TRANSACTIONS**

Information on related-party transactions is presented in the Notes to Amber Grid Financial Statements for the first 6 months of 2021.

The Company has concluded the following significant agreements entitling the counterparties to terminate the transactions concluded with the Company due to changes in the Company's control

1. loan agreement of 19 August 2015 with the Nordic Investment Bank;
2. loan agreement of 18 May 2018 with OP Corporate Bank plc. Lithuania Branch;
3. long-term loan agreement of 30 June 2020 with the European Investment Bank.

The terms of the loan agreements are deemed to constitute bilateral confidential information of the parties to the agreements, and their disclosure could inflict damage on the Company.

During the reporting period, the Company has not concluded any detrimental transactions (transactions that are inconsistent with the Company's objectives or standard market terms, that infringe interests of the shareholders or any other stakeholders etc.) or any transactions giving rise to a conflict of interests in respect of responsibilities fulfilled by the Company's management, controlling shareholders or any other related parties, also in respect of the Company's interests and their private interest and/or other responsibilities.

The Audit Committee of EPSO-G, which operates at the group level and performs the functions of the Audit Committee of Amber Grid, provides opinions on related-party transactions of Amber Grid. The Audit Committee assesses whether the respective related-party transaction has been concluded in line with market conditions and whether the transaction is fair from the standpoint of all the shareholders.

Table 5. Amber Grid's transactions with related parties in the first 6 months of 2021

Agreement No	Relationship type	Name of related party	Details of related party	Effective date of the agreement	Type	Subject of agreement	Estimated value excl. VAT	Notes
6-404	SOE	UAB IGNITIS	Reg.company No 303383884, Žvejų g. 14, LT-09310 Vilnius	2021-01-01	Contract other than public procurement contract	Technical balancing agreement 2021 m. (gas bought and sold through management of gas technical balance in the transmission system)	Value no set	
1	SOE	UAB IGNITIS	Reg.company No 303383884, Žvejų g. 14, LT-09310 Vilnius	2021-01-01	Goods sale and purchase	Natural gas for 2021	1 395 000	
1835 98/3	EPS O-G Group	UAB GET BALTIC	Reg.company No 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	2021-01-01	Service agreement	Amendment No 3 to agreement No 183598 (indirect capacity allocation service Kiemėnų IP)	12 600	Amendment to agreement.
5219 27/2	SOE	AB VILNIUS METROLOGIJO S CENTRAS	Reg.company No 120229395, Dariaus ir Girėno g. 23, LT-02189 Vilnius	2021-01-12	Service agreement	Instrumentation calibration & checking services	6 600	
5247 88	EPS O-G Group	UAB TETAS	Reg.company No 300513148, Senamiesčio g. 102B, LT-35116 Panevėžys	2021-01-15	Service agreement	Services of checking & testing protection against electrical impact	7 500	
5288 08	EPS O-G Group	UAB EPSO-G	Reg.company No 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	2021-02-26	Service agreement	Holding management services	425 000	
5-64/S UT-19-18	EPS O-G Group	UAB EPSO-G	Reg.company No 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	2021-03-01	Financial agreement	Lending and borrowing	40.000.000 / 10.000.000	Max. lending / borrowing limits excluding interest

								on the funds actually lent / borrowed
5288 66	SOE	UAB PROJEKTŲ EKSPERTIZĖ	Reg.company No 120091161, A. Vienuolio g. 6-11, LT-01104 Vilnius	2021-03-15	Service agreement	Expert examination of projects on dismantling and replacing of valves on main gas pipelines and their connection to remote control system SCADA	23 355	
5490 18	SOE	UAB PROJEKTŲ EKSPERTIZĖ	Reg.company No 120091161, A. Vienuolio g. 6-11, LT-01104 Vilnius	2021-06-09	Service agreement	Expert examination of a technical design on Kiemėnai gas metering station	6 870	
0010 91- 5042 0/11 0114	SOE	AB Energijos skirstymo operatorius, ESO	Reg.company No 304151376, Aguonų g. 24, LT-03212 Vilnius	2021-06-17	Contract other than public procurement contract	Electricity forwarding service to the Gudelių str. 49, Vilnius	Value not set	
5022 0/91 0954	SOE	AB Energijos skirstymo operatorius, ESO	Reg.company No 304151376, Aguonų g. 24, LT-03212 Vilnius	2021-06-18	Cooperation agreement	Cooperation agreement on the feasibility of using green hydrogen based on a request for connection	Value not set	

### 5.13. INFORMATION ON SIGNIFICANT SHAREHOLDINGS HELD EITHER DIRECTLY OR INDIRECTLY

As of 30 June 2021, the Company had a wholly owned subsidiary GET Baltic UAB. More details on the controlled entity are provided in Amber Grid's financial statements.

## 6. RISKS AND RISK MANAGEMENT

### 6.1. RISKS AND RISK MANAGEMENT

Risk is understood by the Company as a probability of unforeseen events that may have impact, negative or positive, on the Company’s ability to achieve its strategic and business goals. The Company focuses on active management of its risks, and by doing so, it seeks to achieve the following objectives:

- increase the probability of success in achieving the Company’s business goals and ensuring efficiency of operations;
  - plan in advance and co-ordinate implementation of measures aimed at mitigating the negative impact of potential events and/or the probability of their occurrence;
  - improve safety of employees, third parties and environment;
  - improve prevention and management of unforeseen events;
- increase trust in the Company by the general public and the State.

The risk management is understood as a structured approach towards management of contingencies.

Figure 13. Key risk management processes



The group of risk management processes consists of the following:

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

**II. Risk identification and assessment.** Based on historical data, expert evaluation and the results of monitoring the risks and implementation of risk management measures, the Company's risks are defined, by identifying their sources, affected areas, risk-related events, their causes, potential impact expressed in quantifiable financial terms (EUR), and existence of risk in a long run. The risk type is identified, and the currently applied risk management measures are described. The Company assesses the risk probability, impact and level values, identifies the potential risk management measures in view of interdependencies among the risks. The units that are responsible for the risk management carry out the risk identification and assessment process in parallel to the process which takes place at EPSO-G, and reports the related information to EPSO-G's risk management and prevention.

