Amber Grid

Amber Grid AB consolidated annual report 2021

Amber Grid AB consolidated and separate financial statements, consolidated annual report and independent auditor's report for the year ended 31 December 2021

Table of contents

Foreword by the Chairman of the Board

Dear All,

The first months of 2022 were extremely rich with events and changes that we will remember for a long time ahead. The war in Ukraine has triggered a lot of anxiety, yet at the same time it has brought us together – each of us personally, our teams, and organisations. In late February and early March, in a matter of hours and days, we took decisive steps in making and amending the decisions that have been guiding us for a number of months and years. Moreover, during that period it became apparent that for many years Lithuania has been confidently and successfully moving to gain energy independence. A consistent development of gas transmission infrastructure towards the West, and the benefits of the regional market integration have become more than obvious. I have been truly moved by the togetherness, motivation, and commitment of my colleagues in their efforts to overcome the challenges that have emerged just in one night.

During 2021, Amber Grid increased the volume of its operations largely due to cold temperatures, thereby growing its revenue by almost one-third. But most importantly, Amber Grid invested over 45 million euros to strengthen the gas transmission network. In December, the construction of the GIPL pipeline between Lithuania and Poland was completed in the territory of Lithuania. The interconnection will be launched in 2022, thereby enabling Lithuania to reject gas from the East.

As soon as Lithuania connects its gas pipelines with the gas market of Poland and, at the same time, of the entire Europe, new opportunities will open for cross-border gas trade. For that reason, Amber Grid has already started the selection of a strategic partner for the gas exchange GET Baltic. Together with our future partner, we will seek to tap into the potential of the European gas market and provide the customers of GET Baltic with the most advanced gas trading solutions.

Despite the recent significant developments in the geopolitical environment, we are determined to move forward to the green energy phase, as it is stipulated in Amber Grid's long-term strategy and action plans approved last year. Our commitment to society is to adapt the infrastructure to green gas and to meet our climate change targets. The symbol of that is a refreshed logo of Amber Grid - the shape and colour of green amber – which was introduced last year. It will accompany us in our efforts to work in a more sustainable manner and with a lower environmental impact.

I would like to express my gratitude to customers, employees and partners of Amber Grid for staying together throughout 2021. I wish all of us to stay focused and determined. We are moving in the right direction.

Sincerely,
Algirdas Juozaponis
Chairman of the Board of Amber Grid

CEO'S FOREWORD

The year 2021 marks the completion of the implementation of the recent most important, strategic project gas interconnection Poland-Lithuania GIPL. This is a strategic project consolidating energy freedom not only to Lithuania but also to the entire region of the Baltic countries, this is also an energy project which is significant to Finland. The construction of the GIPL pipeline continued for two years during the pandemic making its implementation even more complicated. Regardless of challenges faced, the GIPL pipeline was constructed at the scheduled time and in line with the budget. This allowed preparing for unpredictable aggression from the East. We have recently announced that the GIPL pipeline will be put into operation already on 1 May of this year. The objective of the strategic energy infrastructure project GIPL has been achieved – a new, alternative gas transportation source is being opened up for the region ensuring security of gas supply.

One of the most prominent priorities of the operating activities in 2021 was active work in the area of green energy. In cooperation with the foreign consultants, we have started the preparation of the national guidelines for the use and development of hydrogen that will lay the foundations for the Lithuanian hydrogen strategy. We have commenced preparatory works related to an inventory of greenhouse emissions, directed large attention to the drafting of the plan for the measures of mitigation of environmental impact. In providing assistance to businesses to achieve greater progress towards biomethane production in Lithuania we have made stronger relationship with the participants of this market, we take actions that help improve our services and facilitate the process of connection to the gas transmission system. In 2021, we installed solar power plants in the objects of Amber Grid and started to generate our own green electricity. Using the solar power plants, we will generate around 40 per cent of the total quantity of electricity necessary for the gas transmission network of Lithuania.

The first project on green hydrogen production was launched in 2021. Together with other Lithuanian companies we concluded an agreement on cooperation in the development of the hydrogen production technology Power-to-gas (P2G). During implementation of this project, a green hydrogen production unit will be connected to Lithuania's natural gas system for the first time. It is estimated that this pilot project will be implemented and the production of green hydrogen gas according to the P2G technology will be launched in Lithuania in 2024.

The Amber Grid strategy 2030 was announced last year. Its priorities include adaptation of infrastructure for green hydrogen, development of a competitive regional gas market, reduction of the company's impact on the environment by two thirds. The strategy lays down the objectives of becoming an innovative, environmentally friendly company aiming to radically reduce the impact of its activities on the environment that are understood by all members of the Amber Grid team. Along with a common task known to an employee of the gas transmission system operator, i.e. safeguarding of the security and reliability of the operation of the natural gas system, another task has emerged connected to coexistance with the environment, its preservation.

In the middle of the year first alarming signs of rising prices of gas were observed. It was noticed already in summer that the price of gas began to rise sharply due to cold weather in the last winter, emptied gas storage facilities and global economic recovery after the pandemic. Although gas consumption continued to grow in Lithuania in the middle of summer, the gas flow to the Baltic countries declined completely. A high price of gas caused a decline in gas volumes transported to the Baltic countries by 80 per cent compared to 2020 when the price was very low. Despite high gas prices gas consumption remained stable in Lithuania, 24 terawatt hours (TWh) of gas were consumed in Lithuania in 2021. A major part of the latter quantity, even 62 per cent, was supplied through the Klaipėda LNG terminal. Gas import from Russia comprised only 26 per cent of Lithuania's gas demand.

Recent high prices of natural gas had impact on the rise in revenue and in expenses as well. The company earned more than 68 million euros in revenue from the provision of the system balancing services in 2021.

In the face of the recent aggression from Russia we are prepared for all possible challenges as we have strengthened the gas transmission system, developed response plans in case of a state of emergency. We aim to achieve a common goal – the creation of an independent system that ensures security of energy supply and natural gas supply to the State without disruptions.

In summing up the year 2021, I would like to extend my gratitude to employees, clients, partners and shareholders of Amber Grid for focus, awareness of the seriousness of the situation, cooperation and support. The year 2022 will be remembered as the year when we have created access to another independent source of gas supply – Lithuania's first gas interconnection with the West. This will enable us to feel more secure and to lay the foundations for the green energy transformation.

Nemunas Biknius
Chief Executive Officer of Amber Grid

1. Overview

The Consolidated Annual Report covers the reporting period for the year 2021.

Basic details

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

Amber Grid – 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 nearly 2,300 km-long gas pipelines and two gas compressor stations. A well-developed gas transmission infrastructure in Lithuania is convenient for transportation of large volumes of energy to the Baltic countries and Finland.

In 2021, the Company implemented a strategic energy project GIPL (Gas Interconnection Poland-Lithuania). The international gas interconnection, which will be put into operation in 2022, will connect the gas transmission systems of Poland and Lithuania, as well as the gas markets of the Baltic countries and Finland with those of other European Union countries. As Amber Gird seeks to achieve the decarbonisation goals 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 the EPSO-G UAB group of companies (hereinafter referred to as EPSO-G or EPSO-G Group). EPSO-G is a state-owned group of energy transmission and exchange companies, and 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.

Amber Grid controls 100% of the authorised share capital of GET Baltic UAB. GET Baltic 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, see the official website at www.getbaltic.com.

The Company has no branches and 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.

Performance indicators

Table 1. The Company's performance indicators in 2019–2021.

	2021	2020	2019
Quantity of gas transported to domestic exit point, GWh	24,136	25,144	23,530
Quantity of gas transported to adjacent transmission systems [1], GWh	28,595	32,861	31,991
Number of systems users at the end of the period	110	108	105
Length of gas transmission pipelines, km	2,285	2,115	2,115
Gas distribution stations and gas metering stations (number of units)	68	67	68
Number of employees at the end of the period	324	319	316

Significant events

January

• Amber Grid concluded agreements with the Lithuanian Business Support Agency (LBSA) under which the Company will digitalise the control of the Jauniūnai gas compressor station in Širvintos district and will 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. Support from the EU structural funds will account for a half of the funds, i.e. approx. EUR 1 million.

February

• During the implementation of the international gas interconnection project GIPL, contractors building the gas pipeline in Lithuania and Poland installed a prewelded section of the pipeline. During the construction of the GIPL pipeline, 102 km of the new gas interconnection were tested in February. The total length of the gas pipeline is 165 km.

• On 9 February 2021, Amber Grid received a notification informing about a temporal suspension of gas transit from Lithuanian to Kaliningrad at Gazprom's request. Gas is transported to this area of Russia by transit through Lithuania from Belarus. The reasons for the suspension of gas transit were not specified. The transit to the Kaliningrad Region was renewed in the evening of the same day by placing an order for the gas transportation service.

• On 25 February 2021, Amber Grid entered into the management holding services agreement with EPSO-G UAB. The maximum price of the agreement is EUR 425 thousand (excl. VAT), term of the execution of the agreement – 36 months.

March

• On 3 March 2021, Amber Grid received a copy of the ruling rendered by the Supreme Court of Lithuania in the case over decisions of the Procurement Commission formed for the Poland-Lithuania GIPL. The court ruled to reverse the 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 lower instances 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 for reconsideration regarding a 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 Gas Exchange 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 (equivalent to a 73 km long section of the gas pipeline) was duly completed and the quality of the gas pipeline meets statutory requirements.

April

• New member of the Board of Gas Exchange 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.

[1] The transmission systems in the Republic of Latvia and the Kaliningrad Region of the Russian Federation

• Upon completion of three quarters of the construction works of the Lithuania-Poland gas interconnection GIPL, the final phase of the construction of the interconnection was started – the construction 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 National Energy Regulatory Council (NERC) approved a revenue cap for Amber Grid for 2022. The cap of EUR 40.4 million is 4 % lower compared with a revenue cap of EUR 42.4 million approved for 2021.

• 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 an average gas transmission price of 1 EUR/MWh approved for 2021.

June

• Amber Grid, Energijos Skirstymo Operatorius (ESO) and company SG Dujos Auto concluded an agreement on cooperation in the development of the hydrogen production technology Power-to-gas (P2G). During implementation of this project, a green hydrogen production unit will be connected to Lithuania's natural gas system for the first time. It is estimated that this pilot project will be implemented and the production of green hydrogen gas according to P2G technology will be launched in Lithuania and supply to the gas network will be started in 2024.

• Amber Grid conducted a survey of participants of the Lithuanian market for renewable energy sources (biomethane) in order to determine the current situation in the renewable sources market, to identify areas for improvement in order to facilitate a faster and easier development of this market in Lithuania. The summary of the survey results is available on the Company's website.

July

• Amber Grid announced a tender for the modernisation of the Šiauliai and Telšiai gas distribution stations. The project is implemented after receiving approval of the EU assistance for the modernisation of these stations. It is expected that the project will be completed by mid-2023.

• On 8 July 2021, the NERC updated the hourly capacity product prices for 2022 at the future Santaka (GIPL) cross-border interconnection point.

• On 14 July 2021, the Board of Amber Grid approved the new operating strategy of the Company.

August

• The first 10 MWh of green gas were imported to Lithuania through the origin guarantees system that were granted guarantees of origin to prove that. The country of origin of the imported biomethane gas is Denmark, gas was acquired by company SG Dujos. The green gas guarantee of origin proves that gas was produced using renewable energy sources.

• The procurement of the construction works of the ELLI project was started. The ELLI project is the second most important strategic project after GIPL, which is expected to increase capacities of the gas interconnection between Lithuania and Latvia.

• The Amber Grid strategy 2030 was announced. Its priorities include adaptation of infrastructure for green hydrogen, development of a competitive regional gas market, reduction of the company's impact on the environment by two thirds.

September

• Following the installation of the solar power plans, the company started to generate its own green electricity. The solar power plants at Amber Grid's objects in Vilnius, Jauniūnai and Panevėžys produce around 40% of the total quantity of electricity necessary for the transmission network.

• Together with the operators of the gas transmission systems of Latvia, Estonia and Finland, an agreement was reached on the enhancement of the development of the green gas market.

October

• The trademark of Amber Grid was renewed to mark a new stage of the company's activities which is focused on green transformation.

• The company's registered office was relocated to a new place of business at address: Laisvės pr. 10, Vilnius.

• Together with the operators of the gas transmission systems of the Baltic countries and Finland, the preparation of a research and development plan of technical capabilities of transportation of hydrogen was started.

• The golden weld of the GIPL pipeline was welded which connected the gas transmission systems of Lithuania and Poland. This was one of the last most important works during the construction of the gas pipeline that connects the gas markets of the Baltic region with that of the European Union.

• The certificate on the completion of the third stage of the construction of the GIPL pipeline was received.

November

• With the aim to develop a common regional gas market of the Baltic countries, the operators of the gas transmission systems of the Baltic countries and Finland agreed to extend the currently existing Estonian-Finnish-Latvian gas entry tariff zone. This will allow including Lithuania as well. The joint application of the operations was submitted to the national institution for evaluation.

December

• An innovative drone was produced and tested together with the Italian drone manufacturer. This drone is intended to detect the leakage of methane and supplements the arsenal of the company's gas pipeline maintenance equipment.

• A public tender for the contract work of the modernisation of the Kėdainiai, Vievis and Grigiškės gas distribution stations was announced.

• After the receipt of the last certificate on the construction completion, the GIPL construction project was completed on 31 December 2021.

Significant events after end of the reporting period

January

• Amber Grid started to prepare the guidelines for the national development of the hydrogen technology in Lithuania. They are prepared together with the public tender winner Baringa Consulting Limited, a consultancy firm from the United Kingdom, which cooperates with international consulting management company Civitta. The guidelines for the Lithuanian hydrogen sector development until 2050 and the action plan to implement them until 2030 are expected to be prepared in spring of 2022.

• The Boards of Amber Grid and EPSO-G decided to announce the selection of a strategic partner for subsidiary Gas Exchange GET Baltic. Strategic partner would be offered to acquire a stake in the company. A public tender is held to select the experienced strategic partner which could offer participants of the regional gas market a modern, advanced solutions-based gas trading platform that would include both short-term and long-term products and clearing services in line with the best market practices. The start date of the tender is 1 February 2022. The winner of the tender is planned to be selected in 2022. The participant who meets the qualification requirements and offers the highest price for GET Baltic shares will be able to acquire a stake of 66% in GET Baltic.

Membership

The Company has membership in the following organisations: European Network of Transmission System Operators for Gas ENTSOG (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, Lithuanian Hydrogen Energy Association, association INFOBALT, European Hydrogen Backbone initiative:

• 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.

• Amber Grid is a member of 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.

• Amber Grid is a member of the Lithuanian Hydrogen Platform set up under the Ministry of Energy. The Platform aims to assist with the implementation of the goals of the EU Hydrogen Strategy to support the scaling up of renewable hydrogen value chain across Europe. It also promotes the use of hydrogen as a clean fuel, energy source and carrier in the sectors of transport, industry and others, as well as promotes engagement of local businesses and organisations in the activities of the hydrogen value chain as they develop and manufacture products and prove services for the domestic and external needs.

• Amber Grid is 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.

• Amber Grid is a member of association INFOBALT. INFOBALT is the information, communication and technology sector association aiming to create the best conditions for application of technologies, market expansion and export. In cooperation with partners of this association Amber Grid develops a think tank cooperation platform of the energy, science and IT field EnergyTech, which brings together energy companies, scientific community and the most advanced and experienced IT and technology companies. The EnergyTech platform develops in three directions: the bank of innovative ideas and the centre of exportable competences; the area for like-minded professionals for an effective dialogue to promote innovations in the energy sector; the leader bringing together the local, regional and international community to ensure a sustainable energy of the future.

• Amber Grid joined the European hydrogen development initiative European Hydrogen Backbone. The members of the initiative devote their efforts to the creation of the vision of the hydrogen transportation infrastructure across Europe.

2. Business environment

Business environment and prospects

The start of the year 2021 marked with a high level of gas consumption due to all cold winter months and cool spring weather, emptied gas storage facilities and global economic recovery after the pandemic significantly contributed to the increase of the gas price indices on the international exchanges. Unfavourable prices caused decline in gas consumption in Lithuania and in volumes of gas transmitted to other Baltic countries.

During 2021, 26.3 terawatt hours (TWh) of gas were supplied to Lithuania, excluding transportation to the Kaliningrad Region. This amount represents 78.6% of the total quantity supplied last year when 33.5 TWh of gas were transported to Lithuania. 1.9 TWh of gas were transmitted through the gas interconnection to Latvia for the needs of other Baltic countries and Finland, which is a 76.1% decrease compared to 2020 when very high volumes of gas, i.e. 8 TWh, were transported in the direction of the Baltic countries due to record low prices on the gas market and significant differences in prices of the warm period compared to futures of the upcoming winter.

A lower volume of gas was consumed in Lithuania in the previous year. During 2021, 24.1 TWh of gas were consumed in Lithuania, which is 4% less than a year ago when a gas demand was equal to 25.1 TWh of gas. Lower gas consumption resulted from high gas prices.

The Klaipėda LNG terminal remains the main gas supply source for Lithuania and the Baltic countries. During 2021, 16.3 TWh of gas were supplied from the terminal, 3.2 TWh – from Latvia and 6.8 TWh from Belarus representing respectively 62%, 12% and 26% of the total gas input dedicated to the consumers of Lithuania, other Baltic countries and Finland.

In the context of fight against 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 – all these factors will contribute to lower consumption of natural gas for energy purposes and for the needs of the industry in Lithuania. 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 pursuance of pan-European and national goals to reduce greenhouse gas emissions. At the same time, gas transported via pipelines will change with an increasing share of "green" gas: biomethane and gas generated through the process of conversion of green electricity – green 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% as from 2020.

In March 2021, the Seimas of the Republic of Lithuania adopted the Law on Alternative Fuels. The purpose of the Law is to develop the infrastructure for use of alternative fuels by increasing the production and use of advanced biofuels, transitioning to modern and efficient public transport, and promoting the use of zero-emission vehicles in order to achieve that the share of renewable energy sources in the sector of transport reaches 15% by 2030. Special focus is paid to the transformation of the freight transport sector. The goal is to achieve that biomethane and green hydrogen consumption accounts for at least 5.2% of the final consumption in the transport sector by 2030. In addition, the focus is paid to the promotion of infrastructure for natural gas consumption in order to achieve that the share of natural gas and biofuels accounts for 32% of the total consumption of fuels in the transport sector.

The Law on Alternative Fuels established the use of origin guarantees of gas produced from renewable energy sources together with the certificates proving their sustainability in the transport sector seeking to implement obligations set forth in the Law. The guarantees of origin with the sustainability certificates used in the transport sector are converted to units of fuel produced from renewable sources and included in the system of renewable fuels, which is administered by the designated company Baltpool, a company of the state-owned group of energy companies EPSO-G. The possibility to use guarantees of origin with the sustainability certificates in the transport sector in Lithuania will determine future demand for such origin guarantees.

In December 2021, for the first time in Lithuania support was provided to the biomethane production projects under the facility *Investment support for biomethane gas production and (or) for the installation of biogas treatment facilities* of the Climate Change Programme. Support allocated to 8 companies amounted to nearly EUR 15 million. Moreover, in 2021, the Company received 14 requests from the potential green gas producers for the issue terms for the connection to the transmission network. The first biomethane producers are expected to start their activities already in 2023.

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.

Already 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 European Commission agrees that the gas sector and networks can make a significant contribution to the creation and development of the European hydrogen economy. The European Commission established two stages – a transitional period until 2030 and a period until the creation of the hydrogen market in 2050.

On 15 December 2021, the European Commission issued a new set of the EU draft legal acts. The Gas Package comprises the following legal acts:

1. Directive on common rules for the internal markets in renewable and natural gases and in hydrogen;
2. Regulation on the internal markets in renewable and natural gases and in hydrogen;
3. Regulation on methane emissions reduction in the energy sector and amending Regulation (EU) 2019/942.

The aim of the initiative of the proposals stipulated in the Directive and the Regulation is to facilitate the integration of renewable and low-carbon gases, particularly hydrogen and biomethane, into the energy system. The objective is a 55% reduction in methane emissions compared to 1990 by 2030 and the achievement of the climate-neural economy in the EU by 2050.

One of the main objectives of the Gas Package is the creation of the hydrogen market, development of a proper environment for investments and conditions for the development of the related infrastructure and trade with the third parties. Firstly, the market rules will be applied to access to the hydrogen infrastructure, separation of the hydrogen production and transportation activities and establishment of tariffs.

High energy prices in recent months have directed attention to the importance of energy security, particularly at the time of volatile global markets. The European Commission has offered to increase resilience of the gas system and strengthen the existing supply security provisions. In case of shortage, none of the households in the European Union will be left without help, and the international automatic solidarity will be enhanced using new measures established in advance and revisions regarding control and compensations in the internal energy market. The proposal expands the current rules to ensure their application to renewable and low-carbon gases and new provisions are stipulated to address the arising cyber security risk.

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 document, as well as the Gas Package, are expected to have considerable impact on gas transmission activities in the future.

The quarantine situation, which was announced in Lithuania due to COVID-19 pandemic in 2021, had no significant impact on the business continuity, implementation of strategic projects, and financial performance of Amber Grid. The Emergency Operation Centre operated at the Company, the Emergency Management Plan was reviewed, the following additional documentation and implementing measures were prepared: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions, as well as resources and responsible individuals, etc. The business continuity measures and the preventive measured were put into effect. All employees of the Company were provided with personal protective equipment: face masks, respirators, disposable gloves, disinfection liquid for hands, etc. During the quarantine, most of the Company's employees were working remotely, whereas employees from the Operation Units continued working in a normal mode due to the specific nature of their work by using the recommended protection measures.

Regulatory environment

As from 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 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 (amended by the NERC in 2021), 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, 2021 and 2022 is 3.38%, 3.86% and 3.94%, respectively.

Information on the activities of Get Baltic UAB (the subsidiary of Amber Grid) in 2021

Amber Grid holds 100% of shares of GET Baltic UAB. GET Baltic is a licensed natural gas market operator that has the status of a Registered Reporting Mechanism (RRM) granted by the Agency for the Cooperation of Energy Regulators (ACER). The company 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.

The year 2021 as the previous year was a year of development for GET Baltic. By continuously expanding the scope and quality of provided services and developing new solutions, the company aims to contribute to the development of the common wholesale natural gas market in the Baltic countries and Finland, its liquidity and higher transparency as well as formation of market prices.

Last year trade on the new secondary capacity trading platform operated by GET Baltic, which was launched on 1 December 2020 in Finland, was very active. Even 50 transactions were concluded on the platform in 2021. The secondary market plays an important role in assisting the market participants to manage and form demand for gas capacities and ensure their effective usage.

In view of the needs of the wholesale market participants and a continuous rise in the activity level on the exchange, the Baltic-Finnish Gas Spot Index for Day-ahead Product (BGSI-DA) was presented. The BGSI-DA index is intended to help market participants transparently and objectively assess the current situation in the market and monitor short-term changes in natural gas prices in the Baltic-Finnish countries combined and in each market area separately. The new index has been introduced and announced publicly from 1 May 2021.

Along with a regular quality improvement of services, a new service has been developed for the natural gas market participants which allows monitoring data submission to ACER on the standard contracts traded on the natural gas exchange of GET Baltic. This service enables market participants monitor information submitted by GET Baltic to ACER on orders placed on the exchange and transactions concluded. A new monitoring service can be requested by the exchange participants from 1 August 2021.

Aiming to implement the client-focused strategy of the organisation, improve the company's performance and fulfil client expectations as well as improve the quality of products and service, the client satisfaction survey was conducted in September-October for the first time. The survey included questions to the clients of GET Baltic who actively use the company's services on their experience and evaluation relating to the scope, quality of products, service, and employees as a knowledge and competence centre. The client satisfaction survey results showed that the clients of GET Baltic consider the company to be a stable entity that complies with the standard of the market services. The company will take into consideration the clients' opinion and seek to meet their needs when improving the company's performance and the quality of provided services.

Over the recent years particular attention has been given to the enhancement of IT security and improvement of internal processes. Innovative solutions have been installed in order to automate manual work, monitor trade on the exchange more conveniently and in greater detail, operatively exchange internal information and ensure reliability of publicly announced data.

In the upcoming year the exchange plans to continue the commenced works, continue the introduction of smart decisions, improve the quality of service and its products, address expectations of all market participants and the shareholders.

Gas Exchange GET Baltic performance in 2021:

- The total traded volume increased to 8 TWh. This was an all-time record since the start of operations of GET Baltic. Compared to 2020, the turnover increased 10% (2020: 7.2 TWh);
- The volume traded through the cross-border transactions totalled 1.6 TWh in 2021, i.e. 56% more than in 2020 (1 TWh);
- 54% of the total traded volume was purchased in Lithuania (4,320 GWh), 24% in Finland (1,942 GWh), and 21% in the common Latvian-Estonian market area (1,695 GWh);
- The highest growth in the turnover was observed in the common Latvian-Estonian market area, the volume of natural gas acquired increased twice (2021: 1,695 GWh; 2020: 824 GWh) and the volume of gas sold increased 17% (2021: 1,926 GWh; 2020: 1,640 GWh) compared to 2020;
- In total 21,311 transactions were concluded, i.e. 4% more compared to 20,576 transactions in 2020;
- In total 52 exchange participants placed orders, whereof all of them concluded transactions. In 2020, 56 exchange participants were active and placed orders, whereof 55 of them concluded transactions;
- Transaction with the lowest price of 14 EUR/MWh was concluded in March, and transaction with the highest price of 140 EUR/MWh was concluded in December.

Fig. 1. GET Baltic performance in 2021

97
Exchange participants

52
Active exchange participants

2
Market Makers

7 957 GWh
Traded volume

21 311
Number of transactions

Market area	Number of exchange participants	Number of market makers*	Buy volume traded, GWh	Sell volume traded, GWh
Finland	29	1	1 942	1 600
Latvia-Estonia	22	1	1 695	1 926
Lithuania	69	1	4 320	4 431

3. Strategy

Vision, mission, obligations and priorities

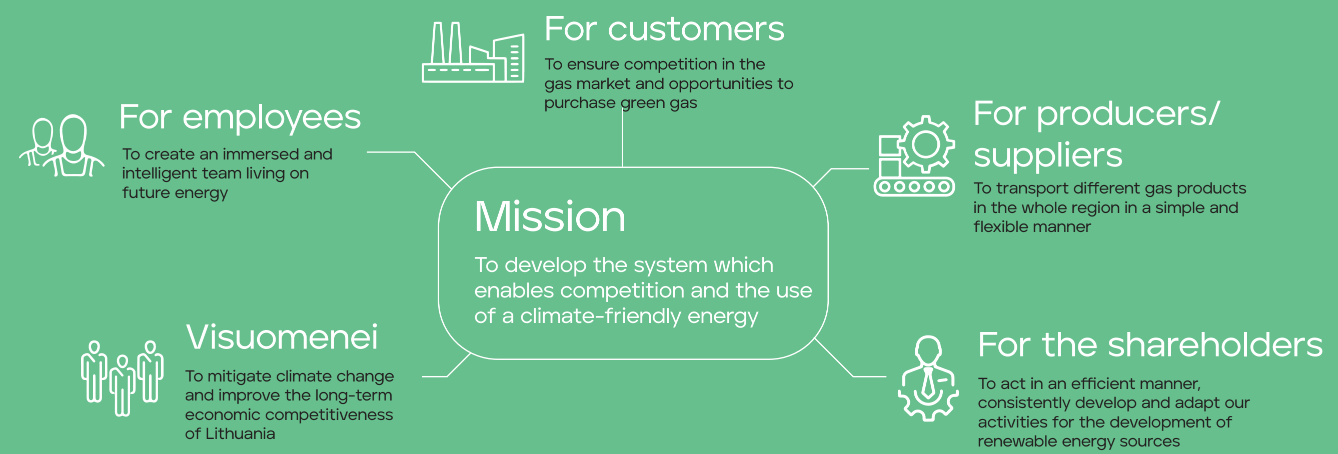
In mid-2021, the Board of the Company approved the new Amber Grid's strategy for 2021-2030.

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, metering 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 follow the new European Green Deal, while 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.

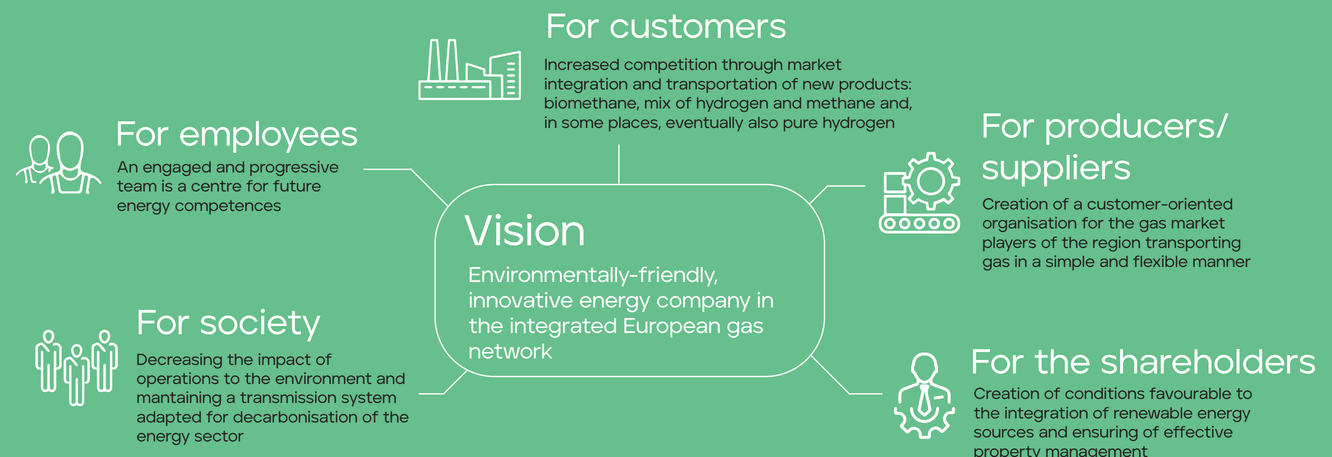
For each stakeholder, we have defined obligations and the unifying mission thus identifying the main purpose as long-term obligations to the stakeholders.

Fig. 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.

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

Amber Grid continuously evaluates the implementation and progress of the strategy to achieve its goals.

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 Chief Executive Officer are identical. The Chief Executive Officer reports to the Board for the achievement of the set objectives.

The table below presents the status on the implementation of the Company's objectives set for the year 2021.

Table 3. Implementation of objectives for 2021

CONSUMERS

OBJECTIVES	
To adapt the transmission network to placing of green gas on the market	We aim to create opportunities for the transportation of hydrogen and gas mixture according to new national and cross-border standards. To achieve this, we seek to reduce activity restrictions in site classes. In 2021, we have carried out a study and drawn up an action plan on necessary changes. In preparation for the entry of green gas into the transmission system, we developed a hydrogen testing program/methodology and started preparing procurement documentation for a pilot P2G project.
To achieve a close-to-zero price difference in the target trade areas of Lithuania and neighbouring countries (according to the exchange data)	In 2021, aiming to create a single regional market, ongoing work was continued with regional partners. The aim is to create a single market on acceptable terms for all the parties, including Lithuanian citizens and businesses. In 2021, ITC Phase II study was completed, and the Baltic TSOs generally agreed on the future ITC mechanism. The planned actions have been slightly delayed, and the joint application of the operators has been submitted to the regulatory authorities for assessment.

PRODUCERS/SUPPLIERS

OBJECTIVES	
To create a customer-oriented organization	In 2021, the planned works failed to be completed in full. For the cooperation with the Polish TSO, after the construction of the gas pipeline connection between Lithuania and Poland, the Company performed preparatory works: an updated chart of accounts, a prepared new month-end close process, approved rules for the use of the transmission system and balancing, performed hydraulic calculations in the direction of Poland, an installed GSA capacity allocation system. An IT system for efficient gas flow management and interactive exchange between the transmission system operator and system users was developed. A customer satisfaction survey was conducted, and a customer service standard was introduced. The implementation of an automated solution platform for servicing contractors and other interested parties has been delayed in finding a suitable technical solution and negotiating the scope of work.
To implement the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope	To create a unified infrastructure connecting the countries of the Baltic region with the gas transmission networks of other European Union countries, in 2021, the construction of the GIPL gas connection between Lithuania and Poland was successfully completed. During the implementation of the ELLI project, in 2021, all scheduled work was completed. The project is planned to be accomplished by the end of 2023, by increasing the pipeline connection capacity in the direction of Lithuania and Latvia.

FOUNDER

OBJECTIVES	
To ensure a sustainable return to the shareholder	A more detailed overview of the objective *To ensure a sustainable return to the shareholder* is provided in section *Financial results*.
To ensure efficient management by adapting it to integration of renewable energy sources	A number of measures are foreseen to achieve this goal. In 2021, the planned measures in technological asset management systems based on risk assessment were successfully implemented, solutions for the implementation of maintenance digitization were selected, the most suitable and unsuitable transmission systems for connection of local biomethane producers were announced, a study on linking the site classes to the working pressure of the main gas pipeline was carried out, a long-term digitization strategy was approved, and guidelines with a development plan for the Lithuanian hydrogen development were prepared. An external audit was performed which determined that the Company's information security management system complies with the ISO 270001 "Information Security Management System" standard. The implementation of the integrated accounting and financial management information system (ERP) has been encountering delays.

SOCIETY

OBJECTIVES	
To enable the transformation of the gas sector by integrating renewable energy sources	In 2021, the planned steps were successful in integrating the national system of guarantees of origin for gas produced from RES (including hydrogen) into the regional and European system under development. A decision was made on selecting the IT solution. Opportunities for trade in biomethane guarantees of origin across Lithuania, Latvia, Estonia and Finland have been suspended due to amendments to the legislation initiated in Estonia and the adoption of delayed legislation related to the operation of guarantees of origin in Latvia and Finland.
To significantly mitigate the impact of operations on the environment	One of the Company's top priorities is to significantly mitigate the impact of operations on the environment. To achieve this goal in 2021, 10% of the purchases carried out by the Company (by value) were green purchasing, the procurement procedures were launched to gradually replace the Company's vehicles with clean ones, and an inventory of greenhouse emissions was carried out. By the end of June 2022, an environmental impact assessment was conducted. The amount of electricity intended for use in the Company's operations, produced from RES, has not been reached, only a part of the planned solar power plants has been installed.

EMPLOYEES

OBJECTIVES	
To create an engaged organization	A major focus is on the implementation of changes in the organizational culture. In 2021, the plan on cultural changes was successfully implemented, employees were actively involved, and good practices were introduced to reinforce the organizational culture. An analysis of the current situation of the employer image was performed. A plan of measures to improve the employer image is being prepared.
To create a progressive organization - a centre for future energy competencies	To create a progressive organization, internal training was implemented in 2021 - an academy of internal lecturers was established to encourage employees to share their competencies and experience, and to strengthen cooperation between departments. The part of the model of general and managerial competencies was also updated, the analysis of the current situation in the priority areas was performed, and the ways of developing/acquiring competencies in these areas were provided. Aiming to create the culture of efficiency, an operational efficiency program was developed, yet its implementation has been encountering delays.

Strategic infrastructure projects

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

Both strategic projects were included in the following: the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSOG) (2020), the Regional Gas Investment Plan of the Baltic Energy Market Interconnection Plan (BEMIP) announced in 2017, the Natural Gas Transmission System Operator's Ten-Year (2020-2029) Network Development Plan, and the National Plan on Implementation of Key Electricity and Gas Transmission Infrastructure Projects approved the Government. The Fifth List of the EU Projects of Common Interest announced on 19 November 2021 included only one Amber Grid strategic ELLI project currently taking place, as the GIPL project had been already completed.

