



Amber  
Grid

Amber Grid AB  
2022 m.

Consolidated  
annual report

Amber Grid AB consolidated and separate  
financial statements, consolidated annual  
report, and independent auditor's report  
for the year ended 31 December 2022

Amber  
Grid



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# Foreword by the chairman of the board

Ladies and Gentlemen,

The past year has changed our daily lives. The agendas of society, the media and politicians have changed. The thoughts and attention of many turned daily to Ukraine and the images of the relentless war there. The energy challenges caused by the war demanded our attention. As a result, 2022 was also a year of significant change for Amber Grid.

Amber Grid's management and the entire team demonstrated that the foundations of Lithuania's energy independence, which have been strengthened over the years, are extremely strong. Lithuania has decisively moved away from natural gas supplies from the East, we are successfully exploiting the Klaipėda LNG terminal, and the launch of the GIPL pipeline has completely transformed gas flows in our region, connecting the Baltic States and Finland to the rest of Western Europe.

We were not only with the fighting and suffering in Ukraine in mind and heart, but also helped the Ukrainian gas transmission system operator to rebuild the gas pipelines damaged in the attacks. Last year, the company sent the equipment needed to repair them.

In 2022, the company's long-term goals, as defined in Strategy 2030, with a strong focus on preserving the environment and mitigating climate change, were not forgotten. Amber Grid, together with partners in Latvia, Estonia and Finland, has started a feasibility study on the adaptation of gas pipelines to transport green hydrogen. Meanwhile, the company's solar power plants generated around half of the electricity needed for its operations.

Amber Grid's team, board members, shareholder representatives and partners demonstrated excellent focus in 2022, both in responding to the overnight changes and in considering long-term strategy. Thank you to everyone who has stood together during this exciting year. I invite you to continue working together with the same focus in the future.

Sincerely

Dalius Svetulevičius  
Chairman of the Board of Amber Grid



Dalius Svetulevičius  
Chairman of the Board Amber Grid AB

## CEO's foreword

Looking back over the year 2022, I can say with confidence that it was a historic year not only for our company, but also for the national energy sector as a whole. It was a year of challenges and very rapid changes of the situation, in response to which we had to make important decisions. This year marks Lithuania's determination to finally discontinue imports of Russian gas. Following the breakout of war in Ukraine on February 24 and Russia's black-mailing of Europe over gas supply, on 1 April we made an instant decision to discontinue accepting Russian gas for domestic consumption in Lithuania. For that purpose, we took a proactive approach and implemented preparatory measures – Lithuania continued strengthening the position of the Klaipėda LNG terminal until it became the main source of gas supply for Lithuania and other Baltic States. We also expanded and strengthened our interconnections with the adjacent EU Member States: Poland and Latvia. Another historic event marking the year 2022 was the opening of the first gas interconnection with Poland (GIPL) in May of the last year. This event attracted the worldwide attention because of its significance in every sense – Lithuania is now known as a brave, insightful country taking proactive measures in response to complex scenarios, thereby enabling it to achieve successful results. On the other hand, gas suppliers, having assessed the newly emerging opportunity to transport gas to unexplored markets, immediately took advantage of such opportunity. Over a few months, we transported a significant amount of gas through the GIPL interconnection and attracted the largest market players.

It's been a year now that we've been suffering the consequences of war taking place in a nearby country. The most significant one is extremely high gas prices leading to peak prices of electricity. The energy price shock had an adverse effect on the population and mostly on the industry sector. The largest companies started reducing their production volumes in order to save on energy consumption, primarily gas. This resulted in 35% lower consumption of gas in Lithuania in 2022 compared to 2021. There was a 20% decline in gas consumption all over Europe, while gas consumption in the Baltic States and Finland declined by a similar rate of up to 40%. Despite such situation, Lithuania has emerged as a leader in the gas transmission sector: a record amount of gas was transported through our gas transmission system during 2022 (64 TWh). During this time of uncertainty, we have become not only a regional hub for the transmission of gas, but also a reliable source of support for the neighbouring countries.

This year was also important for us because of another major event that enabled us to improve the infrastructure. Over less than a year, we focussed our efforts and implemented another project of strategic importance for the enhancement of Latvia-Lithuania interconnection (ELLI). During the project we renovated the Kiemėnai gas metering station at a cross-border point and increased the gas flow towards the direction of Latvia by a third. This improvement instantly brought benefits for the market, as on the day



Nemunas Biknius  
Chief Executive Officer Amber Grid

after the capacity enhancement of the interconnection, all available gas transmission capacity towards the north direction was immediately ordered. The project is being continued by the Latvian operator renovating the interconnection components located in Latvia.

Another area of our proactive approach in 2022 was green energy transformation. As we were strengthening our position in the field of hydrogen research & development in the beginning of 2022, we joined the largest hydrogen initiative in Europe – European Hydrogen Backbone. The initiative helps to unite the energy infrastructure operators all over Europe for the purpose of creating and implementing a common vision for a climate-neutral Europe. As we joined the initiative, we built connections with the European green hydrogen community, which were necessary for the company and the state as a whole. This contributed to the preparation of the national hydrogen development guidelines, as well as to the investigation of the practical possibilities for the integration of hydrogen into the gas transmission system. Jointly with other European operators, we created a vision for a common European hydrogen network, a part of which is Lithuania. As a continuation of this work, an extremely significant partnership was born in autumn – the project for the Nordic-Baltic Hydrogen Corridor. The project involves six countries: Finland, Estonia, Latvia, Lithu-

ania, Poland, and Germany. These countries are analysing the possibilities for green hydrogen production and transmission across the region. For the purpose of promoting the market participants' stronger interest in the development of another type of green gas (biomethane), we signed a contract for connecting the first biomethane power plant to the transmission network in 2023. The implementation of this modern project would result in injection of around 122 GWh of biomethane into the network each year. In this area we were to achieve other successful results – the National Register of Guarantees of Origin of Renewable Gas (which is administered by Amber Grid) imported the guarantees of origin of biomethane that meets EU sustainability criteria. During the transaction, 3.2 GWh of biomethane was imported through the GIPL interconnection from the Netherlands to Lithuania.

Last year, we focused not only on strengthening the infrastructure, but also on testing our abilities in additional fields of activities. One of them was lease of a mobile gas compressor to an operator in a neighbouring country. Our mobile gas compressor allows to perform gas system repairs by pumping gas without interrupting gas supply to consumers. We plan to offer more services to our partners and customers in the future.

This annual report reveals not only the key aspects of our operations and financial performance. From

now on, it will also include an integrated sustainability report. We've been investing more time and focusing intensely on this area as we have included more sustainability indicators into our assessment. I believe that diligent work in the field of sustainability will bring successful results, allowing us to be seen as a responsible and valuable part of a sustainable society.

I appreciate the work and efforts of all Amber Grid employees who have demonstrated professional, stable and focused approach in solving those big challenges we have been dealing with during the recent years. I am also thankful to our clients, partners and shareholders for their cooperation, trust, and support. Though the year 2023 is not expected to be restful, I strongly believe that together we will be more successful and will be able to achieve even greater and better results.

Yours faithfully,  
Nemunas Biknius  
Chief Executive Officer  
Amber Grid



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## 1. Overview



## 1.1. 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 is the gas transmission system operator in Lithuania, which ensures reliable and safe transporting 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 transporting large volumes of energy to the Baltic States, Finland, and Poland.

The Company has implemented a strategic energy project GIPL (Gas Interconnection Poland-Lithuania). The international gas interconnection, which was put into operation in 2022, connected the gas transmission systems of Poland and Lithuania, as well as the gas markets of the Baltic States and Finland with those of other EU countries. As Amber Grid seeks to achieve the decarbonisation goals set for the gas sector, it takes active measures to look into innovative technological and market solutions and to facilitate adaptation of the Lithuanian gas transmission system to transporting green gas,

including hydrogen and biomethane. 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 the 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 the EPSO-G Group, see the official website at [www.epsog.lt](http://www.epsog.lt).