**III. Risk prioritisation.** A session on prioritisation 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. Developing a plan on 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.** This process involves periodic monitoring of risks and of implementation of the risk management measures, which includes 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 sharing of information.** Ongoing communication within the Company between the risk owners, the risk management unit, the risk management and prevention unit of EPSO-G, the CEO and collegial bodies of the Company is fundamental for an effective risk management. Effective communication requires ensuring that the relevant information is communicated to the responsible employees on a timely basis.

The risk management is performed in accordance with the methodology described in the international standard COSO ERM (*Committee of Sponsoring Organisations of the Treadway Commission, Enterprise Risk Management*). The Company is fully integrated into EPSO-G Group's Risk Management Policy and follows the Group's Risk Management Methodology. The Risk Management Policy and the Risk Management Methodology are approved and amended by the decision of the Company's Board, whereas the entire process is coordinated by the Audit Committee of EPSO-G, which also fulfils the functions of the Company's Audit Committee.

Risks incurred by the Company are grouped as follows:

**Political:** Impact of decisions made by the state authorities in Lithuania and neighbouring countries on the Company's and/or the Group's operations, including energy reforms, tax policy, remuneration and/or safety and/or other regulations, trade restrictions, and political stability.

**Economic:** Impact of domestic and global market on the Company's operations, including competition among the subcontractors, industry development trend, changes in electricity and gas market prices, concentration of consumers, fluctuations in interest rates, inflation, exchange rates, credit availability, GDP etc.

**Social:** Impact of demographic changes, such as age and education of employees and consumer wealth distribution, also impact of changes in consumer habits or energy consumption on the Company's operations.

**Technological:** Impact of equipment malfunctioning, changes in innovation and technology market, and cyber-attacks on the Company's operations.

**Legal:** The risk that the Group will be held liable in the ordinary course of business in accordance with the procedure set forth in the legal acts due to failure to fulfil its commitments to its employees, customers and suppliers, untimely fulfilment of work, or for other reasons.

## 6.2. COVID-19 RISK MANAGEMENT

In 2020, current business continuity and preventive measures were reviewed, and new ones were planned, and were applied in the first half of 2021:

- Appointment of employees responsible for monitoring and reporting the situation;
- Possibility for employees returning from risk countries to work remotely, take holiday or a temporary leave;
- Identification of business units, employees and substitute employees undertaking the critical functions and administrating the main systems;
- Implementation of remote work organisation measures;
- sharing of information on preventive measures with employees;
- the benefits of vaccination explained to the employees;
- the employees were enabled to get their vaccination.

## 6.3. INTERNAL CONTROL SYSTEM AT THE COMPANY

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

The Company has an approved Manual of Accounting Procedures and Policies that defines the principles, methods and rules of accounting, financial reporting and presentation. In addition, seeking to ensure timely preparation of the financial statements, the Company follows the internal rules that define the deadlines for the submission of accounting documents and preparation of the financial statements.

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.

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## 7. GOVERNANCE REPORT

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### 7.1. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complies with the Corporate Governance Code for Companies Listed on NASDAQ Vilnius Stock Exchange (available at [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com); hereinafter referred to as the 'Code'). The Code is applicable to the extent it is consistent with the Articles of Association of the Company. The Company has disclosed its compliance with the requirements of the Code, and such information is available on the Company's official website at [www.ambergrid.lt](http://www.ambergrid.lt), and on the Central Storage Facility at [www.crib.lt](http://www.crib.lt).

### 7.2. SHARE CAPITAL

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

There were no changes in the Company's ownership structure during the first 6 months of 2020. EPSO-G UAB retained its 96.58% shareholding in the Company and was the only shareholder holding more than 5% of the Company's shares. EPSO-G UAB has the decisive vote in the decision-making process at the General Meeting of Shareholders

### 7.3. SHARES AND SHAREHOLDER RIGHTS

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

The Company is not aware of any mutual agreements between the shareholders that could result in restrictions on the transfer of securities and/or on voting rights. There are no restrictions imposed on the voting rights at the Company.

The Company has not acquired own shares and had no transactions relating to acquisition or disposal of its own shares during the first 6 months of 2021.

### 7.4. SHAREHOLDERS

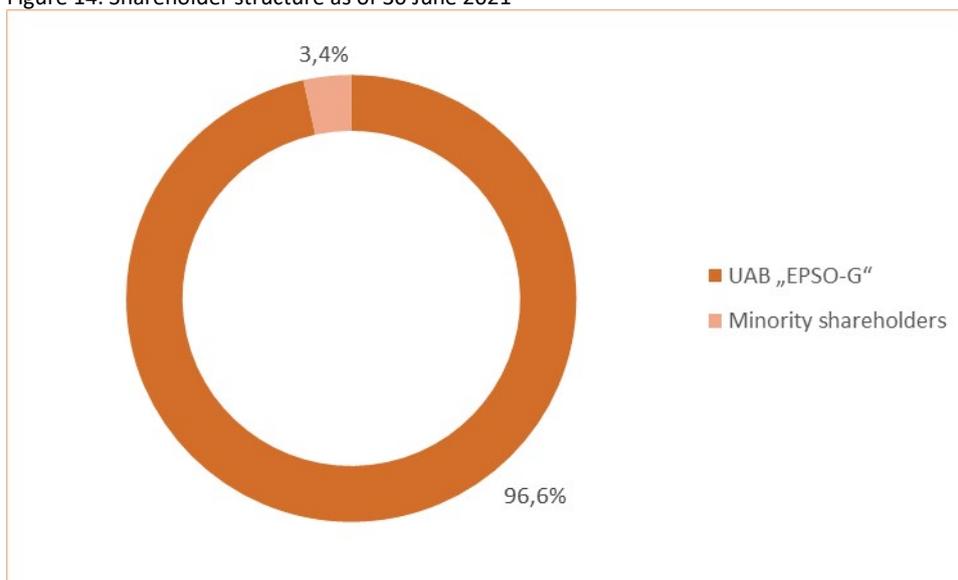
As of 30 June 2021, Amber Grid had over 2,300 (Lithuanian and foreign natural and legal persons) including 1 (one) shareholder held more than 5% of the Company's shares.