Gas interconnection Poland-Lithuania (GIPL)

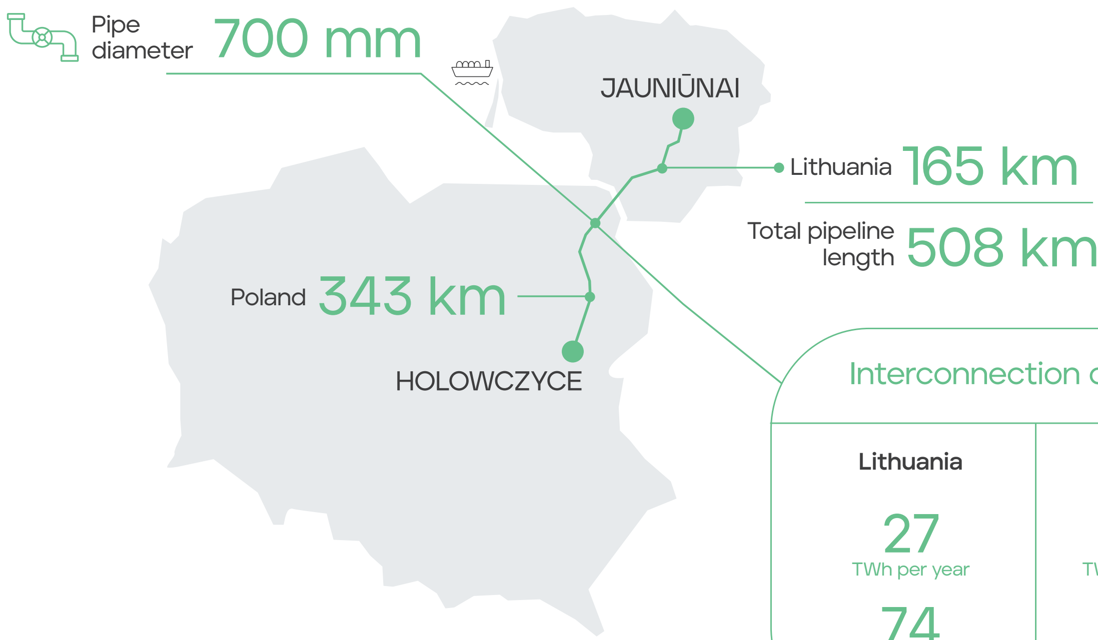
The 2-year construction works of the international gas pipeline connecting Lithuania and Poland (GIPL) that were conducted since January 2020 had been completed. This was confirmed by the final GIPL construction completion certificate received on 31 December 2021. The GIPL pipeline is expected to be launched in mid-2022.

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 Finish gas markets into a single gas market of the EU,
- Diversification of gas supply sources,
- Improvement of security of gas supply.

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



Interconnection capacity

Lithuania	Poland
27 TWh per year	21 TWh per year
74 GWh per day	58 GWh per day

The total length of the gas pipeline - 508 km, of which 165 km belongs to the territory of Lithuania. During GIPL construction, which took place in 2020-2021, a gas pipeline was built in Lithuania across nine municipalities from Širvintos to Lazdijai. The project contract work was implemented by a consortium of companies consisting of Alvora UAB and Šiaulių Dujotiekio Statyba UAB. The pipeline was laid under the largest rivers in Lithuania, the Nemunas and the Neris, using the environmentally friendly horizontal directional drilling (HDD) technique; mass archaeological research was carried out; the Santaka gas metering and pressure regulation station was installed; the pipeline constructed in Lithuania was connected to the Polish pipeline by welding a gold weld at the cross-border. On the Lithuanian side, the starting point of the gas pipeline connection is located near the gas compressor station in Jauniūnai, near Vilnius. The pipeline in Poland will be connected to the gas compressor station in Holowczyce.

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. Investments in the project amounted to EUR 116 million.

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 2021:

- In February, 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;
- In February, 102 km of the newly installed GIPL pipeline were tested during the construction of the GIPL pipeline;
- The final phase of the GIPL construction was started in April - the construction of the Santaka gas metering and pressure regulation station;
- In October, after the construction of gas pipeline sections by Lithuania and Poland to the state border, the gas transmission systems of both countries were connected;
- In December, all GIPL works in the territory of Lithuania were successfully 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 (www.ambergrid.lt/lt/projektai/dujotiekiu-jungtis-tarp-lenkijos-ir-lietuvos-gipl).

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.

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

The project's implementation in the territory of Lithuania will cover the capacity enhancement of the Kiemėnai gas metering station and reconstruction of the gas pipeline at the 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 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).

In 2021, public procurement was carried out for construction works. The contract is planned to be signed with a winner in early 2022 for the commencement of works.

The 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).

European Union's financial assistance

In 2021, Amber Grid implemented one of the natural gas transmission infrastructure projects provided for in the National Plan on Implementation of Electricity and Natural Gas Transmission Infrastructure Projects approved by the Minister of Energy of the Republic of Lithuania. 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. During the project "Implementation of a system for remote process control and data collection from gas metering units in the gas transmission system" period, software for the remote control of the technological processes of appurtenance of the gas transmission system and collection of meter readings was developed and implemented, thus ensuring the reliability and management flexibility of the gas transmission system. Total value of the implemented project is EUR 2 million.

In 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%. During the implementation of the project "Reconstruction of Individual Sections of the Main Gas Pipeline' (Phase II)", by Q III 2023, it is planned to reconstruct 3.89 km of the main gas pipeline, i.e. to reconstruct the overpasses of the main gas pipeline by replacing them with underpasses of 0.285 km, to reconstruct the non-dredged sections of the pipeline by dredging them by 3.614 km and to install advanced infrastructure elements in all reconstructed objects (overpasses, non-dredged sections of the pipeline) - corrosion speed sensors. The total value of the project is EUR 4 million.

More details on Amber Grid's infrastructure projects completed and in progress are available on the website:

https://www.ambergrid.lt/lt/perdavimo-sistema/perdavimo-sistemos-pletra/infrastrukturosprojektai

Regional market

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

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

In 2020, the results of the study regarding integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets revealed the economic benefits for each of the countries within the region, if the gas market of Lithuania were integrated with the gas market in Latvia, Estonia and Finland. Based on the results of the study of economic benefits for the market in 2020, an alternative analysis was prepared in 2021 in relation to potential Inter-TSO Compensation (ITC) mechanism. More information is provided in section *Regulation of Natural Gas Transmission Prices*.

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 in 2023-2024. At the end of 2021, the joint application of the transmission system operators of these countries on the common tariff zone and the introduction of an ITC mechanism was submitted to the regulatory authorities of Finland and the Baltic States for assessment. 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 2022, there are plans to organize a public consultation on the creation of the common tariff zone and the introduction of ITC mechanism is planned.

As the Company proceeds with the implementation of the GIPL project, the 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 Gielda 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. According to the results of the study and answers provided in the survey, and also taking into account the actual commercial use practices of GIPL in 2022, the decision will be made in relation to further steps necessary to harmonise the markets.

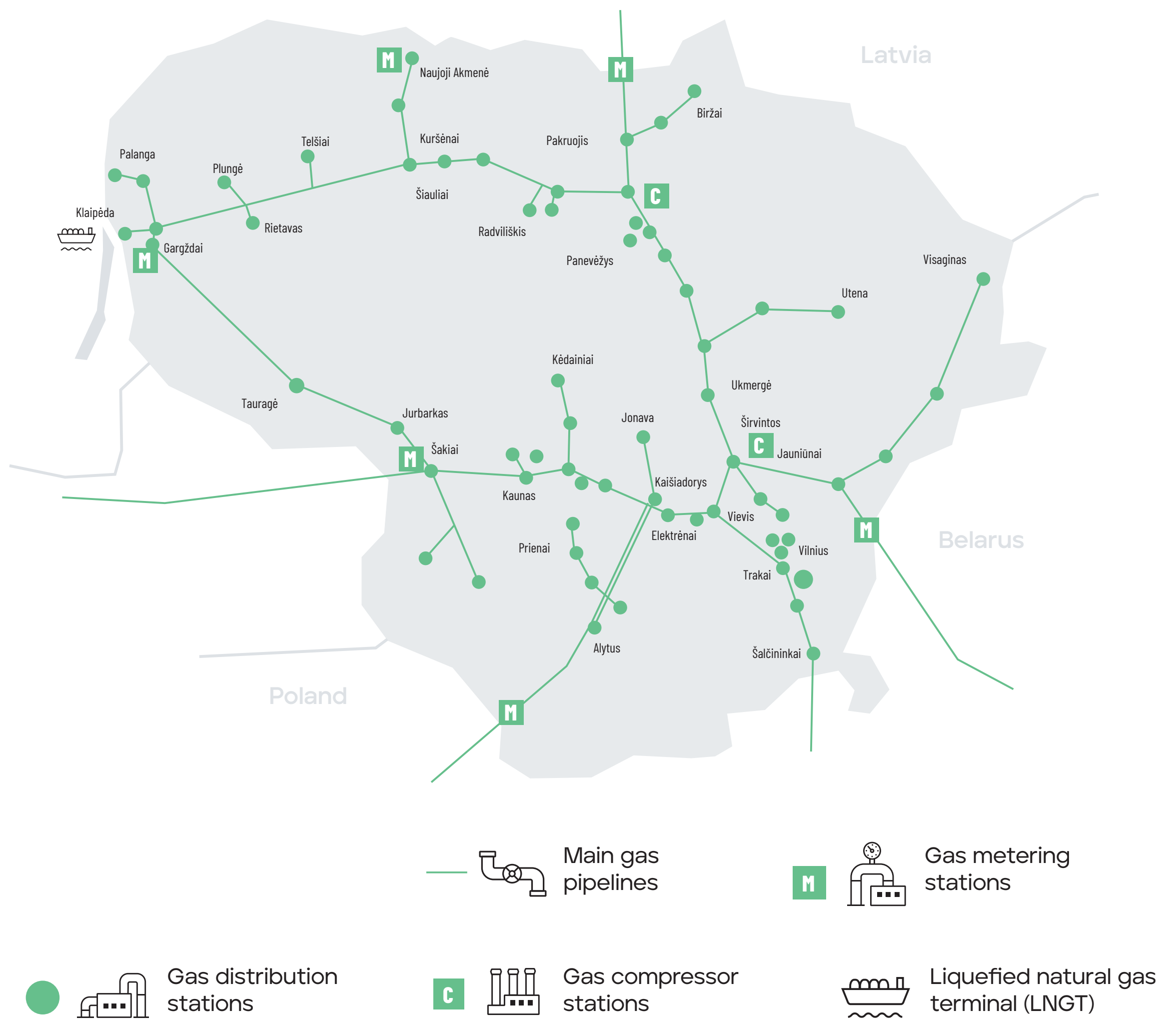
4. Operations

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 Poland, the Republic of Latvia, the Republic of Belarus, the Kaliningrad Region of the Russian Federation, and the Klaipėda LNG terminal.

The Company operates 64 gas distribution stations (GDS), 4 gas metering stations (GMS) and 2 gas compressor stations (GCS). The length of the operated pipelines is 2,285 km, and the diameter ranges between 100 and 1220mm. The design pressure in the larger part of the transmission system is 54 bar.

Fig. 6. The gas transmission system in Lithuania.



Maintenance, reconstruction and modernisation

The maintenance of the main 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 2021, internal diagnostics was conducted for the following main gas pipelines: Panevėžys-Šiauliai line II (33 km), Vilnius-Kaunas (42 km), branches to Palanga (28 km), Naujoji Akmenė (39 km) gas distribution stations. In total, 142 km-long pipelines were inspected during 2021.

In 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 the Vandžiogala GDS, Grigiškės GDS, Jašiūnai GDS, Alksnupiai GDS, Gegužinė GDS, Maišiagala GDS, Šiauliai GDS, Širvintos GDS; to the Kaliningrad Region, in the gas pipelines Minsk-Vilnius-Vievis, in Panevėžys-Šiauliai line II, in Panevėžys -Vilnius; in Ivacevičiai-Vilnius-Riga;
- installation of launching and receiving chambers for the monitoring device in the gas pipeline Ivacevičiai-Vilnius-Riga and in the gas pipelines' connector Ivacevičiai-Vilnius-Riga with the gas pipeline Vilnius-Kaunas, in the branch to the Biržai GDS, in the branch to Kėdainiai GDS, in the branch to the Pajiešmeniai GDS, in the branch to the Vandžiogala GDS, in the gas pipeline Šiauliai-Kuršėnai pipe II, in the gas pipeline Panevėžys-Šiauliai and Panevėžys-Šiauliai line II;
- replacement of 61 pipe inserts in the main pipeline based on the technical condition and diagnostics results of the gas pipelines;
- designing of restoration and expansion of the gas metering and gas distribution stations;
- designing of installation of the pressure relief valve in the pipeline's branch to Marijampolė GDS;
- installation of the photovoltaic solar energy power plants;
- designing of reconstruction of separate sections of the main gas pipeline Vilnius-Kaunas;
- designing of replacement of shut-off devices and connection to the remote control system in the branch to the A. Paneriai-I GDS , in the branch to the A. Paneriai-II GDS, in the branch to the Alytus GDS, in the branch to the Prienai GDS, in the branch to the Birštonas GDS, in the branch to the Vilkaviškis GDS, in the branch to the Batniava GDS, in the branch to the Miežiškiai GDS, in the branch to the Panevėžys GDS, in the branch to the Šiauliai GDS, in the branch to the Pajiešmeniai GDS, in the gas pipeline Ivacevičiai-Vilnius-Riga, in the gas pipeline Vilnius-Panevėžys-Riga, in the gas pipeline Vilnius-Kaunas, in the gas pipeline Panevėžys-Riga, in the technological connector to Klaipėda, in the gas pipeline Panevėžys-Šiauliai line II.

In 2021, the Company completed the following reconstruction and modernisation works:

- replacement of shut-off devices and connection to the remote control system in the branch to the Vandžiogala GDS, in the branch to the Grigiškės GDS, in the branch to the Jašiūnai GDS, in the gas pipeline Ivacevičiai-Vilnius-Riga, in the branch to the Alksnupiai GDS, in the branch to the Gegužinė GDS, in the branch to the Maišiagala GDS, in the branch to the Širvintos GDS, in the branch to the Kaliningrad Region, in the gas pipeline Minskas-Vilnius-Vievis;
- renewal of video surveillance equipment of buildings;
- renewal of technological equipment of the Praviena GDS, Vilkaviškis GDS, Švenčionėliai GDS and Gargždai GDS;
- installation of the technological assets management system based on risk assessment;
- installation of one photovoltaic solar power plant;
- installation of software designated to ensure effective management of gas flows by the transmission system operators and the system users and information exchange;
- modernisation of the automated control system of the Jauniūnai gas compressor station;
- implementation of the system for remote control of technological processes in the gas transmission system and collection of data from the gas metering devices.

Market of the services

Amber Grid provides natural gas transmission services to the system users, other operators and gas market participants in the territory of Lithuania: it transmits gas to the domestic consumers, also transports natural gas to Latvia and the 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.

In 2021, the GIPL project was completed in Lithuania, which is being implemented by Amber Grid in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A. It 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 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, 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.

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.

Description of the services

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

- Natural gas transmission in the territory of Lithuania;
- Balancing of natural gas flows in the transmission system;
- Administration of funds intended for compensation of construction costs and fixed operating costs of the Klaipėda 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.

Gas transmission

Gas transmission quantities

In 2021, for the consumers in Lithuania and the EU Member States (Latvia, Estonia and Finland), gas injected from the Klaipėda LNG terminal to the gas transmission system operated by Amber Grid amounted to 16,337 GWh, gas transported from Latvia to Lithuania amounted to 3,155 GWh, and gas transported from Belarus to Lithuania amounted to 6,843 GWh. Gas transmission quantities from the Klaipėda LNG terminal to the consumers in Lithuania and other EU Member States accounted for 62.0% of the total required quantity of gas.

24,136 GWh of gas was transmitted up to the domestic exit point for the gas consumers in Lithuania in 2021. Compared to 25,144 GWh of gas transmitted in 2020, gas transmission quantities decreased by 4%.

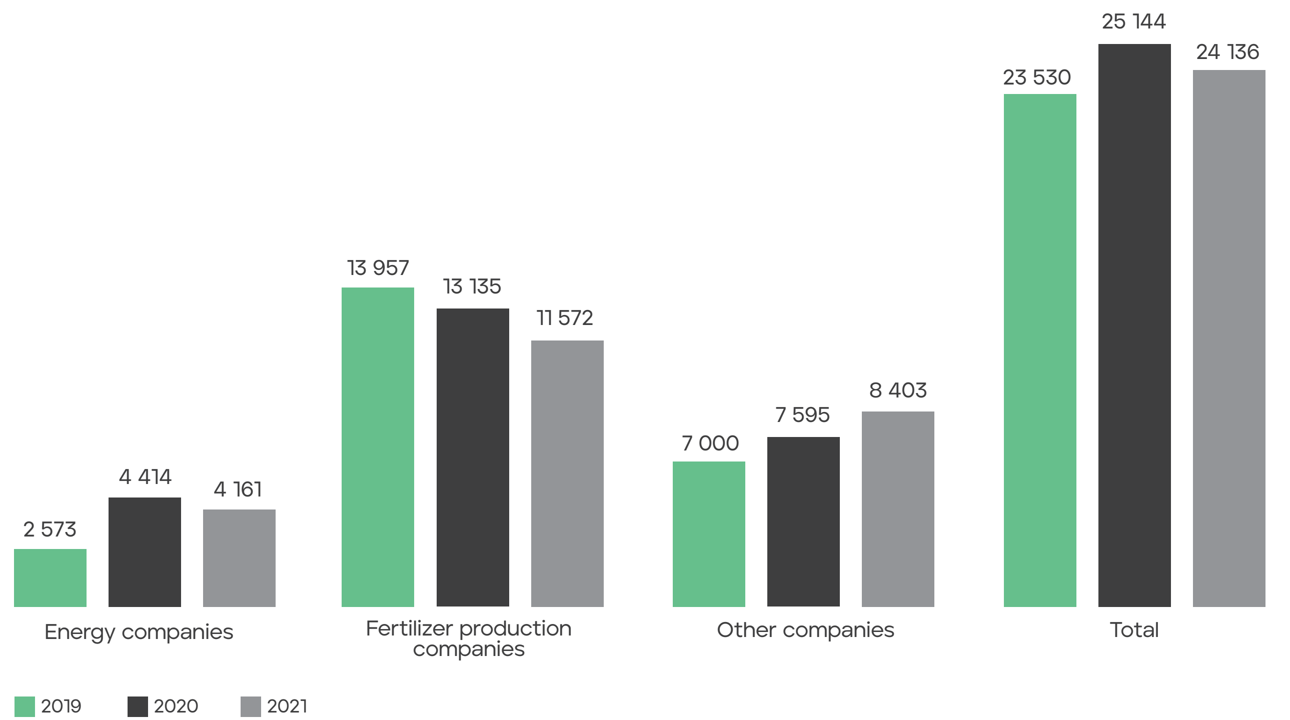
1,902 GWh of gas was transmitted from the Lithuanian transmission system to Latvia through the gas metering station in Kiemėnai in 2021, i.e. 76.1% less compared to 2020 (7,960 GWh).

26,693 GWh of gas was transported to the Kaliningrad Region of the Russian Federation during the reporting period (2020: 24,902 GWh).

As at 1 January 2022, the Company had 110 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 Fig. 7.

Fig. 7. Transmitted gas quantities by type of transmission system users in Lithuania, GWh, 2019–2021.



Regulation of GAS transmission prices

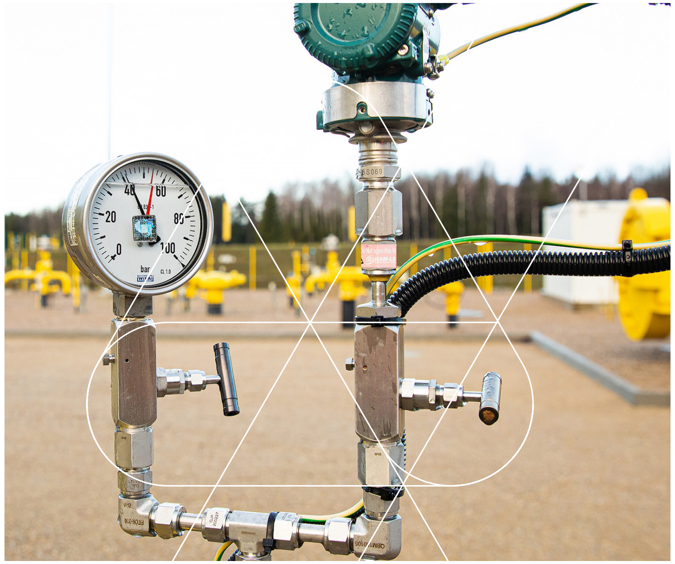
Regulation of gas transmission prices is conducted by NERC through setting the revenue cap, the pricing methodology, and through approval of the specific prices set by the Company. The revenue caps for regulated activities can be annually adjusted by the decision of NERC in accordance with the procedure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

In view of the opinion expressed by the market participants in the course of public consultation conducted during the period between 16 December 2020 and 17 February 2021 by NERC in line with the provisions of the European Commission Regulation establishing a network code on harmonised transmission tariff structures for gas (TAR NC) and based on a EUR 40.44 million revenue cap for regulated activities of Amber Grid set by NERC on 10 May 2021 for the year 2022, which is slightly lower compared to a EUR 42.2 million revenue cap for 2021 due to the evaluation of the investment return non-compliance for last few years within the permitted revenue level for 2022, at the end of May 2021 NERC approved the gas transmission prices set by the Board of the Company for the year 2022. More details on the gas transmission prices effective from 1 January 2022 are available on the Company's official website at: https://www.ambergrid.lt/lt/paslaugos/kainos-ir-mokesciai/kainos-nuo-2022-01-01.

In 2022, the average gas transmission price to meet the domestic consumer needs in Lithuania (for short-term and long-term products) is 1 EUR/MWh, which is about 29% lower compared to the average gas transmission price in 2021 (1.40 EUR/MWh). On 10 May 2022, NERC approved a EUR 40.44 million cap for revenue of Amber Grid for the year 2022. In 2022, Amber Grid and NERC established to domestic consumers in Lithuania a significantly lower average price for gas transmission services. The tendency of low transmission services prices resulted from a one-off adjustment by which additionally earned revenue and expenses saved for 2019 and 2020 were returned to consumers and from larger expected natural gas volumes.

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 under way 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 studies on integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets (which were conducted from 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, an analysis of alternatives for potential Inter-TSO Compensation Mechanism was undertaken in Lithuania in 2021 in order to ensure that Lithuania joins the FINESLAT tariff zone on such terms and conditions that are beneficial and balanced for all the parties. At the end of 2021, the operators of the transmission systems of Finland and the Baltic countries submitted to the regulatory institutions a joint application for assessment regarding the creation of a common tariff zone and introduction of the ITC mechanism. The Baltic countries and Finland will continue to agree their positions on a further market integration aiming to develop a model for cooperation between the operators which would be acceptable to all parties. A public consultation is planned to be announced in 2022 regarding the creation of a common tariff zone and introduction of the ITC mechanism. If a compromise solution were reached, Lithuania would join the FINESTLAT tariff zone as from 2023-2024.



Close cooperation with the Polish transmission system operator Gaz-System is becoming increasingly relevant for the purpose of creating as much as possible favourable conditions for cross-border flows between Lithuania and Poland from 2022 upon the start of the operation of the new GIPL gas pipeline.

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 occurs 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.

In 2021, due to the imbalance caused by the system users, the Company bought 98.9 GWh and sold 45.2 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. In 2021, transmission of gas to Kaliningrad Region resulted in a 148.8 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.

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 Liquified Natural Gas Terminal and the supplementing legal acts), the Company collects, administers and pays out the LNG terminal funds to the terminal operator (Klaipėdos Nafta AB) 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 19 November 2021, NERC approved an extra charge of 252.86 EUR/(MWh/day/year) related to gas supply security with effect from 1 January 2022, which is 27% lower compare to an extra charge of 346.11 EUR/(MWh/day/year) applied in 2021.

The table below presents apportionment of the LNG terminal funds among their beneficiaries, as agreed with NERC.

Table 4. Apportionment of the LNG terminal funds among their beneficiaries in 2021-2022.

Components	Apportionment effective from 1 January 2021	Apportionment effective from 1 January 2022
Regasification of liquefied gas	43.74%	59.28%
Administration costs	0.12%	0.14%
Reasonable supply costs of the required quantity for the LNG terminal	56.14%	40.59%
Total	100%	100%

There were legal disputes with Achema AB in two civil cases in relation to unpaid LNG terminal funds. Currently, one civil case is pending at the court and the investigation of one civil case was completed at the Supreme Court of Lithuania that on 29 September 2021 adopted a final ruling which cannot be challenged in favour of Amber Grid awarding from Achema AB the LNG terminal funds of EUR 3,188,444.81 for the period from 1 September 2013 to 31 December 2013 and late payment interest of EUR 544,980.33 for the period from 26 October 2013 to 26 March 2015 and the LNG terminal funds of EUR 14,720,648.52 and late payment interest of EUR 304,823 for the period from 3 December 2014 to 30 April 2015.

The company's ten-year network development plan

In accordance with the provisions of the Law on Natural Gas, Amber Grid prepares the Ten-Year Network Development Plan of the transmission system operator every two years. In June 2020, Amber Grid prepared the Ten-Year Network Development Plan (2020-2029) and submitted it for the NERC approval. The total amount of investments in the gas transmission system development projects over the next ten years is expected to reach EUR 229.15 million (including the GIPL project completed in the territory of Lithuania in 2021). The gas consumption in Lithuania is expected to increase slightly over the next ten years, as there will be a possibility to transport gas towards new directions – through the gas interconnection between Poland and Lithuania. The Network Development Plan also stipulates the main transmission system development directions, including focusing on innovations and green energy promotion.

More details about the planned investments are provided on the Company's official website at: https://www.ambergrid.lt/lt/perdavimo-sistemos-pletros-planas.

The Ten-Year Network Development Plan of the transmission system operator is planned to be updated in 2022.

Green GAS activity

The Company plays an active role in the following fields related to green gas:

- Development of green gas;
- Administration of guarantees of origin.

Green GAS development

Intensive development of the energy generation from RES and significant increase in the portion of RES in the overall energy balance, existing and projected challenges related to the electricity network balancing and integration to the electricity transportation system create opportunities for the development of one of the most promising technologies Power-to-Gas that involves production of green hydrogen from renewable electricity. This technology will allow accumulating high power energy generated from RES and help manage the aforementioned challenges. This technology will be used to transform electricity generated from RES to energy in a gas form (hydrogen or a synthetical methane) and to transport it through the gas transmission and distribution networks to the energy storage and consumption locations and therefore will contribute to the decarbonisation of the energy and transport sectors. Thus, aiming to assess the relevance of hydrogen gas and the Power-to-Gas technologies and their applicability in Lithuania, in 2021 the Company continued to conduct the technical and economic feasibility study of the applicability of these technologies in Lithuania, which is an integral part of the joint project of the EPSO-G Group *Raida 2050*. The results of the study are available at: https://innovation.epsog.lt/musu-projektai/2020-2050-metu-lietuvos-elektros-energetikos-sistemos-raidos-scenariju-sudarymas/

With the aim to make a more significant contribution to the development of the hydrogen and Power-to-Gas technologies in the country and the region, the Company takes part in the activities of the Lithuanian Hydrogen Platform established by the Ministry of Energy and is a member of the European Clean Hydrogen Alliance and the Lithuanian Hydrogen Energy Association. In 2021, the Company joined the European Hydrogen Backbone initiative that brings together 23 transmission system operators across Europe. Its objective is to develop the hydrogen transmission infrastructure that would connect all countries in Europe.

In cooperation with the transmission system operators of the Baltic countries and Finland, in 2021 the Company prepared the research and development plan to determine technical possibilities and investments necessary for hydrogen transportation in the region. The first stage of the research and development plan will start in 2022.

Administration of guarantees of origin

In 2021, the Company administered the National Register of Guarantees of Origin for gas produced from RES that was established in 2019 to fulfil the following functions: issuance, transfer and cancellation of the guarantees of origin, supervision and control over the use of the guarantees of origin, and recognition of the guarantees of origin issued in other states as acceptable in Lithuania. The system is beneficial for the energy consumers seeking to use environmentally friendly energy produced in Lithuania or other EU Member States. Cooperation with the designated bodies and renewable gas organisations in other countries is continued.

In 2021, the first 10 MWh of green gas were imported to Lithuania through the origin guarantees system that were granted guarantees of origin to prove that.

In 2021, the Company proceeded with successful participation in the project REGATRACE (Renewable Gas Trade Centre in Europe) funded under the EU Research and Innovation programme Horizon 2020. The purpose of the project is to develop a pan-European scheme for the register of guarantees of origin for biomethane and other renewable gases, and to promote the green gas production and market development.

In 2021, the Company was actively engaged in the working group for the harmonisation of the activities of the registers of guarantees of gas origin established by the Finnish, Estonian, Latvian transmission system operators. Aiming to create conditions for regional exchange of guarantees of origin, the draft common rules and the agreement were prepared in 2021.

Research & development activities

In November 2021, the Company completed its participation in a research & development project *SecureGas*, where together with its international partners it aimed at safeguarding security and resilience of the EU gas grid against cyber-attacks and physical threats. The project was financed under the EU Research and Innovation Programme *Horizon 2020*. The purpose of the project is "to develop methodologies, measures and guidelines for ensuring security and resilience of the existing and future gas transmission infrastructure facilities against cyber-attacks and physical threats", by taking into account the requirements set forth in the European Energy Security Strategy, the European Programme for Critical Infrastructure Protection, and the EU Regulation 2017/1938 concerning measures to safeguard security of gas supply.

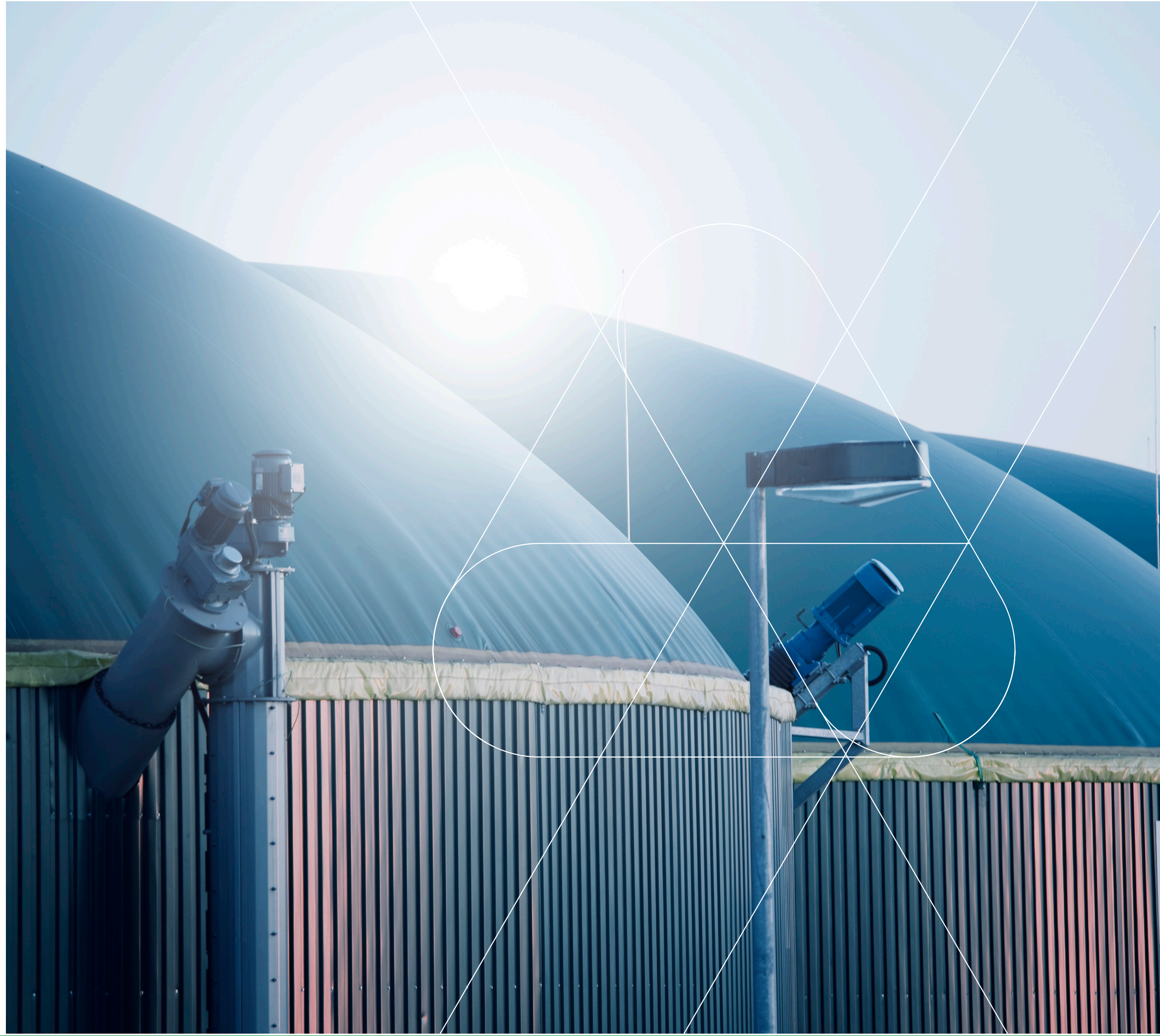
On the initiative of the gas transmission system operators from Lithuania and Poland, in 2020 independent experts drafted a study, where they investigated the possibilities of how to expand the commercial viability of the GIPL, and what were the drivers that would increase the economic benefits of the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

Business plans and prospects

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, Lithuania is expected to join the common tariff zone as in 2023-2024.

By contributing to Lithuania's ambitious goals for a greater share of renewable energy in the domestic energy balance, the Company participates in a number of initiatives and projects that enable its specialists to develop competencies in the field of RES gas. The Company's participation in projects REGATRACE, its membership in the ERGaR (European Renewable Gas Registry) 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 2022 the Company will transport about 23 TWh of natural gas to the domestic exit point for the Lithuanian system users, about 5 TWh – to Latvia, and around 27 TWh – to the Kaliningrad Region of the Russian Federation. A larger share of the total quantity of natural gas intended for the consumers in Lithuania and other Baltic countries is projected to be transported from the 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 cover the figures reflecting 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.

Financial performance indicators [2]

Formulas used in calculations:

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

Net financial debt = financial debt – cash and cash equivalents

EBITDA margin = EBITDA/ revenue

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

ROA = net profit (loss) / average asset value

ROE = net profit (loss) / average equity 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)

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

Table 5. Financial performance indicators

	2021	2020	2019
Financial results (EUR '000)			
Revenue	68,595	52,286	55,619
EBITDA	35,372	26,060	25,206
Profit (loss) before tax	22,777	14,586	14,734
Net profit (loss)	23,211	18,170	12,572
Net cash flows from operating activities	29,068	24,672	27,216
Investments	45,745	91,903	18,019
Financial debt	104,849	119,591	71,809
Profit margins (%)			
EBITDA margin	51.6	49.8	45.3
Net profit (loss) margin	33.8	34.8	22.6
Average return on assets (ROA)	6.9	6.7	5.3
Average return on equity (ROE)	13.95	12.47	9.45
Liquidity ratios			
Current ratio	1.04	1.16	0.64
Quick ratio	0.94	1.10	0.58
Turnover of non-current assets	0.26	0.21	0.27
Capital structure ratios			
Equity-to-assets ratio	0.49	0.51	0.57
Financial debt-to-equity ratio	0.59	0.77	0.53
Financial debt-to-EBITDA ratio, times	2.96	4.59	2.85
Market value indicators			
Share price/earnings per share ratio (P/E), times	9.38	9.57	13.91
Net earnings (loss) per share, EUR	0.13	0.10	0.07

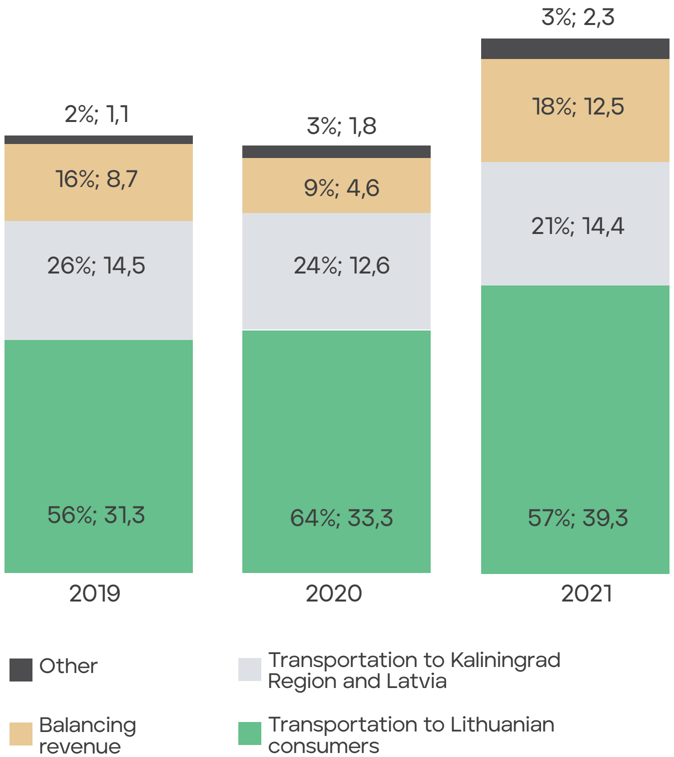
Revenue

In 2021, the Group's revenue totalled EUR 68,595 thousand, which is 31.2% higher compared to 2020. Increase in revenue was driven by higher natural gas prices and higher tariffs for natural gas transmission services. There was an increase in revenue from gas transmission services at the domestic trading point of Lithuania, as well as in revenue from balancing services and gas transportation to Kaliningrad Region in Russia.