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

## 1.2. Performance indicators

	2022	2021	2020
Quantity of gas transported to domestic exit point, GWh	15,576	24,136	25,144
Quantity of gas transported to adjacent transmission systems, GWh	48,213	28,595	32,861
Number of systems users at the end of the period	122	110	108
Length of main gas pipelines, km	2,288	2,285	2,115
Gas distribution stations and gas metering stations (number of units)	68	68	67
Number of employees at the end of the period	332	324	319

Table 1. The Company's performance indicators in 2020–2022

## 1.3. Significant events

### 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.

On 28 January 2022, the Boards of Amber Grid and EPSO-G decided to announce the selection of a strategic partner for subsidiary Gas Exchange GET Baltic which 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.





## February

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

On 3 February 2022, Amber Grid joined the EnergyTech Digital group which was set up by Lithuanian digital technology association INFOBALT and a group of energy companies EPSO-G. This group promotes the wider use of digital technologies in the energy sector and close cooperation of the market participants.

On 10 February 2022, in preparation for doubling gas transmission capacity between Lithuania and Latvia Amber Grid signed the works contract for the ELLI project worth of EUR 2.8 million with the winner of the public tender MT Group, the energy contracting company, regarding one of the phases of construction works of the ELLI project – reconstruction works of the gas metering station in Kiemėnai. The upgrading of the Kiemėnai gas metering station, the gas entry-exit point at the Lithuanian-Latvian border, will be carried out under the contract. The completion of contract works is scheduled for the second quarter of 2023 and the ELLI project is expected to be finished by 2024.

## March

On 25 March 2022, Amber Grid signed the agreement on the upgrading of two gas distribution stations in Šiauliai and Telšiai. Works worth of EUR 4.5 million will be carried out by the winner of the public tender Alvora UAB. The project is implemented following the approval of the EU support of EUR 2 million for the modernisation of the above-mentioned stations.

## April

On 1 April 2022, in pursuit of full energy independence from Russian gas, in response to Russia's blackmailing of Europe over energy and the outbreak of war in Ukraine, Lithuania has completely turned its back on Russian gas: the Lithuanian gas transmission system has been operating without Russian gas imports since the beginning of April.

On 20 April 2022, the Ordinary General Meeting of Shareholders was held, during which three new members were elected to the Board of Amber Grid until the end of its term of office: Vytautas Bitinas and Dalius Svetulevičius who were nominated by parent company EPSO-G UAB and public servant Karolis Švaikauskas.

On 20 April 2022, the Ordinary General Meeting of Shareholders of Amber Grid was held, during which a decision on the appropriation of the Company's profit for 2021 and allocation of EUR 0.0555 per share in dividends was adopted.

On 27 April 2022, the sitting of the Board of Amber Grid was held, at which Vytautas Bitinas, the Strategy and Development Director of EPSO-G, was elected as the Chairman of the Board. He is in charge of the development, management and supervision of the strategy of the group of companies.

May

On 1 May 2022, as planned, the Poland-Lithuania gas interconnection (GIPL) started commercial operations. From the first day physical and commercial gas flows are transmitted via the new gas interconnection. The GIPL gas interconnection with the length of 508 km connected Lithuania and Poland and contributed to actual expansion of the European gas market through the integration of the Baltic States and Finland. This step contributed to a further consolidation of the region's energy independence and expanded exploitation possibilities of the Klaipėda LNG terminal.

On 5 May 2022, the GIPL gas interconnection was officially put into operation. The official opening of the GIPL gas interconnector took place at the Jauniūnai gas compressor station, one of the main hubs of the Lithuanian gas infrastructure, where the GIPL gas interconnection with Poland starts. The ceremony was attended by the Presidents of Lithuania, Poland and Latvia, the European Commissioner for Energy, and the Baltic and Polish Ministers responsible for energy.

On 20 May 2022, Amber Grid set gas transmission service prices for 2023. The average price for gas transmission for domestic consumers will be set at EUR 1.39 per megawatt-hour (EUR/MWh) for 2023. The price has been set by considering a higher permissible revenue cap from regulated activities, as approved by the National Energy Regulatory Council (NERC) in May. The price for gas transmission services represents less than 2% of the final gas price paid by the consumers. Compared to the average price in 2022 (EUR 1/MWh), it will increase by 39% next year, thereby rebounding to gas transmission price level in 2021 (EUR 1.40/MWh). For 2023, the NERC has set a revenue cap of EUR 64.17 million from regulated gas transmission activities of Amber Grid, which is almost 59% higher than in 2022.

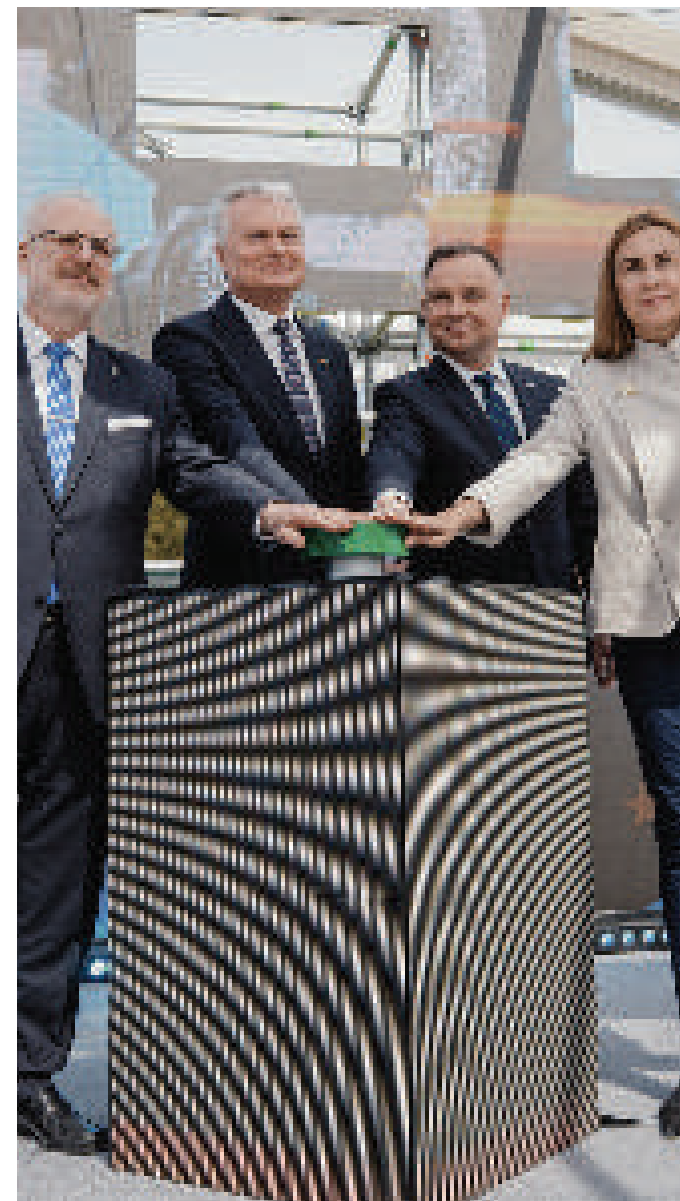
June

On 9 June 2022, Amber Grid, the gas transmission system operator, signed three contracts for the reconstruction of gas distribution stations in Kėdainiai, Vievis and Grigiškės. The total value of the contracts with MT Group, the successful tenderer in a public tender, is EUR 7.6 million. The reconstruction of the three facilities is planned to be completed by mid-2023. All the three gas distribution stations will be modernised simultaneously, i.e. at the same time. The EU support of EUR 3 million has been allocated for the modernisation of these gas system components in order to replace the outdated equipment with modern technology that meets the highest environmental, efficiency and safety standards.