Table 6. Shareholders of the Company

Shareholder	Registered office address / Registered company No	Number of shares owned
EPSO-G UAB	Gedimino ave. 20, Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
Total		178,382,514

The Company’s ownership structure is provided in Figure 14 .

Figure 14. Shareholder structure as of 30 June 2021



## 7.5. DETAILS OF TRADING IN SECURITIES ON REGULATED MARKETS

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

Table 7. Main details on Amber Grid shares

Main details of Amber Grid shares	
ISIN	LT0000128696
LEI	097900BGMP0000061061
Ticker	AMG1L
Issue size (number)	178.382.514

In the first 6 months of 2021, the trading turnover in the Company’s shares was EUR 0.36 million (2020: EUR 0.32 million), with the total of 342,789 shares (2020: 351,596 shares) transferred under the transactions. The Company’s share price dynamics is presented in Figure 15, and details on the Company’s share price and turnover (1<sup>st</sup> half year of 2020) are provided in Figure 16.

Figure 15. Dynamics of share prices at NASDAQ Vilnius in the first half-year of 2021

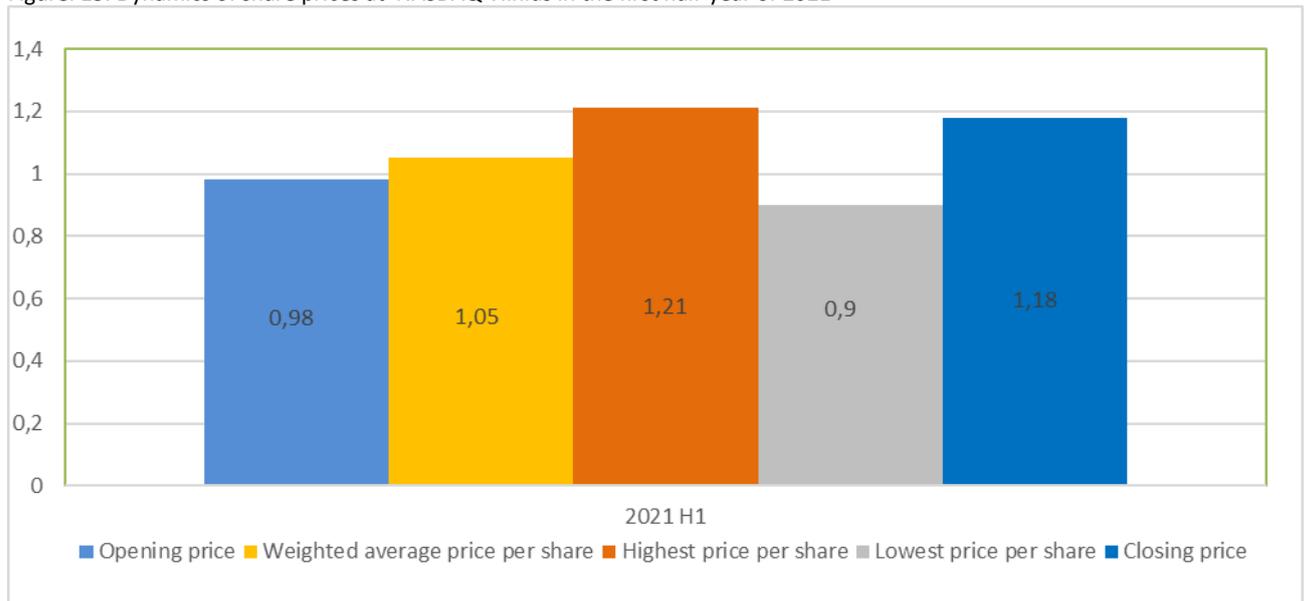


Figure 16. Amber Grid share price and turnover in the first 6 months of 2021



As of 30 June 2021, Amber Grid’s market capitalisation reached EUR 210.49 million. The quoted price per share and the market capitalisation increased 21.03% in the said period.

## 7.6. DIVIDEND

The Group’s and the Company’s Dividend Policy stipulates uniform rules for estimation, payment and declaration of dividends across all companies of EPSO-G Group.

The main purpose of the Dividend Policy<sup>3</sup> is to set clear guidelines regarding the expected return on equity for the existing and potential shareholders through sustainable corporate value growth of the Group and its companies, and development of the strategic projects, thereby consistently strengthening trust in the whole group of energy transmission and exchange companies.

On 20 April 2020, the Annual General Meeting of Shareholders approved the proposal of the Company's Board not to distribute profit for 2019.

On 23 April 2021, the Annual General Meeting of Shareholders approved the proposal of the Company's Board not to distribute profit for 2020.

The decisions on non-distribution of profit taken at the general meetings of shareholders in 2020 and 2021 were based on the Dividend Policy. As the funds requirement for investments increased, the profit was retained in the Company having regard to the fact that the Company is implementing a large-scale GIPL project.

## 7.7. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

Amber Grid has an agreement with AB SEB Bankas for the provision of accounting and related services of the Company's securities.

On 30 April 2021, the Company concluded an agreement with AB SEB Bankas on the payment/distribution of dividends to minority shareholders, under which AB SEB Bankas calculates and pays out dividends to all the shareholders of the Company, except for EPSO-G UAB.

Table 8. Details of the Bank

Details of AB SEB banks	
Reg. company No	112021238
Reg. office address	Konstitucijos pr. 24, LT-08105 Vilnius, Lithuania
Telephone	+370 5 268 2800
Email	<a href="mailto:info@seb.lt">info@seb.lt</a>
Website	<a href="http://www.seb.lt">www.seb.lt</a>

## 7.8. MANAGEMENT STRUCTURE

The Company operates in accordance with the Law on Companies, the Law on Securities, the Company's Articles of Association, and other legal acts of the Republic of Lithuania. The powers of the General Meeting of Shareholders, the rights of shareholders and exercising of such rights are defined in the Law on Companies and the Articles of Association of the Company, which are available on the Company's website.