In 2021, revenue from gas transmission services to the domestic system users and the Kaliningrad Region, as well as revenue from balancing services accounted for the largest share of total revenue.

Other revenue increased by 28.1% in 2021 compared to 2020 and amounted to EUR 2,307 thousand (Fig. 8). GET Baltic further demonstrated its successful performance in natural gas trading operations across all its markets with growth in total traded volume.

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



Revenue 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 2021.

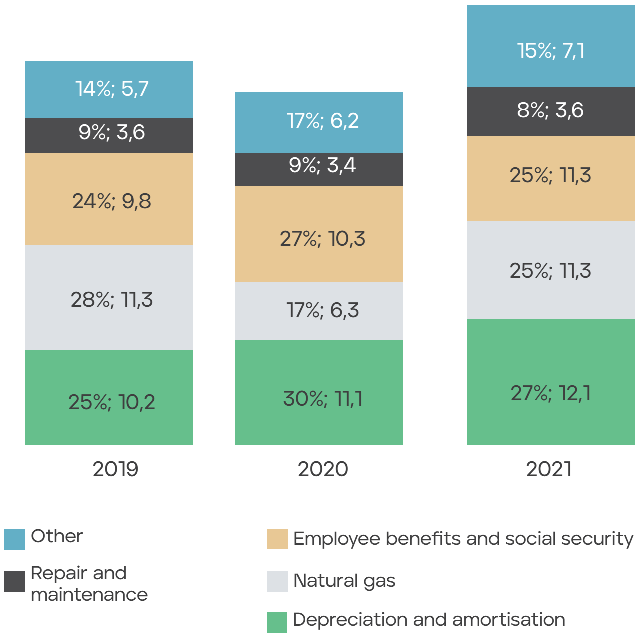
Expenses

In 2021, the Group's expenses totalled EUR 45,381 thousand, which is 21.5% higher compared to 2020. Depreciation and amortisation expenses, amounting to EUR 12,057 thousand, accounted for the largest share (27%) of total expenses and increased by 8.4% (Fig. 9) compared to 2020 due to increased investments.

Employee benefits and social security contributions amounted to EUR 11,348 thousand (25% of total expenses) and increased by 10.7% compared to 2020. Repair and technical maintenance expenses amounted to EUR 3,561 thousand (8% of total expenses) and increased by 4.6% compared to 2020.

Natural gas costs amounted to EUR 11,268 thousand and accounted for 25% of total expenses. Natural gas costs for network needs increased by 77.6% compared to 2020 due to higher gas prices. 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.

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



Results of operations

In 2021, the Group's net profit totalled EUR 23,211 thousand, i.e. increased by 27.7% compared to EUR 18,170 thousand in 2020. In 2021, the Group's profit before tax amounted to EUR 22,777 thousand (2020: EUR 14,586 thousand), while earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 35,372 thousand (2020: EUR 26,060 thousand).

A better financial performance was driven by increase in revenue due to higher natural gas prices and tariffs for natural gas transmission services.

Investments

In 2021, the Group's investments decreased due to completion of the GIPL project and totalled EUR 45,745 thousand (2020: EUR 91,903 thousand) (Fig. 12). Investments in the GIPL project accounted for 71.2% of total investments during 2021.

Assets

As at 31 December 2021, the Group's assets totalled EUR 380,214 thousand: non-current and current assets accounted for 71.6% and 28.4% of total assets, respectively.

In 2021, non-current assets increased by 6.4% and amounted to EUR 272,087 thousand due to investments that exceeded depreciation. At the end of 2021, the Group's current assets amounted to EUR 108,127 thousand, i.e. increased by 78.4% compared to 2020. Such increase was mostly driven by increase in amounts receivable and advance amounts received from exchange participants due to higher natural gas prices.

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

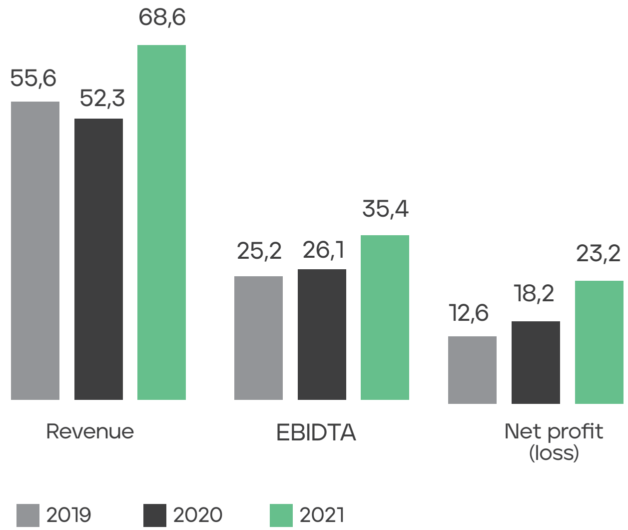


Fig. 11. The Group's profitability, %

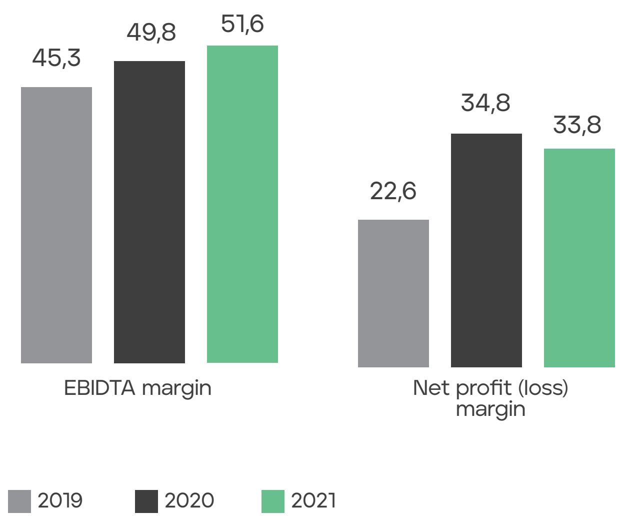
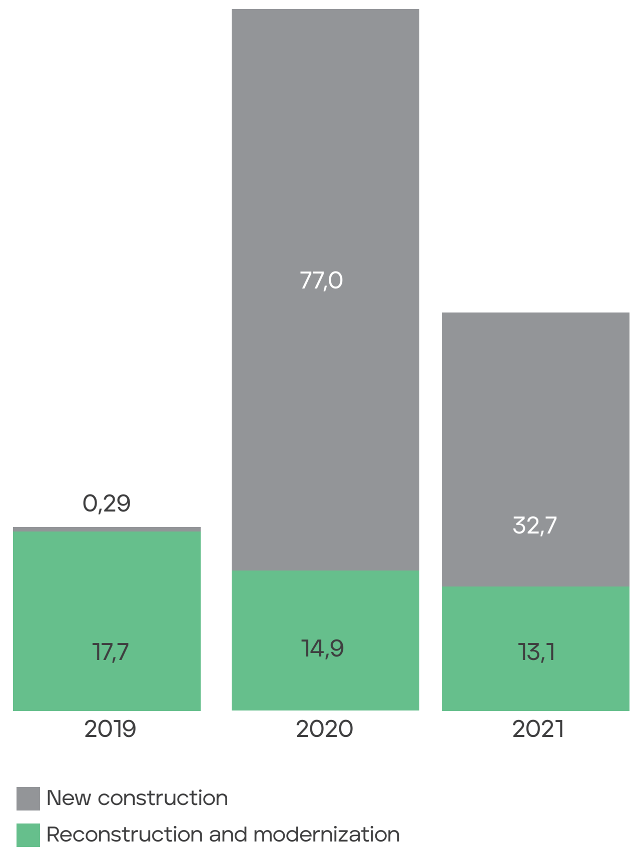


Fig 12. The Group's investment structure, EUR thousand



Equity and liabilities

In 2021, the group's equity increased by 15.0% and totalled EUR 178,040 thousand at the end of the reporting period. Equity accounted for 46.8% of the Group's total assets at the end of the reporting period.

In 2021, amounts payable and liabilities increased by 25.2% and amounted to EUR 202.174 thousand at the end of the reporting period.

As at 31 December 2021, the financial debt amounted to EUR 104,849 thousand, i.e. decreased by EUR 14,742 thousand during the reporting period. The financial debt-to-equity ratio was 58.9%.

Cash flows

In 2021, the Group's cash flows from operating activities amounted to EUR 29,068 thousand (2020: EUR 24,672 thousand). The Group's investments into non-current assets amounted to EUR 48,488 thousand (2020: EUR 86,315 thousand). In 2021, the EU financial support obtained to finance the investment projects amounted to EUR 35,052 thousand (2020: EUR 15,065 thousand).

References to and additional explanations of data reported in the financial statements

Other information has been disclosed in the notes to the financial statements of Amber Grid for the year 2021.

Information on significant events after the end of the reporting period

Significant events after the end of the reporting period have been disclosed in the notes to the financial statements of Amber Grid for the year 2021.

Information on any form of financial assistance

The financial assistance (support) policy is described in the Social Responsibility Report for the year 2021. The Company provided no other form of financial assistance during the reporting period.

Information on related-party transactions, significant arrangements and detrimental transactions

Information on related-party transactions is presented in the financial statements of Amber Grid for year 2021.

As at 31 December 2020, the Company was a party to the following significant arrangements entitling the counterparties to terminate the transactions concluded with the Company as a result of 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. Lithuanian 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 respective agreements, and their disclosure could inflict damage on the Company.

During the reporting period, the Company neither entered into any detrimental transactions (transactions that are inconsistent with the Company's objectives or standard market terms, that infringe on interests of shareholders or any other stakeholders, etc.), nor into any transactions giving rise to 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, expresses opinion on each related-party transaction of Amber Grid. The Audit Committee assesses whether the respective related-party transaction has been concluded in line with the market conditions and whether the transaction is fair from the standpoint of all the shareholders.

Table 6. Amber Grid related-party transactions, 2021

Agree-ment No.	Type of rela-tion-ship	Name of related party	Details of related party	Agree-ment effective date	Type	Subject of agreement	Estimated val-ue, excl. VAT	Comments
6-404	SOE	IGNITIS UAB	Entity code 303383884, Žvejų g. 14, LT-09310 Vilnius	01/01/2021	Other than public procurement contracts	Agreement on technical balancing services for 2021 (purchase/sale of gas while oper-ating the technical gas balance in the trans-mission system)	N/A	
1	SOE	IGNITIS UAB	Entity code 303383884, Žvejų g. 14, LT-09310 Vilnius	01/012021	Purchase of goods	Natural gas for 2021	1,395,000	
183598/3	EPSO-G Group	GET BALTIC UAB	Entity code 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	01/012021	Purchase of ser-vices	Amendment No. 3 to Agreement No. 183598 (implicit capacity allocation services, Kiemėnų IP)	12,600	Amend-ment to Agreement
521927/2	SOE	AB VILNIAUS METROLOGIJOS CENTRAS	Entity code 120229395, Dariaus ir Girėno g. 23, LT-02189 Vilnius	12/01/2021	Purchase of ser-vices	Measurement device calibration and inspec-tion services	6,600	
524788	EPSO-G Group	TETAS UAB	Entity code 300513148, Senamiesčio g. 102B, LT-35116 Panevėžys	15/01/2021	Purchase of ser-vices	Surge protection device inspection and testing services	7,500	
528808	EPSO-G Group	EPSO-G UAB	Entity code 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	26/02/2021	Purchase of ser-vices	Holding services	425,000	
5-64/SUT-19-18	EPSO-G Group	EPSO-G UAB	Entity code 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	01/03/2021	Financial agree-ments	Lending and borrowing	40,000,000 / 10,000,000	Maximum lending/borrow-ing limits before interest on actual amount of loans granted/borrowings
528866	SOE	PROJEKTŲ EKSPERTIZĖ UAB	Entity code 120091161, A. Vienuolio g. 6-11, LT-01104 Vilnius	15/03/2021	Purchase of ser-vices	Expert examination of projects for disman-tling, replacement and connection of shut-off devices of the main pipelines to remote control Gas system SCADA	23,355	
21-42058	VVĮ	Energijos Skirstymo Operatorius, ESO AB	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	2021-04-23	Other than public procurement contracts	Enhancement of maximum allowed capacity at Grigiškės gas distribution station	98	
549018	SOE	PROJEKTŲ EKSPERTIZĖ UAB	Entity code 120091161, A. Vienuolio g. 6-11, LT-01104 Vilnius	09/06/2021	Purchase of ser-vices	Expert examination of technical project for Kiemėnai gas metering station	6,870	
001091-50420/110114	SOE	Energijos Skirstymo Operatorius, ESO AB	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	17/06/2021	Other than public procurement contracts	Provision of electric power transmission services, Gudelių g. 49, Vilnius	N/A	

50220/910954	SOE	Energijos Skirstymo Operatorius, ESO AB	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	2021-06-18	Memorandums on cooperation	Memorandum on cooperation for feasibility study to use green hydrogen upon the connection request	N/A
440222/TV-SUT-19-787	SOE	TRANSPORTO VALDYMAS UAB	Entity code 304766704, Kirtimų g. 47, LT-02244 Vilnius	2021-09-27	Agreements on lease/purchase/ sale of property	Additional arrangement No. 2 on amendment to the agreement on lease of motor vehicles (additionally required number of motor vehicle control devices - 4 units for DE1 category motor vehicles)	1,232
2021-10-29/1	EPSO-G group	TETAS UAB	Entity code 300513148, Senamiesčio g. 102B, LT-35116 Panevėžys	2021-11-05	Agreements on lease/purchase/ sale of property	Agreement on lease of motor vehicles (two Mercedes Benz U4000).	15,236
CPO182016	SOE	LIETUVOS PAŠTAS AB	Entity code 121215587, J. Jasinskio g. 16, LT-03163 Vilnius	08/11/2021	Purchase of services	Express postal delivery services	1,063
20-03680		Energijos Skirstymo Operatorius, ESO AB	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	16/11/2021	Other than public procurement contracts	Connection of solar power plant (address: 3, Lipuvkos vs., Širvintų sen., Širvintų r. sav.) to the grid of ESO AB	79
20-03736	SOE	Energijos Skirstymo Operatorius, ESO AB	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	16/11/2021	Other than public procurement contracts	Connection of solar power plant (address: Verslo g. 11, Maksvytiškių k., Panevėžio r.) to the grid of ESO AB	9,188
6-367	SOE	Centre	Entity code 124110246, Lvovo g. 25-101, LT-09320 Vilnius	15/12/2021	Other than public procurement contracts	Data provision services	15,000
VPP-2338	EPSO-G group	UAB GET BALTIC	Entity code 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	21/12/2021	Purchase of services	Inside information provision services	5,040
21-51232	SOE	AB Energijos skirstymo operatorius, ESO	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	22/12/2021	Other than public procurement contracts	Service for relocation of commercial metering switchboard at the valve site Č-1-II (address: Punios k., Punios sen., Alytaus r. sav.)	1,700
6-377	SOE	AB LTG Infra	Entity code 305202934, Geležinkelio g. 2, LT-02100 Vilnius	27/12/2021	Memorandum on cooperation	Memorandum on cooperation in the construction of Rail Baltics railway section of particular national significance and reconstruction of related infrastructure (main gas pipeline)	N/A

Information on material ownership interests held directly and indirectly

As at 31 December 2021, the Company owned 100% of shares of its subsidiary GET Baltic UAB. More details on the controlled entity are provided in Amber Grid's financial statements.

6. Risks and risk management

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 goals:

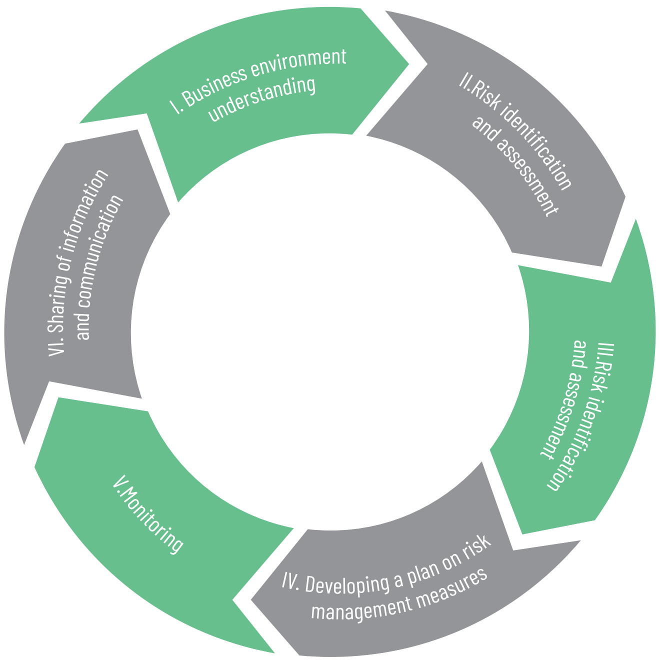
- increase the probability of success in achieving the Company's business goals and ensuring efficiency of operations;
- proactively plan and co-ordinate implementation of measures aimed at mitigating the negative impact of potential events and/or the probability of their occurrence.
- improve safety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

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

A group of risk management processes consists of the following processes:

I. Business environment understanding. Each year, the risk owners assess changes in respect of the Company's goals, internal and external environment, organisational structure, and identify new potential risks.

Fig. 13. Key risk management processes



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.

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 following the recommendation of 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. Sharing of information and communication. Continuous 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 carried out 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.

The Company's main risk management areas in 2021 were as follows:

Risk of not meeting the deadline for the GIPL project. In managing the risk, the Company followed the standards of good project management and quality management practices, monitored the progress of project works based on the schedule (milestones) agreed with the contractors, and exercised control on a continuous basis. The GIPL construction works were completed in line with the agreed schedule, and the project was implemented in due time.

Risk of shortage of properly qualified labour force, employee turnover rate and motivation. The Company faces competition for highly qualified specialists who could contribute to implementation of its strategic projects. For the purpose of managing the risk, in March 2021 the Company updated its remuneration, performance appraisal and training policy, performed independent study of wages and market trends, elaborated plans for succession in critical functions and took actions to mitigate the risk, conducted employee image enhancement analysis, developed and implemented the training programme for managers.

Risk of information security (cyber security). The Company is an object of importance to ensuring national security, which operates facilities and property that are important to ensuring national security. The information and data managed by the Company are of strategic importance, and therefore, any loss, unauthorised alteration or disclosure, damage to such information and/or data or interruption of data flow required for secure operation of the transmission system may cause disruptions in business processes and damage to other natural and legal persons. In order to manage the risk during the reporting period, the Company expanded the critical infrastructure data network monitoring system, as well as updated and installed the software required to ensure cyber security. In addition, equipment vulnerability assessments were carried out, employee trainings were organised on the subject of information security and resilience to social engineering methods, employee training exercises were held to assess resilience of employees to social engineering methods, and the Company became ISO27001 certified following an external audit. The cyber security team participated in the training exercise "Cyber Shield 2021" organised by the National Cyber Security Centre under the Ministry of National Defence.

Technological risk. One of the most important functions and responsibilities of the Company is to ensure secure, reliable and efficient operation of the natural gas transmission system. For that purpose, the Company implements and improves tailored information systems, constantly updates the plans for elimination of accidents and technological failures, and for management of emergency situations, and sets high requirements for its contractors. During the reporting period, pipeline diagnostic works were carried out and they are expected to continue throughout 2022 by timely elimination of critical defects identified in the main gas pipeline. In 2021, as part of the international project SecureGas and in cooperation with the partners from Italy, an innovative unmanned aerial vehicle (drone) was developed for detecting gas leaks. The drone measures concentration of methane gas emissions and determines the coordinates of gas leaks by following the scheduled route above the main gas pipeline with the help of a laser sensor. In order to manage the risk of relocation of those sections of pipeline where the construction standards were exceeded at the Company's expense, a study was performed on the assessment of restrictions in the area class unit. Based on the study, adjustments to the rules for installation and development of the main gas pipeline and to other related legal acts will be drafted. The results of the study were presented to the representatives of the Ministry of Energy and the National Energy Regulatory Council (NERC).

Risk of non-compliance with the project portfolio plan. In managing the risk, the Company: carried out timely procurements aimed at ensuring compliance with the deadlines and full compliance with the legal acts regulating public procurement procedures; limited and minimised the resulting interstage delays in works performed; implemented recommendations of the internal project management audit that was conducted in 2020; and regularly discussed the status of projects and critical risks with the Group companies.

Regulatory risk. The prices for natural gas transmission services are regulated. The NERC decides on the price and/or revenue caps, return on investments, and investments. Those decisions directly affect the Company's results of operations, allocation of funds to cover the required operating expenses, investments to maintain reliability of the transmission network, and possibilities to finance the strategic projects from its own or borrowed funds. During the reporting period, the legal acts elaborated and/or amended by the NERC and other authorities in relation to the regulated activities were monitored and the position on draft legal acts was presented.

Risk of non-compliance with occupational safety requirements. Due to the specific nature of its activities and the works performed, the Company pays special attention to the occupational safety of its employees. This risk has remained a priority for many years. Monitoring of implementation of Covid-19 prevention measures and regulatory compliance has contributed to the management of this risk throughout 2021 since 2020.

In order to manage the risk during the reporting period, assessment of occupational risk was updated, and continuous structured internal control was performed at all levels in accordance with the approved *Description of the internal control procedures in the areas of occupational safety and* *health and environment protection*, which was updated in December 2021. In addition, compliance with occupational safety and health requirements was assessed using the control questionnaires, employees were offered training and awareness programmes about potential risks, timely staff health examinations were carried out, and occupational safety and health culture was developed. In December 2021, the Company had an external audit of the integrated environmental and occupational safety and health management system, as a result of which no incidents of non-compliance were identified. In December 2021, the Company joined the Group's occupational safety and health policy, which will be implemented in full.

During 2021, no employees experienced any fatal or serious accidents either at the Company or its contractors.

Financial risk. As the Company carries on its activities, it is exposed to financial risks: credit and liquidity risks. The Company follows the *Treasury and financial risk management policy*, and the *Share sale transaction policy* approved in November 2021. The Company applies the requirements for credit ratings of the financial institutions stipulated in the *Treasury and financial risk management policy*, regularly reviews its cash flows and updates cash flow forecasts, as well as secures the unutilised reserve. In February 2021, EPSO-G and the Company signed an amendment to the cashpool agreement, based on which its validity was extended for additional one year.

Business transparency risk. In its activities, the Company continued to focus on the supervision of public procurement processes and prevention of corruption.

In managing the procurement risks, the Company focused on continuous communication regarding timely initiation of procurements, set standard procurement durations and prepared standard procurement schedules, sent early notifications to the market participants about the planned high value procurements and focused on attracting new suppliers, organised good practice sharing sessions with other Group companies, and conducted internal audit of procurement management.

During the reporting period, the Company continued to pursue a policy of zero tolerance for corruption, protection of family members, relatives, friends, or any other form of trading in influence. It also implemented consistent and systematic prevention of conflicts of interest between the Company and private individuals. The Company encourages its employees and other stakeholders to report directly or anonymously any potential violations, unethical or unfair behaviour using the Trust Hotline, or address them directly to the Special Investigation Service of the Republic of Lithuania.

Pursuant to the Law on the Adjustment of Public and Private Interests and based on the resolution of the Chief Official Ethics Commission, with effect from 1 January 2021, the Company's management members, heads of structural divisions and functional areas, members of the procurement commissions, low-value procurement organisers, experts involved in procurement procedures, employees initiating procurement, and the Company's Board members declared their private interests on the public information platform PINREG.

In 2021, the Company implemented the change in its gift policy by introducing a *Zero gift policy*, which means that the Company's employees, while performing the functions assigned to them, do not have the right to accept or provide gifts, either directly or indirectly, except for the exceptions prescribed by legal acts.

Risk of decrease in domestic gas consumption caused by competition with other types of fuel. During 2021, the risk management measures were aimed at ensuring diversified gas supply and increasing the potential of transit to other EU countries, by seeking to have a joint agreement with the Baltic States and Finland on a regional market project, and by building a gas interconnection pipeline with Poland (GIPL). In order to attract "green" gas supply to the gas transmission networks, the decisions were made regarding adaptation of the National Register of Guarantees of Origin to international trade in the guarantees of origin. In addition, the work was continued in relation to implementation of a demonstration project for "green" hydrogen blending into the gas networks, and technical conditions were issued to 9 biogas producers for their connection to the local gas transmission networks in Lithuania.

Covid-19 risk management

The following business continuity and preventive measures were reviewed and implemented during 2021:

- Appointment of employees responsible for monitoring of 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;
- Provision of employees with personal protection equipment;
- Disinfection of premises;
- Management of staff flows;
- Explanation of benefits of vaccination to employees;
- Provision of possibilities for employees to get vaccinated.

Internal control system at the company

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

The Company has adopted the 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.

A "four-eye" principle is followed when preparing the financial statements. The Accounting Unit is responsible for the preparation and review of financial statements.

7. Governance report

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; 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, and on the Central Storage Facility at www.crib.lt.

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 with par value of EUR 0.29 each. 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 shareholder structure during 2021. 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 a casting vote in the decision-making process at the General Meeting of Shareholders.

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.

To the knowledge of the Company, there are no mutual arrangements between the shareholders that might 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.

In 2021, the Company had no own shares and had no transactions relating to acquisition or disposal of its own shares.

Shareholders

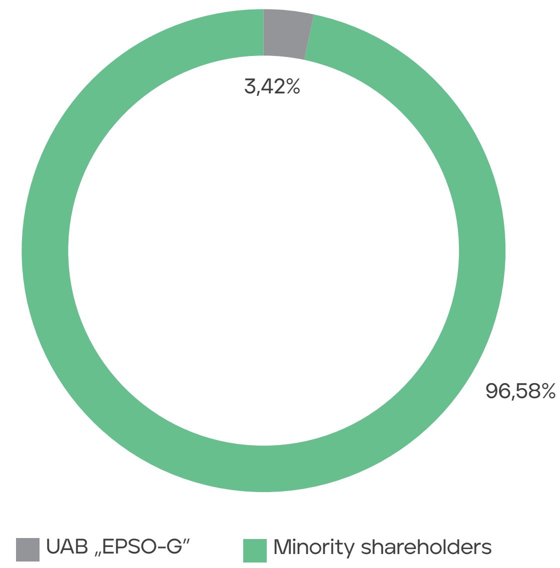
As at 31 December 2021, Amber Grid had over 2,300 shareholders (Lithuanian and foreign natural and legal persons), whereof 1 (one) shareholder held more than 5% of the Company's shares.

Table 7. Shareholders of the Company

Shareholder	Registered office address / legal entity code	Ownership interest, number of shares
EPSO-G UAB Minority shareholders	Gedimino pr. 20, Vilnius, Lithuania/ 302826889	172,279,125
EPSO-G UAB	Gedimino pr. 20, Vilnius, Lithuania/ 302826889	178,382,514
Total		6,103,389

The Company's shareholder structure is provided in Fig. 14.

Pic. 14. Shareholder structure as at 31 December 2021



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 8. Basic details of Amber Grid's shares

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

In 2021, the trading turnover in the Company's shares was EUR 0.74 million (2020: EUR 0.56 million), with the total of 648,560 shares (2020: 601,703 shares) transferred under the transactions. The Company's share price dynamics is presented in Fig. 15, and the details of the Company's share price and turnover in 2021 are provided in Fig. 16.

As at 31 December 2021, Amber Grid's market capitalisation reached EUR 217,63 million. The quoted price per share and the market capitalisation increased by 25.13% in 2021.

Dividends

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[3] 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 23 April 2021, the Ordinary General Meeting of Shareholders approved the proposal of the Company's Board not to distribute profit for 2020.

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

Fig. 15. Share price dynamics at NASDAQ Vilnius, 2021

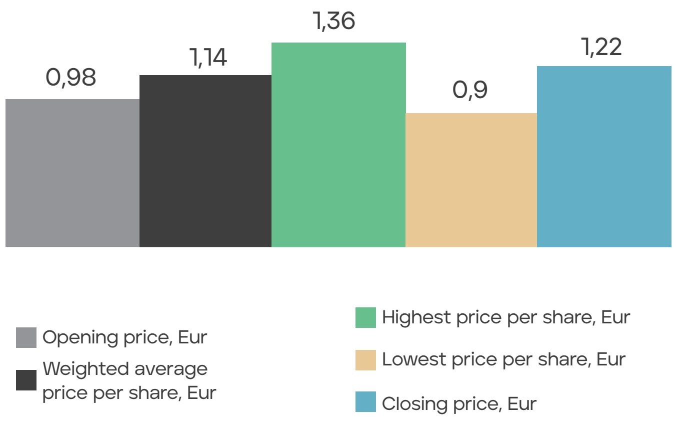


Fig. 16. Amber Grid's share price and turnover, 2021

The decisions regarding the profit distribution were made at the General Meetings of Shareholders in 2020 and 2021 in line with the provisions of the Dividend Policy. There was an increased demand to finance the investments, and accordingly, the profit available for distribution was left undistributed due to the fact that the Company was engaged in a large-scale strategic project for the construction of interconnection pipeline with Poland (GIPL).

Agreements with intermediaries of public trading in securities

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

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

Table 8. Bank's requisite details

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

3 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

Management structure

In performing its activities, the Company complies with the Law on Companies, the Law on Securities, the Company's Articles of Association, and other 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 official website at www.ambergrid.lt/en/about-us/investors-relations/bylaws.

It is stipulated in the Articles of Association that they can be amended by the decision of the General Meeting of Shareholders adopted by majority vote of 2/3 of shareholders present at the meeting.

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-person 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 38[4] 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 381 of the Articles of Association. 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 48[5] of the Articles of Association.

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, based on 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 *Description of selection of candidates to the board of a state or municipal enterprise and candidates to a collegial supervisory or management body elected by the general meeting of shareholders of an enterprise owned by the state or municipality*, as approved by Resolution No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

The powers of the Board of the Company are consistent with those stipulated in the Law on Companies, except for the additional powers stipulated in Articles of Association[6].

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) with regard to the opinion of the Audit Committee, approves or disapproves the 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;

(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 Amber Grid Board members, the CEO, and the Head of the Accountant Department is presented in Table 10.

[4] 38. The following decisions of the Board shall be subject to approval by the Meeting: 38.1. on the transfer, pledge or other encumbrance of the 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.

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

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

Table 10. Information about the Board members, the CEO, and the Head of Accounting Department

Full name	Job position	Term of office	Job positions held elsewhere	Shares held in Amber Grid	Qualification[7]
Algirdas Juozaponis	Chairman of the Board	Since 19/04/2020	CFO, EPSO-G UAB Chairman of the Board, LITGRID AB	None	Vilnius University, Master in Banking; Baltic Institute of Corporate Governance, professional Board member
Renata Damanskytė-Rekašienė	Board member	Since 20/04/2020	Director for Legal and Corporate Governance, EPSO-G UAB	None	Vilnius University, Faculty of Law, Majoring in commercial Law, Master of Law; Baltic Institute of Corporate Governance, Professional Board Member; Lawyer's Certificate
Ignas Degutis	Independent Board member	Since 20/04/2020	CFO, Board member, RB Rail AS (Rail Baltica)	None	ISM University of Management and Economics, Master in Economics; Baltic Institute of Corporate Governance, Education Programmes for Council/Board Members and Chairs
Sigitas Žutautas	Independent Board member	Since 20/04/2020	Chairman of Innovation and Development Committee, EPSO-G UAB	None	Vilnius University, Master in Business Management and Administration; ESMT European School of Management and Technology, Berlin, post-graduate studies
Nemunas Biknius	CEO	Since 08/04/2020	None	Holds 0.001505% of shares in Amber Grid	Vilnius Gediminas Technical University, Master in Energy and Thermal Engineering; Aalborg University, Denmark, Environmental Management Studies; ISM MBA Management Studies
Rasa Baltaragienė	Head of Accounting Department	Since 02/12/2019	-	None	

[7] Information on professional experience of the Board members is available on: https://www.ambergrid.lt/lt/apie_mus/valdymas/valdyba, and information on professional experience of the Company's CEO and other executive personnel on: https://www.ambergrid.lt/lt/apie_mus/valdymas/vadovybe

Overall, 16 Board meetings were held during 2021.

Table 11. Attendance at the Board meetings during 2021

Algirdas Juozaponis 16

Renata Damanskytė-Rekašienė (Beginning of the term 20/04/2020) 16

Ignas Degutis (Beginning of the term 20/04/2020) 16

Sigitas Žutautas 16

Decisions adopted by the Board during 2021:

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

24 February. Approval of assessment of the CEO's performance in respect of goals set for 2020. Approval of the action plan on implementation of recommendations from the internal audit of project management. Joining of the updated transparency and communication policy of EPSO-G group. Approval of the agreement on the provision of holding services.

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

31 March. Approval of the Report on Implementation of the Company's Strategy 2017-2022 for the year 2020. Approval of the Company's consolidated annual report, financial statements, proposed profit appropriation. Approval of the amendment to the essential terms and conditions of the procurement agreement in relation to the investment project *Installation of pig launching and acceptance chambers and implementation of operational technological management of gas transmission system (phase II)*. Initiation of Ordinary General Meeting of Shareholders. Approval of the CEO's goals set for 2021, weights placed on goals, and measurement indicators. Decision on voting at the Ordinary General Meeting of the Shareholders of GET Baltic. Proposal of Ingrida Kudabienė, the Company's Legal and Administration Director, as a candidate for the position of a Board member of GET Baltic. Approval of a new version of the *Plan on risk management measures* for the year 2021. Joining of the remuneration, performance appraisal and training policy of EPSO-G group. Approval of job position levels for top-level and middle-level managers and the range of their remuneration.

19 April. Approval of the *Action plan on implementation of recommendations from the internal audit of personnel management*. Approval of a new organisational structure.

18 May. Setting of tariffs for natural gas transmission services for 2022.

15 June. Approval of the updated *Plan on risk management measures* for 2021.

29 June. Approval of the updated tariffs for natural gas transmission services for 2022.

14 July. Approval of Amber Grid AB's Strategy for 2021-2030 and Action Plan for 2021-2023, and their submission to VŠĮ Valdymo Koordinavimo Centras for assessment.

2 September. Approval of the essential terms and conditions of the procurement agreement in relation to the investment project *Implementation of operational technical management of gas transmission system (Replacement of shut-off devices and connection to the remote management system SCADA)*. Recommendations were provided to the subsidiary GET Baltic UAB to enter into agreement for procurement of financial management, accounting and related services with EPSO-G UAB, which was awarded the contract during the public procurement procedure.

21 September. Approval of the Plan on implementation of recommendations from the internal audit of penalties and disputes.

26 October. Approval of Amber Grid AB's joining the Association INFOBALT.

28 October. Approval of entering into agreement on lease of special purpose motor vehicles with TETAS UAB.

16 November. Approval of Amber Grid AB's Draft Strategy for 2021-2030 and Draft Action Plan for 2022-2024, and their submission to VšĮ Valdymo Koordinavimo Centras for review. Joining the share sale transaction policy of EPSO-G group. Joining the updated integrated planning and monitoring policy of EPSO-G group.

14 December. Approval of Amber Grid AB's Budget for 2022. Approval of Amber Grid AB's Plan on Risk Management Measures for 2022. Approval of Amber Grid AB's Rules for Access to the Natural Gas Transmission System. Approval of Amber Grid AB's Rules for Balancing of the Natural

Gas Transmission System. Approval of entering into agreement on construction of gas distribution station in Šiauliai. Approval of entering into agreements pertaining to ELLI project. Joining the environmental policy of EPSO-G group. Joining the occupational safety and health policy of EPSO-G group. Approval of the range of remuneration of top-level and middle-level managers of Amber Grid AB. Approval of Amber Grid AB's participation in the European Hydrogen Backbone initiative. Approval of the calendar of the Board meetings of Amber Grid AB and the Action Plan of the Board.