September

On 6 September 2022, the NERC gave its consent to the announcement of the Ten-Year Network Development Plan (2022-2031) prepared by Amber Grid. The Plan is available on the Company's website.

On 15 September 2022, Amber Grid signed a contract for the connection of a biomethane power plant to the gas transmission system. It is planned that the plant in the Pasvalys district, operated by Tube Green UAB, will be able to supply biomethane to the gas transmission network in mid-2023. Once connected to the gas grid, the plant is expected to inject 122 gigawatt hours (GWh) of biomethane into the system each year.



## October

In October 2022, the GIPL interconnection of the Lithuanian and Polish gas transmission networks was tested at maximum capacity. Two tests were carried out to make sure that the interconnection can transmit in full the gas flow in accordance with the technical parameters of the GIPL construction without any disturbances. According to the assessment of the Lithuanian and Polish TSOs operating the GIPL interconnection, the tests were successful.

On 19 October 2022, Amber Grid signed a EUR 3.7 million contract with DS-1 for the reconstruction of gas pipelines in various areas of Lithuania. The upgraded pipelines will also be equipped with innovative infrastructure components: corrosion sensors. The project will replace nearly 300 metres of above-ground sections of the main gas pipeline with underground sections, while nearly four kilometres of underground pipeline sections that were insufficiently deeply installed will be entrenched. Half of the project will be financed from the EU Structural Funds. The project is expected to be completed by mid-2023.

On 26 October 2022, the national regulatory authorities of the Baltic States and Finland issued a public statement informing about the postponement of the creation of the single gas transmission tariff zone for at least a year (the NERC's statement is available at <https://www.vert.lt/Puslapiai/naujienos/2022-metai/2022-10-26/atidetas-baltijos-suomijos-gamtiniu-duju-rinkos-sujungimas.aspx>).

## November

In November 2022, the imports of biomethane was launched from the Netherlands to Lithuania. Biomethane is imported with the accompanying guarantees of origin which are recognised and registered in Lithuania by Amber Grid. In Lithuania, imported biomethane will be used as fuel for transport.

On 22 November 2022, Dalius Svetulevičius, the Board member of Amber Grid and Technical Manager at EPSO-G UAB, was elected as the Chairman of the Board of Amber Grid (after resignation of Mr. Bitinas from the position of the Chairman of the Board with effect from 17 November 2022). In the EPSO-G Group, Mr. Svetulevičius is responsible for overseeing the implementation of the strategy for the management of technological assets and implementation of investment plans.

## December

On 1 December 2022, the NERC published a document for the public consultation on the pricing of Amber Grid for the period from 2024, which, among other things, proposes to establish in Lithuania a differentiated (cost-based) quantity component at the GIPL interconnection point (<https://www.vert.lt/Puslapiai/bendra/viesosios-konsultacijos/vykstancios-viesosios-konsultacijos.aspx>). The public consultation lasts until 1 February 2023.

On 14 December 2022, the transmission system operators (TSOs) from six EU countries signed a memorandum on cooperation for the development of the cross-border project Nordic-Baltic Hydrogen Corridor. The European TSOs Gasgrid Finland (Finland), Elering (Estonia), Conexus Baltic Grid (Latvia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany) signed a memorandum on cooperation for the development of hydrogen infrastructure from Finland through Estonia, Latvia, Lithuania and Poland to Germany to meet the REPowerEU 2030 targets.

## Significant events after the end of the reporting period

### January

On 13 January 2023, an incident in the Pasvalys district in the northern part of Lithuania on the gas pipeline of Amber Grid occurred, during which the fire broke out. No people were injured as a result of the incident. The gas ignited during the incident and the fire ceased after 4 hours. The gas transmission system at the site of the incident consists of two parallel gas pipelines running towards the direction of Latvia. The incident occurred in one of them, while the other pipeline was not damaged. The gas supply to the damaged pipeline was immediately cut off. The gas supply to the Pasvalys district and other consumers in Northern Lithuania is ensured through a parallel pipeline. The gas supply to Latvia was also restored on the same evening. The damaged gas pipeline was repaired in few days, and the gas supply to Latvia was fully restored on 16 January. The causes of the incident are being investigated.

## 1.4. Membership

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

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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 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 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 transporting of gas 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 renew-

able 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 provide 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 partici-

pates 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, innovations, etc.

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 infrastructure across Europe.





Amber  
Grid

## 2. Business environment



## 2.1. Business environment and prospects

In pursuit of full energy independence from the Russian gas, in response to Russia's blackmailing of Europe over energy and the outbreak of war in Ukraine, Lithuania has completely discontinued imports of Russian gas: the Lithuanian gas transmission system has been operating without imported Russian gas since 1 April 2022. The natural gas demand in Lithuania is met in full through the Klaipėda LNG terminal.

Gas is continued to be transported to the Kaliningrad Region by transit through Lithuania, however, in an unusual technical mode, which ensures transmission of gas only to the extent necessary for the transit.

The gas storage facilities that had been emptied already in the 2021/2022 winter season and global economic recovery after the pandemic contributed to a significant increase in the gas price indices on the international exchanges. During 2022, 40.8 terawatt hours (TWh) of gas was supplied to Lithuania, excluding gas transported to the Kaliningrad Region. This was 115% more compared to the total quantity supplied in 2021, when 26.3 TWh of gas was transported to Lithuania. 18.4 TWh of gas was transmitted through the gas interconnection to Latvia for the needs of other Baltic States and Finland, which is ten times more compared to 2021, when 1.9 TWh of gas was transported towards the direction of the Baltic States. 6.4 TWh of gas was transmitted through the gas interconnection to Poland.

A lower volume of gas was consumed in Lithuania during 2022. In total 15.6 TWh of gas was consumed

in Lithuania during 2022, which was 36% less compared to 2021, when the demand was 24.1 TWh of gas. Lower gas consumption was caused by high prices of gas.

The Klaipėda LNG terminal remains the main gas supply source for Lithuania and the Baltic States. During 2022, 32.1 TWh of gas was supplied from the terminal, 3.3 TWh – from Latvia, 2.3 TWh – from Poland, and 3.1 TWh – from Belarus until 1 April 2022, representing respectively 79%, 8%, 5% and 3.1% of the total gas input.

In the context of fight against climate change, adoption of more stringent requirements of the EU 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 sector 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 source of energy in pursuance of pan-European and national goals to reduce greenhouse gas emissions. At the same time, gas transported via the 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 2050.

In 2021, the Seimas of the Republic of Lithuania adopted the Law on Alternative Fuels, the purpose of which 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 facilitated the use of guarantees of origin for gas produced from renewable energy sources with the accompanying certificates proving their sustainability in the transport sector, thereby 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 incorporated 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 the guarantees of origin with the sustainability certificates in the transport sector in Lithuania will determine future demand for such guarantees of origin.

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 was allocated to eight companies and amounted to nearly EUR 15 million. During 2022, the Company received in total 13 requests from the potential biomethane producers to issue the terms and conditions for connection to the transmission system. In addition, based on the terms and conditions issued during 2021, an agreement on connection to the transmission system was concluded for the supply of biomethane already with effect from 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 annual demand for natural gas 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.

On 18 May 2022, the European Commission presented the REPowerEU Plan, its response to the hardships and global energy market disruption caused by Russia's invasion of Ukraine.

There is a double urgency to transform Europe's energy system:

- ending the EU's dependence on Russian fossil fuels, which are used as an economic and political weapon and cost European taxpayers nearly EUR 100 billion per year, and
- tackling the climate crisis. By acting as a Union, Europe can phase out its dependency on Russian fossil fuels faster.

The measures in the REPowerEU Plan can respond to this ambition, through:

- energy savings,
- diversification of energy supplies,
- accelerated roll-out of renewable energy
- to replace fossil fuels in homes, industry and power generation.

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.

The European Commission drafted a new set of the EU legal acts (the Gas Package) already on 15 December 2021. 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-neutral economy in the EU by 2050.