According to the Articles of Association, the Articles of Association can be changed by decision of the general meeting of shareholders adopted by a 2/3 majority vote of the shareholders present at the meeting.

<sup>3</sup> The Company's and the Group's Dividend Policy was approved by the Board of Amber Grid, with its last edited version presented on 20 February 2020. The document is available at: [https://www.ambergrid.lt/lt/apie\\_mus/rubrika-investuotojams/dividendai](https://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/dividendai)

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

- The General Meeting of Shareholders,
- The Board – a collegial management body;
- The head of the Company – the CEO – a single-handed management body.

### **The General Meeting of Shareholders**

The Company's procedure for convening the General Meeting of Shareholder, decision-making process, and the powers of the General Meeting of Shareholders are consistent with those stipulated in the Law on Companies of the Republic of Lithuania (the Law on Companies), except for the additional powers of the General Meeting of Shareholders stipulated in Article 26 of the Company's Articles of Association.

Article 26 of the Articles of Association stipulates that the General Meeting of Shareholders also takes decisions regarding as follows (additional powers of the Meeting):

- (i) approval of the Board's decisions as set forth in Article 38<sup>4</sup>. As the Meeting approves the Board's decisions regarding the specific transactions, the Meeting, inter alia, approves the essential terms and conditions of such transactions;
- (ii) appointment and removal from office of the Board members, determination of remuneration of Board members, determination of annual remuneration budget for remuneration of the Board members and compensation for costs related to fulfilment of functions at the Board, signing of agreements with the Company's Board members regarding their functions at the Board, determination of standard terms of such agreements;
- (iii) removal or non-removal from office of the Board members at the time of taking the decisions that involve the conflicts of interests of the Board members, in cases stipulated in Article 0<sup>5</sup> of the Articles of Association.

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<sup>4</sup> 38. The following decisions of the Board shall be subject to approval by the Meeting: 38.1. on the transfer, pledge or other encumbrance of the shares (ownership interest, member contributions) held by the Company or the rights carried by such shares (ownership interest, member contributions) or any other rights of a member of a legal entity; 38.2. on the transfer of a complex of assets or a substantial part thereof owned by the Company's controlled entities and/or associates, if the carrying amount of the assets transferred exceeds 1/50 of the share capital of the Company; 38.3. on the transfer, pledge, change of a legal status, any other encumbrance or disposition of the Company's assets included in the List of Facilities and Assets of Special Strategic Importance for Ensuring National Security, as stipulated in the Law on Protection of Objects of Importance for Ensuring National Security of the Republic of Lithuania, if the value of the above-referred assets exceeds 1/50 of the share capital of the Company; 38.4. on the transfer, other disposition or encumbrance of the shares and the rights carried by the shares held in directly or indirectly controlled entities that are the owners of and that develop, operate, use or otherwise have the disposition of the assets referred to herein in subparagraph (iii), on the increase, reduction of the share capital of such entities or on any other actions that may lead to changes in the share capital structure of such entities (e.g., issuance of convertible debentures), and on the reorganisation, spinoff, restructuring, liquidation, rearrangement of the entities referred to herein, or on any other actions that lead to changes in a legal status of the entities referred to herein; 38.5. on the investment, transfer, lease (estimated individually for each type of transaction), pledge or mortgage (estimated as a total amount of transactions) of the Company's assets with the carrying amount exceeding 1/5 of the share capital of the Company; 38.6. on any transactions that involve arrangements on payment of penalties with the total amount exceeding 1/5 of the share capital of the Company; 38.7. on offering of surety or guarantee for the discharge of obligations of third parties, the amount whereof exceeds 1/5 of the share capital of the Company; 38.8. on the acquisition of assets for the price exceeding 1/5 of the share capital of the Company; 38.9. on the submission of the Company's projects for recognising them as the projects of special national importance and/or projects important to the State, as defined in the legal acts.

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

## The Board

The Articles of Association of Amber Grid stipulate that the Board consists of five members appointed by the General Meeting of Shareholders for the term of office of four years, with regard to the recommendations provided by the Remuneration and Nomination Committee. Two members of the Board shall be independent members. A continuous term of office of a Board member shall be no longer than two consecutive terms, i.e. no more than eight consecutive years.

The Board members are selected 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 an enterprise owned by the state or municipality*, approved by Resolution No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

The powers of the Board of the Company are consistent with those stipulated in the Law on Companies, except for the additional powers stipulated in Articles of the Articles of Association<sup>6</sup>.

Additional powers of the Board encompass approval of the fundamental documents of the Company (Strategy, Action Plan, Budget, etc.), determination of employment terms and conditions of the CEO, determination of prices for gas transmission services and other regulated services, approval of disposal of the Company's assets, conclusion of material transactions stipulated in the Articles of Association.

The Board of the Company also fulfils the following supervisory functions:

- (i) having regard to the opinion of the Audit Committee, approves or disapproves transactions with related parties;
- (ii) supervises the activities of the CEO, submits comments and suggestions to the Meeting regarding the activities of the CEO;
- (iii) considers whether the CEO is fit to hold the office in case the Company is operating at a loss;
- (iv) submits suggestions to the CEO on revocation of the decisions that are in conflict with the laws and other legal acts, with the Articles of Association, and with the decisions taken by the Meeting or the Board; and
- (v) decides on other matters pertaining to supervision of activities of the Company and the CEO that are assigned to the authority of the Board under the Articles of Association or by the decision of the Meeting.

Information about the Board members, the CEO, and the Chief Accountant of Amber Grid is presented in Table 9.