29 December. Approval of entering into agreement on purchase/sale of natural gas with Ignitis UAB.

The Remuneration and Nomination Committee discussed the self-assessment results of the collegial bodies and identified the following areas and directions for their improvement in 2021:

- to focus more on resolution of strategic issues in order to optimise the organisation of work of the collegial bodies;
- to strengthen cooperation with the Board and Committees of EPSO-G in order to ensure a more effective response to the needs and expectations of the specific collegial body.

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.

Amber Grid has the following joint committees of the EPSO-G group:

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

More details about the Committees of Amber Grid are available in the consolidated annual report of EPSO-G group.

Information on internal and external audits

To ensure transparency and efficiency of its 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 personnel of the auditee.

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

- Deloitte Lietuva UAB for the year 2019;
- PricewaterhouseCoopers UAB for the year 2020;
- PricewaterhouseCoopers UAB for the year 2021.

The fee for external audit services of Deloitte Lietuva UAB for the year ended 31 December 2019 was EUR 36.0 thousand.

The fee for external audit services of PricewaterhouseCoopers UAB for the year ended 31 December 2020 was EUR 50.5 thousand.

The fee for external audit services of PricewaterhouseCoopers UAB for the year ended 31 December 2021 was EUR 50.5 thousand.

8. People

The most important investment of the organisation is its people. Amber Grid's employees are experienced and competent professionals implementing the projects of strategic importance to the State.

In 2021, the Company had 324 employees. Employee structure by category is provided in Table 12 below.

Table 12. Number of employees in 2020-2021.

Categories	Number of employees as at 31 December 2021	Number of employees as at 31 December 2020
CEO	1	1
Top level managers	5	5
Middle- and firs-level managers	37	32
Experts-specialists	194	181
Workers	191	100
TOTAL	324	319

Data on employees

As we value the contribution of each employee and we seek to retain and attract people in a competitive market. The turnover rate of employees has remained similar during the year. In 2019, the total turnover rate was 13.91% compared to 10.7% in 2020 and 11.21% in 2021.

In 2021, the average age of the Company's employees was 44.7 years (Fig. 17), and the average length of service was 12.7 years (Fig. 18). Employees with higher education background accounted for 65% of the Company's all employees (Fig. 19).

Fig. 17. Employee structure by age in 2021

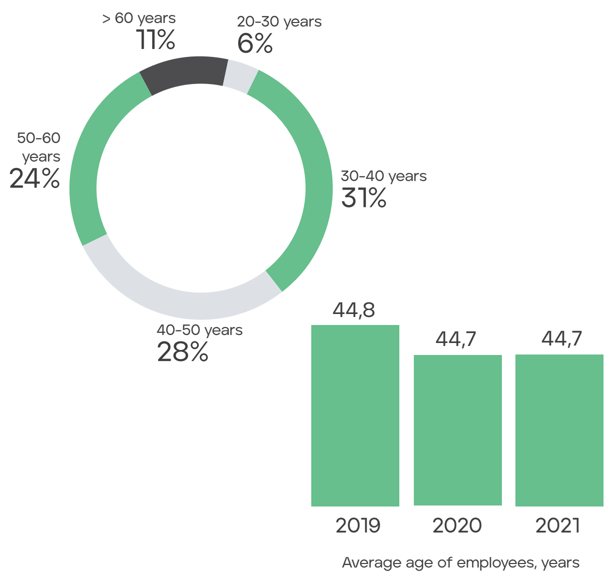


Fig. 18. Employee structure by length of service in 2021

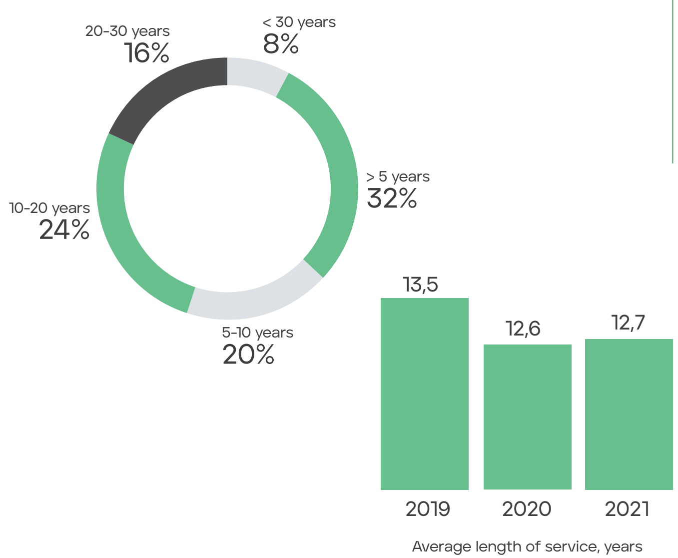
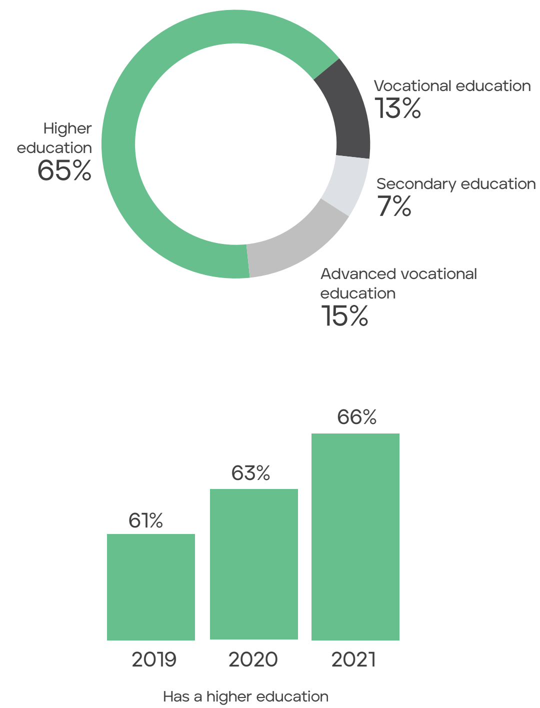


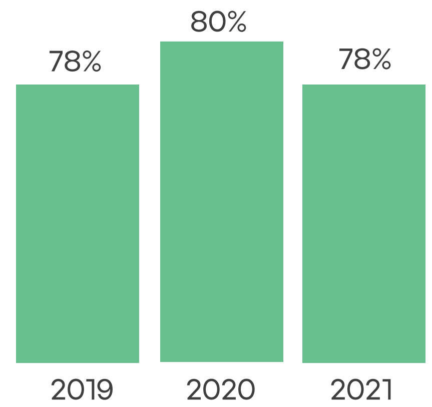
Fig. 19. Employee structure by educational background in 2021



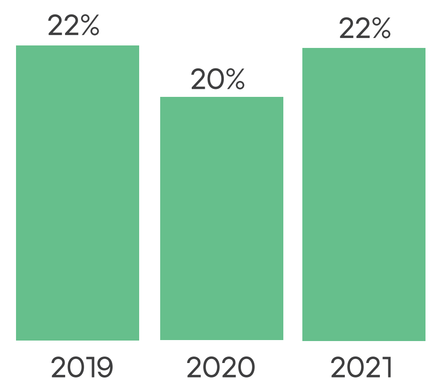
Due to the specific nature of the activities in the energy sector, men account for a larger part of the Company's employees: 252 (78%) men, compared to 72 (22%) women. (Table 13).

Table 13. Employee structure by gender in 2020-2021

	2021	2020
Male employees	78%	80%
Female employees	22%	20%



Share of men in the number of employees, %



Share of women in the number of employees, %

We provide our employees with career possibilities in EPSO-G group. In 2021, 11 employees had a vertical movement in their careers.

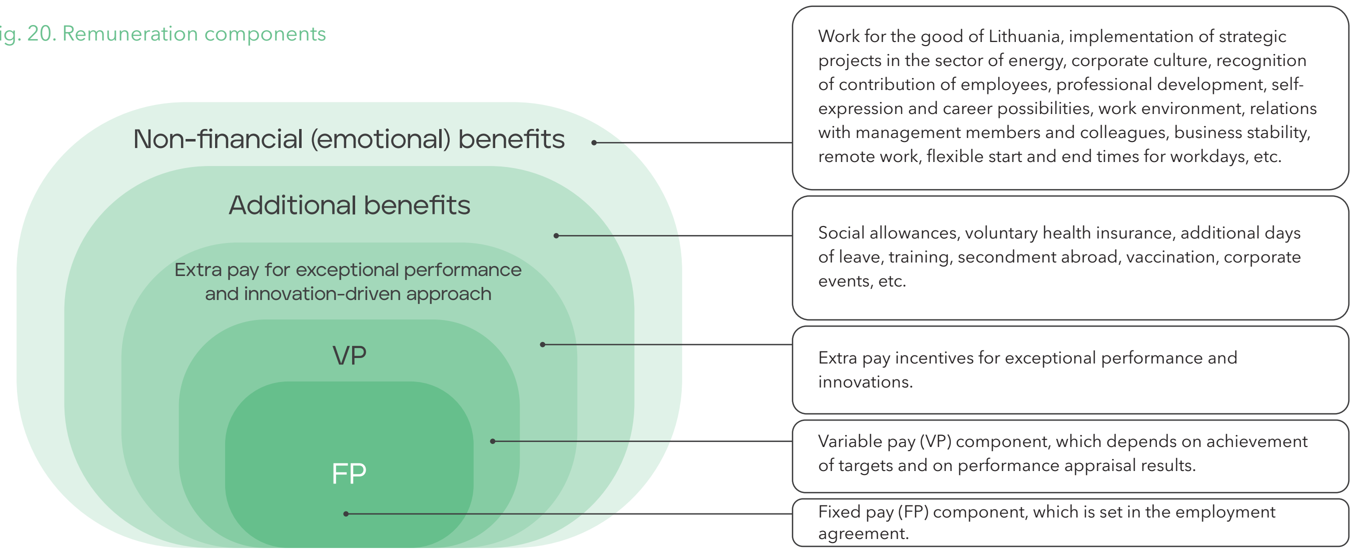
Remuneration management

With effect from 31 March 2021, Amber Grid joined the Remuneration, performance appraisal and training policy of EPSO-G group (the "Remuneration Policy") that applies to all employees of the Company and is made available to public on the official website. The Remuneration Policy is approved (joined) by the decision of the Company's Board, with reference to the recommendations brought forward by the Remuneration and Nomination Committee of EPSO-G. The Remuneration and Nomination Committee of EPSO-G periodically assesses 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.

The remuneration of EPSO-G group employees consists of the following components: fixed pay (FP); variable pay (VP); extra pay as defined in the Labour Code of the Republic of Lithuania, the Company's internal regulations and the collective agreements; extra incentives for results of special importance and implementation of innovations; additional benefits; non-financial benefits.

Fig. 20. Remuneration components



The fix pay (FP) component is the largest and the most important part of monetary remuneration, the amount of which depends on the level of a certain job position, which is established for each job position using the methodology that is applied in a global practice. The FP is established within the range set for each level of job position, based on an employee's experience, competence, expertise and ability to work independently in fulfilling their functions, as well as based on the annual budget.

The variable pay (VP) component is intended to encourage improvement of annual performance when implementing the strategic goals. The maximum VP for the CEO of the Company is set by the Company's Board, and for the rest of employees – by the CEO of the Company. The maximum VP for the CEO of the Company, top level managers is 30%, and the maximum VP for the middle- and first-level managers, specialists and workers is 15 %.

The VP component is payable upon achievement of annual goals set for the Company's CEO by the Board, and upon achievement of individual targets. The VP is payable to managers and specialists on a yearly basis after the Board approves the audited financial results of the Company and they are approved by the decision of the General Meeting of Shareholders. The VP is payable to workers on a quarterly basis.

Amber Grid's average monthly pay by category of employees in 2021 is provided in Table 14.

Table 14. Average monthly pay by category of employees

Categories	2021 m.			2020 m.		
	Average relative number of employees	Average monthly gross pay (FP component), EUR	Paid out VP component, as an average monthly VP component, EUR	Average relative number of employees	Average monthly gross pay (FP component), EUR	Paid out VP component, as an average monthly VP component, EUR
CEO	1	9 520	2 770	1	9 373	382
Top-level managers	5	5 978	1 384	4	5 869	984
Middle- and first-level managers	39	3 616	345	31	3 633	435
Experts-specialists	189	2 223	200	189	2 067	232
Workers	110	1 318	177	122	1 196	166
TOTAL	345	2 166	234	347	1 968	236

The FP and VP components constitute the basic part of the monetary remuneration, whereas other components of the remuneration are not less important as they have a significant impact on an employee's motivation and engagement.

Amber Grid offers its employees the following additional benefits:

Table 21. List of additional benefits

HEALTH

- Recreations zones (active and passive)
- Health insurance with plan options
- Seminars on the topics of health, emotional wellbeing, physical education
- Vaccination against influenza and tick-borne encephalitis
- Up to 4 working days of absence from work per year, without consulting the medical institution

FLEXIBLE WORKING HOURS

- Individual start and end times of the workday
- Remote work

FINANCIAL SUPPORT

- Birth of a child
- 3 children or a child with disability
- Death of a close relative
- Termination of employment on retirement
- Accidents

ADDITIONAL DAYS OF LEAVE

- Additional 3 working days of annual holiday – in total 23 days per year
- Additional 1 working day of holiday after 5 years of service
- Additional 3 working days of leave in case of death of close relative

OTHER ADDITIONAL BENEFITS

- Fruit days at the office
- Parking place near the office
- Drive home service in case of return from an object after business hours
- Modern office premises and ergonomic place of work

CORPORATE EVENTS

- Summer event, Christmas event, presents for employees and their children
- Volleyball tournament to encourage physical activity
- Professional events and national holidays
- Teambuilding activities of subdivisions

PROFESSIONAL AND PERSONAL DEVELOPMENT

- Incentives for innovations and exceptional performance
- Financial support for studies
- Incentives of annual performance appraisal
- Training, professional and personal development, qualification upgrading courses, seminars, conferences, secondments in Lithuania and abroad
- Internal lecture programme and training
- Career opportunities within EPSO-G group

Table 15. Average monthly pay by category of employees

Categories	Group		Company	
	Number of employees (at the end of the reporting period)	Average monthly pay (including the VP)	Number of employees (at the end of the reporting period)	Average monthly pay (including the VP)
CEO	2	10,012	1	12,290
Top level managers	6	7,473	5	7,362
Middle- and first-level managers	40	3,933	37	3,961
Experts-specialists	194	2,427	191	2,424
Workers	90	1,495	90	1,495
Total average pay	332	2,437	324	2,400
Remuneration fund, EUR thousand		10,403		9,991

Information on the Company's FP and VP components in 2021 is presented below in Table 16.

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[8], 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 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 (a higher amount is payable depending on the 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;

(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;

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

(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.

Based on the decision passed by the Company's General Meeting of Shareholders on 23 April 2021, the annual remuneration budget was determined for the remuneration of the Board members and for additional costs related to fulfilment of their functions at the Board, i.e. EUR 51,600.

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

Collective agreement

The Company has an effective collective agreement, which was signed on 10 August 2018 with the Trade Union of Amber Grid and amended in part 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, which are not regulated by laws or other regulatory acts.

Professional development

In view of its business objectives, training plans and other needs for improvement, the Company focuses on the professional development of its employees. Amber Grid encourages its employees to upgrade their qualification and enhance their competences.

Table 16. Remuneration of the Company's CEO

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

Table 17. Remuneration of the Company's Board members

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

The Company operates in a regulated energy industry with clearly defined requirements for professional competence and certification of employees necessary to perform their principal and secondary functions. The Company organises mandatory, professional training and other qualification upgrading, as well as certification of employees in the energy sector in accordance with the regulatory requirements.

The Company focuses on the quality of internal training. Since 2020, the Company has been mostly offering on-line professional and other types of training. The Company has reviewed and updated all contents of professional development of its employees for a modular training programme, which is intended to employees operating the objects and facilities of the natural gas transmission system, and agreed the programme with the NERC.

The Company ensures timely organisation of mandatory training (fire safety, civil protection, first aid), and that the employees attending the training obtain both theoretical knowledge and practical skills. In 2021, similarly as every year, defibrillator training was organised for volunteer employees. In order to maintain a high level of readiness of employees to respond in the event of emergency situations, the Company periodically organises fire safety and emergency management training.

Due to the amendment to one of the major legal act (*Rules for safety of work with flammable gases*) effective in 2021, all employees in the energy sector working with flammable gases received additional training and re-certification in accordance with the provisions of the new wording of the legal act effective from 14 November 2021.

In addition, the Company organises training focused on general competences, and provides its employees with a possibility to participate in various seminars, conferences where they can improve their professional skills, learn about the latest developments in their respective fields, and the best practices of other companies.

Number of employees attending training during 2021

Table 19. Number of employees attending training

No.	Type of training	Number of participants	Number of employees attending training	Training duration, hours	Employees attending training as a percentage of total number of employees*
1	Professional training	215	130	3,866	37.4
2	Certification of specialists in the energy sector	346	199	346	62
3	Mandatory training	360	321	1,289	100
4	Technical training	206	141	577	43.9
5	General training	2,005	289	3,952	90

** Estimated as a percentage of average annual number of employees (2021: 321 employees)*

9. Sustainability

With effect from 29 December 2021, Amber Grid joined the occupational safety and health and environmental protection policy of EPSO-G group.

The policy defines the principles for how to achieve as much as possible effective mitigation of any negative impact of the Company's operations on the environment, and for ensuring occupational safety and health of employees. The principles 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 implemented the environmental management system compliant with international standard ISO 14001 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.

In 2021, no instances of non-compliance were identified during the audit carried out by a certified attestation body.

Considering the social and economic environment and the Company's financial and technical possibilities, management of the Company 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.

Throughout 2021, the Company continued its fight against pandemic and took all possible actions to safeguard its employees against potential COVID-19 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 provided with information to ensure their awareness and understanding of the emerging issues.

The Company is committed to carry out its strategy-oriented activities by working towards the following sustainable development directions:

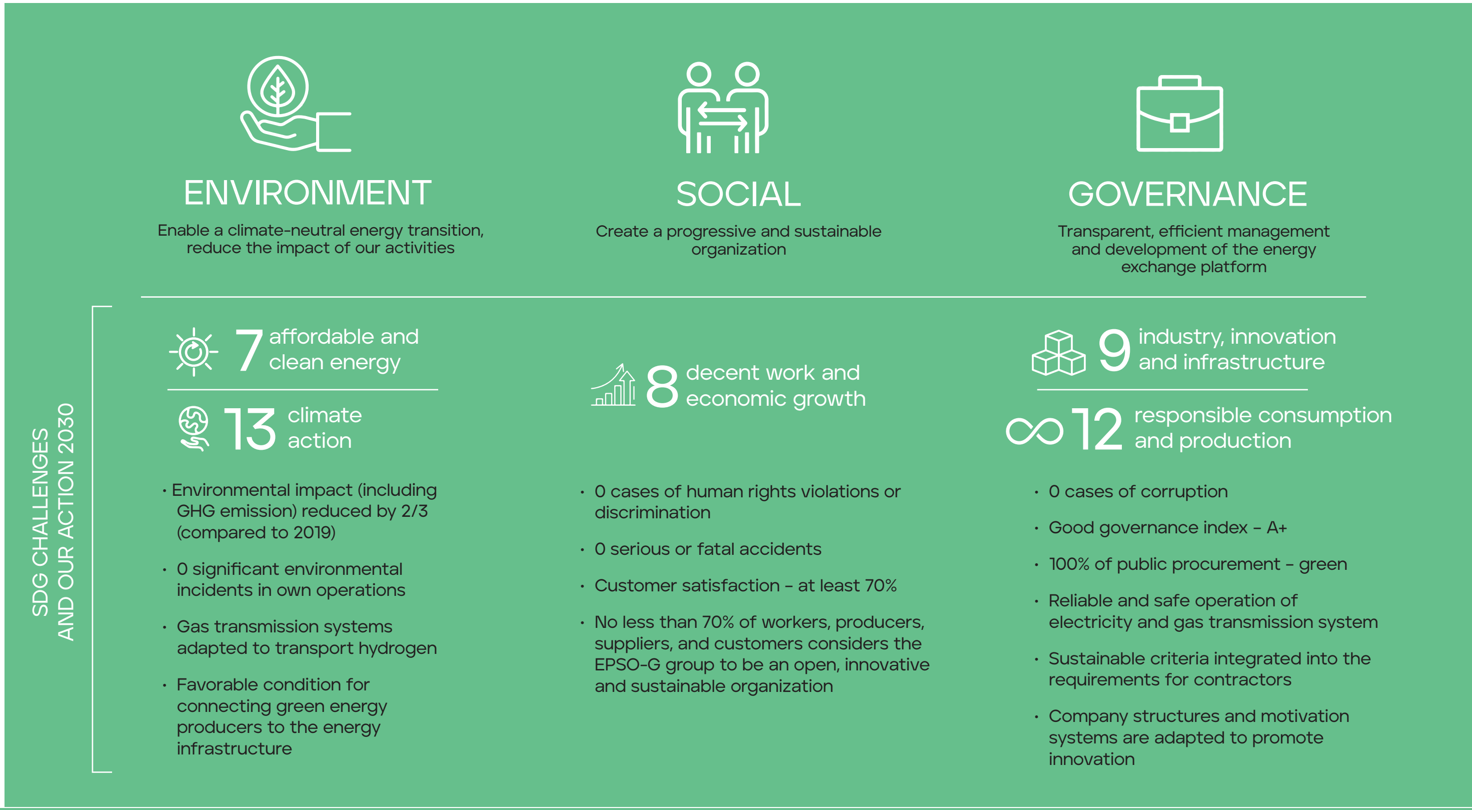
- in the area of environment protection – empowerment of climate-neutral energy through mitigation of the environmental impact;
- in the area of social responsibility – seeking to build a progressive organisation that follows the principles of sustainability;
- in the area of corporate governance and economics – seeking to ensure transparent, efficient operation and development of the energy exchange platform.

The principal purpose of Amber Grid's sustainable activities is, inter alia, to reduce the environmental impact by 2/3 by 2030. For that purpose, the Company has carried out an inventory of greenhouse gas emissions and is finalising the analysis of other types of environmental impact. After having performed a detailed analysis and having identified all significant sources of environmental impact, during the first half of the year the Company will elaborate the plans for mitigation of environmental impact.

The Company has the following basic sustainable development directions and long-term goals:

The purpose of sustainable activities of Amber Grid is to transform the energy sector by ensuring a sustainable balance between the environmental, social and economic targets, thereby contributing to the development of a climate-neutral economy.

Fig. 22. Sustainable development directions



In addition, the Company seeks to contribute directly to the implementation of the Sustainable Development Goals of the United Nations by the year 2030, by focusing on ensuing a possibility to use clean and modern energy in its fight against climate change, development of modern infrastructure and innovations, provision of safe and proper work conditions, development of wellbeing of employees and sustainable supply chain.

In 2021, the Board of EPSO-G approved a new sustainability policy of the group, which replaced the former social responsibility policy applied across the group. The newly approved sustainability policy defines common sustainability targets and principles for all group companies, based on which the activities of the group will be developed.

Having approved an umbrella policy regulating management of sustainability and other areas related to sustainability (environmental protection, occupational safety and health, equal rights of employees, etc.), EPSO-G group is focusing on strengthening the management of sustainability area at the strategic level. The Company will continue with the identification of the most significant topics in the area of sustainability through engagement of stakeholders, integration of sustainability criteria into the supply chain, and strengthening of sustainability reporting practices.

More details about the sustainability practices applied at the Company, and indicators of environmental protection and occupational safety will be disclosed in a separate Sustainability Report of Amber Grid.

10. Material events during the reporting period

As the Company fulfils its obligations set forth in the legal acts regulating the securities market, it publishes notices of its material events and other information regulated on the EU-wide basis. The information is available on the Company's official website (www.ambergrid.lt/en/about-us/investors-relations/materialevents) and on the official website of NASDAQ Vilnius stock exchange (www.nasdaqbaltic.com).

All notices that are made available to 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 and on the Company's official website 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.

Material events during the reporting year 2021:

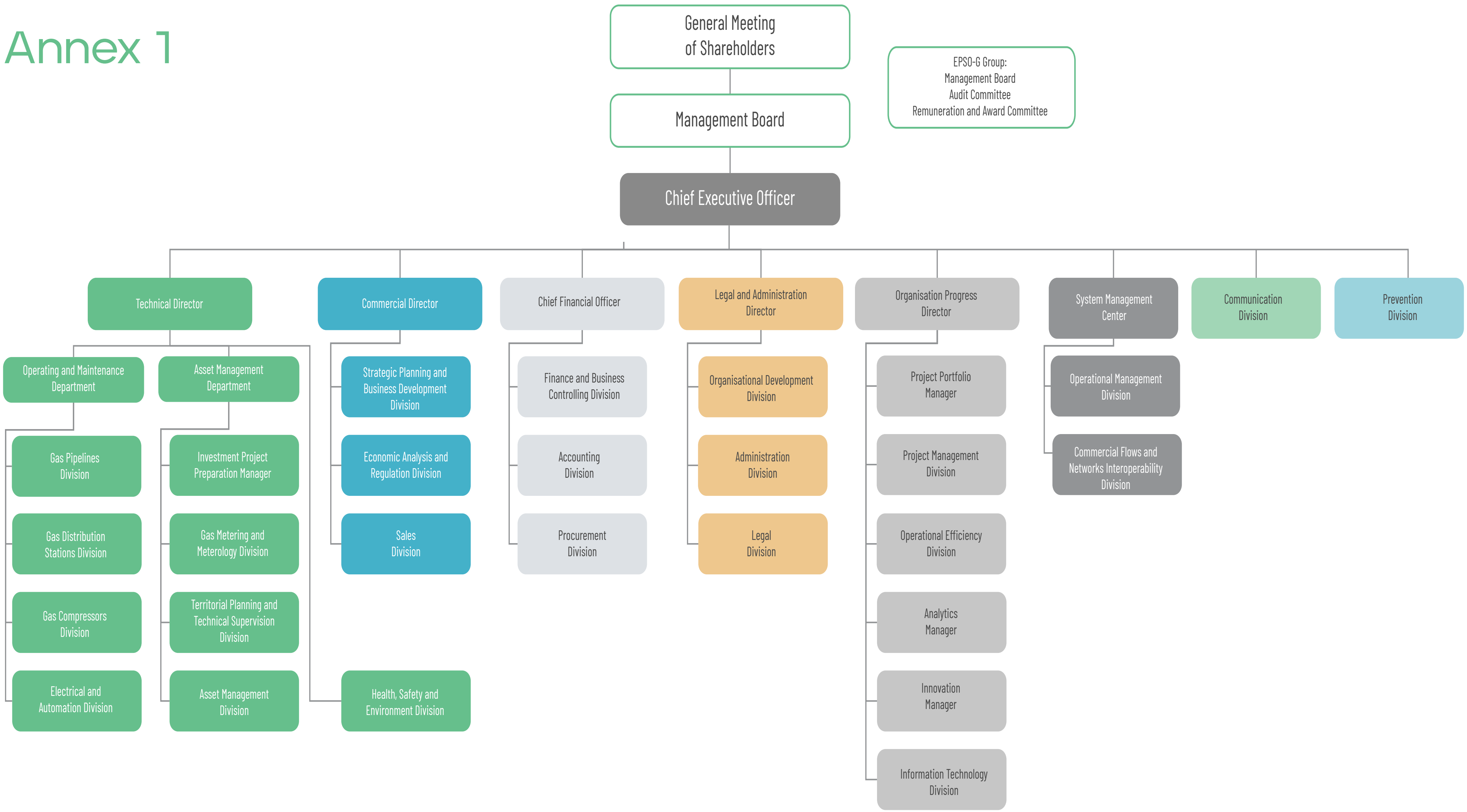
Table 19. Material events of Amber Grid during 2021

Date	Material events during the reporting period
04/02/2021	Consolidated results of operations of Amber Grid group for the year 2020
23/02/2021	Regarding the Audit Committee's opinion on the transaction with the related party
04/03/2021	Regarding the court judgement
09/03/2021	Amber Grid AB signed an agreement on purchase of holding services with EPSO-G UAB
15/03/2021	Correction: Amber Grid notice on announcement of interim information and investor's calendar for 2021
31/03/2021	Amber Grid AB announces audited consolidated and separate financial statements for 2020, consolidated annual report and proposed profit appropriation
31/03/2021	Notice on convening an Ordinary General Meeting of Shareholders of Amber Grid AB
23/04/2021	Regarding the decisions made at the Ordinary General Meeting of Shareholders of Amber Grid AB
23/04/2021	Amber Grid annual information for 2020
05/05/2021	Amber Grid group's consolidated results of operations for Q1 2021
10/05/2021	Regarding the natural gas transmission system operator's revenue cap from regulated activities for 2022
18/05/2021	Regarding new tariffs for natural gas transmission services
31/05/2021	Approval of new tariffs for natural gas transmission services
06/08/2021	Amber Grid group's consolidated results of operations for H1 2021
24/08/2021	Regarding the court judgement
26/08/2021	Regarding the Audit Committee's opinion on the transaction with the related party
27/08/2021	Amber Grid strategic priorities for 2030: infrastructure adaptation to green hydrogen and development of a competitive regional gas market
02/09/2021	Notice on convening an Extraordinary General Meeting of Shareholders of Amber Grid AB
27/09/2021	Regarding the decisions made at the Extraordinary General Meeting of Shareholders of Amber Grid AB
26/10/2021	Regarding the Audit Committee's opinion on the transaction with the related party
05/11/2021	Amber Grid AB signed an agreement on lease of special purpose motor vehicles with Tetas UAB
05/11/2021	Amber Grid AB group's consolidated results of operations for a nine-month period 2021
03/12/2021	Amber Grid investor's calendar for 2022

11. Annexes

Annex 1

Amber Grid's organisational structure



Annex 2

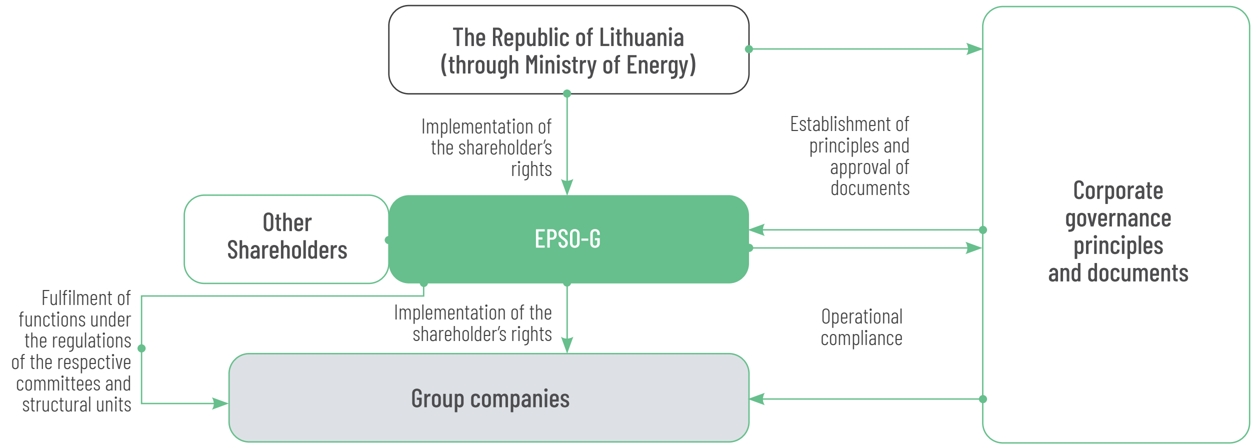
Amber Grid AB statement of compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX AB

In line with Article 23(3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, Amber Grid AB (the "Company") has disclosed its compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius and its specific provisions or recommendations. In case of non-compliance with the Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated, the reasons for such non-compliance must be specified, and other explanatory information indicated in this form must be presented.

1. Summary of the Company's Corporate Governance Report:

Amber Grid AB is a part of the EPSO-G UAB group of companies ("the Group"). The Company's management structure and governance model are determined by the Company's Articles of Association, the Corporate Governance Guidelines of the EPSO-G Group approved on 24 April 2018 by the Ministry of Energy (the ME), the sole shareholder of the parent company EPSO-G UAB, and the Corporate Governance Policy of the EPSO-G Group. All these documents are available on the Company's official website (www.ambergrid.lt) and the official website of EPSO-G UAB (www.epsog.lt).

Material events of Amber Grid during 2021



Being a part of the Group does not affect the Company's independence. The Company operates independently as it seeks to achieve the objectives set in the Company's Articles of Association, and it has the obligation to independently assess whether compliance with the Group's corporate governance documents does not harm the interests of the Company, its creditors, shareholders or other stakeholders.

The Company's management structure is as follows:

- The General Meeting of Shareholders;
- The Board (five members, two of whom are independent members, the other three members are nominated by the shareholder EPSO-G UAB);
- The Committees operating at the Group level:
- The Remuneration and Nomination Committee (mostly independent members);
- The Audit Committee (mostly independent members);
- The Innovation and Development Committee (mostly independent members);
- The CEO.

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

On the basis of the Risk Management Policy of EPSO-G Group, a uniform risk management system of the Group has been implemented at the Company according to the COSO ERM standards applicable in a global practice, which set out the risk identification, assessment and management principles and responsibilities. Risk management coordination is performed at the Group level.

The purpose of the Group's operating policies is to introduce a consistent and effective organisation management system that helps employees successfully implement important strategic projects and create value to local private and business customers in a transparent and effective manner. To ensure the effectiveness of the operating policies, the Company annually reports on the progress achieved with the implementation of the operating policies.

The operating policies that are currently effective at the Company:

REMUNERATION, STAFF, MANAGEMENT
- Employee remuneration, performance assessment and training policy
- Equal treatment policy
- Recruitment policy

SUPERVISION OF ACTIVITIES
- Integrated planning and monitoring policy
- Insurance policy
- Centralized internal audit guidelines for implementation in the Group
- Compliance management policy

ACTIVITIES, GROUP'S DEVELOPMENT
- Corporate governance policy
- Project management policy
- Risk management policy
- Sustainability policy
- Code of ethics
- Guidelines for conducting research and experimental development

FINANCE, ASSETS
- Dividend policy
- Accounting policy
- Treasury and financial risk policy
- Technological assets development and operation policy
- Transport policy
- Share sale policy
- ITT management policy
- Procurement policy
- Policy of transactions with related parties

TRANSPERENCY, RESPONSIBILITY
- Corruption prevention policy
- Sponsorship policy
- Transperency and communication policy
- Sensitive information protection policy
- Policy of non-audit services purchased from an audit company
- Interest management policy
- Personal data protection policy
- Environmental and occupational safety and health policy

The corporate governance report of the state-owned enterprises stipulates that the Group has implemented and complied with the principles of good governance. The highest rating A has been awarded to the Group. The highest rating has been assigned to the applied transparency standards, formation of collegial bodies and implementation of the strategy. The Company's corporate governance has been awarded rating A.

2. Structured table:

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights. The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	**YES**	Pursuant to the Law on Companies of the Republic of Lithuania and Chapter IX of the Company's Articles of Association, information on general meetings of shareholders being convened, their draft decisions and decisions made is published on the Company's website and on NASDAQ OMX Vilnius stock exchange in the Lithuanian and English languages The Company ensures equal possibilities for the shareholders to vote on the respective decisions made at the general meeting of shareholders (there is a possibility to vote by ballot or to vote by proxy, etc.).
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to their holders.	**YES**	The Company's share capital is divided into ordinary registered shares with the nominal value of EUR 0.29 each. All the shares grant the same rights to voting, ownership, dividend and other rights to their holders in proportion to the number of shares held. All the shares are intangible and they are recorded in the personal securities accounts of the shareholders managed by the securities account manager contracted to manage the share accounting.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	**YES**	The rights and obligations of the shareholders are stipulated in Chapter IV of the Company's Articles of Association that are made available to public.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	YES	Paragraph 38 of the Company's Articles of Association specifies the cases when a transaction requires approval of the Board or the General Meeting of Shareholders.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	YES	The Company convenes the General Meeting of Shareholders and conducts other meeting procedures in accordance with the procedure set forth in the Law on Companies of the Republic of Lithuania. In addition, each time the General Meeting of Shareholders is convened, the general rights of the shareholders and the deadlines for exercising such rights are published on the Notice of Convening the General Meeting of Shareholders and on the Company's official website.