One of the main objectives of the Gas Package is to create the hydrogen market, develop a proper environment for investments and facilitate the development of the related infrastructure and trade with the third parties. Firstly, the access to the hydrogen infrastructure, segregation of the hydrogen production and transport activities and setting the tariffs will be governed by the market rules.

Geopolitical circumstances and rise in energy prices caused a stronger focus on the importance of energy security, particularly at the time of volatile global markets. The European Commission has offered to improve 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 through new pre-agreed measures and revisions regarding control and compensations in the internal energy market. The Gas Package 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, thereby seeking to achieve climate-neutral economy in the EU. The above document, as well as the Gas Package, are expected to have a considerable impact on the gas transmission activities in the future.

The COVID-19 pandemic in Lithuania in 2022 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 measures 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.





## 2.2. Regulatory environment

During the current five-year regulatory period (starting in 2019 and ending in 2023, inclusively), the application of the network code on harmonised transmission tariff structures for gas (TAR NC) established by Commission Regulation (EU) 2017/460 of 16 March 2017 was started in 2020 for pricing of transmission services. The changes are also expected in the price structure of the Company's services 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 with effect from the start of the regulatory period. Accordingly, the rate adjusted and established for 2020, 2021 and 2022 was 3.38%, 3.86% and 3.94%, respectively, while for 2023 the rate of 3.94% has been used for as long as the Company's permitted revenue is determined, however it will be adjusted to 3.96%.

The new 2024-2028 regulatory period approaches, and the NERC has already started certain preparatory actions:

- On 1 December 2022, the NERC published a document for the public consultation on the pricing of Amber Grid for the period from 2024 (<https://www.vert.lt/Puslapiai/bendra/viesosios-konsultacijos/vykstancios-viesosios-konsultacija.s.aspx>). The public consultation lasts until 1 February 2023.
- Amendments to the Methodology for determining revenue from and prices for regulated natural gas transmission activities are also expected to be made in the first half of 2023.

## 2.3. Information on the activities of get Baltic UAB (the subsidiary of Amber Grid) in 2022

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 (with a term of one month) 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 States and Finland.

The year 2022 was a challenging year for the European energy markets, however the performance of GET Baltic remained stable. Successful performance was determined by a consistent development of the exchange activities, expanding community of the exchange participants and infrastructural projects implemented in the region. The total of 15 new participants from Poland, Bulgaria, Germany, the Netherlands, Denmark, the Czech Republic, Latvia and Lithuania were registered for trading on the exchange during 2022. In May, the GIPL pipeline started commercial operations and connected the natural gas transmission systems of Poland and Lithuania as well as the systems of the Baltic States and Finland by integrating these countries into the single gas network of the European Union. After the implementation of the ELLI project's part in the territory of Lithuania in November, the capacity of the gas pipeline from Lithuania to Latvia was increased by a third improving the region's possibilities to obtain gas and creating conditions for a faster filling of the gas storage facility in Latvia. The successful development of the LNG terminal in Finland in 2022 and the nearing launch of its operations will secure gas supply and strengthen energy security of the countries. These significant changes in the region encouraged new participants to register and actively trade on the exchange. The trading results of GET Baltic reflected the growing liquidity and competition on the exchange.

To ensure optimal use of the potential of the opening of the European gas market and provide new possibilities to the clients of GET Baltic, the Company's sole shareholder announced the selection of the strategic partner for the GET Baltic exchange at the beginning of the year. There is an objective that in future

GET Baltic, together with the experienced strategic partner, will offer participants of the gas market advanced solutions-based gas trading possibilities that would include both short-term and long-term products and clearing services in line with the market practices.

Regional gas exchange GET Baltic, in response to feedback from exchange participants, introduced updates to the exchange's Electronic Trading System (ETS) in June 2022. The new functionalities allow exchange participants to trade more securely and conveniently, as well as make trading decisions even faster.

The following new functionalities have been implemented:

1. Two factor authentication (2FA) that provides even more security for the exchange user's account and the data it contains;
2. Display of the information on the latest transaction on the main trading window of the ETS. This will help exchange participants to assess the current market situation even more objectively, monitor natural gas price movements, and make quick trading decisions;
3. Sending of information notifications about each concluded transaction via indicated e-mail addresses;
4. Automated trading using an API solution that allows not only to obtain trading data, but also to submit orders to the ETS.

Aiming to implement the client-focused strategy of the organisation, fulfil client expectations as well as



improve the quality of products and service, the client satisfaction survey was conducted by GET Baltic in September-October. The survey included questions to the clients of GET Baltic aiming obtain data 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 high standard of the market services. In view the clients' feedback, GET Baltic will further focus on meeting their needs, improving its operations and the quality of its services. In the upcoming year, GET Baltic will continue with the implementation of the already started work in an effort to achieve its targets in a transparent and effective manner.

Gas Exchange GET Baltic performance in 2022:

- The volume of natural gas traded on the exchange totalled 7 TWh compared to 8 TWh traded in 2021. Taking into consideration that the annual gas demand declined about 40% in the region, the volume traded on the GET Baltic exchange grew on the regional scale and comprised about 17% of the total demand for the Baltic-Finnish region (2021: 12%);
- The volume traded through the cross-border transactions totalled 2.5 TWh in 2022, i.e. 55% more than in 2021 (1.6 TWh);
- 43% of the total traded volume was purchased in Lithuania (3,009 GWh), 32% in the common Latvian-Estonian market area (2,230 GWh) and 25% in Finland (1,707 GWh);
- In total 25,101 transactions were concluded, i.e. 18% more compared to 21,311 transactions in 2021;
- In total 66 exchange participants placed orders, whereof all of them concluded transactions. In 2021, 52 exchange participants were active and placed orders, whereof all of them concluded transactions;

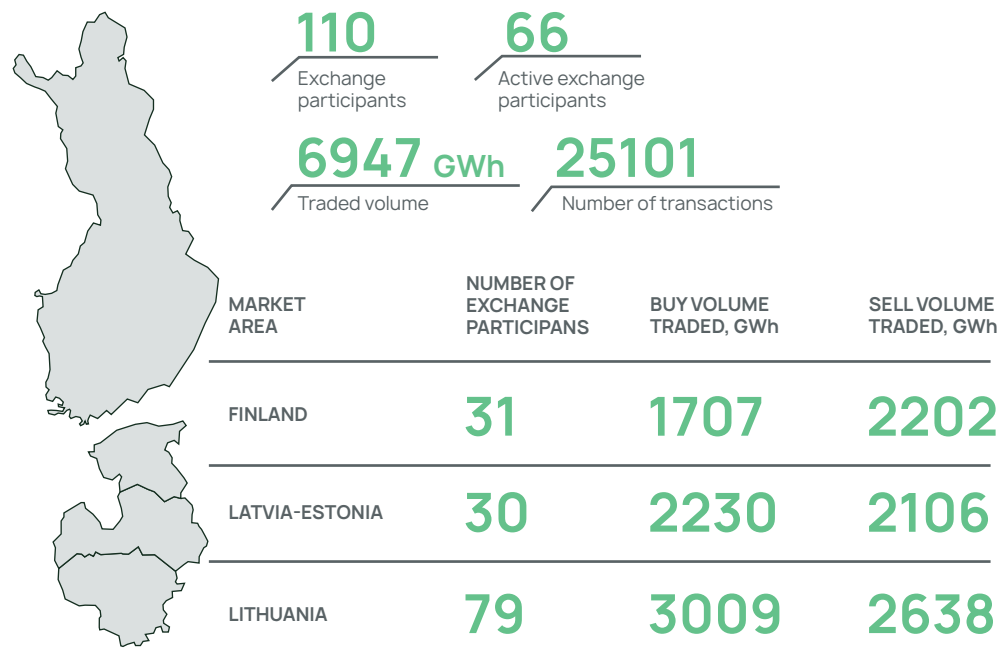


Fig. 1. GET Baltic performance in 2022

- The total of 15 new participants from Poland, Bulgaria, Germany, the Netherlands, Denmark, the Czech Republic, Latvia and Lithuania were registered for trading on the exchange during 2022;
- Transaction with the lowest price of 30 EUR/MWh was concluded in October, and transaction with the highest price of 320 EUR/MWh was concluded in August.