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<sup>6</sup> The Company's Articles of Association are available on the website at [https://www.ambergrid.lt/lt/apie\\_mus/rubrika-investuotojams/istatai](https://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai)

Table 9. Information about the Board members, the CEO, and the Chief Accountant

Name	Job title	Term of office	Positions held elsewhere	Shares held in Amber Grid	Qualifications <sup>7</sup>
<b>Algirdas Juozaponis</b>	Chairman of the Board	From 20/04/ 2020	CFO, EPSO-G UAB Chairman of the Board, LITGRID AB	No	Vilnius University, Master in Banking; Baltic Institute of Corporate Governance, professional member of the Board
<b>Renata Damanskytė-Rekašienė</b>	Board member	From 20/04/ 2020	Director for Legal and Corporate Governance, EPSO-G UAB	No	Vilnius University, Faculty of Law, specialising in Commercial Law, Master of Law; Baltic Institute of Corporate Governance, Professional Board Member; Lawyer's Certificate
<b>Ignas Degutis</b>	Independent Board member	From 20/04/ 2020	CFO, Board member, RB Rail AS (Rail Baltica)	No	Management and Economics, Master in Economics; Baltic Institute of Corporate Governance, Education Programmes for Council/Board Members and Chairs
<b>Sigitas Žutautas</b>	Independent Board member	From 20/04/ 2020	Chairman of Innovation and Development Committee EPSO-G UAB	No	Vilnius University, Master in Business Management and Administration; ESMT European School of Management and Technology, Berlin, post-graduate studies
Nemunas Biknius	CEO	From 08/04/ 2020	None	Holds 0.001505 % of the shares of Amber Grid	Vilnius Gediminas Technical University, Master of Energy and Thermal Engineering; Aalborg University, Denmark, Environmental Management Studies; ISM MBA Management Studies
Rasa Baltaragienė	Head of Accounting Department	From 02/12/2019	-	No	

<sup>7</sup> Information on professional experience of the Board members is available on [https://www.ambergrid.lt/lt/apie\\_mus/valdymas/valdyba](https://www.ambergrid.lt/lt/apie_mus/valdymas/valdyba), information on professional experience of the Company's CEO and other top management on [https://www.ambergrid.lt/lt/apie\\_mus/valdymas/vadovybe](https://www.ambergrid.lt/lt/apie_mus/valdymas/vadovybe)

8 Board Meetings were held in the first half-year of 2021.

**Attendance of the Board Meetings in the first 6 months of 2021**

- Attended
- Absent

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

Item No	Date of the meeting	Algirdas Juozaponis	Renata Damanskytė -Rekašienė	Sigitas Žutautas	Ignas Degutis
1.	14 January	●	●	●	●
2.	24 February	●	●	●	●
3.	9 March	●	●	●	●
4.	31 March	●	●	●	●
5.	19 April	●	●	●	●
6.	18 May	●	●	●	●
7.	15 June	●	●	●	●
8.	29 June	●	●	●	●

**Decisions adopted by the Board during the first 6 months of 2021:**

**14 January.** Joining the updated integrated planning and monitoring policy of EPSO-G company group.

**24 February.** Approval of the assessment of the Managing Director’s performance in attaining the objectives set for 2020. Approval of the action plan on implementation of recommendations made by the internal audit of projects management. Joining the updated transparency and communication policy of EPSO-G company group. Approval of the agreement on the provision of management holding services.

**9 March.** Joining the updated project management policy of EPSO-G company group.

**31 March.** Approval of the Report on Implementation of the Corporate Strategy for 2017-2022 in 2020. Approval of the Company’s consolidated annual report, financial statements and profit distribution project. Approval of amendments to essential provisions of the procurement contract for the Investment Project Installation of the Pig Launching and Acceptance Chambers and Implementation of the Operational Process Control of the Gas Transmission System’. Initiation of a general meeting of shareholders. Approval of the objectives for the Managing Director for 2021 as well as their weights and measurement indicators. Decision on voting at the general meeting of shareholders of GET Baltic. Proposal of candidacy of Ingrida Kudabienė, Law and Administration Director, for a position of a member of the Board of GET Baltic. Approval of the new version of the Risk Management Plan for 2021. Joining the Policy of Employee Remuneration, Performance Assessment and Development of EPSO-G company group. Approval of the top managers and line managers levels and pay brackets.

**19 April.** Approval of the action plan on implementation of recommendations made by the internal audit of human resources management. Approval of the new organisational structure.

**18 May.** Setting of natural gas transmission service prices for 2022.

**15 May.** Approval of the updated Risk Management Plan for 2021.

**29 June.** Approval of the updated natural gas transmission service prices for 2022.

After consideration of self-assessment results received from collegiate bodies, the Remuneration and Nomination Committee identified the following areas of improvement in their activities in 2021:

- more attention to resolution of strategic issues in order to optimise work of the collegiate bodies;
- enhanced cooperation with the Board and committees of EPSO-G in order to better meet both expectations and needs of specific collegiate bodies.

Based on the Company's Articles of Association, the Audit Committee's functions at Amber Grid are fulfilled by the Audit Committee of the parent company EPSO-G UAB.

Detailed information about the Committees of Amber Grid are available in the consolidated annual report of EPSO-G Group.

## **7.9. INFORMATION ON INTERNAL AND EXTERNAL AUDIT**

To ensure transparency and efficiency of operations, EPSO-G Group has implemented a centralised internal audit system. It means that the internal audit unit fulfils the assigned functions at the Group level, and is directly accountable to the Board of EPSO-G UAB, the majority of which are independent members. The auditors of EPSO-G UAB are not subordinate to the administration staff of the auditee.

The Company's financial statements were audited by the following external audit firms:

- for 2018 – by Deloitte Lietuva UAB;
- for 2019 – by Deloitte Lietuva UAB;
- for 2020 – by PricewaterhouseCoopers UAB.

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

The fee for external audit services of PricewaterhouseCoopers UAB for the year ended 31 December 2020 was EUR 50,500.

## 8. PEOPLE

Amber Grid’s employees are experienced and competent professionals, responsible for the implementation of strategic national projects.