1.6. With a view to ensure the right of shareholders living abroad to have access to the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be made available to public in advanced not only in Lithuanian but also in English and/or other foreign languages. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or the decisions adopted should be made available to public not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that such information on the official website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or that the company's commercial secrets are not revealed.	YES	The notices of convening the General Meetings of Shareholders, including the venue, date and time of the meetings, the draft decisions, and information on the decisions made at the General Meetings of Shareholders are published in the English and Lithuanian languages on the Company's official website and on the official website of NASDAQ Vilnius stock exchange.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	A notice of convening the General Meeting of Shareholders always indicates a possibility for the shareholders to vote in writing by filling in the attached form of a voting ballot or to vote by proxy).
1.8. With a view to increase the possibilities for the shareholders to participate effectively at the general meetings of shareholders, it is recommended that companies apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote at the general meetings of shareholders via electronic means of communication. In such cases, the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	NO	Given the challenges encountered while ensuring security of the transmitted information and establishing the identity of the shareholders, such possibilities have not been provided yet to the shareholders. However, the shareholders are provided with other possibilities to exercise their rights: to vote in person, to vote by proxy, to vote under the contract on transfer of voting right; to vote in advance by filling in the general voting ballot.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidates to members of the collegial body, their proposed remuneration and the proposed audit firm if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	YES	A notice of convening the General Meeting of Shareholders always specifies the draft decisions containing information required by the Law on Companies of the Republic of Lithuania, including new candidatures of members of the collegial bodies, the proposed remuneration, the proposed audit firm and the proposed audit fee.
1.10. Members of the company's collegial management body, heads of the administration[9] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	YES NO	Relevant competent persons who can provide information related to the agenda of the General Meeting of Shareholders always attend the General Meeting of Shareholders. The proposed candidates to the members of the collegial bodies do not always attend the General Meetings of Shareholders.

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY

Principle 2: Supervisory board

2.1 Functions and liability of the supervisory board

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

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	Supervisory board is not formed at the Company.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	Supervisory board is not formed at the Company.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	Supervisory board is not formed at the Company.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[10] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	Supervisory board is not formed at the Company.
2 .1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	Supervisory board is not formed at the Company.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	Supervisory board is not formed at the Company.

[10] For the purposes of this Code, the criteria of independence of the mem¬bers of the supervisory board are interpreted as the criteria of unre¬lated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 3: Management board		
3.1. Functions and liability of the management board		
The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	Paragraph 36 of the Company's Articles of Association stipulates the power of the Company's Board to approve the Company's strategy and supervise its implementation.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES	Paragraph 7.3 of the Company's Articles of Association stipulates that the Company's Board undertakes the supervisory functions. As the Board fulfils the functions assigned to it, it takes into account the needs of the Company, shareholders, employees and other stakeholders.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	Paragraph 36(xi) of the Company's Articles of Association stipulates that the Company's Board deliberates upon the Group documents (guidelines, policies, procedures, etc.) and decides on the extent of their adoption at the Company. The Board ensures and monitors regularly that the documents approved by it (strategy, budget, business plans, risk management measures plan, etc.) are implemented at the Company.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[11] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES	The Company's Board ensures and monitors implementation of internal controls, ethics and compliance measures as follows: - there is an internal audit function at the group level; - the Audit Committee is formed at the group level, mostly consisting of independent members, with the internal audit function accountable to it; - The Company applies the Code of Conduct, the Corruption Prevention Policy of EPSO-G UAB Group, the Sponsorship and Charity Policy of EPSO-G UAB Group, the Policy of Management of Interests of EPSO-G UAB Group, the Risk Management Policy of EPSO-G UAB Group, the Transparency and Communication Policy of EPSO-G UAB Group, the Compliance Management Policy and Methodology of EPSO-G UAB Group, etc.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	When the Board appoints the head of the Company, it follows the procedure approved by Resolution of the Government of the Republic of Lithuania for the selection of candidates to a collegial supervisory or management body of a state-owned or municipal enterprise or of a company or its subsidiary owned by a state-owned or municipal enterprise, also takes into account the recommendation of the Remuneration and Nomination Committee, and the appropriate balance between the candidate's qualification, experience and competence. Paragraph 57 of the Company's Articles of Association stipulates that when the Board assesses the suitability of the candidate for the position of the General Manager, the Board shall consider the candidate's compliance with the requirements specified in the Articles of Association and legal acts, and for that purpose may require that the candidate submit documents supporting such compliance and/or may contact competent authorities for obtaining the necessary information about the candidate.

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
3.2. Formation of the management board		
3.1.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	Paragraph 28 of the Company's Articles of Association stipulates that in the process of selection of the Board members it is ensured that the Board consists of at least 2 (two) independent members. Their independence is established in accordance with the criteria laid down in the Corporate Governance Code and the Policy for Management of Interests of Members of Collegial Bodies, Executives and Employees of the Group, as well as the requirements set forth in other applicable legal acts. It is ensured that at least 3 (three) members of the Board have no employment relationship with the Company and, where possible, it is aimed that employees of the Company are not appointed to the Board and that the Board members have competences that are required in the areas of responsibility and functions of the Board. The selection of the Company's Board members is carried out by the Remuneration and Nomination Committee in accordance with the approved matrix of the Board competences. The Board members perform self-assessment of their activities annually. In addition, the Remuneration and Nomination Committee evaluates the performance of the Board on an annual basis and provides recommendations on performance improvement.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	YES	Information is announced in the interim and annual reports of the Company that are made available to public on the official website of the Company.
3.2.3. All new members of the management board should be familiarised with their duties and the structure and operations of the company.	YES	The Board members are introduced to their duties, the structure and activities of the Company by sharing with them the Company's corporate documents – a set of such documents is sent by email to the newly elected Board members.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	Paragraph 27 of the Company's Articles of Association stipulates that the Board is a collegial management body of the Company consisting of 5 members. The Board members are elected for an office term of 4 years by the General Meeting of Shareholders, to which the Board is accountable, by taking into account recommendations of the Remuneration and Nomination Committee. The Board member may serve the maximum period of 2 full terms of office in a row without any interruption, i.e. no longer than 8 years in a row.
3.2.5. Chair of the management board should be a person, whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	YES	Paragraph 29 of the Company's Articles of Association stipulates the criteria prohibiting a person to be elected as a member of the Board. One of the measures for ensuring impartiality of the chairperson of the Board is established in paragraph 46 of the Company's Articles of Association, which states that the chairperson of the Board cannot be elected from among the Company's employees who were elected to the Company's Board.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	YES	The Board members actively attend the meetings, and the minutes of the meetings provide records of attendance and voting by the Board members during the decision-making process. During 2021, none of the Board members, who was elected and performing the duties, missed any of the Board meetings. As stipulated in paragraph 52 of the Company's Articles of Association, each year the Board members perform a self- assessment of their activities, the results of which are submitted to the shareholders and the Remuneration and Nomination Committee. Attendance at the Board meetings by the Board members is disclosed in the annual report.

3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[12], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company related circumstances.	YES	The Company's official website and the annual report contain information about the Company's Board members, with specific indication of which members are independent. At each Board meeting, the Board members are required to declare whether the agenda contains any issues that might give rise to conflict of interests.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	YES	The General Meeting of Shareholders decides on the amount and guidelines of remuneration of the Board members. Based on the decision of the General Meeting of Shareholders, a fixed monthly pay for service at the Board and for activities at the group's committees has been set only for independent Board members.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	Taking into account the objective to monitor the absence of conflicts of interest of the Company's Board members, each year the Board members update their declarations of interests, and the independent members are assessed for their independence. In addition, paragraph 33 of the Company's Articles of Association stipulates that the Board members may be employed elsewhere or hold other job position compatible with their activities in the Board, including but not limited to executive positions in other legal entities, a job in a state or statutory service, duties at the Company and other legal entities (in view of the restrictions set in paragraph 29 of the Articles of Association), as well as in legal entities where the Company or the parent company acts as a member, only by providing a prior notice to the Company's Board. The Company has adopted the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of EPSO-G Group. The Board members have signed non-disclosure agreements to protect confidential information. No-compete agreements are not concluded with the Board members. The need for such agreements was not established because the Company operates in a monopoly business.
3.2.10 Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	YES	The Board carries out a self-assessment of its activities annually, and on its basis prepares a performance improvement plan. In addition, the Remuneration and Nomination Committee and the Audit Committee, which act at EPSO-G UAB Group level, evaluate annually the decisions made by the Board and provide recommendations on performance improvement. The results of assessment of the Board's activities are presented in the Company's annual report.

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	The Supervisory Board is not formed at the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	YES	Paragraph 45 of the Company's Articles of Association stipulates that the Board makes its decisions at the Board meetings that are usually convened as often as necessary for the Board to be able to properly perform its functions and make decisions within its authority, however, not less than 12 times during a calendar year. At the end/beginning of each year, the Company's Board approves the schedule and activity plan (a preliminary agenda for the respective Board meeting) for the upcoming/current year.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	YES	The Board's work is organised in line with the Board's Work Regulations governing the matters of convening a meeting, communication and material sharing with the Board members, and other procedural issues. The Company's Board follows the recommendation related to changes in the agenda.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	The Supervisory Board is not formed at the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY

Principle 5: Nomination, remuneration and audit committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[13].	YES	The Company has the Remuneration and Nomination Committee at the Group level, which is formed by the Board of EPSO-G UAB and acts in accordance with the regulations approved by the body that forms it, and the Audit Committee at the Group level, which is formed by the sole shareholder EPSO-G UAB and acts in accordance with the regulations approved by the body that forms it. Given that the matters of remuneration and nomination are closely interrelated, and that the same expert qualification is required to address those matters, it was decided to form a single Remuneration and Nomination Committee.
5.1.2. Companies may decide to set up less than three committees. In such case, companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	YES	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case, the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	See 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	YES	Paragraphs 7.8 and 7.9 of the Articles of Association of EPSO-G UAB regulate the formation of committees at EPSO-G group level and the areas of their competence. The Articles of Association stipulate that the Remuneration and Nomination Committee and the Audit Committee shall consist of not less than three members. It is ensured that at least one member from all three members of the Remuneration and Nomination Committee are independent, and at least two members from all three members of the Audit Committee are independent. Not all members of the Remuneration and Nomination Committee and the Audit Committee are appointed from the Board of EPSO-G. One member to each of the Committees is appointed on the basis of competence through an external selection procedure of an independent member to the Committee.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	YES YES	The powers of the Committees are determined in the Articles of Association of EPSO-G UAB and under the decision of the body forming the Committee – the Regulations of the Remuneration and Nomination Committee are approved by the decision of the Board of EPSO-G UAB, and the Regulations of the Audit Committee are approved by the decision of the sole shareholder EPSO-G UAB, as it is permitted by the Requirements for Members of the Audit Committee approved by the Bank of Lithuania (Article 5). The Regulations of the Committees are available on EPSO-G UAB website. Information about the composition, activities of the Committees and other information is presented in the Group's consolidated annual report.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	YES	The Regulations of the Committees provide for the right of the members of the Committees to invite, at their discretion, to their meetings the members of the bodies of EPSO-G UAB Group companies, employees, authorised representatives, candidates to certain positions or other persons, and to obtain from them the necessary explanations within their competence, as well as to require for that purpose to carry out the actions necessary to fulfil the functions of the Committees.

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
5.2. Nomination committee.		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	YES	The Remuneration and Nomination Committee of EPSO-G UAB serves as an advisory body to the Board of EPSO-G UAB and to the Company's Board. The main functions of the Committee are as follows: - assistance in the selection of candidates to members of the bodies in all the group companies; - provision of recommendations for the group companies on appointment of members to the management bodies, conclusion of contracts with them and determination of remuneration for them; - provision of recommendations on the policies of the group companies that govern the remuneration policy and employee performance assessment; - provision of recommendations on the system for succession planning in the critical job positions.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	YES	The Regulations stipulate that the right of initiative to convene the Remuneration and Nomination Committee is exercised by the boards or heads of the group companies who also propose the agenda of the meeting by submitting materials and draft resolutions related to the agenda matters. Currently, the Company's Board has no members who have employment relations with the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
5.3. Remuneration committee.		
The main functions of the remuneration committee should be the following: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	YES	The Company has a single Remuneration and Nomination Committee, with functions described in detail in 5.2.1.
5.4. Audit committee.		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[14]. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	YES	The Audit Committee of EPSO-G UAB acts as an advisory body to the Board of EPSO-G UAB and to the Company's Board. The main functions of the Committee are as follows: - supervision of preparation and audit of financial statements of the Group companies; - responsibility for ensuring compliance by the auditors and audit firms of the Group companies with the principles of independence and objectivity; - responsibility for the supervision of effectiveness of internal controls, risk management and internal audit systems of the Group companies; - responsibility for control over provision of non-audit services by the auditor and/or audit firm of the Group companies; - ensuring the functioning of the complaints system and handling of complaints; - evaluation of transactions with related parties.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	The Regulations of the Audit Committee stipulate that the members of the Committee, at their own discretion, may invite to their meetings the members of the bodies of the Group companies, their employees, authorised representatives, candidates to certain positions or other persons, and obtain from them the necessary explanations within their competence, as well as require for that purpose to take actions that are necessary to fulfil the functions of the Committee.

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

5.4.4. The audit committee should be informed about the internal auditor's work programme and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work programme of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	YES	See 5.4.3. The Audit Committee organises a meeting with the auditors to discuss the audit plan.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	YES	The Audit Committee ensures the functioning of the complaints system and the handling of complaints.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	YES	The Regulations of the Audit Committee stipulate that the Audit Committee submits quarterly activity reports to the Board. In addition, it submit a consolidated activity report to the Ordinary General Meeting of Shareholders and to the Board of EPSO-G UAB.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies. The corporate governance framework should recognise the rights of stakeholders established in the laws and encourage active cooperation between the company and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	YES	This obligation is set out in paragraphs 57-58 of the Company's Articles of Association, the Regulations of the management bodies, and the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of EPSO-G Group.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 7: Remuneration policy of the Company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	YES	The Company applies the Guidelines for Determining the Remuneration for Service at the Bodies of EPSO-G UAB and EPSO-G UAB Group Companies, which are approved by the sole shareholder EPSO-G UAB and are available to public. The Company applies in full EPSO-G Group's Remuneration, Performance Appraisal and Training Policy. The Remuneration Policy is available to public.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	YES	These forms of remuneration are defined in the Remuneration, Performance Appraisal and Training Policy of EPSO-G Group.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	YES	The Company applies the Guidelines for Determining the Remuneration for Service at the Bodies of EPSO-G UAB and EPSO-G UAB Group Companies, which define a fixed remuneration for independent members of the collegial bodies. The members of the Board do not receive remuneration (bonuses) based on the Company's performance.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	NO	The Remuneration, Performance Appraisal and Training Policy of EPSO-G UAB Group stipulates that the Group companies do not enter into advance agreements on the amounts of termination benefits (except for the heads of the companies whose terms of employment are determined by the Board). The amounts of termination benefits are determined by taking into account the mandatory minimum amounts of such benefits established by the provisions of labour law, except for exceptional cases when there are objective reasons for the agreement on higher amounts of benefits. The Board of the Company shall be informed about the payment of such benefits and the grounds for their payment during the upcoming meeting
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	NOT APPLICABLE	No such schemes are applied at the Company.

7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	YES	General information on the implementation of the Remuneration Policy and average salary levels by each category of employees are disclosed to public in the Company's annual report. According to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company discloses remuneration of the members of the Company's management bodies, and other benefits related to the functions of the members of the management bodies. Information on remuneration of employees is made available to public on the Company's official website on a quarterly basis.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	YES NO	The remuneration of the members of the Company's Board is determined by the General Meeting of Shareholders of the Company. When determining the remuneration, the Company follows the Guidelines for Determining the Remuneration for Service at the Bodies of EPSO-G UAB and EPSO-G Group Companies, which are approved by the sole shareholder EPSO-G UAB. No such schemes are applied at the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between the company and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	The Company applies the Transparency and Communication Policy of EPSO-G UAB Group, which stipulates goals to increase awareness and understanding of stakeholders about the activities of EPSO-G UAB Group and individual Group companies; to ensure employee engagement; to create and maintain sustainable relationship with stakeholders based on mutual trust.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	YES	The Company, together with the representatives of the Company's employees, conducts consultations, negotiations and briefings on the processes for improving efficiency of the Company's operations. Under the Company's collective agreement signed with the representatives of the Company's employees, the Company informs the representatives of the trade unions about the anticipated changes in the Company, the Company's financial position, etc The stakeholders can take part in the corporate governance to the extent permitted by law.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	The stakeholders are provided with the conditions to familiarise themselves with the required information.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	YES	The Company's Trust Line contacts are available to public on the Company's official website. The contacts can be used by the stakeholders to report any incidents of violation of environmental, occupational health and safety requirements, unethical or inappropriate work practices, violation of anti-corruption requirements. The stakeholders are introduced to the possibility to contact directly the head of the Company or the chairperson of the Board.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	YES	The Company applies the Transparency and Communication Policy of EPSO-G UAB Group, based on which the essential financial and non-financial information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.2. operating and financial results of the company;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.3. objectives and non-financial information of the company;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.4. persons holding a stake in the company or controlling it directly and/ or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.5. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.6. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.7. potential key risk factors, the company's risk management and supervision policy;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.8. the company's transactions with related parties;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.9. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.10. structure and strategy of corporate governance;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.

9.11. initiatives and measures of social responsibility and anti-corruption policy, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.12. When disclosing the information specified in Item 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	EPSO-G UAB, as a parent company, discloses consolidated information in the consolidated annual report.
9.13. When disclosing the information specified in Item 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.14. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	YES	The Company provides information through the information disclosure system of NASDAQ Vilnius Stock Exchange in Lithuanian and English languages simultaneously. The Company discloses information prior to or after a trading session at NASDAQ Vilnius Stock Exchange and presents it simultaneously to all the markets in which the Company's stock is traded. The Company does not disclose information that may affect the price of its stock in any comments, interviews or by any other means until such information is provided through the information disclosure system of the stock exchange.

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY

Principle 10: Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial position and financial performance results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	The Company's financial information is audited by an independent audit firm.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	The Audit Committee operating at the Group level takes part in the selection process of an auditor, by recommending a candidate for the independent auditor to the Company's Board. As the Board assesses the candidate proposed by the Audit Committee, it proposes the candidate for the approval by the General Meeting of Shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	The fee for non-audit services received by the audit firm is made available to public by the Company. The audit firm provides non-audit services in accordance with EPSO-G UAB Group Policy for Procurement of Non-audit Services from an Audit Firm or any Member Firm of the Network of the Auditor, approved by the Audit Committee of EPSO-G UAB of from an audit firm or from any other firm that is part of the audit firm network. The latter policy is approved by the Audit Committee. The provision of non-audit services is supervised by the Audit Committee operating at the Group level, which has in its disposal of the necessary information about the auditor as it recommends a candidate for the independent auditor to the Board.

Annex 3

Information on compliance with the transparency guidelines

EPSO-G UAB and its subsidiaries comply[15] with Resolution No 1052 of 14 July 2010 of the Government of the Republic of Lithuania *On the approval of the description of guidelines for ensuring the transparency of state-owned enterprises* ("the Transparency Guidelines"). The application of the Transparency Guidelines is mandatory to EPSO-G as it is a state-owned enterprise ("the SOE"). In order to ensure compliance with the Transparency Guidelines across EPSO-G Group, the Business Transparency and Communication Policy of EPSO-G Group was approved at the Group level, which considers in detail the requirements set forth in the Transparency Guidelines, and defines their applicability to EPSO-G Group companies.

Implementation of the Transparency Guidelines is largely ensured by Amber Grid AB through disclosure of information in the annual report and on the official website of Amber Grid, where information is disclosed in the format that is acceptable and comprehensible to the stakeholders.

Article 3 of the Transparency Guidelines stipulates that the SOE complies with the provisions of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB[16] that are related to public disclosure of information. Information on how Amber Grid complies with the provisions of the Code is provided in Annex 2 to Amber Grid's Annual Report - *Amber Grid Notice of Compliance with the Corporate Governance Code for the Companies Listed on Nasdaq* Vilnius AB :

The following information must be published/other requirements must be implemented on the official website of Amber Grid (www.ambergrid.lt)**:**	
Company's name, code, registered address, and a register in which data on the Company is compiled and stored	Implemented
Legal form, in case Amber Grid is restructured, reorganised (the way of reorganisation is to be indicated), under liquidation, in the process of bankruptcy or bankrupt	Not applicable
Information on the authority representing the State, i.e. the Ministry of Energy, and link to its official website	Implemented
Goals, vision and mission of the activities	Implemented
Structure	Implemented
Data on the chief executive officer*	Implemented
Data on the chairperson and members of the board*	Implemented
Data on the chairperson and members of the supervisory board*	Not applicable
Names of the committees, data on their chairperson and members*	Not applicable
** The following data must be provided: name, surname, start date of the term of office, other executive positions in other legal entities, education, qualification, and professional experience; indication of whether a member of a collegial body has been elected or appointed as an independent member.*	
Sum of the nominal values (in euros and cents) of shares and interest (in percentage) held by the State in the share capital of Amber Grid under the title of ownership	Implemented
Implementation of special obligations established under the recommendations approved by the Minister of Economy and Innovations of the Republic of Lithuania: the purpose of special obligations, budget allocations in the current calendar year for fulfilment of special obligations, and the legal acts under which the SOE is assigned to fulfil special obligation, the terms for fulfilment of special obligation and/or the regulated pricing	Implemented
Information on initiatives and measures of social responsibility, significant ongoing or planned investment projects	Implemented
If Amber Grid is a member of other legal entities (not applicable to subsidiaries and second-tier subsidiaries), the name, code, and register in which data on the Company is compiled and stored, registered address, and official websites of such legal entities	Not applicable
A set of Amber Grid annual financial statements, Amber Grid annual report, as well as an auditor's report on Amber Grid annual financial statements must be placed on Amber Grid official website within 10 working days from the date of approval of the set of annual financial statements	Implemented
The sets of Amber Grid interim financial statements and Amber Grid interim reports must be placed on the official website not later than within 2 months after the end of the reporting period	Implemented
Since Amber Grid is a subsidiary, the following additional information must be provided on Amber Grid official website (www.ambergrid.lt)**:**	
Amber Grid group structure	Implemented
Information on subsidiaries and second-tier subsidiaries of Amber Grid:	
Company's name, code, registered address, and a register in which data on the Company is compiled and stored	Implemented
Official website addresses	Implemented
Amber Grid's interest (percentage) held in the share capital of the companies	Implemented
Annual consolidated financial statements and consolidated annual reports	Implemented

[15] Under Article 17.11 of the Transparency Guidelines, in the event of failure to comply with the Transparency Guidelines, the reasons for such non-compliance must be explained.

[16] Corporate Governance Code for the Companies Listed on Nasdaq Vilnius approved at the Board meeting of Nasdaq Vilnius AB on 15 January 2019, Minutes No 19-63.

The following documents must be provided/other requirements must be implemented on Amber Grid official website (www.ambergrid.lt):	
Amber Grid's Articles of Association	Implemented
Official Letter of the Ministry of Energy on determining the State's goals and expectations for Amber Grid	Not applicable
Operational strategy or its summary in cases when operational strategy contains confidential information or information that is treated as a commercial (industrial) secret	Implemented
Remuneration policy that covers determination of remuneration for CEO and members of collegial bodies and committees of Amber Grid	Implemented
Amber Grid annual and interim reports	Implemented
The sets of annual and interim financial statements, and auditor's reports thereon for at least 5 years	Implemented
The above-mentioned documents must be provided in a PDF format with a technical possibility to be printed out	Implemented
The following information must be provided/other requirements must be implemented in the sets of financial statements:	
Amber Grid keeps its accounting records in a way that ensures preparation of the financial statements in accordance with the International Accounting Standards	Implemented
Amber Grid prepares a set of financial statements for the period of 6 months.	Implemented
In addition to annual report, Amber Grid prepares an interim report for the period 6 months.	Implemented
In addition to the content requirements set in the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the following information must be disclosed by Amber Grid[17]:	
Brief description of Amber Grid's business model	Implemented
Information on significant events occurring during the financial year and after the end of the financial year (until the date of preparation of annual report) that had material impact on the activities of Amber Grid	Implemented
Results of implementation of the objectives set in the operational strategy	Implemented
Profitability, liquidity, asset turnover, and debt ratios	Implemented
Implementation of special obligations	Implemented
Implementation of the investment policy, ongoing and planned investment projects, and investments implemented during the reporting year	Implemented
Implementation of the risk management policy applied by Amber Grid	Implemented
Implementation of the dividend policy	Implemented
Implementation of the remuneration policy	Implemented
Total annual payroll fund, average monthly salary by category of employees and/or business units	Implemented
The SOEs that are not required to prepare the social responsibility report, are recommended to provide information related to environmental, social and personnel, human rights, anti-corruption and anti-bribery matters in their annual report or annual activity report	Implemented
The consolidated annual report includes the following information: structure of the group, name, code and register in which data on the company is compiled and stored, registered address of each of the group companies, interest (percentage) held in the share capital of a subsidiary, financial and non-financial performance during the financial year	Implemented
The interim report of Amber Grid includes the following information: a brief description of Amber Grid's business model, analysis of financial performance during the reporting period, information on significant events occurring during the reporting period, profitability, liquidity, asset turnover and debt ratios and changes therein compared to the respective period in the previous year	Implemented

[17] When information is treated as a commercial (industrial) secret or as confidential information of the SOE, the SOE is allowed not to disclose such information; however, in its annual report the SOE must indicate such non-disclosure and provide the reasons for non-disclosure.

AMBER GRID AB
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL AND THE INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

Consolidated and separate statement of financial position (All amounts are in EUR '000 unless otherwise stated)

		Notes	Group		Company	
			At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
ASSETS						
A.	**Non-current assets**		**272,087**	**255,757**	**272,202**	**255,649**
I.	Intangible assets	5	4,742	4,833	4,210	4,189
II.	Property, plant and equipment	6	255,984	241,624	255,978	241,620
II.1.	Land		125	125	125	125
II.2.	Buildings		6,529	5,427	6,529	5,427
II.3.	Structures and equipment		199,940	146,003	199,940	146,003
II.4.	Plant and machinery		37,143	34,583	37,143	34,583
II.5.	Motor vehicles		373	542	373	542
II.6.	Other PP&E		4,066	3,171	4,060	3,167
II.7.	Construction work in progress	6	7,808	51,773	7,808	51,773
III.	Right-of-use assets	8	3,849	2,335	3,737	2,204
IV.	Non-current financial assets	7	4	4	769	675
IV.1.	Investment in subsidiary		-	-	769	675
IV.2.	Non-current trade receivables	10	-	-	-	-
IV.3.	Other non-current financial assets		4	4	-	-
V.	Deferred income tax assets	23	7,508	6,961	7,508	6,961
B.	**Current assets**		**108,127**	**60,614**	**46,318**	**49,144**
I.	Inventories and prepayments		8,818	2,626	8,801	2,611
I.1.	Inventories	9	8,101	1,897	8,101	1,897
I.2.	Prepayments		717	729	700	714
II.	Amounts receivable		45,946	47,377	35,257	45,356
II.1.	Trade receivables	10	21,424	7,870	10,736	5,851
II.2.	Other amounts receivable	10	24,522	39,507	24,521	39,505
III.	Prepaid income tax		943	1,171	943	1,171
IV.	Other financial assets	11	51,514	8,673	1,305	3
V.	Cash and cash equivalents	12	906	767	12	3
	Total assets		**380,214**	**316,371**	**318,520**	**304,793**

(cont'd on the next page)

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

Consolidated and separate statement of financial position (continued) (All amounts are in EUR '000 unless otherwise stated)

		Notes	Group		Company	
			At 31 December	At 31 December	At 31 December	At 31 December
			2021	2020	2021	2020
EQUITY AND LIABILITIES						
C.	**Equity**		**178,040**	**154,830**	**177,573**	**154,410**
I.	Share capital		51,731	51,731	51,731	51,731
II.	Reserves	13	102,715	74,638	102,678	74,638
II.1.	Legal reserve		5,210	5,173	5,173	5,173
II.2.	Other reserves		97,505	69,465	97,505	69,465
III.	Retained earnings (deficit)		23,594	28,461	23,164	28,041
D.	**Amounts payable and liabilities**		**202,174**	**161,541**	**140,947**	**150,383**
I.	Amounts payable after one year and non-current liabilities		97,661	107,506	97,578	107,396
I.1.	Non-current borrowings	14	91,391	101,565	91,391	101,565
I.2.	Lease liabilities	15	3,494	1,953	3,411	1,843
I.3.	Contract liabilities	16	1,305	1,337	1,305	1,337
I.4.	Long-term employee benefits	17	530	509	530	509
I.5.	Deferred income tax liability		-	-	-	-
I.6.	Other non-current liabilities		-	-	-	-
I.7.	Provisions	17	941	2,142	941	2,142
II.	Amounts payable within one year and current liabilities		104,513	54,035	43,369	42,987
II.1.	Current borrowings	14	3,284	7,852	3,284	7,852
II.2.	Current portion of non-current borrowings	14	10,174	10,174	10,174	10,174
II.3.	Current portion of lease liabilities	15	432	410	401	387
II.4.	Current portion of non-current employee benefits	17	72	39	72	39
II.5.	Trade payables	18	32,476	10,429	8,439	8,151
II.6.	Advance amounts received and contract liabilities	19	37,284	8,558	829	312
II.7.	Income tax liability		86	51	-	-
II.8.	Employment-related liabilities		2,943	2,140	2,826	2,054
II.9.	Other amounts payable and current liabilities	20	16,546	14,345	16,128	13,981
II.10.	Provisions	17	1,216	37	1,216	37
Total equity and liabilities			**380,214**	**316,371**	**318,520**	**304,793**

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

Consolidated and separate statement of profit or loss (All amounts are in EUR '000 unless otherwise stated)

		Notes	Group		Company	
			2021	2020	2021	2020
I.	**Revenue**	4,21	**68,595**	**52,286**	**66,973**	**50,831**
II.	**Expenses**		**(45,381)**	**(37,337)**	**(44,448)**	**(36,674)**
II.1.	Natural gas costs		(11,268)	(6,345)	(11,268)	(6,345)
II.2.	Depreciation and amortisation		(12,057)	(11,126)	(11,882)	(10,934)
II.3.	Employee benefits and related social security contributions		(11,387)	(10,254)	(10,937)	(9,905)
II.4.	Repair and technical maintenance expenses		(3,561)	(3,405)	(3,561)	(3,405)
II.5.	Taxes other than income tax		(2,320)	(1,954)	(2,318)	(1,953)
II.6.	Telecommunications and IT system expenses		(1,715)	(1,561)	(1,625)	(1,483)
II.7.	Other expenses		(3,073)	(2,692)	(2,857)	(2,649)
III.	**Operating profit (loss)**	4	**23,214**	**14,949**	**22,525**	**14,157**
IV.	**Financing activity**	22	**(437)**	**(363)**	**92**	**(360)**
IV.1.	Finance income		2	3	480	3
IV.2.	Finance costs		(439)	(366)	(388)	(363)
V.	**Profit (loss) before income tax**	4	**22,777**	**14,586**	**22,617**	**13,797**
VI.	**Income tax expenses**	4,23	**434**	**3,584**	**547**	**3,635**
VI.1.	Current year income tax expenses		(113)	(98)	-	(47)
VI.2.	Deferred income tax		547	3,682	547	3,682
VII.	**Net profit (loss)**	4	**23,211**	**18,170**	**23,164**	**17,432**
	Basic and diluted earnings (loss) per share (EUR)	24	0,.13	0.10	0.13	0.10

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

Consolidated and separate statement of comprehensive income (All amounts are in EUR '000 unless otherwise stated)

		Notes	Group		Company	
			2021	2020	2021	2020
I.	**Net profit (loss)**	4	**23,211**	**18,170**	**23,164**	**17,432**
II.	**Other comprehensive income**		-	-	-	-
II.1.	Comprehensive income that will be reclassified subsequently to profit or loss		-	-	-	-
II.2	Comprehensive income that will not be reclassified subsequently to profit or loss		-	-	-	-
III.	**Total comprehensive income (loss)**		**23,211**	**18,170**	**23,164**	**17,432**

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

Consolidated statement of changes in equity (All amounts are in EUR '000 unless otherwise stated)

Group	Share capital	Legal reserve	Other reserves	Retained earn-ings	Total
Balance at 31 December 2019	**51,731**	**5,173**	**69,465**	**10,291**	**136,660**
Reserves established	-	-	-	-	-
Dividends approved	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Net profit (loss) for the period	-	-	-	*18,170*	*18,170*
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	18,170	18,170
Balance at 31 December 2020	**51,731**	**5,173**	**69,465**	**28,461**	**154,830**
Reserves established	-	37	28,040	(28,077)	-
Dividends approved	-	-	-	-	-
Total transactions with owners	-	37	28,040	(28,077)	-
Net profit (loss) for the period	-	-	-	*23,211*	*23,211*
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	23,211	23,211
Balance at 31 December 2021	**51,731**	**5,210**	**97,505**	**23,594**	**178,040**

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

Separate statement of changes in equity (All amounts are in EUR '000 unless otherwise stated)

Company	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 31 December 2019	**51,731**	**5,173**	**69,465**	**10,609**	**136,978**
Reserves established	-	-	-	-	-
Dividends approved	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Net profit (loss) for the period	-	-	-	*17,432*	*17,432*
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	17,432	17,432
Balance at 31 December 2020	**51,731**	**5,173**	**69,465**	**28,041**	**154,410**
Reserves established	-	-	28,040	(28,040)	-
Dividends approved	-	-	-	-	-
Total transactions with owners	-	-	28,040	(28,040)	-
Net profit (loss) for the period	-	-	-	*23,164*	*23,164*
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	23,164	23,164
Balance at 31 December 2021	**51,731**	**5,173**	**97,505**	**23,164**	**177,573**

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

Consolidated and separate statement of cash flows (All amounts are in EUR '000 unless otherwise stated)

		Notes	Group 2021	Group 2020	Company 2021	Company 2020
I.	**Cash flows from operating activities**					
I.1.	Net profit (loss)	4	23,211	18,170	23,164	17,432
	Adjustments for non-cash items and other corrections:					
I.2.	Depreciation and amortisation	5,6,8	12,057	11,126	11,882	10,934
I.3.	Loss (profit) on disposal and write-off of property, plant and equipment, doubtful trade receivables and inventories		(115)	(108)	(115)	(123)
I.4.	Impairment (reversal of impairment) of property, plant and equipment, financial assets, doubtful trade receivables and inventories		142	(39)	48	(39)
I.5.	Income tax expenses (benefit)	4,23	(434)	(3,584)	(547)	(3,635)
I.6.	Interest (income)	22	-	-	-	-
I.7.	Interest expenses	22	437	294	386	291
I.8.	Dividend income	22	-	-	(478)	-
I.9.	(Amortisation) of grants (deferred revenue)		(144)	-	(144)	-
I.10.	Elimination of other non-cash items		2	-	2	-
	Changes in working capital:					
I.11.	(Increase) decrease in inventories		(6,047)	294	(6,047)	294
I.12.	(Increase) decrease in trade receivables		(13,579)	(2,010)	(4,910)	14
I.13.	(Increase) decrease in other receivables and prepayments		(214)	3,685	(214)	3,688
I.14.	(Decrease) increase in trade payables		24,682	62	2,923	560
I.15.	(Decrease) increase in other payables and current liabilities		32,461	(11,286)	4,167	(3,952)
I.16.	(Increase) decrease in other financial assets		(42,868)	9,974	(1,302)	1
I.17.	Income tax (paid)		(523)	(1,906)	(472)	(1,906)
	Net cash flows from operating activities		29,068	24,672	28,343	23,559
II.	**Cash flows from investing activities**					
II.1.	(Acquisition) of property, plant and equipment and intangible assets		(48,448)	(86,315)	(48,410)	(86,136)
II.2.	Proceeds from disposal of property, plant and equipment		169	173	169	173
II.3.	Grants received		35,052	15,065	35,052	15,065
II.4.	Loans granted (repayments received)		-	-	-	-
II.5.	Interest received		-	-	-	-
II.6	Dividends received		-	-	478	-
	Net cash flows (used in) investing activities		**(13,227)**	**(71,077)**	**(12,711)**	**(70,898)**

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

(cont'd on the next page)

Consolidated and separate statement of cash flows (continued) (All amounts are in EUR '000 unless otherwise stated)

		Notes	Group 2021	Group 2020	Company 2021	Company 2020
III.	**Cash flows from financing activities**					
III.1.	Dividends (paid)		-	(3)	-	(3)
III.2.	Proceeds from borrowings		-	60,000	-	60,000
III.3.	(Repayments) of borrowings		(10,174)	(13,798)	(10,174)	(13,618)
III.4.	Change in overdraft		(4,568)	1,580	(4,568)	1,580
III.5.	Interest (paid)		(540)	(424)	(489)	(421)
III.6.	Liabilities settled in relation to right-of-use assets		(420)	(416)	(392)	(393)
II.7.	Other cash flows from financing activities		-	-	-	-
	Net cash flows from (used in) financing activities		**(15,702)**	**46,939**	**(15,623)**	**47,145**
IV.	**Net increase (decrease) in cash and cash equivalents**		**139**	**534**	**9**	**(194)**
V.	**Cash and cash equivalents at the beginning of the period**	12	**767**	**233**	**3**	**197**
VI.	**Cash and cash equivalents at the end of the period**	12	**906**	**767**	**12**	**3**

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

Notes to the consolidated and separate financial statements
(All amounts are in EUR '000 unless otherwise stated)

1 General information

Amber Grid AB (hereinafter the "Company") is a public limited liability company registered in the Republic of Lithuania.
Its registered office address is as follows:
Laisvės pr. 10,
LT – 04215, Vilnius,
Lithuania.