Amber  
Grid

### 3. Strategy



# 3.1. Vision, mission, obligations and priorities

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

The main objective set in the Company's strategy is to work together on the way of the Lithuanian energy system's transformation towards climate-neutral economy. The natural gas transmission 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 secure transport of renewable energy sources (biogas, methane and hydrogen mixture, and pure hydrogen), and to integrate the system into the common European market, in order to create an efficient and transparent

platform enabling the state to follow the new European Green Deal, while enabling the consumers to use clean energy at best prices.

Value for stakeholders is the axis of the 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.

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

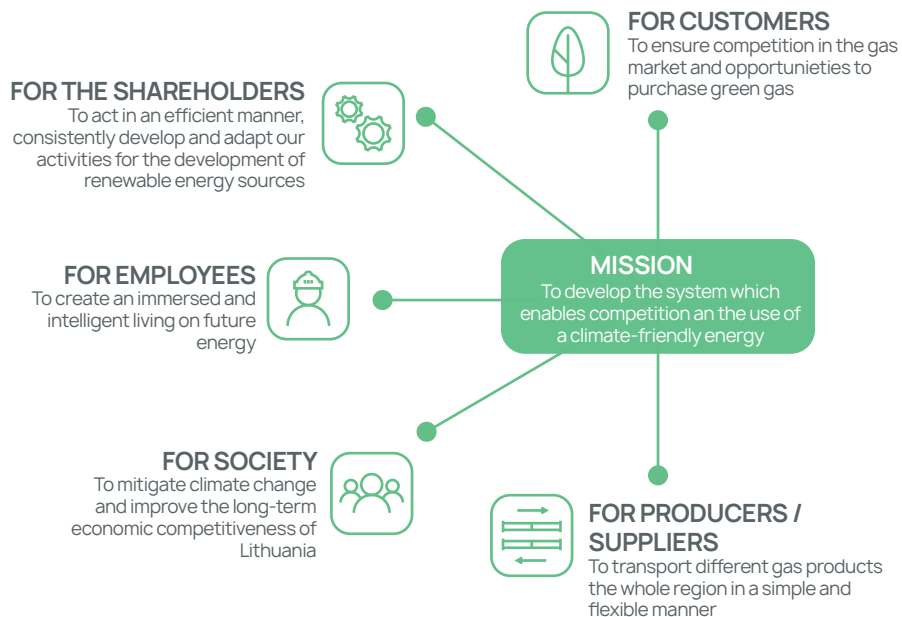


Fig. 2. Amber Grid's commitments to stakeholders.

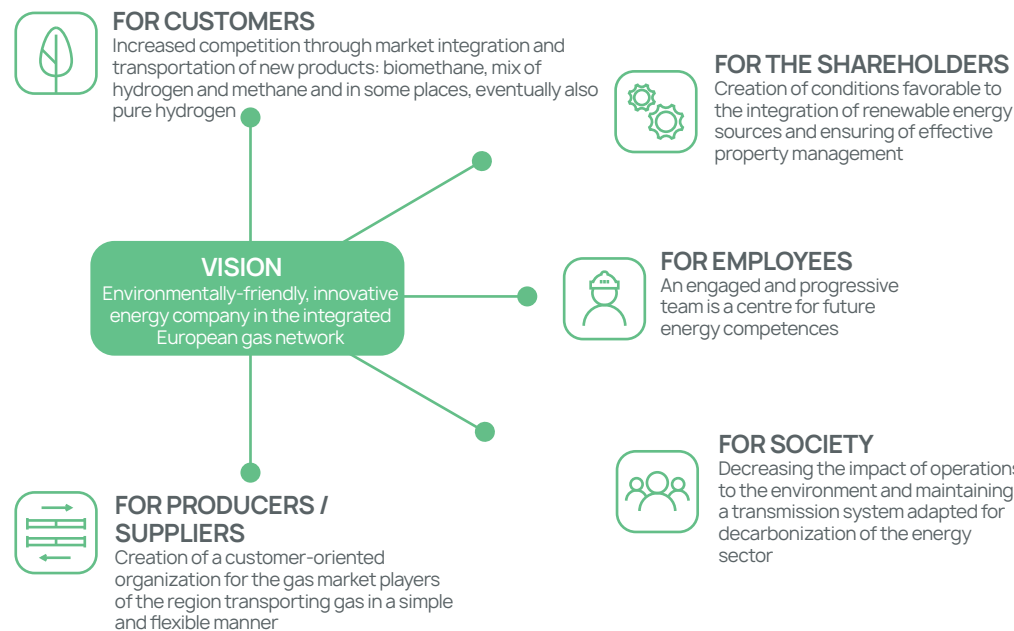


Fig. 3. Amber Grid's strategic priorities for the period until 2030

	CONSUMERS	PRODUCERS/SUPPLIERS	FOUNDER	SOCIETY	TO EACH OTHER
Goals	<ul style="list-style-type: none"> <li>To adapt the transmission network to placing of green gas on the market</li> <li>To achieve a close-to-zero price difference in the target trade areas of Lithuania and the neighbouring countries (according to exchange trading data)</li> </ul>	<ul style="list-style-type: none"> <li>To create a customer-oriented organization</li> <li>To implement the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope</li> </ul>	<ul style="list-style-type: none"> <li>To ensure a sustainable return to a shareholder</li> <li>To ensure efficient management of the gas system by adapting it to integration of renewable energy sources</li> </ul>	<ul style="list-style-type: none"> <li>To significantly mitigate the impact of operations on the environment</li> <li>To enable the transformation of the gas sector by integrating renewable energy sources</li> </ul>	<ul style="list-style-type: none"> <li>To create an engaged and intelligent organization</li> <li>To create an advanced organisation – the future centre of energy competence</li> </ul>
Main performance indicators	<ul style="list-style-type: none"> <li>Implementation of the action plan for the adaptation of the transmission system for placing green gas on the market in a timely manner and within the planned scope</li> <li>Difference in the wholesale prices, percent</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction rate, %</li> <li>Implementation of the strategic projects provided for in the National Energy Independence Strategy in a timely manner and within the planned scope</li> </ul>	<ul style="list-style-type: none"> <li>ROE</li> <li>Earned return allowed by the regulator (EUR million)</li> <li>Quantity of renewable energy sources in the gas system (TWh)</li> </ul>	<ul style="list-style-type: none"> <li>2/3 lower impact of operations on the environment (CO<sub>2</sub>, CH<sub>4</sub> emissions ext.) as compared with the base year</li> <li>Quantity of renewable energy sources in the gas system (TWh)</li> </ul>	<ul style="list-style-type: none"> <li>Involvement of employees (percent)</li> <li>Recognised new gas experts invited to deliver reports on this topic at least in 2 conferences held in Lithuanian International-ly on an annual basis</li> </ul>
Results in 2030	<ul style="list-style-type: none"> <li>Created opportunities for the transportation of hydrogen and gas mixture according to the new and cross-border standards</li> <li>The price on the exchange not more than ≤ 1EUR/MWh higher than the Netherlands (TEF) VIP price index for 90% of day</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the strategic projects provided for in the National Energy Independence Strategy and the National Energy and Climate Action Plan in a timely manner and within the planned scope, i.e. 100 percent Increased regional integration with neighbouring countries (LV, EE, F, PL)</li> </ul>	<ul style="list-style-type: none"> <li>ROE not lower than set by the Government of the Republic of Lithuania</li> <li>100% of the earned return allowed by the regulator</li> <li>Quantity of renewable energy source-gas in the gas system (with the guarantees of origin: 0,95 TWh)</li> </ul>	<ul style="list-style-type: none"> <li>2/3 lower impact of operations on the environment as compared with the year 2020</li> <li>Quantity of renewable energy source-gas in the gas system (with the guarantees of origin: 0,95 TWh)</li> </ul>	<ul style="list-style-type: none"> <li>Involvement of employees 65 (percent)</li> <li>Centre for competences of new parts shaping the future energy trends, lawmaking, business model</li> </ul>

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

Amber Grid continuously evaluates the implementation and progress of the strategy to achieve its goals. A more detailed information on the Company's strategy is available on the Company's website at <https://www.ambergrid.lt/en/us/amber-grid/strategy/611>

## 3.2. Operating and financial objectives

The Board of the Company formulated and approved the annual operating objectives of the Company for the year 2022. 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 2022.