As of 30 June 2021, the Company employed 317 people (30 June 2020: 318 employees). The structure of employees by positions is provided in Table 11.

Table 11. Number of employees in the first six months of 2020 and 2021

Categories	Number of employees as of 30 June 2021	Number of employees as of 30 June 2020
CEO	1	1
Top management	3	5
Line managers and primary-level managers	38	32
Experts-specialists	179	181
Blue-collar workers	94	100
TOTAL	317	318

### Details on employees

In the first 6 months of 2021, the average age of the Company’s employees was 44.6 years (Figure 17), the average record of service 13 years (Figure 18). 65% of the employees have a higher educational attainment (Figure 19).

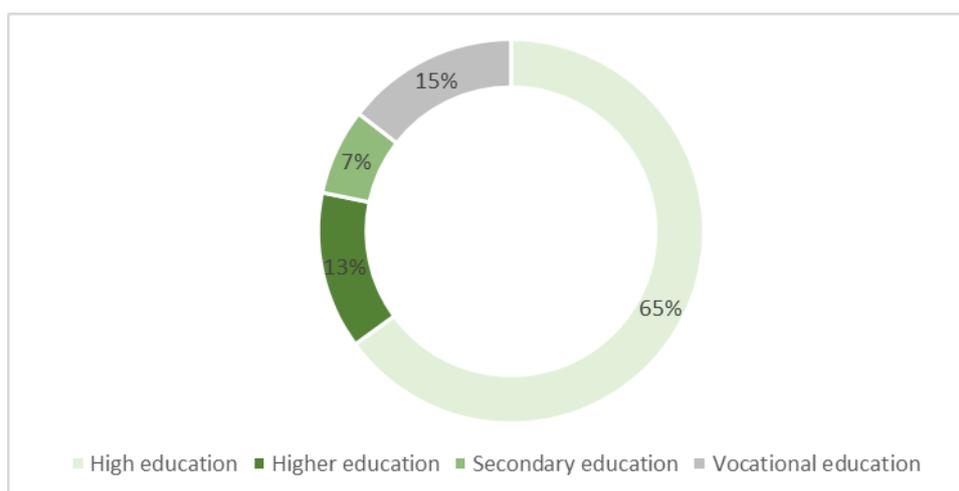
Figure 17. Distribution of employees by age, first 6 months of 2021.



Figure 18. Distribution of employees by service record, first 6 months of 2021.



Figure 19. Distribution of employees by education, first 6 months of 2021.



Due to the specific nature of operations in the energy sector, men account for a larger part of the Company’s employees: 254 (80%) male employees, compared to 65 (20%) female employees (Table 12).

Table 12. Employee structure by gender in the first 6 months of 2020 and 2021

	30 June 2021, %	30 June 2020, %
<b>Men</b>	79	80
<b>Women</b>	21	20

## REMUNERATION POLICY

Amber Grid on 2021 March 31 joined the EPSO-G Group's Remuneration, Performance Appraisal and Training Policy (hereinafter referred to as the Remuneration Policy), which applies to all employees of the Company and is published on Company’s website. The remuneration policy is approved (joined) by a decision of the Board of the Company, taking into account the recommendations of the EPSO-G

Remuneration and Nomination Committee. The EPSO-G Remuneration and Nomination Committee periodically evaluates the provisions of the remuneration policy, its effectiveness, implementation and application.

The purpose of the Remuneration Policy is to ensure effective, clear and transparent management of remuneration costs and at the same time to motivate employees with incentives encouraging them to contribute to the implementation of the Company’s mission, vision, values and goals.

Remuneration of all employees, including the executive personnel, has two components: fixed and variable. The fixed part of the remuneration is the highest and most important part of the monetary remuneration, the amount of which depends on the level of the position, which is determined for each position according to the methodology applied in international practice.

The variable part of the remuneration is determined by encouraging the pursuit of the best possible annual results in the implementation of strategic, long-term goals. The specific maximum amount of variable part, which may not exceed 30%, is set by the Board of the Company for the General director of the Company, and by the General director of the Company for other employees.

The variable part of the remuneration is paid regarding the implementation of the Company's (General director's) annual goals set by the Board and the achievement of individual goals. The variable part of the remuneration is paid to managers and specialists once a year after the Board of the Company approves the audited financial results of the Company and they are approved by the decision of the General Meeting of Shareholders, and to blue-collar workers - once a quarter.

Table 13 below contains a breakdown of average monthly pay by category of employees at the Amber Grid and GET Baltic Group and the Company in the first six months of 2021.

Table 13. Average monthly pay by category of employees

Categories	Group		Company	
	Number of employees at the	Average monthly pay (including the variable pay component)	Number of employees at the end of the period	Average monthly pay (including the variable pay component)
CEO	2	10,167	1	12,151
Top management	5	7,425	5	7,257
Line managers and primary-level managers	41	3,887	38	3,900
Experts-specialists	184	2,339	179	2,333
Blue-collar workers	94	1,427	94	1,427
<b>Total average monthly pay</b>	326	2,346	317	2,304
<b>Wage fund, EUR'000</b>		4,992		4,777

Information on the Company’s fixed and variable pay components in the reporting period is presented below in Table 14.

Table 14. The Company's average fixed and variable pay components by category of employees in the first 6 months of 2021

Categories	Average number on the staff at the end of the period	Average monthly gross pay (fixed pay component), EUR	Paid out fixed pay component, calculated as average monthly fixed pay per year, EUR
CEO	1	9,360	2,791
Top management	5	5,872	1,385
Line managers and primary-level managers	37	3,563	338
Experts-specialists	188	2,146	187
Blue-collar workers	114	1,259	167
<b>Total</b>	<b>345</b>	<b>2,082</b>	<b>221</b>

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

On 20 April 2020, the Company's General Meeting of Shareholders approved the Remuneration Policy for the CEO and Board Members of Amber Grid<sup>8</sup>, the purpose of which is to determine general, clear and transparent principles for monetary remuneration of the Company's CEO and Board members for the fulfilment of their functions, and a remuneration system based on those principles, which will allow to manage effectively the Company's operating expenses and to create motivational incentives for the Company's CEO and Board members to contribute to the implementation of the Company's mission, vision, values and goals.