Amber Grid AB was registered on 25 June 2013 as a result of unbundling of natural gas transmission activity (including assets, rights and obligations attributed thereto) from Lietuvos Dujos AB. The Company has been actively operating since 1 August 2013. After obtaining a favourable decision from the European Commission, on 10 April 2015 the National Control Commission for Prices and Energy (the National Energy Regulatory Council (NERC) as from 1 July 2019) granted to the Company an energy operator licence No L2-3 (GDP) to engage in natural gas transmission activities for indefinite term in the territory of Lithuania.

The Company's registered office address was changed on 1 October 2021. From the date specified, the registered office address of Amber Grid AB is Laisvės pr. 10, Vilnius, Lithuania.

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

- natural gas transmission in the territory of Lithuania;
- natural gas flow balancing within the transmission system;
- administration of funds intended to compensate the construction and fixed operating expenses of the liquefied natural gas (LNG) terminal, its infrastructure, connector, and the reasonable supply costs of the required quantity of liquefied natural gas incurred by the designated supplier;
- administration of the register of guarantees of origin of gas produced from renewable energy sources.

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

All the shares of the Company are ordinary registered shares with the par value of EUR 0.29 each. As at 31 December 2021 and 2020, all the shares had been fully paid. The Company had no its own shares. Since 1 August 2013, the Company's shares have been traded on stock exchange and have been quoted on the Baltic Secondary List of NASDAQ Vilnius. (ISIN – LT0000128696, LEI code 097900BGMP0000061061, ticker AMG1L).

As at 31 December 2021 and 2020, the Company's shareholders were as follows:

	Number of shares held	Ownership interest, (%)
EPSO-G UAB (company code 302826889, Gedimino pr. 20, Vilnius	172.279.125	96,58
Other shareholders	6.103.389	3,42
	178.382.514	100,00

EPSO-G UAB is a state-owned group of energy transmission and exchange companies (www.epsog.lt). The rights and duties of the sole shareholder of the holding company EPSO-G UAB are exercised by the Ministry of Energy of the Republic of Lithuania (www.enmin.lt).

The Company holds one subsidiary natural gas exchange GET Baltic UAB. The Group consists of the parent company Amber Grid AB and its subsidiary GET Baltic UAB.

Information on the subsidiary as at 31 December 2021 and 2020 is presented below:

Subsidiary	Registered office address	Interest held: At 31 December 2021	Interest held: At 31 December 2020	Profile of activities
GET Baltic UAB	Geležinio Vilko g. 18A, LT- 08104 Vilnius, Lithuania	100%		Licensed activities of natural gas market operator - trading natural gas short-term and long-term products.

As at 31 December 2021 and 2020, the share capital of GET Baltic UAB amounted to EUR 580,450, and it was divided into 3,055,000 shares with a par value of EUR 0.19 each.

In the Company's financial statements for the year ended 31 December 2021, the Company's investment in the subsidiary was stated at cost and in the Company's financial statements for the year ended 31 December 2020, it was stated at cost less impairment. Considering the subsidiary's development and continuously improving performance, for the purpose of the financial statements for the period ended 31 December 2021, it was decided that there are no indications of impairment of investment. Information on the investment in the subsidiary is disclosed in Note 7.

The consolidated financial statements were prepared with effect from 2019, given an each-year growing materiality of the subsidiary's financial data. Non-preparation of the consolidated financial statements would, in the Company's opinion, be material when assessing Amber Grid AB group's assets, liabilities, results of operations and cash flows, and for the users when making appropriate economic decisions.

As at 31 December 2021, the average number of employees at the Group was 332 (31 December 2020: 325), and the average number of employees at the Company was 321 (31 December 2020: 318).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Company's and the Group's financial statements for the year ended 31 December 2021 are set out below:

2.1. Basis of preparation

The Group's and the Company's financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Amounts in these financial statements are presented in thousands of euro (EUR), unless otherwise stated.

The Group's and the Company's financial year coincides with the calendar year.

The Company's management approved these financial statements on 18th March 2022. The shareholders of the Company have a statutory right to approve these financial statements or not to approve those and request for a preparation of the new financial statements.

The accounting policies applied in the preparation of the financial statements are consistent with those of the previous financial year except as follows:

a) Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The following IFRSs, amendments thereto and IFRIC interpretations were adopted by the Group and the Company for the first time in the financial year ended 31 December 2021:

1. Covid-19-related rent concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendment issued on 31 March 2021 extended the expiry date of this practical expedient (exemption) from 30 June 2021 until 30 June 2022. The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The Group and the Company believe these amendments have no material impact on the financial statements, since neither the Group nor the Company are subject to COVID-19-related rent concessions.

2. Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). IBOR reform had no impact for the Group, as all borrowings are either EURIBOR linked, or have fixed interest rates, therefore there was no need to transition to alternative benchmark interest rates. Changes in how EURIBOR is determined (determination has shifted from a quotes-based to a transactions-based methodology) had no impact on interest rates applied, as for all EURIBOR linked borrowings three months EURIBOR is subject to a 0% floor. Before and after the changes in how EURIBOR is determined EURIBOR was negative, therefore 0% floor was applicable to arrive at interest rate and therefore those changes had no impact on interest rate itself and no effect on future cash flows. The financial liabilities denominated at EURIBOR based interest rate are disclosed in Note 14.

b) Standards, interpretations and amendments that have been endorsed by the European Union, yet they have not been early adopted by the Group and the Company

1. Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Group and the Company are currently assessing the impact of these amendments on the financial statements.

c) Standards, interpretations and amendments that have not yet been endorsed by the European Union and have not been early adopted by the Group and the Company

1. IFRS 14 Regulatory deferral accounts (effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The new provisions of the standard are not relevant for the Group and the Company, since IFRS transition occurred in the previous periods.

2. Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (effective for the annual periods beginning on the date which will be established by the International Accounting Standards Board (IASB) or on the later date). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In the opinion of the Group and the Company, these amendments will have no significant impact on the Group's and the Company's financial statements.

3. Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022). In response to the COVID-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. The Group and the Company are currently assessing the impact of these amendments on the financial statements.

4. Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group and the Company are currently assessing the impact of these amendments on the financial statements.

5. Amendments to IAS 8: Definition of accounting estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group and the Company are currently assessing the impact of these amendments on the financial statements.

6. Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences The Group and the Company are currently assessing the impact of these amendments on the financial statements.

2.2 Presentation currency

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

2.3 Basis of consolidation

A subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with an investee, and has the ability to affect those returns through its power over the investee.

The Group's consolidated financial statements cover Amber Grid AB and its subsidiary GET Baltic UAB. The financial statements of GET Baltic UAB have been prepared for the same reporting period and using the same accounting policies consistent with those applied by the parent company.

A subsidiary is consolidated from the date on which effective direct or indirect control is transferred to the Company. It is de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated.

2.4 Investments in subsidiaries in the Company's separate financial statements

Investments in subsidiaries are accounted for in the parent company's balance sheet at cost less impairment loss, when the carrying amount of investment reported in the parent company's balance sheet exceeds the expected recoverable amount.

2.5 Intangible assets

The Group's and the Company's intangible assets are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. Intangible assets are carried at cost, see Note 5.

The useful lives of intangible assets other than those with indefinite useful lives are 4 to 8 years.

After initial recognition, intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Goodwill is measured initially as the positive difference between the acquisition cost and net assets acquired, and subsequently is measured acquisition cost less accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over the estimated useful lives. The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of intangible assets. Intangible assets mainly consist of software, licences and other intangible assets used in the Group's and the Company's activities.

Special land use conditions (protected areas)

In its financial statements for the year ended 31 December 2020, the Company recognised as intangible assets a commitment to register and a right to use the land parcels of third parties on the basis of the special land use conditions. The special land use conditions mean conditions involving certain restrictions or limitations on the activities carried out on the land parcel, which depend on the geographic location, the principal purpose of use, the method of use of the land parcel, and on the environmental and public health needs. The special land use conditions apply for as long as there is an object, in respect of which the protected areas have been established, irrespective of the physical condition of such object; or the special land use conditions may be established when there is an intention to implement a project. The special land use conditions remain in force for indefinite period. Since the useful life of the intangible assets is indefinite, such assets are not amortised. The useful life is not limited because the special land use conditions are established for the land parcels for indefinite period.

A provision for non-current liabilities in relation to the commitment to register the special land use conditions (protected areas) has been formed under IAS 37 (see Notes 3 and 17).

2.6 Property, plant and equipment

Assets with a useful life longer than one year are classified as property, plant and equipment.

The Company's items of property, plant and equipment are stated at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less accumulated depreciation and impairment losses (Note 6).

Impairment of assets is allocated to all cash-generating units in proportion to their net book amounts.

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

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are charged against revaluation reserve directly in equity, whereas all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax. Upon the sale or write-off of an asset item, any balance related to these assets is transferred from revaluation reserve to retained earnings.

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

Variable considerations, which depend on future events, are excluded from the carrying amount of the asset at the time it is ready for its intended use, and no liability is recognised in respect of those variable considerations. Variable considerations are capitalised as part of the cost of the asset at the time they are paid.

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

Emergency reserve inventories meeting the criteria of non-current assets are classified as property, plant and equipment. The carrying amount of inventories written off during repair, technical maintenance and emergency liquidation are recorded in the statement of profit or loss or added to the carrying amount of assets under maintenance.

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

Land	-
Buildings	25 - 60 years
Other structures and engineering networks	18 – 25 years
Gas pipelines and associated equipment	55 – 70 years
Plant and machinery	5 - 25 years
Motor vehicles	7 years
Other PP&E	4 - 10 years

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

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

Construction work in progress includes items of property, plant and equipment that are under construction. The cost of such assets includes designing, construction works, equipment intended for assembly and installation, and other direct costs. Construction work in progress is not depreciated until the construction of asset is completed and the asset is put into operation. Prepayments for non-current assets are classified as non-current assets because they are used in long-term activities and are presented in the balance sheet under the line item 'Construction work in progress'.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable value is the higher of an asset's fair value less costs to sell and the value in use. In assessing the value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation reserve (without exceeding the amount of previous impairment).

2.7 Financial assets

As from 1 January 2018, for the purposes of applying **IFRS 9 *Financial Instruments***, the Group and the Company classify their financial assets into the following 3 new categories:

- financial assets subsequently measured at amortised cost;

- financial assets subsequently measured at fair value through other comprehensive income;

- financial assets subsequently measured at fair value through profit or loss.

The classification of financial assets after the initial recognition into the categories described above is based on the business model used by the Group and the Company in managing financial assets. The business model applied to the specific category of financial assets is determined at a level reflecting how all categories of financial assets are jointly managed to achieve the Group's and the Company's specific business objectives. The business model applied is not influenced by the intentions of the Group's and the Company's management regarding individual measures. The Group and the Company can apply more than one business model for managing financial assets.

The business model applied to financial asset management is based not only on the assertion but rather on the facts that can be seen from the activities the Group and the Company are carrying out in pursuit of the business model objectives.

The Group and the Company recognise a financial asset in the statement of financial position only when they become a party to the contractual provisions of the financial instrument, the purchase or sale of the financial asset is recognised or derecognised using the accounting at the trade date.

At initial recognition, the Group and the Company measure the financial assets at fair value, except for trade receivables that do not include a significant component of financing. Initial measurement of financial assets other than those measured at fair value through profit or loss, includes the fair value of the instrument and transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs include all fees and commissions that the Group and the Company would not have paid if they had not entered into a financial instrument contract.

If, at initial recognition, the fair value of the financial asset differs from the transaction price, the difference is recognised in profit or loss.

Depending on the business model used to manage the category of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Receivables and loans granted by the Group and the Company are accounted for in accordance with a business model designated to hold financial assets in order to collect the contractual cash flows that may arise from cash flows related to payment of principal amount and interest.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised as current assets, except for the loans and receivables with maturity term of more than 12 months after the date of the statement of financial position, in which case they are recognised as non-current assets.

Loans and receivables are initially recognised at cost (fair value of the amount receivable) and subsequently amortized cost using the effective interest rate method. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

Financial assets measured at fair value through profit or loss

The Group and the Company account for financial assets measured at fair value through profit or loss using a business model, the goal of which is achieved through the collection of contractual cash flows and the sale of financial assets.

The Group and the Company do not have financial assets held for trading that are acquired for the purpose of selling in the near future, and within such category only classify the financial asset that arises on disposal of a business or investment and that represents a non-equity contingent consideration.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income in the income statement over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset that represents the amortised cost of the financial asset before adjustment for any loss allowances. When calculating the effective interest rate, the Group and the Company estimate the expected cash flows considering all contractual terms of the financial instrument contract (for example, prepayment, extension, call and similar options), but without considering future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. When calculating the effective interest rate, there is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses

Credit losses incurred by the Group and the Company are calculated as the difference between the total amount of contractual cash flows that are due to the Group and the Company under the contract and the total amount of cash flows that the Group and the Company expect to receive (i.e. the total cash shortfall) discounted at the original effective interest rate. The Group and the Company calculate cash flows based on all contractual terms of the financial instrument over the expected life of that financial instrument, including cash flows from available collateral or other credit enhancement that is inherent in the terms of the contract.

Expected credit losses represent the weighted average credit loss rate based on the relevant default risk (probability).

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the initial recognition of the financial asset to the later date of subsequent settlement and ultimate write-off of the financial asset.

The Group and the Company seek to recognise the expected credit losses for the period before the financial instrument becomes past due. Normally, credit risk increases significantly before a financial instrument becomes past due or other delay factors are observed from the debtor (such as restructuring, bankruptcy, other economic difficulties of a client, etc.). Therefore, if there is a considerable amount of cost or effort to obtain reasonable and reliable information that is more forward-looking than past due payments, it should be based on the assessment of credit risk changes.

Expected credit losses are recognised based on individually or collectively assessed credit risk of loans and trade receivables, the assessment of which is based on all reasonable and supportable information, including forward-looking information.

Lifetime expected credit losses of trade receivables are assessed taking into consideration the level of credit risk. The individual assessment basis is applied to debts with a high level of credit risk concentration or when there is a significant increase in the probability of credit losses. During the individual assessment, information on the credit history of a particular borrower, its financial position as at the date of assessment is analysed, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

Lifetime expected credit losses for trade receivables are recognised at the time of recognition of amounts receivable.

At the time of issuing a loan, the Group and the Company assess and account for 12-month expected credit losses. In subsequent reporting periods, in the absence of a significant increase in the credit risk associated with the borrower, the Group and the Company adjust the balance of twelve-month expected credit losses based on the amount of the loan outstanding at the assessment date. If it is determined that the borrower's financial situation has significantly deteriorated compared to the situation at the time of issuing the loan, the Group and the Company account for all lifetime expected credit losses. The latest moment for the Group and the Company to recognise all lifetime expected credit losses in respect of the issued loan is identified when the debtor is late with the payment of instalments or full amount of debt by more than 30 days. If there is other evidence, the Group and the Company account for all lifetime expected credit losses in respect of the issued loan, without taking into account the assumed delay of payments by more than 30 days. Loans that are subject to lifetime expected credit losses are considered as credit-impaired financial assets.

Credit-impaired financial assets

Financial asset is considered as credit-impaired as a result of one or more events that adversely affect the estimated future cash flows of that financial asset. Evidence of credit-impaired financial asset is based on observations of data on the following events:

a) significant financial difficulties for the debtor;

b) breach of contract, such as late payment of instalments or full amount of debt;

c) a discount granted to the debtor which the lender would not otherwise have granted for economic or contractual reasons related to the debtor's financial difficulties;

d) increased likelihood of bankruptcy or other financial reorganisation of the debtor;

e) active market no longer exists for financial assets as a result of financial difficulties;

f) financial assets are purchased or granted at a significant discount, thereby showing credit losses incurred.

Impairment of financial assets due to credit risk may be determined by several events that may occur simultaneously or sequentially during the life of the financial asset contract.

Lifetime expected credit losses for loans receivable and trade receivables are accounted for through profit or loss using the contra account for doubtful receivables.

Loans receivable and trade receivables are written off when the Group and the Company lose the right to the contractual cash flows from the financial assets.

Derecognition of financial assets

A financial asset is derecognised by the Group and the Company when:

- the rights to receive cash flows from the asset have expired;

- the rights to receive cash flows are retained, but there is an obligation to pay the full amount to a third party under a 'pass-through' agreement in a short period of time; or

- the Group and the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset:

- if the Group and the Company fail to retain control of the financial asset, such asset is derecognised by the Group and the Company, whereas all the established or retained rights and obligations established or retained at the time of transfer are recognised separately as assets or liabilities.

- if the Group and the Company retain control of the financial asset, they continue recognising it for as long as they retain control of the financial asset.

When assessing whether the Group and the Company have retained control of the asset transferred, consideration is given to the capacity of the recipient to sell the asset. If the recipient has in practice the capacity to sell all assets to an unrelated third party unilaterally, and such disposal is not subject to any additional restrictions, it is considered that the Group and the Company have not retained the control. In all other cases, the Group and the Company retain the control.

Trade payables and other financial liabilities, borrowings

Financial liabilities, borrowings

Financial liabilities, including borrowings, are recognised initially at fair value, less transaction costs.

Subsequently, financial liabilities are carried at amortised cost using the effective interest rate method. Interest expense is recognised using the effective interest rate method.

If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as of the date of the statement of financial position, such financial liability is classified as non-current.

Trade payables

Trade payables represent commitments to pay for goods and services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if the term of their settlement is no longer than one year; otherwise, they are included in non-current liabilities.

Derecognition of financial liabilities

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

2.8 Inventories

Inventories consist of spare parts, consumables, and natural gas contained in the gas pipelines used in the activities and for provision of services. Inventories also include waste or metal scrap which is fit for use and was retrieved from written off items of property, plant and equipment.

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

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

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

The cost of inventories which consist of natural gas contained in the gas pipelines is determined using the weighted average costing method. The cost of one unit of energy of natural gas (kWh) is determined by applying the weighted average costing method using the following formula:

The cost of one energy unit of natural gas (kWh) = (opening balance of natural gas (quantity * price) + purchases of natural gas over the period (quantity * price)) / opening balance of natural gas + purchases of natural gas over the period).

2.9 Cash and cash equivalents

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

If there are indications that cash and cash equivalents may not be recoverable, impairment is accounted for. Impairment is recorded in the statement of profit or loss within operating expenses for the period during which it occurred.

2.10 Grants

Grants represent financial and material support provided by the government and the European Union for the specific purpose. Gratuitous assets are also classified as grants.

Grants are recognised when the Group and the Company comply with all conditions attached to the grants, as set out in the respective grant agreement, and when there is a reasonable assurance that the grant will be received.

Grants may be of two types:

- grants related to assets;

- grants related to income.

Government grants or grants received from the EU in a form of non-current assets or intended for purchase of non-current assets are considered as grants related to assets.

At the Group and the Company grants are recognised by deducting them from the asset's carrying amount. For the purpose of the statement of profit or loss and other comprehensive income, grants are recognised over the useful life of the related asset as a deduction from depreciation expenses.

Accumulated grants receivable are classified as other amounts receivable when, according to the agreement, the European Commission undertakes a commitment to fund strategic projects and there is strong evidence that the funding will be received.

Grants received as a compensation for the expenses or unearned income in the current or previous reporting periods, also all grants other than grants related to assets, are considered as grants related to income. Income-related grants are recognised as utilised to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

For the purpose of the statement of profit or loss, income-related grants are recognised when related costs are incurred, for which the grant was intended to compensate, by adding them to other income. If no connection can be established between the grants and incurred costs or deferred expenses, they are recognised as income during the period they are received or when the Group and the Company comply with all the conditions attached to grants, as established in the respective grant agreement, and there is a reasonable assurance that the grant will be received.

2.11 Lease liabilities

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is determined as the rate at which the Group and the Company would be able to borrow funds for the purpose of acquiring certain assets for a respective period.

At the commencement date, the lease payments included in the measurement of lease liability comprise the following payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- the exercise price of a purchase option if the Group and the Company are reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising an option to terminate the lease.

Subsequent measurement of the lease liability

Subsequent to initial recognition, the Group and the Company recognise a change in the value of the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any lease modifications or revised lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate, or if applicable the revised discount rate.

Reassessment of the lease liability

After the commencement date, the Group and the Company remeasure the lease liability to reflect changes to the lease payments. The Group and the Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group and the Company recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

The Group and the Company remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term. The Group and the Company determine the revised lease payments on the basis of the revised lease term or, when there is a change in the assessment of an option to purchase the underlying asset, the Group and the Company assess the revised lease payments considering the events and circumstances in the context of a purchase option.

If there is a change in the lease term or in the assessment of an option to purchase the underlying asset, the Group and the Company determine the revised discount rate as the lessee's incremental borrowing rate at the date of reassessment.

Unchanged discount rate

The Group and the Company determine the revised lease payments for the remaining lease term based on the revised contractual payments.

When discounting the revised lease payments, the Group and the Company use an unchanged discount rate, unless the change in lease payments results from a change in variable interest rates. In that case, the Group and the Company use a revised discount rate that reflects changes in the interest rate.

Lease modifications

The Group and the Company account for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group and the Company:

- allocate the consideration in the modified contract;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, the Group and the Company account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group and the Company recognise in profit or loss any gain or loss relating to the partial or full termination of the lease;
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Group and the Company present its lease liabilities separately from other liabilities in the statement of financial position. Interest expense on the lease liability is presented separately from the depreciation charge for the right-of-use assets. The interest expense on the lease liability is a component of finance costs recognised in the statement of comprehensive income.

2.12 Long-term employee benefits

(a) Social security contributions

The Group and the Company pay social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. The defined contribution is a plan under which the Group and the Company pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Bonus plans

The Group and the Company recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Pension benefits to employees of retirement age

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement receives the payment, the amount of which is established by the Lithuanian laws. A liability for such payments is recognised in the balance sheet and it reflects the present value of these payments at the date of the financial statements. The non-current liability for payments to employees at the date of the financial statements is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for payments to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

2.13 Provisions

Provisions are recognised when the Group and the Company have a legal obligation or irrevocable commitment, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the estimate of the expenditure required to settle the obligation (the expected value). Where the effect of the time value of money is material, the amount of a provision is discounted using a pre-tax effective interest rate that, if necessary, reflects the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the changes in circumstances.

If the amount of the provision is discounted, the amount reversed at each reporting period is equal to the discounting effect (interest expenses). If circumstance change and the provision is no longer necessary, the provision is reversed in the statement of profit or loss and other comprehensive income through the expense line item where it has been recorded initially at the time of establishment.

Provisions are classified as non-current liabilities, if the Group's and the Company's management expect to settle them after twelve months from the date of the statement of financial position, and as current liabilities, if the Group's and the Company's management expect to settle them within twelve months from the date of the statement of financial position.

2.14 Income tax

Income tax expense for the period comprises current and deferred income tax.

<u>Current income tax</u>

Current income tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2021 and 2020. Current year income tax may be reduced by tax losses carried forward. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group and the Company discontinue their activities due to which these losses were incurred, except when the Group and the Company discontinue their activities due to the reasons that are beyond the Group's and the Company's control. Tax losses carried forward can be utilised to reduce the taxable income earned during the reporting year by maximum of 70%. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 years and only be used to reduce the taxable income earned from the transactions of the same nature. In addition, the Company can take over tax losses from the Group companies, provided it meets the requirements laid down in the Law on Corporate Income Tax.

<u>Deferred income tax</u>

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liability is recognised for all temporary differences that will increase taxable profit in the future, and deferred tax asset is recognised only to the extent it is likely to reduce the taxable income in the future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The Group's deferred tax asset calculation base includes the following:

- impairment of non-current assets;
- revaluation (impairment) of non-current assets;
- write-down allowance for inventories;
- impairment of amounts receivable;
- long-term employee benefits;
- vacation accruals;
- other accruals;
- income tax relief not utilised on investment projects;
- unutilised tax losses that can be utilised by the Company in the future;
- other.

The Group's deferred income tax liabilities typically include the following:

- revaluation (increase in value) of non-current assets;
- differences in depreciation rates of non-current assets;
- interest capitalisation effects;
- other.

Deferred tax assets are reviewed at each financial reporting date, and if it is not probable that the Group and the Company will generate sufficient taxable profit to realize these assets, they are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

<u>Current and deferred income tax for the reporting period</u>

Current income tax and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognized directly in equity or in other comprehensive income, in which case taxes are also recorded in equity and other comprehensive income respectively.

2.15 Revenue recognition

Recognition and measurement of the Group's and the Company's revenue is based the five-step revenue recognition model which is applied to all contracts with customers. The Group's and the Company's revenue is recognised at a point in time or over time, during which the performance obligation is settled, i.e. the control of services or goods is transferred to the customer.

The Group's revenue includes as follows:

- revenue from natural gas transmission and related services;
- revenue from administration of the LNG terminal funds;
- revenue from the activities of the natural gas exchange operator;
- other income;
- finance income.

Revenue from natural gas transmission and related services

Revenue from system users for natural gas transmission services is recognised over time with reference to the presented data on the natural gas quantities distributed to the system users connected to the distribution system, and based on the statements of transmitted natural gas that were signed with the system users directly connected to the transmission system.

Revenue from balancing of natural gas transmission system and from disbalance charges is related to management of gas flows in order to ensure operation of the natural gas transmission system in line with an acceptable pressure range.

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

Revenue from administration of the LNG terminal funds

Based on the provisions of Article 5(2) of the Republic of Lithuania Law on Liquefied Natural Gas Terminal, the Company carries out the function of administration of the LNG terminal funds. The administration of the LNG terminal funds is performed in accordance with the *Description of the procedure for the administration of funds intended to compensate for the construction and fixed operating expenses of the liquefied natural gas terminal, its infrastructure and connector*, including subsequent amendments and supplements thereto (the title was changed on 18 December 2015 under the Commission's Resolution No 03-653 of 17 December 2015), as approved by the Commission's Resolution No O3-294 of 9 October 2012. The Company collects and administers the LNG terminal funds and acts as an intermediary on behalf of the State, and such activities do not generate any revenue/profit for the Company in the ordinary course of business. The LNG terminal funds, which are collected from the payers of the LNG terminal funds, are transferred to the recipients of the LNG terminal funds: the LNG terminal operator, the designated supplier, and Amber Grid AB. The share of the LNG terminal funds intended solely to cover the administration expenses of the LNG terminal funds is considered as the Company's revenue (Note 21). The amount of administration of the LNG terminal funds is calculated as the amount of costs that are expected to be incurred, by taking into account the actual costs incurred in the previous periods, and such amount is specified in NERC's certificate. The LNG terminal funds are not treated as the Company's revenue/expenses, but they are rather accounted for as other receivables/other payables and other financial assets.

Revenue from the activities of the natural gas exchange operator

The amounts collected by the exchange operator for the services provided in the course of trading are recognised as revenue of the exchange operator, based on the following service fees agreed with NERC:

- Initial registration fee: a one-off fee payable upon becoming an exchange participant which is recognised as revenue at a point in time when a service is rendered;
- Annual membership fee: a fixed membership fee payable annually by an exchange participant. The annual membership fee is payable for the calendar year (adjusted in proportion to the remaining number of days in a year in case the market participant joins the exchange at some point of time in the course of a year). This revenue is recognised over a period of time, during which the membership right is exercised;
- Floating trading fee: a fee estimated as EUR per 1 MWh, which is payable by a participant who is a party to the transaction for the quantity of natural gas purchased and/or sold on the exchange. It is recognised as revenue at a point in time when a service is rendered.

Other income

Connection fees on connection of new consumers and producers to the gas transmission network

The connection "service" is considered as a single performance obligation together with the future gas transmission services, as defined in IFRS 15 *Revenue from contracts with customers,* because the pricing of the connection fee is directly linked to the pricing of the transmission services. Therefore revenue (including the compensation for the connection to the grid) are recognised in profit or loss over time during the useful life (or lives) of the connection assets constructed / built by Company and compensated by a consumer.

Accounting for the connection fees on connection of new producers is based on the accounting policies for grants (IAS 20 *Accounting for government grants and disclosure of government assistance),* and the acquisition cost of the assets is reduced by the amount of the connection fee.

Relocation (reconstruction) of infrastructure facilities owned under the title by the Company upon a customer's request

Upon a customer's request, the Company carries out relocation or reconstruction of infrastructure facilities and incurs related expenses. Such relocation work does not give rise to any economic benefits for the Company, and all expenses related to such work are compensated in full by a customer through acquisition of energy facility relocation service from the Company.

Based on IFRS and the Company's accounting policies, there are two approaches for recognition of such transactions by the Company:

1. When relocation of assets involves substantial improvement of assets. Under IAS 16 *Property, plant and equipment,* the relocation expenses incurred by the Company are added to the acquisition cost of the related assets. Accounting for the compensation (i.e. relocation fee) due from a customer is based on the accounting policies for grants (IAS 20 *Government grants and disclosure of government assistance)* and the acquisition cost of the assets is reduced by the amount of the relocation fee. Since all relocation costs are compensated in full for the Company by a customer, such transaction results in a zero impact on the Company's profit or loss, i.e. the Company neither incurs additional expenses nor earns additional revenue from such transaction.

When relocation of assets does not involve substantial improvement of assets. Under IFRS 15 *Revenue from contracts with customers*, the Company earns revenue from relocation service (i.e. revenue is recognised at the time of rendering the service) and incurs relocation service expenses (i.e. all costs incurred on relocation of assets are recognised as expenses in the same period as revenue from relocation service). Since all relocation costs are covered in full for the Company by a customer, such transaction results in a zero impact on the Company's profit or loss, i.e. revenue earned by the Company equals expenses incurred by the Company.

Gain from disposal of property, plant and equipment, lease income, income from sale of other goods and provision of other services, income from default charges and fines collected from the contractors as a result of late fulfilment of work, income-related grants are recognised by the Group as other income.

Finance income

Finance income represents income earned by the Company from financing activities, such as foreign exchange gain, interest income on deposits, proceeds from fines and late payment interest, interest receivable on loans granted to buyers, gain on disposal of investments, and gain from change in fair value of investments.

2.16 Foreign currencies

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

2.17 Fair value measurement

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's and the Company's financial assets not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans granted and borrowings.

The fair value is defined as the price at which on a valuation date an asset would be sold, under proper transaction, between market participants. The fair value of a financial asset is not less than the amount discounted from the first day when its payment becomes due.

As at 31 December 2021 and 2020, the carrying amount of the financial assets approximated their fair value.

2.18 Contingencies

Contingent liabilities are not recognised, but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.19 Events after the end of the financial year

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

2.20 Inter-company offsetting

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

3. Accounting estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to measurement of depreciation and valuation of property, plant and equipment (Notes 3.1, 6), deferred income tax assets (Notes 3.4 and 23) and lease contracts (Notes 3.5 and 8). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

3.1 Analysis of the need for revaluation of property, plant and equipment and impairment as at 31 December 2021

The Company accounts for property, plant and equipment pertaining to the operating segment of the transmission services at revalued amount. The Company assesses at least annually whether there is any indication that the value of property, plant and equipment might differ significantly from its fair value. If such indication exists, the Company carries out an impairment test and revaluation. As at 31 December 2021, no significant changes were identified in the operating segment of transmission services, and accordingly, no revaluation was carried out and reported (Note 5).

3.2 Provisions for easement and special land use conditions (protected areas)

On 6 June 2019, upon adoption of the Lithuanian Law on Special Land Use Conditions effective from 1 January 2020, the legal regulation was partially changed in respect of application of special land use conditions (including not only the protected areas, but also the main pipeline class location areas) in the areas (land parcels) adjacent to the infrastructure objects owned by the Company, also in respect of their establishment, registration and payment of compensations. However, upon adoption of the Law, no implementing legal acts were adopted that would regulate the simplified procedures for establishing the areas subject to the special land use conditions, their registration and payment of compensations, based on which the need for resources could be estimated, including the financial commitments of the entities. As there was no clear legal regulation, the provision for commitment to register the land use conditions was not established upon adoption of the Law in 2019. Enforcement of the Lithuanian Law on Special Land Use Conditions requires an amendment to the Regulations of the Real Property Cadastre, which came into force on 12 February 2020. The amendment stipulated an alternative way for registering the protected areas (thereby avoiding the need to modify the cadastre data and to hire the land surveyors). The newly introduced procedure under the Law for registering the main pipeline class location areas is expected to come into force in 2023.

In the financial statements for the period ended 31 December 2020, a provision was established for non-current liabilities in relation to the commitment to register the special land use conditions (protected areas). When assessing the amount of the commitment, the expected term of its fulfilment is taken into account. The provision for the commitment to register the protected areas was recognised at a present value of the expected costs of registration of the special land use conditions (the protected areas), discounted over the term of fulfilment of the commitment. Assumptions for the establishment of the provision were not changed as at 31 December 2021.

The Ministry of Environment of the Republic of Lithuania has prepared *the Methodology for calculation and payment of compensation on application of special land use conditions in the areas established in the public interest as set out in the Lithuanian Law on Special Land Use Conditions*. The Methodology came into force on 8 April 2020. Based on the official letter of 18 June 2020 of the Ministry of Energy of the Republic of Lithuania, the provisions of the Methodology are effective for both the currently existing network and the newly constructed network. Based on the provisions of the Methodology, the compensations for the protected areas would be become payable upon registration of the protected areas, which means that based on the simplified procedure they would be payable after 2023. Upon establishment and/or registration of areas (the protected areas) that are subject to the special land use conditions, it will then be possible to calculate the compensations to the owners and users of land and other real property, or individuals who are otherwise entitled to the compensation upon submission of applications and documents supporting the losses, with each case assessed individually. The amount of the compensation is a matter of judgement, by taking into account the main purpose of use of the land parcel, the scope of restrictions imposed, the specific losses incurred and/or being incurred by the landowners as indicated in the application with the supporting documents, and other circumstances. Based on the requirements of the Methodology and the data available to the Company, the Company is not able to estimate reliably the compensations payable in the future for registered special land use conditions (the protected areas). Under the requirements of IAS 37, the above-mentioned commitment does not meet the recognition criteria of a provision, and therefore, no provision has been recognised in the financial statements.

3.3 Impairment of non-financial assets

The Company's non-financial assets are assessed for impairment whenever events and circumstances indicate that the value of assets may not be recoverable. Where the net book amount of an asset exceeds its recoverable amount, impairment loss is recognised in profit or loss. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). A reversal of an impairment loss recognised in prior periods is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has materially decreased. Reversal is recognised in profit or loss under the same line item as impairment loss. Intangible assets with indefinite useful life are not amortised, but tested for impairment annually on individual basis or at the level of a cash-generating unit.

3.4 Deferred tax assets

Deferred tax assets were estimated by the Company based on long-term forecasts, when sufficient taxable profit will be available to the Company against which the deferred tax assets can be realised. As the Company fulfils the projects that meet the definition of an investment project, it applies income tax relief consistently. The Company's taxable profit is reduced during the tax period by the amount of actually incurred costs related to acquisition of a qualifying asset. If the amount of costs exceeds the amount of taxable profit calculated for the tax period, the excess amount of such costs can be carried forward over the next four tax periods in a row to reduce the calculated taxable profit, with such carried forward costs reduced accordingly. In the opinion of the Company, the investment relief will be utilised in full over the next four tax periods in a row, and sufficient taxable profit will be available to the Company against which the assets can be realised. As at 31 December 2021, deferred tax assets in the amount of EUR 4,608 thousand (31 December 2020: EUR 3,923 thousand) were recognised on investment relief not utilised. See Note 2.14 for the items included in the deferred tax asset calculation base.