## CONSUMERS

### Objectives

To adapt the transmission network to placing of green gas on the market

We are actively engaged in creating opportunities for transporting hydrogen and gas mixture in line with the new national and cross-border standards. To achieve this, we are looking into possibilities of how to reduce activity restrictions in site classes. The respective legal acts were drafted in 2022, and they were presented for approval to the responsible authorities.

To achieve a close-to-zero price difference in the target trade areas of Lithuania and neighbouring countries (according to the exchange data)

Changes in the geopolitical and commercial situation in the market caused a temporary suspension of work that was started with the regional partners in 2021 with an aim of creating a single regional market. The pricing issues will continue to be solved in 2023, following the analysis of changes in the local and regional needs.

## PRODUCERS/SUPPLIERS

### Objectives

To create a customer-oriented organisation

The customer satisfaction survey, which was conducted for the second year in a row, showed very positive results (the GCSI index reached 82%). In addition, the introduction of a customer service standard was started, the internal analysis was conducted in changing the approach to a customer, the action plan was developed. 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 2022, the GPL interconnection between Lithuania and Poland was successfully launched. During the implementation of the ELLI project, in 2022, all scheduled work was completed, the capacity of the gas interconnection in the direction of Lithuania and Latvia was increased. The project is planned to be accomplished by the end of 2023.

## 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 2022, the planned measures in technological asset management systems based on risk assessment were successfully implemented, solutions for the implementation of maintenance digitisation were selected. Guidelines with a development plan for the Lithuanian hydrogen development were prepared. The Estonian, Finnish, Latvian and Lithuanian natural gas transmission systems are assessed for their technical capabilities to supply and transport hydrogen; a study on the identification of the necessary modernisation measures and investments is being carried out; a study on the transformation of the Lithuanian energy system has been started. Successfully implemented scheduled works are related to the connection of biomethane producers to the transmission system. The implementation of the actions laid down in the Company's information security management plan for 2022 was continued. The introduction of common IT systems in the companies of the group has been postponed upon the performance of a detailed analysis, a new concept is being developed.

## SOCIETY

### Objectives

To enable the transformation of the gas sector by integrating renewable energy sources

The introduction works of IT services for the guarantees of origin of gas produced from RES are carried out. The self-service portal has been introduced to the scheduled extent after the introduction of amendments to the rules for the procedure of the administration of guarantees of origin. Improvements of the system will be continued. In creating opportunities for trade in biomethane guarantees of origin across Lithuania, Latvia, Estonia and Finland, the AIB HUB gas scheme with mass balancing (and certification of sustainability) is being developed, which is intended for the integration of the European registries of guarantees of origin.



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 2022, more than 50% of the purchases carried out by the Company (by value) were green purchasing. From 2023, the Company will seek that all purchases made are green, procurement procedures were launched to gradually replace the Company's vehicles with clean ones. In 2022, the environmental impact assessment of the Company and an inventory of greenhouse emission sources were carried out, and the 2023-2030 plan for the measures of mitigation of greenhouse emissions was drafted with a goal to reduce the Company's total emissions by two-thirds compared to the base emissions in 2019.

EMPLOYEES

Objectives

To create an engaged organisation

The creation of an engaged organisation is implemented through a number of actions and changes at the Company. In 2022, a new Remuneration System was introduced (effective from 2023), a survey of employee experience was conducted, an action plan for its improvement was prepared, proactive measures were taken for the improvement of the employer's image.

To create a progressive organisation – a centre for future energy competencies

The Company signed agreements with higher educational institutions, the internship model was created, the Company's specialists are invited to deliver presentations at the local and international conferences. In an effort to create a culture of efficiency, a plan of measures was elaborated, the survey of internal clients was prepared to help identify processes that require improvement.

Table 3. Implementation of objectives for 2022

The Board of the Company annually assesses the progress achieved in respect of the implementation of the objectives. The results of the assessment determine the amount of a variable pay component both for the Company's executive personnel and for employees, which may not exceed the proportion of individual and the Company's objectives indicated in the remuneration policy.

The objectives set for the Company for 2023 are identical to those set for the CEO. They are available to public on the website of Amber Grid.

### 3.3. Strategic infrastructure projects

The gas interconnection between Poland and Lithuania (GIPL) was put into operation in May 2022. The capacity of the gas interconnection with Latvia (ELLI) was increased by a third from November.

Both strategic projects were included in the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSOG), and the Regional Gas Investment Plan of the Baltic Energy Market Interconnection Plan (BEMIP) announced in 2017. The project for the enhancement of the capacity of the gas interconnection capacity (ELLI) was included in the Natural Gas Transmission System Operator's Ten-Year (2022-2031) 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.



### 3.3.1. 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. On 1 May 2022, the Poland-Lithuania gas interconnection GIPL started commercial operations. The first commercial gas flows were transmitted via the new gas interconnection.

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 implemented 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.