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

When determining the remuneration for the members of the management bodies, the Company follows a principle that the size of the remuneration and its payment procedure should: promote creation of a long-term and sustainable corporate value of the Company and the entire EPSO-G Group; match the workload of individual bodies of the Company and their individual members; reflect as much as possible the actual situation in the market, i.e. it has to be competitive in terms of the work pay offered in the market for the professionals in the respective fields; ensure remuneration for responsibility undertaken by the management bodies; ensure independence of the independent Board members; encourage attraction of high-level professionals from the respective areas of the Company's management..

The remuneration for fulfilment of functions at the Company's Board may be payable only to independent Board members and members who are not civil servants or officials of an authority representing the State, and who are not employees of the Group companies..

A fixed monthly pay (gross) payable to the Company's Board members (the larger amount is payable depending on circumstances):

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

<sup>8</sup> The Policy is available on the Company's website at [www.ambergrid.it](http://www.ambergrid.it)

- (ii) EUR 1,400 (one thousand four hundred euros) is payable to the Board members who are not the members of any board committees formed within EPSO-G Group;
- (iii) EUR 2,150 (two thousand one hundred and fifty euros) is payable to the chairperson of the Board in view of additional administrative functions undertaken by the chairperson, who is also the member of at least one board committee formed within EPSO-G Group; and to the chairperson of the Board who is also the board member within EPSO-G Group;
- (iv) EUR 1,800 (one thousand, eight hundred euros) is payable to the chairperson of the Board for additional administrative functions undertaken by the chairperson, who is not the member of any board committees formed within EPSO-G Group.

By decision of the Company's General Meeting of Shareholders of 23 April 2021, the total annual budget for the remuneration of the members of the Board of the Company and additional expenses of the Company for ensuring the activities of the Board is EUR 51,600.

### **COLLECTIVE AGREEMENT**

On 10 August 2018 Amber Grid employees' collective agreement was concluded with Amber Grid employees union. The agreement was amended in 2019. The purpose of the collective agreement is to represent the rights and legitimate interests of all employees. The agreement stipulates additional work, remuneration, social, economic and professional conditions and guarantees that are not governed by laws and regulations.

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## 9. SOCIAL RESPONSIBILITY, ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

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### PRINCIPLES AND PRIORITIES OF RESPONSIBLE BUSINESS

At the Company, social responsibility is understood as an integral part of a sustainable business. The Company understands sustainable business development as a whole of purposeful economic, social and environmental actions. Having in mind the global and local impact of our day-to-day activities, we seek to reduce CO<sub>2</sub> emissions, undertake prevention of accidents, ensure safe and reliable transportation of gas, develop talents, encourage their volunteering initiatives, gender equality, etc. The principles of social responsibility are implemented on the basis of the related policies of EPSO-G Group and other relevant internal documents:

- Social Responsibility Policy
- Transparency and Communication Policy
- Anti-corruption Policy
- Equal Opportunity Policy
- Environmental Protection, Occupational Safety and Health Policy
- Human Resource Management Policy
- Code of Conduct

and other internal documents that define the principles applied by all the Group companies as they develop their responsible businesses. All related documents that are made available to public can be found on the website of EPSO-G Group at [www.epsog.lt](http://www.epsog.lt).

The Company has identified the following priorities on the basis of which the main guidelines for responsible business in the following areas have been formulated:

– **Environmental** - sustainability through efficient use of natural resources in the Company's operations; promotion of environmentally friendly attitude among the employees, contractors, suppliers and society as a whole; and active participation in the prevention programmes aimed at protecting ecological landscape and biological diversity.

– **Social environment** - through relations with the employees and general public, taking care of health, safety and equal rights of employees, implementation of an advanced management and remuneration system, provision of possibilities for personal and professional growth of employees, development of their general competences, implementation of various social initiatives, volunteering and other projects, and cooperation with scientific authorities.

– **Economic environment** - through open and fair cooperation with the stakeholders and everyone helping to implement the principles of socially responsible business, safe and reliable gas transmission system to the users, anti-corruption and anti-bribery measures, competitiveness, and payment of taxes in good faith.

#### Stakeholders

Amber Grid's responsible business activities are based on shared values and they define the Company's business approach, and integration of social, environmental and transparent business principles into its

internal processes and relationships with the stakeholders. Involvement of the stakeholders is of substantial importance for ensuring socially responsible business activities. In its operations, Amber Grid seeks to take into account the interests of the stakeholders and make the decisions that meet their best interests. The Company has a wide range of stakeholders, but in this context the most important groups of stakeholders are as follows:

Table 15. Stakeholders of Amber Grid

Stakeholders	As defined by us	Why is this group important to us	How do we cooperate and communicate
Consumers/Producers/ Suppliers	Suppliers, heat producers, industrial consumers	The Company operates in B2B (business-to-business) field. For this group of stakeholders, it is important to have competition in the gas market and high quality of services.	Given the complexity of the services and the economic expectations, we take care of our consumers and seek to ensure the highest quality of our services that will satisfy their needs.
Founder	The State whose interests are represented and expectations are formed by EPSO-G.	Close cooperation is vital to ensure the formation of consistent and long-term vision in the energy sector, and smooth implementation of initiatives of national and regional importance. It is also important to ensure sustainable return for the shareholder.	We provide information about the significant events, organise live presentations, provide answers to enquiries, and seek to build a relationship that is based on mutual trust.
The public	We define the general public in a broad sense to cover our commitments, our business impact, and to include not only local residents, but also environment, and nature.	The mission of Amber Grid is to ensure efficient and safe gas transmission, create favourable conditions for competition in the gas market, development of renewable energy sources, and to contribute to the welfare of the general public.	We seek to reduce our impact on climate change and ensure competitiveness of the Lithuanian economy in the long term.
Media	National and regional mass media	The Company informs about its activities in a transparent, timely and open manner.	We maintain business relationships through prompt and transparent communication about our activities.
Employees	The Company's employees	Experienced, competent, engaged	Constant care about employees is one of key

		and value-driven professional employees is a prerequisite for the implementation of strategic goals and vision.	principles of sustainable business. We ensure equality among employees, uniform work pay conditions, and successful work-life balance. We take care about professional development and health of employees, and implement open and value-driven culture, where we take into account the opinion of our employees.
Communities	Local communities in which we operate	A critical success factor for the implementation of the projects is support from local communities through fostering of mutual trust, understanding, communication, and responsibility.	We maintain an ongoing communication with local communities, organise various events, where we increase awareness about our activities that could affect the community members or their environment.