3.5 Lease contracts

At inception, the newly entered lease contracts are assessed whether a contract is, or contains, a lease, i.e. whether the contract conveys the right to control the use of the identified asset for a certain period, and components of the contract. Assessment of such newly entered lease contracts involves consideration of the following: impairment of right-of-use assets, changes in option to purchase the underlying assets, modifications to lease contracts, other assumptions that affect the value of lease liabilities. When assessing the lease term of office premises, the Company assessed the probability of exercising the option to extend the contract for the lease of office premises. Due to increase in the land lease tax, the Company reviewed payments of the land lease tax and remeasured right-of-use assets and lease liabilities (see Note 8).

4 Segment reporting

The Group has two operating segments: 1) natural gas transmission services and 2) natural gas exchange operator's activities. All non-current assets of the Group are domiciled in Lithuania, where the Group operates.

In 2021, the Group generated 70% (2020: 72%) of its total revenue from the system users in Lithuania, 27% (2020: 25%) of its total revenue from transportation of gas to the adjacent transmission systems, 2% (2020: 3%) of its total revenue from the natural gas exchange services, and 1% of its total revenue from provision of other goods and services.

The table below contains the Group's information on operating segments for the period ended 31 December 2021:

	Gas transmission	Gas exchange	Total
Revenue	66,973	1,660	68,633
Revenue after elimination of inter-company revenue	66,973	1,622	68,595
Operating profit (loss)	22,469	745	23,214
Finance income (costs), net	(386)	(51)	(437)
Profit (loss) before income tax	22,083	694	22,777
Income tax	547	(113)	434
Net profit (loss)	22,630	581	23,211
Depreciation and amortisation expenses	(11,882)	(175)	(12,057)
Write-offs of property, plant and equipment	(26)	-	(26)

The table below contains the Group's information on operating segments for the period ended 31 December 2020:

	Gas transmission	Gas exchange	Total
Revenue	50,831	1,503	52,334
Revenue after elimination of intercompany revenue	50,831	1,455	52,286
Operating profit (loss)	14,157	792	14,949
Finance income (costs), net	(360)	(3)	(363)
Profit (loss) before income tax	13,797	789	14,586
Income tax	3,635	(51)	3,584
Net profit (loss)	17,432	738	18,170
Depreciation and amortisation expenses	(10,934)	(192)	(11,126)
Write-offs of property, plant and equipment	(25)	(15)	(40)

As at 31 December 2021, there were three customers of the Group each generating over 10% of the Company's total revenue. Such revenue totalled EUR 42,452 thousand, whereof:

Customer A – EUR 18,350 thousand;
Customer B – EUR 14,177 thousand;
Customer C – EUR 9,924 thousand.

As at 31 December 2020, there were three customers of the Group each generating over 10% of the Company's total revenue. Such revenue totalled EUR 33,962 thousand, whereof:

Customer A – EUR 12,725 thousand;
Customer B – EUR 12,326 thousand;
Customer C – EUR 8,911 thousand.

5 Intangible assets

Movements on intangible assets account during the current and previous reporting period were as follows:

	Group				
	Patents and licences	**Computer software**	**Other intangible assets**	**Protected areas**	**Total**
At 31 December 2019	**104**	**2,695**	**110**	**-**	**2,909**
Cost (revalued amount)	279	3,688	133	-	4,100
Accumulated amortisation	**(175)**	**(993)**	**(23)**	**-**	**(1,191)**
Net book amount at 31 December 2019	**104**	**2,695**	**110**	**-**	**2,909**
Additions	3	761	133	2,179	3,076
Write-offs	-	(15)	-	-	(15)
Amortisation	(39)	(889)	(33)	-	(961)
Offsetting of grants against non-current assets	**-**	(176)	**-**	**-**	(176)
At 31 December 2020	**68**	**2,376**	**210**	**2,179**	**4,833**
Cost (revalued amount)	282	4,258	266	2,179	6,985
Accumulated amortisation	(214)	(1,882)	(56)	-	(2,152)
Net book amount at 31 December 2020	**68**	**2,376**	**210**	**2,179**	**4,833**
Additions	10	822	24	-	856
Write-offs	-	-	-	-	-
Reclassification	-	479	-	-	479
Amortisation	(19)	(1,030)	(64)	-	(1,113)
Offsetting of grants against non-current assets	-	(313)	-	-	(313)
At 31 December 2021	**59**	**2,334**	**170**	**2,179**	**4,742**
Cost (revalued amount)	292	5,246	290	2,179	8,007
Accumulated amortisation	(233)	(2,912)	(120)	-	(3,265)
Net book amount at 31 December 2021	**59**	**2,334**	**170**	**2,179**	**4,742**

	Company				
	Patents and licences	**Computer software**	**Other intangible assets**	**Protected areas**	**Total**
At 31 December 2019	**14**	**2,247**	**-**	**-**	**2,261**
Cost (revalued amount)	41	2,972	5	-	3,018
Accumulated amortisation	(27)	(725)	(5)	-	(757)
Net book amount at 31 December 2019	**14**	**2,247**	**-**	**-**	**2,261**
Additions	-	719	-	2,179	2,898
Write-offs	-	-	-	-	-
Amortisation	(11)	(783)	-	-	(794)
Offsetting of grants against non-current assets	**-**	(176)	-	-	(176)
At 31 December 2020	**3**	**2,007**	**-**	**2,179**	**4,189**
Cost (revalued amount)	41	3,515	5	2,179	5,740
Accumulated amortisation	(38)	(1,508)	(5)	-	(1,551)
Net book amount at 31 December 2020	**3**	**2,007**	**-**	**2,179**	**4,189**
Additions	10	812	-	-	822
Write-offs	-	-	-	-	-
Reclassification	-	479	-	-	479
Amortisation	(4)	(963)	-	-	(967)
Offsetting of grants against non-current assets	**-**	(313)	-	-	(313)
At 31 December 2021	**9**	**2,022**	**-**	**2,179**	**4,210**
Cost (revalued amount)	51	4,493	5	2,179	6,728
Accumulated amortisation	(42)	(2,471)	(5)	-	(2,518)
Net book amount at 31 December 2021	**9**	**2,022**	**-**	**2,179**	**4,210**

The Group's part of intangible assets with the acquisition cost of EUR 14 thousand as at 31 December 2021 (31 December 2020: EUR 19 thousand) was fully amortised but still in use.

As at 31 December 2020, the Company recognised a provision of EUR 2,179 thousand and the related intangible assets for the establishment of the special land use conditions (protected areas). The provision was established under the amendments to the Regulations of the Real Property Cadastre, which were necessary for the establishment of a commitment to form a register of protected areas, as set out in the Lithuanian Law on Special Land Use Conditions, by the year 2023, and based on *the Description of the procedure for preparation and approval of the protected areas*, approved under the Lithuanian Energy Minister's Order No. 1-339 of 13 October 2020. Discounting of the provision was based on a discount rate of 0.62%. As at 31 December 2021, EUR 22 thousand were used for the registration of the special land use conditions (settlement of the provision's value).

6 Property, plant and equipment

Movements on the property, plant and equipment account during the current and previous reporting period were as follows:

	Group							
	Land	**Buildings**	**Structures and equipment**	**Plant and machinery**	**Motor vehicles**	**Other PP&E**	**Construction work in progress**	**Total**
At 31 December 2019	**125**	**5,183**	**147,770**	**37,714**	**773**	**2,637**	**7,160**	**201,362**
Cost (revalued amount)	125	5,429	151,885	41,224	992	3,679	7,160	210,494
Accumulated depreciation	-	(246)	(4,115)	(3,510)	(219)	(1,042)	-	(9,132)
Net book amount at 31 December 2019	**125**	**5,183**	**147,770**	**37,714**	**773**	**2,637**	**7,160**	**201,362**
Additions	-	-	74	12	-	707	88,034	88,827
Disposals and write-offs	-	(10)	(2)	(5)	-	(9)	-	(26)
Disposed	-	-	-	-	(24)	-	-	(24)
Reclassification from inventories	-	-	130	-	-	-	-	130
Reclassification to inventories	-	-	(31)	(1)	-	-	-	(32)
Reclassifications	-	634	2,951	283	-	838	(4,706)	-
Depreciation	-	(380)	(4,734)	(3,420)	(207)	(988)	-	(9,729)
Offsetting of grants against non-current assets	-	-	(155)	-	-	(14)	(38,715)	(38,884)
At 31 December 2020	**125**	**5,427**	**146,003**	**34,583**	**542**	**3,171**	**51,773**	**241,624**
Cost (revalued amount)	125	5,807	150,737	38,003	749	4,164	51,773	251,358
Accumulated depreciation	-	(380)	(4,734)	(3,420)	(207)	(993)	-	(9,734)
Net book amount at 31 December 2020	**125**	**5,427**	**146,003**	**34,583**	**542**	**3,171**	**51,773**	**241,624**
Additions	-	-	-	31	-	603	44,255	44,889
Disposals and write-offs	-	-	-	-	-	(1)	(43)	(44)
Disposed	-	-	-	-	(1)	(1)	-	(2)
Reclassification from inventories	-	-	29	-	-	-	-	29
Reclassification to inventories	-	-	(33)	-	-	(5)	(136)	(174)
Reclassification to intangible assets	-	-	-	-	-	(479)	-	(479)
Reclassifications	-	1,378	59,310	5,904	-	2,266	(68,858)	-
Depreciation	-	(276)	(5,368)	(3,375)	(168)	(1,291)	-	(10,478)
Offsetting of grants against non-current assets	-	-	(1)	-	-	(197)	(19,183)	(19,381)
At 31 December 2021	**125**	**6,529**	**199,940**	**37,143**	**373**	**4,066**	**7,808**	**255,984**
Cost (revalued amount)	125	6,805	205,308	40,518	541	5,363	7,808	266,468
Accumulated depreciation	-	(276)	(5,368)	(3,375)	(168)	(1,297)	-	(10,484)
Net book amount at 31 December 2021	**125**	**6,529**	**199,940**	**37,143**	**373**	**4,066**	**7,808**	**255,984**

	Company							
	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	Total
At 31 December 2019	125	5,183	147,770	37,714	773	2,634	7,160	201,359
Cost (revalued amount)	125	5,429	151,885	41,224	992	3,672	7,160	210,487
Accumulated depreciation	-	(246)	(4,115)	(3,510)	(219)	(1,038)	-	(9,128)
Net book amount at 31 December 2019	**125**	**5,183**	**147,770**	**37,714**	**773**	**2,634**	**7,160**	**201,359**
Additions	-	-	74	12	-	705	88,034	88,825
Disposals and write-offs	-	(10)	(2)	(5)	-	(8)	-	(25)
Disposed	-	-	-	-	(24)	-	-	(24)
Reclassification from inventories	-	-	130	-	-	-	-	130
Reclassification to inventories	-	-	(31)	(1)	-	-	-	(32)
Reclassifications	-	634	2,951	283	-	838	(4,706)	-
Depreciation	-	(380)	(4,734)	(3,420)	(207)	(988)	-	(9,729)
Offsetting of grants against non-current assets	-	-	(155)	-	-	(14)	(38,715)	(38,884)
At 31 December 2020	**125**	**5,427**	**146,003**	**34,583**	**542**	**3,167**	**51,773**	**241,620**
Cost (revalued amount)	125	6,053	154,852	41,513	968	5,193	51,773	260,477
Accumulated depreciation	-	(380)	(4,734)	(3,420)	(207)	(988)	-	(9,729)
Net book amount at 31 December 2020	**125**	**5,427**	**146,003**	**34,583**	**542**	**3,167**	**51,773**	**241,620**
Additions	-	-	-	31	-	599	44,255	44,885
Disposals and write-offs	-	-	-	-	-	(1)	(43)	(44)
Disposed	-	-	-	-	(1)	(1)	-	(2)
Reclassification from inventories	-	-	29	-	-	-	-	29
Reclassification to inventories	-	-	(33)	-	-	(5)	(136)	(174)
Reclassification to intangible assets	-	-	-	-	-	(479)	-	(479)
Reclassifications	-	1,378	59,310	5,904	-	2,266	(68,858)	-
Depreciation	-	(276)	(5,368)	(3,375)	(168)	(1,289)	-	(10,476)
Offsetting of grants against non-current assets	-	-	(1)	-	-	(197)	(19,183)	(19,381)
At 31 December 2021	**125**	**6,529**	**199,940**	**37,143**	**373**	**4,060**	**7,808**	**255,978**
Cost (revalued amount)	125	6,805	205,308	40,518	541	5,349	7,808	266,454
Accumulated depreciation	-	(276)	(5,368)	(3,375)	(168)	(1,289)	-	(10,476)
Net book amount at 31 December 2021	**125**	**6,529**	**199,940**	**37,143**	**373**	**4,060**	**7,808**	**255,978**

The Group's part of property, plant and equipment with the revalued amount of EUR 165 thousand as at 31 December 2021 (31 December 2020: EUR 87 thousand) was fully depreciated but still in use.

In 2021, the assets ready for the intended use, which were reclassified from construction work in progress, amounted to EUR 68,858 thousand (after elimination of grants), whereof EUR 64,862 thousand represented assets brough into use at the time of implementation of the gas interconnection project Poland-Lithuania (GIPL), and EUR 2,680 thousand represented the outcome of replacement of shut-off devices and process automation through implementation of remote control systems. Based on the Group's accounting policies, the cost of property, plant and equipment as at 31 December 2021 excluded the GIPL compensation (the "CBCA contribution"), which was based on the cross-border cost allocation criteria. The CBCA contribution is treated as a variable contribution, and will therefore, be recognised as part of the cost of property, plant and equipment at the time the compensation will be paid. For more information about the CBCA contribution, see Note 29.

In 2021, the Company's capitalised borrowing costs (interest) were added to the cost of property, plant and equipment and amounted to EUR 140 thousand (2020: EUR 170 thousand). The annual interest capitalisation rate in 2021 was 0.352% (2020: 0.443%).

Testing of property, plant and equipment in 2021

The Company assesses, at least annually, whether there is any indication that the value of property, plant and equipment, which is carried at revalued amount, may be significantly different from its fair value, and conducts an impairment test. The last revaluation of the Company's property, plant and equipment was carried out in 2018, and impairment of EUR 37,686 thousand was recognised by allocating it to assets of gas pipelines and technological equipment.

The carrying amount of property, property, plant and equipment without revaluation as at 31 December 2020 and 2021 would be amounted to:

	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	Total
At 31 December 2020	125	6,015	156,867	40,866	542	3,167	51,773	259,355
At 31 December 2021	125	7,101	210,627	42,579	373	4,061	7,808	272,674

The Company's property, plant and equipment as at 31 December 2021 amounted to EUR 255,978 thousand, and the value of property, plant and equipment tested for impairment (excluding the value of the project on the expansion of the Kiemėnai gas metering station) was EUR 255,830 thousand. The fair value of those assets was tested by using the discounted income approach by making cash flow projections until 2026 and by adding the discounted terminal value beyond 2026.

The Company's natural gas transmission activities are regulated by the State, and the regulatory decisions have significant impact on the fair value of the assets. The gas transmission prices are regulated by NERC. The revenue caps for regulated activities can be annually adjusted by the decision of NERC in accordance with the procedure established in the *Methodology for determining revenue from and prices for regulated natural gas transmission activities.* The ROI rate is set for the Company based on the *Methodology for determining the rate of return on investment* (the WACC Methodology) as approved by NERC. According to the provisions of the WACC Methodology, the ROI rate applicable to the Company is updated annually by NERC. The ROI rate set for the Company by NERC for 2021 is equal to 3.94% (3.86% for 2020). In the opinion of the management, there were no significant changes in the regulatory environment during 2021.

Key assumptions used in the fair value testing as at 31 December 2021 were as follows:

a) a 3.42% discount rate was used for discounting cash flows;

b) a 3.94% ROI rate as set by NERC was used for 2022-2023, and a 4.12% ROI rate was used for 2024-2025 based on the NERC's WACC Methodology updated in 2020;

c) the terminal value of cash flows was determined by comparing the ROI rate (pre-tax rate of 4.02%) with the discount rate;

d) the Company's surplus earnings from regulated activities in excess of the established ROI rate arising from increased gas transmission quantities (higher capacities and quantities actually ordered by the system users) and incurred expenditure, after taking into account the operational efficiency achieved during 2019-2021, will reverse in future by cutting the transmission prices for the system users (one-off effect);

e) annual growth rate for indefinite period is not applicable (equals 0).

Considering that the regulatory environment did not experience significant changes during 2021, and taking into account all of the above assumptions, the Company concluded as a result the fair value testing that there were no indications of significant change in the carrying amount of property, plant and equipment as at 31 December 2021 and that the carrying amount approximated the fair value. In the opinion of the Company's management, one-off fluctuations in the Company's surplus earnings from regulated activities in excess of the ROI rate set by NERC have no impact on the value of property, plant and equipment, and accordingly, no adjustments for changes in the value are necessary for the accounting purposes.

The major construction work in progress items of the Group as at 31 December 2021 and 2020 were as follows:

Items	At 31 December 2021	At 31 December 2020
Implementation of gas interconnection Poland-Lithuania project in the territory of Lithuania	-	83,799
Installation of pig launchers/receivers	10,364	4,446
Implementation of operative technological control of gas transmission system	1,487	2,781
Construction of the main gas pipeline Vilnius-Kaunas and interconnection Kaunas-Šakiai	551	551
Reconstruction of gas distribution stations (5) and gas metering station (1)	407	98
Capacity enhancement for the gas interconnection between Lithuania and Latvia (ELLI) (expansion of the Kiemėnai gas metering station)	148	49
Modernisation of gas compressor stations	798	214
Installation of solar power plant modules	41	9
Other	1,215	1,316
Grants recognised (offsetting against non-current assets)	(6,606)	(40,910)
[1] Less: impairment of construction work in progress	(597)	(580)
	7,808	**51,773**

[1] Impairment of EUR 551 thousand was established for the project 'Construction of the main gas pipeline Vilnius-Kaunas and interconnection Kaunas-Šakiai' (territory planning and engineering design services) because the construction of the gas pipeline was postponed for later periods and uncertainties arose regarding the project funding and further development issues. Impairment of EUR 29 thousand was established for the postponed reconstruction works of a building with a system control centre.

7 Investments in subsidiary

As at 31 December 2021 and 2020, the Company's investments were as follows:

Subsidiary	Cost	Impairment	Carrying amount	Ownership interest, %
At 31 December 2021				
GET Baltic UAB	769	-	769	100
Total	769	-	769	
At 31 December 2020 GET Baltic UAB	769	(94)	675	100
Total	769	(94)	675	

In preparing the financial statements for the period ended 31 December 2020 and 2021, the Company performed an impairment test and did not identify any indications of impairment of investment in the subsidiary. As at 31 December 2021, the previously recognised impairment was reversed.

8 Right-of-use assets

As described below, the Group and the Company have taken on lease office premises, motor vehicles, and land. Lease periods for premises, motor vehicles and land are 5-10 years, 4 years, and 99 years, respectively. The Group and the Company assessed the probability of exercising the lease extension option when recognising right-of-use assets and lease liabilities, and when determining the lease periods. From 1 October 2021, the Company leases new office premises located at address: Laisvės pr. 10, Vilnius. Having assessed the lease extension option, which is intended to be exercised, the lease term is 10 years. Due to increase in the land lease tax over the period of 2019-2021, the Company remeasured right-of-use assets and lease liabilities. The value of land, which is held on the lease basis and recognised as an asset, and the lease liabilities increased by EUR 257 thousand.

	Group			
	Buildings	**Land**	**Motor vehicles**	**Total**
Initial cost of recognised assets at 31 December 2019	**723**	**1,265**	**13**	**2,001**
Additions	4	-	1,119	1,123
Write-offs	(354)	-	-	(354)
Depreciation	(152)	(13)	(270)	(435)
Net book amount at 31 December 2020	**221**	**1,252**	**862**	**2,335**
Net book amount of recognised assets at 31 December 2020	**221**	**1,252**	**862**	**2,335**
Additions	1,716	257	8	1,981
Write-offs	-	-	-	-
Depreciation	(162)	(16)	(289)	(467)
Net book amount at 31 December 2021	1,775	1,493	581	3,849
Initial cost	1,880	1,534	1,149	4,563
Accumulated depreciation	(105)	(41)	(568)	(714)
Net book amount at 31 December 2021	**1,775**	**1,493**	**581**	**3,849**

	Company			
	Buildings	**Land**	**Motor vehicles**	**Total**
Initial cost of recognised assets at 31 December 2019	**585**	**1,265**	**-**	**1,850**
Additions	-	-	1,119	1,119
Write-offs	(354)	-	-	(354)
Depreciation	(132)	(13)	(266)	(411)
Net book amount at 31 December 2020	**99**	**1,252**	**853**	**2,204**
Net book amount of recognised assets at 31 December 2020	**99**	**1,252**	**853**	**2,204**
Additions	1,716	257	-	1,973
Write-offs	-	-	-	-
Depreciation	(143)	(16)	(281)	(440)
Net book amount at 31 December 2021	**1,672**	**1,493**	**572**	**3,737**
Initial cost	1,716	1,534	1,119	4,369
Accumulated depreciation	(44)	(41)	(547)	(632)
Net book amount at 31 December 2021	**1,672**	**1,493**	**572**	**3,737**

As the useful life of the right-of-use assets is longer than the lease term, depreciation is calculated from the commencement date of the lease till the end of the lease term.

9 Inventories

	Company	
	At 31 December 2021	At 31 December 2020
Raw materials, spare parts and other inventories	1,212	734
Natural gas	7,289	1,443
Assets held for resale	5	-
Inventories, gross	8,506	2,177
Less: write-down allowance	(405)	(280)
	8,101	**1,897**

Changes in prices of natural gas had a major impact on changes in inventories of natural gas during 2020-2021.

The acquisition cost of the Company's inventories stated at net realisable value as at 31 December 2021 amounted to EUR 1,212 thousand (31 December 2020: EUR 734 thousand). Inventory write-down allowance was included in other expenses.

The value of inventories recognised as expenses of the reporting period was equal to EUR 12,208 thousand as at 31 December 2021 (31 December 2020: EUR 7,020 thousand).

10 Amounts receivable

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Non-current trade receivables	-	-	-	-
Other trade receivables	-	-	-	-
Current trade receivables and other amounts receivable				
Amounts receivable for transmission of natural gas	9,424	5,745	9,574	5,799
Amounts receivable for natural gas	10,838	2,073	-	-
Amounts receivable for balancing of transmission system	1,222	115	1,222	115
Other trade receivables	7	7	7	7
Less: impairment of amounts receivable	(67)	(70)	(67)	(70)
Total trade receivables	**21,424**	**7,870**	**10,736**	**5,851**

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Other amounts receivable				
Receivable and accrued LNG terminal funds under administration	13,385	12,834	13,385	12,834
Grants receivable	10,330	25,628	10,330	25,628
Contract assets	766	965	766	965
Other amounts receivable	41	80	40	78
Total other amounts receivable	24,522	39,507	24,521	39,505
Trade receivables and other amounts receivable	**45,946**	**47,377**	**35,257**	**45,356**

Current trade receivables are interest free and their settlement term is typically between 9 and 30 calendar days. Impairment allowance of EUR 67 thousand was established for trade receivables as at 31 December 2021.

As at 31 December 2021, the total overdue amount in the balance of receivable LNG terminal funds under administration was EUR 4,912 thousand (31 December 2020: EUR 5,253 thousand), whereof the overdue amounts of Achema AB and Geoterma UAB were EUR 4,847 thousand and EUR 65 thousand, respectively.

The Group does not recognise impairment for the LNG terminal receivables, since the LNG terminal funds are not treated as assets of the administrator of the LNG terminal funds based on the Description of the procedure for administration of the LNG terminal funds, and therefore, they cannot be subject to debt recovery procedures under the obligations of the administrator of the LNG terminal funds that are not related to the administration of the LNG terminal funds.

Grants receivable include support from the EU structural funds to finance the projects implemented by the Company. Support receivable from the EU structural funds to finance the project on the construction of the gas interconnection between Poland and Lithuania amounted to EUR 8,840 thousand as at 31 December 2021 (31 December 2020: EUR 24,934 thousand).

Contract assets include as follows:

	Company	
	At 31 December 2021	At 31 December 2020
Current contract assets related to transmission of natural gas	766	965
Total contract assets	**766**	**965**

The Company applies a simplified credit risk assessment approach as required by IFRS 9 and accounts for loss allowances for lifetime credit losses from initial recognition of amounts receivable.

To determine credit losses of amounts receivable the Company applies the individual assessment and a loss coefficient matrix. The loss coefficient matrix is based on historical data for a period exceeding 36 months on settlements of debts by customers. The loss coefficients may be adjusted in view of macroeconomic forecasts. The loss coefficients are classified into separate groups of receivables on the basis of credit risk characteristics and overdue period.

Trade receivables and other amounts receivable	**Not past due**		**Trade receivables past due**				**Total**
			1-30 days	**31-90 days**	**91-180 days**	**181 and more days**	
At 31 December 2021							
Trade receivables assessed individually	-	5,117	-	-	-	-	5,117
Impairment	-	*22*	-	-	-	-	*22*
Trade receivables assessed collectively, whereof:	2,355	3,203	87	-	-	41	5,686
State-owned enterprises	2,355	-	-	-	-	-	2.355
Expected credit losses	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Other customers	-	3.204	86	-	-	-	3,290
Expected credit losses	*0,00%*	*0,04%*	*2,99%*	*5,83%*	*17,55%*	*100,00%*	
Customers undergoing or in bankruptcy/liquidation	-	-	-	-	-	*41*	*41*
Expected credit losses	*100,00%*	*100,00%*	*100,00%*	*100,00%*	*100,00%*	*100,00%*	
Other amounts receivable	*23,755*	-	-	-	-	-	*23,755*
Expected credit losses	*0,00%*	*0,00%*	*0,00%*	*0,00%*	*0,00%*	*0,00%*	
Contract assets	*766*	-	-	-	-	-	*766*
Expected credit losses	*0,00%*	*0,00%*	*0,00%*	*0,00%*	*0,00%*	*0,00%*	
Impairment	-	*1*	*3*	-	-	*41*	*45*
Total impairment	**-**	**23**	**3**	**-**	**-**	**41**	**67**

Impairment allowance for the Group's other amounts receivable and contract assets is not established.

Change in impairment allowance recognised for the Group's trade receivables:

	Trade receivables assessed collectively	Trade receivables assessed individually	Total impairment
Balance at 31 December 2021	45	22	67
Balance at 31 December 2020	-	70	70

The maturity analysis of the Group's trade and other receivables that have not been identified as impaired at 31 December 2021 and 31 December 2020:

	Trade receivables and other amounts receivable not past due	Trade receivables and other amounts receivable past due					
		Less than 30 days	31-90 days	91-180 days	181-360 days	More than 360 days	Total
At 31 December 2021	40,949	1,552	2,931	449	-	65	45,946
At 31 December 2020	41,797	1,725	2,758	-	-	1,097	47,377

The maturity analysis of the Company's trade and other receivables that have not been identified as impaired at 31 December 2021 and 31 December 2020:

	Trade receivables and other amounts receivable not past due	Trade receivables and other amounts receivable past due					
		Less than 30 days	31-90 days	91-180 days	181-360 days	More than 360 days	Total
At 31 December 2021	30,260	1,552	2,931	449	-	65	35,257
At 31 December 2020	40,038	1,463	2,758	-	-	1,097	45,356

11 Other financial assets

The Group's other financial assets as at 31 December 2021 consisted of monetary funds collected from extra charge on natural gas transmission price related to natural gas supply security, referred to as the LNG terminal funds, and the funds transferred by the exchange participants.

Those funds are collected from the system users, kept on separate bank accounts for LNG terminal funds in compliance with the legal requirements, and are intended for payment to the recipients of the LNG terminal funds: the LNG terminal operator (Klaipėdos Nafta AB), the designated supplier (Ignitis UAB), and the Company to cover the administration costs of the LNG terminal funds. Based on Resolution No. O3E-1265 of 30 November 2020 adopted by NERC, an extra charge related to natural gas supply security was set to be effective during the period from 1 January 2021 to 31 December 2021.

The funds of the gas exchange participants consist of funds transferred by the clients of GET Baltic UAB under the provisions of the *Regulation of trading on the natural gas exchange* approved by the Board of GET Baltic UAB and agreed with NERC. In order to submit the purchase orders for natural gas, the exchange participants are required to make an advance payment (alternatively submit a bank guarantee) on the gas exchange operated by GET Baltic UAB, for the amount no less than the value of the expected purchase orders. After trading is closed, the advance payment is treated as a settlement for the natural gas purchased.

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
LNG terminal funds	1,305	3	1,305	3
Funds transferred by gas exchange participants	50,209	8,670	-	-
Total other financial assets	**51,514**	**8,673**	**1,305**	**3**

12 Cash and cash equivalents

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Cash at bank	906	767	12	3
	906	**767**	**12**	**3**

The Company and the Group keep their cash balances on bank accounts. As at 31 December 2021, the balance of cash was not material due to the Company's and the Group's treasury management policy aimed at maintaining minimum cash balances. As at 31 December 2021, the Company and the Group had no contracts on deposits.

The table below presents the long-term foreign currency credit ratings of the banks in which the Group kept its cash balances as at 31 December 2021:

Bank	Cash at bank at 31 December 2021	Rating agency		
		Moody's	**Standard&Poor's**	**Fitch Ratings**
SEB Bankas AB[1)]	899	Aa3	A+	AA-
Swedbank AB[1)]	7	Aa3	A+	A+

[1)] The ratings assigned to the parent banks as at 31 December 2021.

13Reserves

Legal reserve

A legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the authorised share capital.

The Company's legal reserve amounts to EUR 5,173 thousand and represents 10% of its authorised share capital.

Other reserves

Other reserves are formed by the decision of the annual General Shareholders' Meeting regarding the appropriation of profit. In approving the appropriation of profit for 2020, the total amount of profit to be appropriated of EUR 28,040 thousand was transferred to other reserves under the decision of the General Meeting of Shareholders.

14 Borrowings

In May 2018, the Company and OP Corporate Bank pic Lithuanian branch signed an agreement on a long-term loan for amount of EUR 30,000 thousand. As at 31 December 2019, the withdrawn amount of the loan was EUR 30,000 thousand. In June 2020, the Company and the European Investment Bank signed an agreement on a long-term loan to finance the construction of the gas interconnection between Poland and Lithuania in the territory of Lithuania. As at 31 December 2021, the withdrawn amount of the loan was EUR 60,000 thousand.

To balance the liquid funds, on 27 February 2019 the Company and EPSO-G UAB entered into a cash pool contract, based on which the maximum borrowing limit from EPSO-G UAB was set in amount of EUR 15,000 thousand. On 31 March 2020 and 29 June 202, additional arrangements were signed, based on which the maximum borrowing limit was increased up to EUR 35,000 thousand and EUR 40,000 thousand, respectively. As at 31 December 2021, the Company's borrowings under this arrangement amounted to EUR 3,284 thousand (31 December 2020: EUR 7,852 thousand).

	Group		Company	
	At 31 December	At 31 December	At 31 December	At 31 December
	2021	2020	2021	2020
Non-current borrowings				
Borrowings from local credit institutions	14,000	22,000	14,000	22,000
Borrowings from international financial institutions	77,391	79,565	77,391	79,565
Current borrowings				
Borrowings from local credit institutions	-	-	-	-
Current borrowings (EPSO-G UAB)	3,284	7,852	3,284	7,852
Current portion of non-current borrowings	10,174	10,174	10,174	10,174
	104,849	**119,591**	**104,849**	**119,591**

As at 31 December 2021, the weighted average interest rate on the Group's and the Company's borrowings was 0.34% (31 December 2020: 0.39%). The interest rate is linked to variable part of 3-6-month EURIBOR.

The balance of borrowings from Nordic Investment Bank, less the current portion of non-current borrowings, amounted to EUR 17,391 thousand as at 31 December 2021 (31 December 2020: EUR 19,565 thousand).

The balance of the borrowing from OP Corporate Bank PLC Lithuania branch, less the current portion of the non-current borrowing, amounted to EUR 14,000 thousand as at 31 December 2021 (31 December 2020: EUR 22,000 thousand).

The balance of borrowings from European Investment Bank, less the current portion of non-current borrowings, amounted to EUR 60,000 thousand as at 31 December 2021.

As at 31 December 2021 and 2020, the Company complied with the covenants set forth in the loan agreements with the above-mentioned banks.

Contractual maturity dates:

	Group			
	At 31 December 2021	**At 31 December 2020**	**At 31 December 2021**	**At 31 December 2020**
	Borrowings with a fixed interest rate	**Borrowings with a fixed interest rate**	**Borrowings with a variable interest rate**	**Borrowings with a variable interest rate**
2021	-	-	-	10,174
2022	-	-	10,174	10,174
2023	1,475	1,475	16,420	16,420
2024	2,951	2,951	3,158	3,158
2025	2,951	2,951	3,158	3,158
2026	2,951	2,951	3,158	3,158
2027	2,951	2,951	3,158	3,158
2028	2,951	2,951	3,158	3,158
2029	2,951	2,951	3,158	3,158
2030	2,951	2,951	3,158	3,158
2031	2,951	2,951	984	984
2032	2,951	2,951	983	983
2033	2,951	2,951	983	983
2034	2,951	2,951	983	983
2035	2,951	2,951	983	983
2036	2,951	2,951	983	983
2037	2,951	2,951	983	983
2038	2,211	2,211	983	983
	45,000	**45,000**	**56,565**	**66,739**

The maturity dates of the Group's borrowings match those of the Company's borrowings.

All borrowings of the Group have been obtained in the euros, and therefore, the outstanding balances of borrowings are denominated in the euros between 31 December 2020 and 31 December 2021, thereby resulting in no foreign exchange effect.

There are no third-party guarantees or assets pledged by the Company as a collateral for bank borrowings.

Reconciliation of net debt to cash flows from financing activities between 2020 and 2021:

	Group			
	Cash	Borrowings	Lease liabilities	Total
Net debt at 31 December 2019	**233**	**(71,809)**	**(2,008)**	**(73,584)**
Change in cash and cash equivalents	534	-	-	534
(Proceeds) from borrowings	-	(60,000)	-	(60,000)
Repayments of borrowings	-	13,798	-	13,798
Change in overdraft	-	(1,580)	-	(1,580)
Lease payments	-	-	414	414
Other non-cash movements				
Newly entered lease contracts	-	-	(1,123)	(1,123)
Lease modifications			354	354
Other non-cash movements	-	-	-	-
Net debt at 31 December 2020	**767**	**(119,591)**	**(2,363)**	**(121,187)**
Change in cash and cash equivalents	139	-	-	139
(Proceeds) from borrowings	-	-	-	-
Repayments of borrowings	-	10,174	-	10,174
Change in overdraft	-	4,568	-	4,568
Lease payments	-	-	418	418
Other non-cash movements	-	-	-	-
Newly entered lease contracts	-	-	(1,724)	(1,724)
Lease modifications	-	-	(257)	(257)
Other non-cash movements	-	-	-	-
Net debt at 31 December 2021	**906**	**(104,849)**	**(3,926)**	**(107,869)**

	Company			
	Cash	Borrowings	Lease liabilities	Total
Net debt at 31 December 2019	197	(71,629)	(1,857)	(73,289)
Change in cash and cash equivalents	(194)	-	-	(194)
Proceeds from borrowings	-	(60,000)	-	(60,000)
Repayments of borrowings	-	13,618	-	13,618
Change in overdraft	-	(1,580)	-	(1,580)
Lease payments	-	-	392	392
Other non-cash movements				
Newly entered lease contracts	-	-	(1,119)	(1,119)
Lease modifications	-	-	354	354
Other non-cash movements	-	-	-	-
Net debt at 31 December 2020	**3**	**(119,591)**	**(2,230)**	**(121,818)**
Change in cash and cash equivalents	9	-	-	9
Proceeds from borrowings	-	-	-	-
Repayments of borrowings	-	10,174	-	10,174
Change in overdraft	-	4,568	-	4,568
Lease payments	-	-	391	391
Other non-cash movements	-	-	-	-
Newly entered lease contracts	-	-	(1,716)	(1,716)
Lease modifications	-	-	(257)	(257)
Other non-cash movements	-	-		-
Net debt at 31 December 2021	**12**	**(104,849)**	**(3,812)**	**(108,649)**

15 Lease liabilities

Lease liabilities and their movement were as follows:

	Group	
	At 31 December 2021	At 31 December 2020
Carrying amount of lease liabilities at the beginning of the period	2,363	2,009
Recognition of lease liabilities under IFRS 16	257	4
Newly entered lease contracts	1,724	1,119
Lease terminations (write-off of debt and accrued interest)	-	(354)
Expenses of interest charged	28	26
Lease payments (principal and interest)	(446)	(441)
Carrying amount at 31 December	**3,926**	**2,363**
Non-current lease liabilities	3,494	1,953
Current lease liabilities	432	410

	Company	
	At 31 December 2021	At 31 December 2020
Carrying amount of lease liabilities at the beginning of the period	2,230	1,857
Recognition of lease liabilities under IFRS 16	257	-
Newly entered lease contracts	1,716	1,119
Lease terminations (write-off of debt and accrued interest)	-	(354)
Expenses of interest charged	26	24
Lease payments (principal and interest)	(417)	(416)
Carrying amount at 31 December	**3,812**	**2,230**
Non-current lease liabilities	3,411	1,843
Current lease liabilities	401	387

Lease liabilities	Group	
	At 31 December 2021	At 31 December 2020
Current portion	432	410
Maturity of non-current liabilities:	3,494	1,953
Between 1 and 2 years	505	310
Between 2 and 3 years	243	312
Between 3 and 5 years	421	84
After 5 years	2,325	1,247

Lease liabilities	Company	
	At 31 December 2021	At 31 December 2020
Current portion	401	387
Maturity of non-current liabilities:	3,411	1,843
Between 1 and 2 years	476	287
Between 2 and 3 years	221	289
Between 3 and 5 years	389	46
After 5 years	2,325	1,221

Interest calculated on lease liabilities and included in the Group's finance costs amounted to EUR 28 thousand as at 31 December 2021 (31 December 2020: EUR 26 thousand).