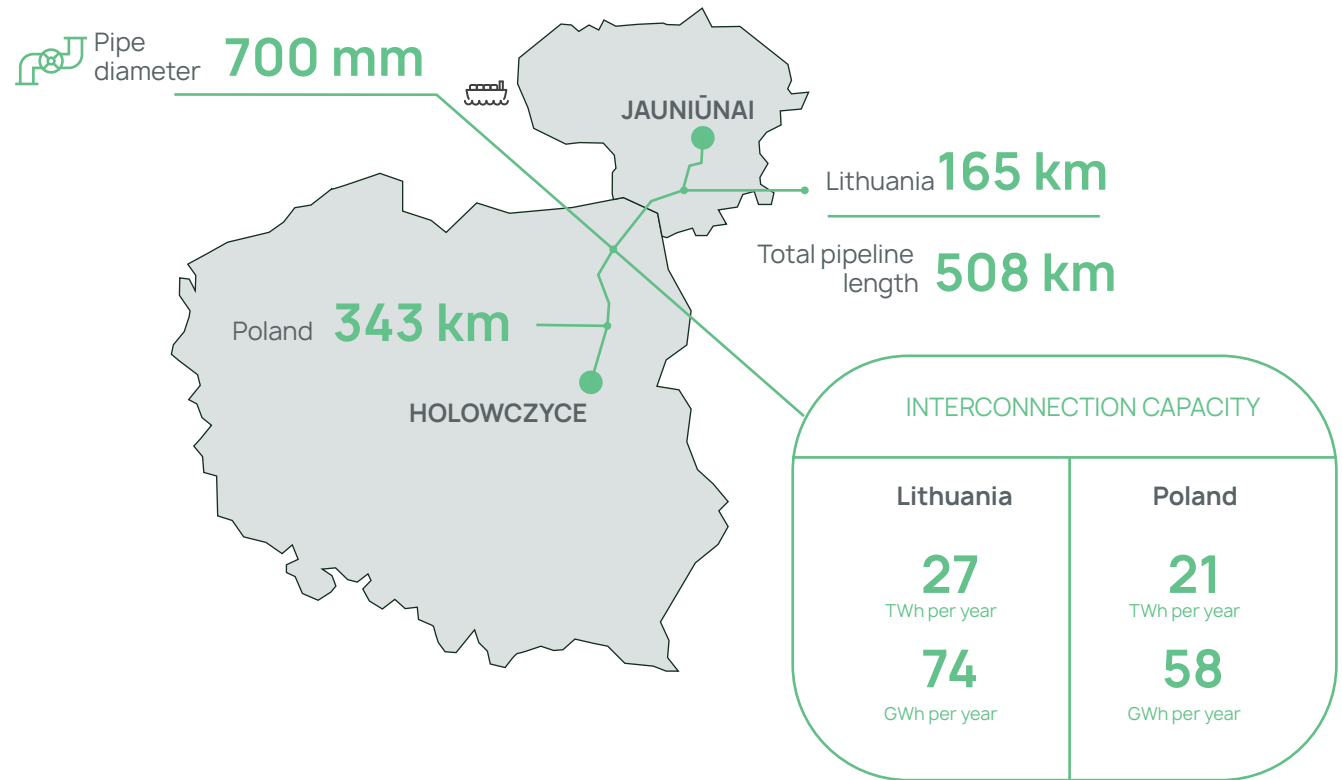


Fig. 4. Project for the Gas Interconnection Poland-Lithuania (GIPL)

The total length of the gas pipeline is 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 Dujo-tiekio 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 the pipeline at the cross-border point. On the Lithuanian side, the starting point of the gas interconnection is located nearby the gas compressor station in Jauniūnai, close to Vilnius. The pipeline in Poland was connected to the gas compressor station in Holowczyce.

The capacities resulting from the construction of the gas interconnection allow transporting annually up to 27 TWh of gas to the Baltic States and up to 21 TWh of gas to Poland, and the Baltic and Finnish gas markets became a part of a single gas market of the EU. Investments in the project in Lithuania amounted to EUR 116 million.

**Benefits of the GIPL project:**

Integration of the Baltic and Finish gas markets into a single gas market of the EU,

Provision of access to alternative gas supply sources and improvement of competitiveness of the gas market,

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.

The GIPL project was 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 was funded by Lithuania, Latvia and Estonia under the Cross-Border Cost Allocation, whereby they covered 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 website of Amber Grid.



### 3.3.2. Enhancement of Latvia-Lithuania interconnection (ELLI)

The purpose of the project was 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. It also provided better conditions for the utilisation of the Latvian Inčukalns underground gas storage facility. The project promoters were 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 covered 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 cover reconstruction of the main gas pipeline in order to increase the maximum working pressure from 40 to 50 bar.

On 28 January 2022, the agreement on the contract work for the expansion of the Kiemėnai gas metering station was signed. On 25 March 2022, the agreement on the contract work for the reconstruction of the gas pipeline at the Panevėžys gas compressor station was signed and construction works were started.

During 2022, Amber Grid expanded the Kiemėnai gas metering station in the Pasvalys district and enhanced its capacity. It also carried out the reconstruction of the pipelines at the Panevėžys gas compressor station that allowed transporting a larger volume of gas from the Klaipėda LNG terminal to Latvia. From November, the pipeline allows transporting 90 gigawatt-hours (GWh) of gas per day, which is 30% more. Lithuania has already implemented its capacities in the ELLI project.

The ELLI project is financed from own funds of Amber Grid and AS Conexus Baltic Grid, as well as in a form of the EU financial support under the European infrastructure network facility (Common European Framework).

### 3.4. European union’s financial assistance

In 2022, Amber Grid implemented two 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 projects were 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 Installation of software to ensure control of gas flows and exchange of information of the transmission system operator and system users period, the network serves, software were installed, thus ensuring effective control of gas flows and interactive exchange of information for the transmission system operator and system users.

The total value of the implemented project is EUR 991.3 thousand.

- During the project Modernisation of gas control installation of the Panevėžys gas compressor station period, modernisation works of gas cleaning filters of the Panevėžys gas compressor station were carried out.

The total value of the implemented project is EUR 813.1 thousand.

Information on the infrastructure projects completed and under implementation by Amber Grid and co-financed by the EU is available on the website: <https://www.ambergrid.lt/en/for-clients/transmission-system/644>



## 3.5. Regional market

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.

While Lithuania supports the idea of creating a single regional gas market, the terms of such arrangement, which currently exists between Latvia, Estonia and Finland, do not serve the interest of Lithuania, since such joining would result in an ungrounded additional financial burden on the domestic consumers. Therefore, in 2022 negotiations were continued with the Latvian, Estonian and Finnish operators on the terms of the arrangement under which Lithuania would join the zone. The aim was to create a single market on acceptable terms for all the parties, including Lithuanian citizens and businesses. 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. At the request of the regulatory authorities the application was clarified in March, July and August 2022. Upon the occurrence of new geopolitical circumstances, such as the war in Ukraine, suspension of gas flows from Russia for the needs of the EU, development of

infrastructure in the EU countries for alternative supply sources (for example, a new LNG terminal in Finland), lower transmission tariffs due to higher prices of gas, the countries decided to postpone the creation of the common tariff zone. On 26 October 2022, the national regulatory authorities of the Baltic States and Finland issued a public statement informing about the postponement of the creation of the common gas transmission tariff zone for at least a year (a more detailed information is available at <https://www.vert.lt/Puslapiai/naujienos/2022-metai/2022-10-26/atidetas-baltijos-suomijos-gamtiniu-duju-ru-rinkos-sujungimas.aspx>).

It is not excluded that when the geopolitical situation becomes stable and additional infrastructure is created (the LNG terminal in Finland-Estonia, enhancement of Lithuania-Latvia interconnection, enhancement of the capacity of the Latvian Inčukalns underground gas storage facility as well as development of the LNG terminals and cross-border interconnection in Europe), and when the gas market will operate normally under new conditions, the Baltic States and Finland will renew the coordination of their positions regarding a further market integration in order to create the cooperation model for the operators that would be acceptable to all parties.





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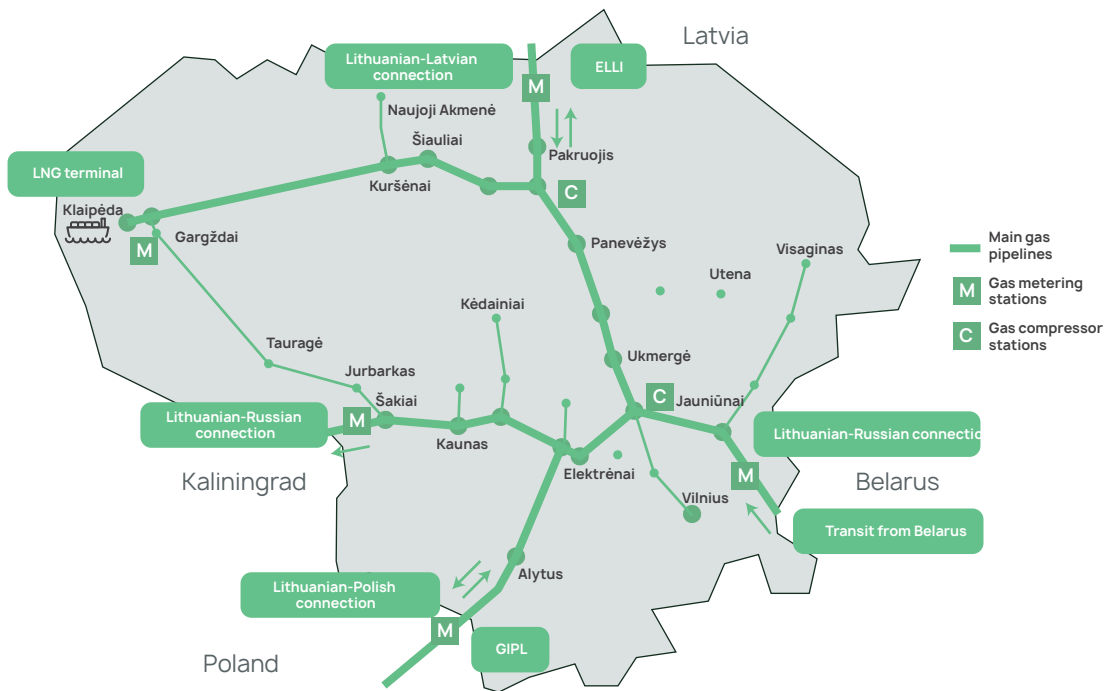
## 4. Operations



## 4.1. Transmission system

The natural gas transmission system consists of the 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 2,288 km, and the diameter ranges between 100 and 1220mm. The design pressure in the larger part of the transmission system is 54 bar.