**CORRUPTION PREVENTION**

In its activities, the Company has zero tolerance towards any form of corruption, inappropriate benefits, acceptance, provision, offering, promise or demand of gifts in abuse of current duties.

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

- All members of the Company’s management are directly responsible for implementation of corruption prevention measures, and they act as role models for the rest of employees;
- Proportionate, risk-weighted anti-corruption procedures are in place;
- Corruption-related risks are assessed on a regular basis, corruption mitigation measures are planned and implemented, effectiveness of anti-corruption measures is monitored, and if necessary, more effective measures are implemented.

**HUMAN RIGHTS**

The Company follows its Policies for Ethical Employment and Equal Opportunities (approved in 2017), emphasising that all forms of discrimination are strictly prohibited (Conventions No. 100 and No. 111 of the International Labour Organization). The Company ensures equal rights for all employees and does not tolerate discrimination in the areas of employment, remuneration, training, professional career, termination of employment, retirement and other areas on the grounds of race, nationality, gender, sexual

orientation, age, political views of employees, as well as other aspects that might lead to discrimination, and does not tolerate any threatening, harassing or exploiting behaviour among the employees.

No discrimination or other incidents related to violation of human rights were detected at the Company in the first half of 2021.

## **9.1. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY**

Amber Grid's principles and commitments related to environmental protection, occupational safety and health of employees are established in its Environmental Protection and Occupational Safety and Health Policy.

The provisions of the Policy form the basis for as much as possible effective mitigation of any impact of the Company's operations on the environment, and for ensuring occupational safety and health of employees. The policies for prevention, safety, environmental sustainability must be followed by each stakeholder or groups of stakeholders that are involved in the activities of Amber Grid.

### **Management system**

The Company has the environmental management system compliant with international standard ISO 14001 in place since 2014, and the occupational health and safety management system compliant with OHSAS 18001 since 2016.

In 2019, the Company's environmental management system was re-certified according to ISO 14001, and certified according to new standard ISO 45001 for the occupational safety and health management system. The environmental management system and the occupational safety and health management system have been integrated into Amber Grid's planning, organisation and management processes.

Considering the social and economic environment and the Company's financial and technical possibilities, the Company's management is committed to assure continuous improvement of environmental and occupational safety and health management processes and their efficiency, as well as compliance with the standards acceptable for the management process.

In 2021, the Company continued fighting the COVID-19 pandemic and made every effort to safeguard its employees against potential infection risk.

To foster social cooperation and partnership in the field of environmental protection and occupational safety and health of employees, all employees and stakeholders of the Company are regularly informed in order to ensure their awareness and understanding of the emerging issues.

In 2021 the Company initiated a public procurement for an environmental impact assessment including an inventory of greenhouse gas emissions. The winning tenderer will prepare, under a contract, an environmental impact assessment plan and a plan to reduce greenhouse gas emissions so that the adverse impact of the Company's operations is reduced by 2/3 by 2030.

## 10. MATERIAL EVENTS DURING THE REPORTING PERIOD

In the performance of its obligations under the legal acts regulating the securities market, the Company publishes notices of its material events and other information regulated on the EU-wide basis. The information is available on the Company's website (<https://www.ambergrid.lt/en/about-us/investors-relations/materialevents>) and on the official website of NASDAQ Vilnius stock exchange ([www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)).

Material events during the reporting period are listed in Table 16 below:

Table 16. Material events at Amber Grid in the first 6 months of 2021

Date	Material events during the reporting period
04/12/2021	AB Amber Grid Group Consolidated Operating Results for year 2020
23/02/2021	The audit committee's opinion on the transaction with the related party is received
04/03/2021	Regarding Judgment of the Court
09/03/2021	AB Amber Grid entered into the Management Holding Services Agreement with UAB EPSO-G
15/03/2021	Correction: Regarding the publication of Amber Grid interim information and Investor's Calendar for 2021
31/03/2021	AB Amber Grid announces audited consolidated and separate financial statements for 2020, the consolidated annual report and the draft profit allocation
31/03/2021	Notice on Convening an Annual General Meeting of Shareholders of AB Amber Grid
23/04/2021	Decisions taken in the Annual General Meeting of Shareholders of AB Amber Grid
23/04/2021	Annual information of Amber Grid for the year 2020
05/05/2021	AB Amber Grid Group Consolidated Operating Results for the 1st Quarter of 2021
10/05/2021	On Natural Gas Transmission System Operator's Revenue Cap of Regulated Activities for 2022
18/05/2021	Regarding New Prices for Natural Gas Transmission Services
31/05/2021	New prices for natural gas transmission services have been approved

All notices that must be public according to the procedure defined in legal acts can be found in an electronic publication of the Manager of the Register of Legal Entities. All notices on convening the Company's General Meeting of Shareholders and other material events are announced on the Central Storage Facility at [www.crib.lt](http://www.crib.lt) and on the Company's official website [www.ambergrid.lt](http://www.ambergrid.lt) in accordance with the procedure established in the Law on Securities. The shareholders whose shares entitle them to at least 10% of total voting rights, receive notices on convocation of the General Meetings of Shareholders in accordance with the procedure established in the Company's Articles of Association.