The Group and the Company had no leases with variable payments not included in the value of lease liabilities. The Group's lease payments made (capital value paid) in 2021 amounted to EUR 418 thousand (2020: EUR 414 thousand).

16 Contract liabilities

Funds from connection of new system users to the gas transmission system and prepayments received from the system users for transmission services are recognised as liabilities under contracts with customers.

Liabilities under contracts with customers:

	Company	
	At 31 December 2021	At 31 December 2020
Non-current portion of contract liabilities under connection contracts	1,305	1,337
Total non-current liabilities under contracts with customers	**1,305**	**1,337**
Current portion of contract liabilities under connection contracts	33	34
Payments received in advance for transmission services	23	34
Total current liabilities under contracts with customers	**56**	**68**
Total contract liabilities	**1,361**	**1,405**

Contract liabilities under contracts for the connection of new consumers

Funds from connection of new consumers to the gas transmission system recognised as contract liabilities amounted to EUR 1,338 thousand as at 31 December 2021 (31 December 2020: EUR 1,337 thousand), of which non-current liabilities under contracts for the connection of new consumers to the transmission system amounted to EUR 1,305 thousand (31 December 2020: EUR 1,337 thousand). The contract liabilities to be recognised as revenue within one year are reported as current contract liabilities.

	Company		
	Non-current liabilities under connection contracts	Current liabilities under connection contracts	Total
Closing balance at 31 December 2019	**1,371**	**34**	**1,405**
Received/receivable	-	-	-
Recognised as revenue	-	(34)	(34)
Reclassification	(34)	34	-
Closing balance at 31 December 2020	**1,337**	**34**	**1,371**
Received/receivable	-	-	-
Recognised as revenue	-	(33)	(33)
Reclassification	(32)	32	-
Closing balance at 31 December 2021	**1,305**	**33**	**1,338**

17 Provisions

	Company	
	At 31 December 2021	At 31 December 2020
Provisions for employee pension obligations	602	548
Provisions for registration of special land use conditions (protected areas)	2,157	2,179
Carrying amount	**2,759**	**2,727**
Non-current provisions	1,471	2,651
Current provisions	1,288	76

As at 31 December 2021, the Company's and the Group's employee benefit obligations related to payment of one-off benefits to employees leaving the Company at their retirement age amounted to EUR 602 thousand (31 December 2020: EUR 562 thousand). There were no other long-term employee benefits under long-term service obligations as per the collective agreement.

Key assumptions used in assessing the Company's and the Group's long-term employee benefit obligations are given below:

	At 31 December 2021	At 31 December 2020
Discount rate	0,37%	0,37%
Annual employee turnover rate	6,62%	5,99%
Annual salary growth	4,00%	3,30%
Average time to retirement (years)	19,96	19,80

As at 31 December 2020, the Company recognised a provision of EUR 2,179 thousand and the related intangible assets for the establishment of the special land use conditions (protected areas). The provision was established under the amendments to the Regulations of the Real Property Cadastre, which were necessary for the establishment of a commitment to form a register of protected areas, as set out in the Lithuanian Law on Special Land Use Conditions, by the year 2023, and based on the *Description of the procedure for preparation and approval of the protected areas,* approved under the Lithuanian Energy Minister's Order No. 1-339 of 13 October 2020. Discounting of the provision was based on a discount rate of 0.62%. Assumptions for the establishment of the provision were not changed as at 31 December 2021. As at 31 December 2021, the amount of EUR 1,201 thousand was reclassified to current liabilities for the formation of special land use conditions.

18 Trade payables

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Payables to suppliers under the investment programme (reconstruction)	2,141	4,810	2,141	4,810
Payables to service providers	1,457	2,106	1,438	2,007
Payables to repair service providers for non-current assets	358	265	358	265
Payables to natural gas suppliers	28,520	3,248	4,502	1,069
	32,476	**10,429**	**8,439**	**8,151**

Trade payables are interest free and their settlement term is typically between 30 and 60 days.

19 Advance amounts received

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Current contract liabilities	56	68	56	68
Grants received in advance	151	236	151	236
Advance amounts received from gas exchange participants	36,455	8,246	-	-
Other advance amounts received	622	8	622	8
Total advance amounts received and contract liabilities	**37,284**	**8,558**	**829**	**312**

The Group's advance amounts received amounted to EUR 37,284 thousand as at 31 December 2021 (31 December 2020: EUR 8,558 thousand), whereof advance amounts received from the gas exchange participants amounted to EUR 36,455 thousand as at 31 December 2021 (31 December 2020: EUR 8,246 thousand).

The advance amounts received from gas exchange participants are used on the date of settlement of the exchange participants, unless there is a request of a participant not to use the advance amount, thereby reducing the amount payable for gas and exchange services. The advance amount not used in full or in part remains for other settlements of an exchange participant. If an advance amount has not been used by an exchange participant for over 1 year, such amount is refunded to the exchange participant.

20 Other amounts payable and current liabilities

	Group		Company	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Payable LNG terminal funds under administration	12,259	10,670	12,259	10,670
Accrued LNG terminal funds under administration [1)]	2,406	2,175	2,406	2,175
Payable real estate tax	838	453	838	453
Payable value added tax	637	582	235	278
Other amounts payable	406	465	390	405
Total other amounts payable	**16,546**	**14,345**	**16,128**	**13,981**

[1)] Accrued LNG terminal funds under administration are accounted for upon issuing a VAT invoice to the natural gas system users. Accrued LNG terminal funds under administration are allocated to the account of payable LNG terminal funds when Klaipėdos Nafta AB and Ignitis UAB issue a VAT invoice to the Company for the extra charge on the natural gas transmission price related to natural gas supply security.

21 Revenue

The Group's and the Company's revenue consists of as follows:

	Group		Company	
	2021	2020	2021	2020
Revenue from natural gas transmission in the territory of Lithuania	53,748	45,897	53,748	45,897
Revenue from transmission system balancing services	12,540	4,588	12,540	4,588
Revenue from trading on the exchange	1,486	1,356	-	-
Grants recognised as revenue	144	37	144	37
Revenue from administration of the LNG terminal funds	73	65	73	65
Revenue from connection of new consumers (deferred revenue)	34	34	34	34
Other income	570	309	434	210
	68,595	**52,286**	**66,973**	**50,831**

Revenue from contracts with customers includes as follows:

	Group		Company	
	2021	2020	2021	2020
Revenue recognised over time				
Revenue from natural gas transmission in the territory of Lithuania	53,748	45,897	53,748	45,897
Revenue from transmission system balancing services	12,540	4,588	12,540	4,588
Revenue from membership fees	70	55	-	-
Other income	174	133	33	34
Total revenue recognised over time	**66,532**	**50,673**	**66,321**	**50,519**
Revenue recognised at a point in time upon provision of services				
Revenue from trading on the exchange	1,411	1,301	-	-
Total revenue recognised at a point in time upon provision of services	**1,411**	**1,301**	-	-
Total revenue from contracts with customers	**67,943**	**51,974**	**66,321**	**50,519**

22 Financing activities

	Group		Company	
	2021	2020	2021	2020
Interest income	-	-	-	-
Interest on late payment	-	3	-	3
Dividend income	-	-	478	-
Other	2	-	2	-
Total income from financing activity	2	3	480	3
Interest expenses on borrowings	(486)	(464)	(486)	(461)
Capitalised borrowing costs*	140	170	140	170
Other finance costs	(93)	(72)	(42)	(72)
Total finance costs	(439)	(366)	(388)	(363)
Result of financing activities, net	**(437)**	**(363)**	**92**	**(360)**

* Capitalised borrowing rate is calculated as a weighted average interest rate on the Company's non-current borrowings from finance institutions and other borrowings costs.

Dividends received by the Company from subsidiary GET Baltic UAB in 2021 amounted to EUR 478 thousand.

23 Current and deferred income tax

Income tax expenses include as follows:

	Group		Company	
	2021	2020	2021	2020
Current income tax expenses	(113)	(98)	-	(47)
Deferred income tax benefit	547	3,682	547	3,682
Current income tax benefit	**434**	**3,584**	**547**	**3,635**

Movements in deferred income tax assets and liabilities (before offsetting the amounts relating to the same tax administration authority) were as follows:

Deferred income tax assets	PP&E impairment	Fees on connection of new consumers	Impairment allowance for receivables and write-down of inventories	Accruals	Investment relief not utilised	Total
At 31 December 2019	**2,811**	**211**	**58**	**200**	**-**	**3,280**
Recognised in profit or loss	(165)	(5)	(6)	38	3,923	3,785
Recognised in other comprehensive income	-	-	-	-	-	-
At 31 December 2020	**2,646**	**206**	**52**	**238**	**3,923**	**7,065**
Recognised in profit or loss	(156)	(5)	19	23	685	566
Recognised in other comprehensive income	-	-	-	-	-	-
At 31 December 2021	**2,490**	**201**	**71**	**261**	**4,608**	**7,631**

Deferred income tax liabilities	Effect of capitalised borrowings costs	Total
At 31 December 2019	**-**	**-**
Recognised in profit or loss	104	104
Recognised in other comprehensive income	**-**	**-**
At 31 December 2020	**104**	**104**
Recognised in profit or loss	19	19
Recognised in other comprehensive income	-	-
At 31 December 2021	**123**	**123**
Deferred income tax, net as at 31 December 2019	3,280	
Deferred income tax, net as at 31 December 2020	6,961	
Deferred income tax, net as at 31 December 2021	7,508	

	Group	
	At 31 December 2021	At 31 December 2020
Deferred income tax assets:		
Loss on revaluation and impairment of PP&E	2,490	2,646
Accrued vacation reserve	167	154
Accrual for long-term employee benefits	90	82
Impairment allowance for doubtful trade receivables and write-down of inventories	71	52
Investment relief not utilised	4,608	3,923
Tax losses	-	-
Contract liabilities	201	206
Other	4	2
Deferred income tax assets before valuation allowance	**7,631**	**7,065**
Less: valuation allowance	-	-
Less: deferred income tax assets offset against deferred income tax liabilities	123	104
Deferred income tax assets, net	**7,508**	**6,961**

According to the provisions of the Law on Corporate Income Tax, income tax relief may be applied to investments in fixed assets which meet the criteria set out in the Law on Corporate Income Tax. When calculating income tax for the year 2021, the Company and the Group utilised the income tax relief and reduced the income tax expenses for the year 2021 by the total amount of EUR 3,878 thousand (2020: EUR 5,888 thousand).

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

When estimating the components of deferred income assets and liabilities in 2021 and 2020, the Group and the Company applied income tax rate of 15%.

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

	Group	
	2021	2020
Profit (loss) before income tax	23,349	14,586
Income tax (expenses) at the effective income tax rate	(3,503)	(2,187)
Non-deductible expenses, non-taxable income	72	(27)
Investment relief utilised during the reporting period	3,180	1,965
Other	-	(42)
Additional investment relief not utilised	685	3,922
Adjustments to previous year income tax	-	(47)
	434	**3,584**

	Company	
	2021	2020
Profit (loss) before income tax	22,617	13,797
Income tax (expenses) at the effective income tax rate	(3,393)	(2,069)
Non-deductible expenses, non-taxable income	75	(32)
Investment relief utilised during the reporting period	3,180	1,965
Other	-	(104)
Additional investment relief not utilised	685	3,922
Adjustments to previous year income tax	-	(47)
	547	**3,635**

24 Basic and diluted earnings per share

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

	Group	
	2021	2020
Net profit attributable to equity holders of the Group (EUR '000)	23,211	18,170
Weighted average number of shares ('000 units)	178,383	178,383
Basic and diluted earnings (loss) per share (EUR)	**0,13**	**0,10**

25 Cash flows from investing and financing activities

When calculating cash flows from investing activities in 2021, the Company took into consideration the following: movement in the Company's amounts payable for non-current assets of EUR 2,669 thousand, payments made to form special land use conditions of EUR 36 thousand, and capitalised borrowings costs of EUR 140 thousand. Reclassification from non-current assets (including construction work in progress) to inventories and assets held for resale amounted to EUR 283 thousand.

When calculating cash flows from investing activities in 2020, the Company took into consideration the following: movement in the Company's amounts payable for non-current assets of EUR 3,369 thousand, capitalised borrowings costs of EUR 170 thousand, reclassification of emergency reserve inventories from non-current assets to current assets in amount of EUR 32 thousand.

When calculating grants received, for the purpose of cash flows from investing activities in 2022, the Company took into consideration the movement in grants receivable of EUR 15,357 thousand (2020: EUR 23,998 thousand).

26 Financial assets and liabilities and risk management

As the Company carries out its operations, it is exposed to financial risks. By managing the risks, the Group and the Company seek to mitigate the impact of factors that might have an adverse effect on the financial performance. The Company follows the Treasury and Financial Risk Management Policy approved by the Board of Directors.

	Group		Company	
Financial assets	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Trade receivables	21,424	7,870	10,736	5,851
Other amounts receivable	20	67	19	67
Cash and cash equivalents	906	753	12	3
Financial assets measured at amortised cost	**22,350**	**8,690**	**10,767**	**5,921**
Other financial assets				
Financial assets measured at amortised cost	51,514	8,687	1,305	3
Total financial assets	**73,864**	**17,377**	**12,072**	**5,924**

	Grupė		Bendrovė	
Financial liabilities	At 31 December 2021	At 31 December 2020	At 31 December 2021	At 31 December 2020
Borrowings	104,849	119,591	104,849	119,591
Lease liabilities	3,926	2,363	3,812	2,230
Trade payables	32,476	10,429	8,439	8,151
Other amounts payable and liabilities	37,218	8,584	763	338
Total	**178,469**	**140,967**	**117,863**	**130,310**

Liquidity risk

Liquidity risk is managed constantly by making short-term and long-term cash flow forecasts of the Group. Where necessary, the Group relies on the forecasts to make decisions aimed at ensuring its solvency, i.e. uses the credit limit on the parent company's cash pool account to balance its liquid funds.

The Group's liquidity ratios (after elimination of effects of the LNG terminal funds under administration) were as follows as at 31 December 2021 and 2020:

	At 31 December 2021	At 31 December 2020
Current ratio	1,04	1,16
Quick ratio	0,94	1,10

The table below contains a breakdown of the Group's financial liabilities by maturity as at 31 December 2021 and 31 December 2020 based on the undiscounted contractual payments (payments per schedule including interest):

	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years	Total
Interest-bearing borrowings and liabilities	-	4,472	9,327	37,135	56,169	107,103
Lease liabilities	-	73	359	1,169	2,325	3,926
Other liabilities	36,455	59	704	-	-	37,218
Trade payables	-	32,476	-	-	-	32,476
Balance at 31 December 2021	**36,455**	**37,080**	**10,390**	**38,304**	**58,494**	**180,723**
Interest-bearing borrowings and liabilities	-	9,066	9,376	41,409	62,513	122,364
Lease liabilities	-	75	335	706	1,247	2,363
Other liabilities	8,246	60	278	-	-	8,584
Trade payables	-	10,429	-	-	-	10,429
Balance at 31 December 2020	**8,246**	**19,630**	**9,989**	**42,115**	**63,760**	**143,740**

The table below contains a breakdown of the Company's financial liabilities by maturity as at 31 December 2021 and 31 December 2020 based on the undiscounted contractual payments (payments per schedule including interest):

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years	Total
Interest-bearing borrowings and liabilities	4,472	9,327	37,135	56,169	107,103
Lease liabilities	73	328	1,086	2,325	3,812
Other liabilities	59	704	-	-	763
Trade payables	8,439	-	-	-	8,439
Balance at 31 December 2021	**13,043**	**10,359**	**38,221**	**58,494**	**120,117**
Interest-bearing borrowings and liabilities	9,066	9,376	41,409	62,513	122,364
Lease liabilities	69	318	622	1,221	2,230
Other current liabilities	60	278	-	-	338
Trade payables	8,151	-	-	-	8,151
Balance at 31 December 2020	**17,346**	**9,972**	**42,031**	**63,734**	**133,083**

Credit risk

The maximum exposure to credit risk is equal to the amount of trade receivables (except for receivable LNG terminal funds), other amounts receivable, cash, other financial assets, grants receivable and funds transferred by gas exchange participants, less recognised impairment losses. Delays in settlement of significant amounts of trade receivables may affect the Company's ordinary course of business and lead to search of additional financing sources. Credit risk is managed through regular monitoring procedures (individual supervision of debtors, monitoring and analysis of customers in order to identify potential solvency issues that may arise in the future, etc.). The Company has approved the *Description of administration of payments for the transmission services*, which stipulates the specific actions and deadlines to be followed in order to reduce the outstanding balance of trade receivables. Creditworthiness of all customers is assessed, and in case of any deviations from the criteria set out in the *Description of administration of payments for the transmission services*, the risk is assessed individually in respect of creditworthiness of each customer, and, if necessary, additional credit enhancements are ensured to eliminate such risk. The Company is exposed to significant concentration of credit risk. The credit risk exposure is distributed among the Company's 10 major customers with trade receivables from them representing 91% of the Company's total trade receivables as at 31 December 2021 (31 December 2020: 92%).

The Group's exposure to credit risk arises from cash at bank. The level of exposure depends on the credibility of the selected bank (Note 12). The Group has an effective treasury and financial risk management policy in place.

The policy establishes the credibility level of the banks selected for partnership; the diversification limits for funds kept as deposits or invested in the investment products of banks or their subsidiaries, other securities, etc.

The credibility of the selected partners is assessed according to the procedure established at the Company. The system users assigned with the highest risk level are assessed by engaging an entity that provides specialised creditworthiness assessment services, and an exchange participant willing to make a purchase order is required to provide a credit enhancement (advance payment or bank guarantee).

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

Interest rate risk

As at 31 December 2021 and 2020, the Group had borrowings with variable interest rates. Exposure to interest rate risk arises from variable interest rates that are linked to EURIBOR. Given the current situation in the market of inter-bank offered rates, the Group did not enter into any transactions on financial instruments intended to manage the interest rate risk during 2021 and 2020.

The table below demonstrates the sensitivity of the Company's profit before tax to theoretically possible changes in EURIBOR interest rates, with all other variables held constant. The Company estimates sensitivity using 100 basis points, which make 1%.

There is no impact on the Company's equity, other than that on current year profit.

	Increase in EURIBOR, b.p.	Impact on profit before tax, EUR '000
At 31 December 2021	+100	(415)

Natural gas price risk

The Group is exposed to a risk arising from changes in the natural gas purchase price. Changes are caused by various fluctuations in global markets. In 2021, the Group did not take any measures to mitigate the natural gas price risk.

Fair value of financial assets and liabilities

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

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

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

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

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

27 COVID-19 impact on key accounting estimates, assumptions and estimation uncertainties

Below is a summary of key areas considered by the Company during the assessment of COVID-19 impact:

Going concern

During the pandemic period the impact of factors related to coronavirus COVID-19 on the Group's and the Company's performance and results of operations was assessed on a continuous basis. The assessment is focused on potential disruptions or impact on: (I) cash flows, (II) provision and demand for transmission services, (III) availability of funding, (IV) possible COVID-19 infection of employees fulfilling critical functions, (V) late fulfilment of projects.

When analysing information available as at the reporting date about COVID-19-related future threats, the Group and the Company did not identify any material circumstances that might cast doubt upon the Group's and the Company's ability to continue on a going concern basis. It is practically impossible to assess reasonably the assumptions used in the scenario of long-term negative impact as at the reporting date.

Net book amount and useful life: property, plant and equipment and intangible assets

The management reviewed the useful lives of non-current assets to make sure they reflect the expected nature and purpose of use of those assets, in view of potential COVID-19 impact on those assets. Such review was based on the expected economic events and circumstances that might potentially be caused by COVID-19 pandemic in the future. As a result of the review, the management did not identify any material disruptions in the usage of property, plant and equipment neither in the short-term nor in the long-term perspective. In the opinion of the Company's management, no negative impact of coronavirus COVID-19 has been identified on the results of operations and cash flows, therefore there are no indications of impairment of property, plant and equipment. Even an adverse change in the results of operations or cash flows in a short term would not cause negative impact on the cash flows and impairment of property, plant and equipment in a long-term perspective due to the regulatory mechanism in place.

Expected credit losses: financial assets

When determining the expected credit losses resulting from COVID-19 impact, the Company's management took into account the past events, the present and future economic conditions that were known as at the reporting date.

Monitoring of the Company's key customers has not resulted in identification of any material negative impact of COVID-19. The Company projects no liquidity or credit risk issues.

Determining the fair value and recoverable amount of property, plant and equipment: property, plant and equipment

The management reviewed the key assumptions used in determining the fair value and recoverable amount of property, plant and equipment and did not identify any circumstances that as result of COVID-19 would require significant adjustments to the management's forecasts for the period 2022-2026, and to the discount rate. In addition, in view of the relevant information and long-term forecasts, no significant change is expected in the rate of return on investment. No significant change is expected due to COVID-19 in the regulatory environment and the scope of services rendered. The management did not identify any circumstances related to COVID-19 pandemic that might result in material change in the value of property, plant and equipment measured at revalued amount.

28 Consideration of climate change impact

According to the Company's management, more stringent EU environmental policy requirements introduced in the context of combating climate change, promotion and development of renewable energy sources and more efficient use of energy will reduce the use of natural gas for both energy and industrial domestic needs. However, natural gas will play an important role as a transition energy in achieving European and national targets of reducing greenhouse gas emissions. The share of "green" is expected to increase: biomethane and gases produced by conversion of green electricity into green hydrogen and synthetic methane. One of the main targets of sustainable operations of Amber Grid AB is to mitigate the environmental impact of its operations by two thirds by the year 2030. To achieve this goal, the Company plans to implement the following measures:

· greenhouse gas inventory;

· analysis of other sources of environmental impact arising from operations, planning of measures for mitigation of impact of pollution sources;

· replacement of the vehicle fleet with zero-emission vehicles;

· use of renewable energy sources and solar power plants in order to mitigate the environmental impact of the Company's infrastructure;

· integration of hydrogen and biomethane into the energy system;

· priority to green procurement of goods, works and services.

The current impact of climate change is not expected to have a significant impact on the consolidated financial statements, and the future impact of climate change on the Group's operations is difficult to project.

29 Off-balance sheet commitments and contingencies

Litigations

Currently, the Company has one active civil case regarding the award of extra charge on the natural gas transmission price related to natural gas supply security (the LNG terminal funds) from Achema AB. The Company acts solely as an administrator of the LNG terminal funds and transfers the LNG terminal funds to their recipients only after collecting them from the buyers, and accordingly, the Company does not incur credit risk arising from the disputed amount. The hearing of the above civil case is still pending at the first instance, the Kaunas Regional Court. On 11 January 2022, Achema AB fulfilled the court's obligation and applied for the elimination of deficiencies and submitted a revised counterclaim within the set term. The date for the substantive proceedings has not yet been set by the court.

Commitments to purchase non-current assets

As at 31 December 2021, the Group and the Company had off-balance sheet contractual commitments to purchase non-current assets for the amount of EUR 3.3 million (31 December 2020: EUR 44.9 million). In 2020, amount of EUR 32.5 million from the total amount of commitments to purchase non-current assets represented commitments to the contractors and equipment suppliers for the gas interconnection Lithuania-Poland (GIPL) project. In the framework of the common interest project (GIPL), in accordance with the criteria for cross-border cost allocation, the Company has a commitment to pay a compensation (CBCA contribution) to GAZ-SYSTEM S.A. The CBCA contribution must be paid upon the completion of the construction works in the territory of Poland and Lithuania. The construction works in the territory of the Republic of Lithuania were completed in 2021. The construction works in the Polish territory are scheduled for completion in 2022. According to preliminary estimates, the Company's share of the CBCA contribution amounts to EUR 54.9 million. 50% of the CBCA contribution, which will not be financed from the EU structural funds under the CEF (Connecting Europe Facility) contract, shall be paid to GAZ-SYSTEM S.A Under the decision of NERC, the CBCA contribution is included in the prices of transmission services from 2022. Based on the Group's accounting policy, the CBCA contribution is treated as a variable contribution, which depends on future events and is excluded from the value of the asset at the time it is ready for its intended use, and accordingly, no liability has been recognised in respect of that contribution.

30 Related-party transactions

Disclosure includes transactions and their balances with the EPSO-G group companies, subsidiary GET Baltic UAB, all state-owned enterprises or entities under significant influence of the State (transactions with such entities are disclosed separately only if the amount of the transactions exceeds EUR 100,000 per calendar year), management and their close family members. A list of state-owned enterprises or entities under significant influence, for which a disclosure of transactions is required, is available at: Visos VVĮ - VKC | Valdymo koordinavimo centras (governance.lt).

The Group's and the Company's related parties as at 31 December 2021 and 2020 were as follows:

- the Company's parent company EPSO-G UAB, which is wholly owned by the Lithuanian Ministry of Energy;

EPSO-G UAB group companies:

- Litgrid AB (common shareholders);
- TETAS UAB (common shareholders);
- Baltpool UAB (common shareholders).
- The Company's subsidiary GET Baltic UAB;

Ignitis Grupė UAB group companies:

- Energijos Skirstymo Operatorius AB;
- Ignitis UAB;
- Ignitis Gamyba UAB;
- Transporto Valdymas UAB;
- Energetikos Paslaugų ir Rangos Organizacija UAB.

Other state-owned enterprises:

- Klaipėdos Nafta AB;
- State Enterprise Ignalina Nuclear Power Plant;
- Geoterma UAB;
- Other state-owned enterprises or entities under significant influence;
- Management.

The tables below present the Company's related-party transactions and their balances as at 31 December 2021 and 2020:

At 31 December 2021	Group										
	Purchases	LNG terminal funds (purchases)	Sales	LNG terminal funds (sales)	Amounts receivable	Receivable LNG terminal funds	Borrowings	Amounts payable	Payable LNG terminal funds	Divi-dends received	Finance costs
UAB EPSO-G	110	-	-	-	-	-	3,284	36	-	-	99
UAB TETAS	3	-	7	-	5	-	-	-	-	-	-
AB Ignitis Gamyba	72	-	62,887	14,409	444	1.453	-	4,927	-	-	-
AB Energijos Skirstymo Operatorius	197	-	245	264	42	27	-	-	-	-	-
UAB Ignitis	37,082	35,607	14.317	13.233	1.728	1.318	-	5,522	4,939	-	-
UAB Transporto Valdymas	405	-	-	-	-	-	-	44	-	-	
AB Klaipėdos Nafta	-	27,732	4	-	-	-	-		7,005	-	-
State Enterprise Ignalina Nuclear Power Plant	-	-	61	110	5	11	-	-	-	-	-
UAB Geoterma	-	-	-	-	45	65	-	-	-	-	-
Other state-owned enterprises	59	-	-	-	-	-	-	6	-	-	-
	37,928	**63,339**	**79,885**	**37,156**	**2.269**	**2.874**	**3,284**	**10,535**	**11,944**	**-**	**99**

At 31 December 2020											
	Purchases	LNG terminal funds (purchases)	Sales	LNG terminal funds (sales)	Amounts receivable	Receivable LNG terminal funds	Borrowings	Amounts payable	Payable LNG terminal funds	Divi-dends received	Finance costs
UAB EPSO-G	130	-	-	-	-	-	7,852	18	-	-	69
UAB TETAS	16	-	1	-	-	-	-	-	-	-	-
AB Ignitis gamyba	7	-	24,417	14,309	625	1.443	-	2,365	-	-	-
AB Energijos skirstymo operatorius	188	-	191	277	21	28	-	-	-	-	-
UAB Ignitis	27,057	27,400	23,127	12,721	1.674	1.424	-	1,263	3,430	-	-
UAB Transporto Valdymas	358	-	-	-	-	-	-	41	-	-	
AB Klaipėdos Nafta	-	35,729	2	-	-	-	-	-	7,240	-	-
State Enterprise Ignalina Nuclear Power Plant	-	-	51	109	9	11	-	-	-	-	-
UAB Geoterma	-	-	-	-	45	65	-	-	-	-	-
Other state-owned enterprises	73	-	-	-	-	-	-	6	-	-	-
	27,829	**63,129**	**47,789**	**27,416**	**2.374**	**2.971**	**7,852**	**3,693**	**10,670**	**-**	**69**

At 31 December 2021	Company										
	Purchases	**LNG terminal funds (purchases)**	**Sales**	**LNG terminal funds (sales)**	**Amounts receivable**	**Receivable LNG terminal funds**	**Borrowings**	**Amounts payable**	**Payable LNG terminal funds**	**Dividends received**	**Finance costs**
UAB GET Baltic	6,319	-	2,790		150	-	-	1,036		478	-
UAB EPSO-G	110	-	-	-	-	-	3,284	34	-	-	99
UAB TETAS	3	-	7	-	5	-	-	-	-	-	-
AB Ignitis Gamyba	9	-	5,018	14,409	444	1.453	-	-	-	-	-
AB Energijos Skirstymo Operatorius	197	-	244	264	42	27	-	-	-	-	-
UAB Ignitis	6,474	35,607	5,177	22,373	1.728	1.318	-	3,146	4,939	-	-
UAB Transporto Valdymas	399	-	-	-	-	-	-	43	-	-	
AB Klaipėdos nafta	-	27,732	-	-	-	-	-	-	7,005	-	
State Enterprise Ignalina Nuclear Power Plant	-	-	61	110	5	11	-	-	-	-	-
UAB Geoterma	-	-	-	-	45	65	-	-	-	-	-
Other state-owned enterprises	59	-	-	-	-	-	-	6	-	-	-
	13,570	**63,339**	**13,297**	**37,156**	**2.419**	**2.874**	**3,284**	**4,265**	**11,944**	**478**	**99**

At 31 December 2020											
	Purchases	**LNG terminal funds (purchases)**	**Sales**	**LNG terminal funds (sales)**	**Amounts receivable**	**Receivable LNG terminal funds**	**Borrowings**	**Amounts payable**	**Payable LNG terminal funds**	**Dividends received**	**Finance costs**
UAB GET Baltic	3,870	-	109	-	54	-	-	312	-	-	-
UAB EPSO-G	130	-	-	-	-	-	7,852	18	-	-	69
UAB TETAS	16	-	1	-	-	-	-	-	-	-	-
AB Ignitis Gamyba	2	-	4,754	14,309	625	1.443	-	1	-	-	-
AB Energijos Skirstymo Operatorius	188	-	190	277	21	28	-	-	-	-	-
UAB Ignitis	2,201	27,400	14,283	12,721	1.673	1.424	-	725	3,430	-	-
UAB Transporto Valdymas	352	-	-	-	-	-	-	40	-	-	-
AB Klaipėdos nafta	-	35,729	-	-	-	-	-	-	7,240	-	-
State Enterprise Ignalina Nuclear Power Plant	-	-	51	109	9	11	-	-	-	-	-
UAB Geoterma	-	-	-	-	45	65	-	-	-	-	-
Other state-owned enterprises	67	-	-	-	-	-	-	6	-	-	-
	6,826	**63,129**	**19,388**	**27,416**	**2.427**	**2.971**	**7,852**	**1,102**	**10,670**	**-**	**69**

There were no guarantees issued or received for payables to/receivables from related parties, the settlement term was between 15 and 30 days. As at 31 December 2021, the Company neither formed nor recognised any impairment provisions for amounts receivable from related parties.

Compensation to management

	Group		Company	
	2021	2020	2021	2020
Employment-related payments	685	525	593	441
Payments to Board members	47	38	47	38
	732	**563**	**640**	**479**

The management of the Group and the Company is deemed to include the CEO, the Technical Director, the Legal and Administration Director, the Commerce Director, the Organisational Progress Director, and the Finance Director. No loans, guarantees were issued nor were any assets transferred to the management of the Group and the Company.

31 Non-audit services

In 2021, the audit firm of the financial statements provided other services to the Group and the Company for the amount of EUR 1 thousand. In 2020, the audit firm of the financial statements provided tax and accounting consultation services for the amount of EUR 3 thousand.

32 Capital management

Under the Lithuanian Law on Companies, the Company is required to maintain its equity at no less than 50% of its authorised share capital. In 202ą and 2020, the Company and its subsidiary complied with this requirement. There were no other external or intra-group imposed capital requirements on the Company.

33 Events after the end of the financial year

To realise the potential of the opening European gas market and enable the customers of regional gas exchange GET Baltic UAB to offer the most advanced gas trading solutions, on 1 February 2022, the Company announced the selection of a strategic partner for the exchange. The planned sale of shares of GET Baltic UAB was approved on 28 January 2022 by the Boards of the Company and parent company EPSO-G UAB. A participant meeting the qualification requirements and offering the highest price for the shares of GET Baltic UAB will be eligible to acquire a 66% stake in GET Baltic UAB.

As a result of military actions started by the Russian Federation in Ukraine on 24 February 2022, the Group will apply all sanctions, business restrictions, etc. initiated and introduced by the local and foreign authorities, and will take measures in one way or another related to the activities of Russian and Belarusian legal entities or individuals, its shareholders, members of its management bodies, and will disclose information that has significant impact on the Group's and the Company's operations and investors in accordance with the procedure prescribed by the legal acts.

It is important to note that the procedure for the implementation of international sanctions and restrictive measures in the Republic of Lithuania is regulated by the Lithuanian Law on the Implementation of Economic and Other International Sanctions (hereinafter - the Law) and other related legal acts. The natural gas transmission system operated by the Company has a physical connection with the Belarusian gas transmission system and through this connection gas is transported to the territory of Lithuania and by transit to Karaliaučius region in Russia. The Company's gas transmission revenue generated from the transit services accounts for up to 20% of the Company's total revenue. The Company, together with the Polish transmission system operator Gaz-System, announced that with effect from 1 May 2022, the gas market participants will start using the GIPL gas interconnection, which will result in commercial gas flows between Lithuania and Poland. The Group expects that this interconnection will become of regional importance and will have a greater-than-expected impact on revenue growth.

In the event of temporary restriction of transit services in case of insolvency of the system user, revenue from gas transit services would decrease and remain lower for some time. However, an increased use of the transmission system due to the gas flows through the GIPL connection would lead to higher costs allocated to gas flows to other EU countries in proportion to their capacities, and inclusion of the costs related these services in the gas transmission prices to the EU customers. In addition, the existing and future/planned transactions for purchases of goods (excluding natural gas and other forms of energy), services, works will be reviewed, and all the required sanctions will be applied in respect of those transactions. Significant impact on the Company's and the Group's operations is generally not expected. On 3 March 2022, the Company's CEO issued an order on refusal of goods and services of Russian and Belarusian origin (except for natural gas and other types of energy).