6 pav. Gas transmission system of Lithuania

## 4.2. Maintenance, reconstruction and modernisation

Maintenance of the main gas pipelines is regulated under the legal acts and is carried out strictly in compliance with the requirements set forth therein. Maintenance and repair works are conducted continuously to ensure a reliable and safe transmission system. In 2022, internal diagnostics was carried out for the main gas pipeline towards the direction of Utena (59 km long).

During 2022, 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 Šiauliai GDS, in the main gas pipeline Panevėžys-Šiauliai line II and the main gas pipeline Minsk-Vilnius-Vievis;
- installation of launching and receiving chambers for the monitoring device in the main gas pipeline Ivacevičiai-Vilnius-Riga, in the branch to the Biržai GDS, in the branch to the Kėdainiai GDS, in the branch to the Pajėšmeniai GDS, in the branch to the Vandžiogala GDS, in the main gas pipeline Šiauliai-Kuršėnai pipe II, in the main gas pipeline Panevėžys-Šiauliai, and the main gas pipeline Panevėžys-Šiauliai line II;
- deep trenching of separate sections of the main gas pipeline in the branch to the Alytus GDS, the Kaliningrad Region, the Marijampolė GDS, the Panevėžys GDS, in the main gas pipelines Vilnius-Kaunas, Ivacevičiai-Vilnius-Ryga, Šiauliai-Klaipėda, and the looping to the Jonava GDS;
- replacement of 20 inserts in the main gas pipeline in view of the technical condition and diagnostics results of the gas pipelines;
- reconstruction of part of the main gas pipeline in Kaunas FEZ territory;
- installation of the pressure relief valve in the main gas pipeline branch to the Marijampolė GDS;
- designing of reconstruction of separate sections in the main gas pipeline Vilnius-Kaunas;

- designing of replacement of shut-off devices and connection to the remote control system in the branches to: the Alytus GDS, the Prienai GDS, the Birštonas GDS, the Vilkaviškis GDS, the Batniava GDS, the Miežiškiai GDS, the Šiauliai GDS, the Pajėšmeniai GDS, the Panevėžys GDS, the A. Paneriai GDS I, the A. Paneriai GDS II; in the main gas pipelines: Ivacevičiai-Vilnius-Riga, Vilnius-Panevėžys-Riga, Panevėžys-Šiauliai line II, Vilnius-Kaunas; and in the technological connector to Klaipėda;
- modernisation of gas filters at the Panevėžys gas compressor station;
- renovation of buildings and other structures at the Panevėžys gas compressor station;
- designing of reconstruction of control-room building; modernisation of control of gas compressor stations and installation of data centre;
- designing of restoration and expansion of 5 gas distribution stations;
- installation of 5 photovoltaic solar energy power plants;
- installation of a car parking area;
- renovation of control measurement columns.

## 4.3. Market of the services

Amber Grid provides natural gas transmission services to the system users, other operators and gas market participants in the territory of Lithuania: it transmits gas to the domestic consumers, 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. With effect from 1 April 2022, gas supply for domestic consumption was discontinued from Russia.

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.





## 4.4. Clients

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

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

## 4.5. Description of the services

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

- natural gas transmission inside 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;
- administration of the Register of Guarantees of Origin for gas produced from renewable energy sources.

## 4.5.1. Gas transmission

Gas transmission quantities

In 2022, 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 32,088 GWh, gas transported from Latvia to Lithuania amounted to 3,342 GWh, gas transported from Poland to Lithuania amounted to 2,260 GWh, and gas transported from Belarus amounted to 3,082 GWh. Gas transmission quantities from the Klaipėda LNG terminal to the consumers in Lithuania and other EU Member States accounted for 78.7% of the total required quantity of gas.

In 2022, 15,576 GWh of gas was transported up to the domestic exit point for the gas consumers in Lithuania. Compared to 24,136 GWh of gas transported during 2021, gas transmission quantities decreased by 35.5%

In 2022, 18,428 GWh of gas was transported from the Lithuanian transmission system to Latvia through the Kiemėnai gas metering station, i.e. 9.7 times more compared to 2021 (1,902 GWh).

In 2022, 6,386 GWh of gas was transported from the Lithuanian transmission system to Poland through the Santaka gas metering station that was brought into operation in May 2022.

In 2022, 23,399 GWh of gas was transported to the Kaliningrad Region of the Russian Federation (2021: 26,691 GWh).

As at 31 December 2022, the Company had 122 agreements on natural gas transmission services with the transmission system users (gas consumers, gas distribution system operators, importers, gas suppli-



ers supplying gas up to the consumer systems), of which 64 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.

Transmitted gas quantities at the domestic exit point by type of transmission system users is illustrated below in Fig. 7.

	2020	2021	2022
Energy companies	4201	4161	1957
Fertiliser companies	13136	11572	7090
Other companies	7809	8403	6529
Total	25146	24136	15576

Fig. 7. Transmitted gas quantities by type of transmission system users in Lithuania, GWh, 2020–2022.

## 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 during a public consultation conducted by the NERC between 16 December 2020 and 17 February 2021 in line with the provisions of the European Commission Regulation establishing a network code on harmonised transmission tariff structures for gas (TAR NC), on 10 May 2021 the NERC set a EUR 40.44 million revenue cap for the regulated activities of Amber Grid for the year 2022 (which was slightly lower compared to a EUR 42.2 million revenue cap for 2021 due to the evaluation of non-compliance of the return on investment for the last few years within the permitted revenue level for 2022). On 10 May 2022, the NERC set a revenue cap from natural gas transmission services effective from 1 January 2023. The reve-

nue cap for regulated activities set by the NERC for the year 2023 (the last year of the current regulatory period) amounted to EUR 64.17 per year, which was 58.7% higher compared to the revenue cap approved for the year 2022. Such increase in revenue cap compared to 2002 was largely caused by growth of technological costs (a significant increase in natural gas prices), by a lower one-off adjustment for surplus revenue passed through to the consumers in 2021, and by the partially included higher compensation payable to the Polish operator GAZ System for the implementation of the GIPL project of common interest. More details on the prices for gas transmission services effective from 1 January 2022 are available on the Company's official website at: <https://www.ambergrid.it/en/for-clients/services/tariffs-and-prices/637>.

The prices effective from 1 January 2023 are available at: <https://www.ambergrid.it/en/for-clients/services/tariffs-and-prices/637>.

There are plans to transport 66.6 TWh of natural gas through the Lithuanian gas transmission system during 2023, which is 18.7% more compared to the estimate for 2022. The projected level for ordered capacity, consumption capacity and transported gas volume was determined with reference to the historical data and the needs of the existing and potential system users, as well as in view of Russia's military actions in Ukraine, the resulting sanctions imposed by the Western countries, and gradual withdrawal from Russian gas in Europe. Lithuania discontinued imports of Russian gas with effect from April 2022. The prices for gas transmission services for 2023 were set in view of the survey results of a public consultation conducted in the beginning of 2022 regarding the multiples, seasonality factors and discounts applicable during the remaining part of the regulatory period within Amber Grid transmission service structure for 2023, and based on the opinions expressed by the market participants.

In 2023, the prices for gas transmission services at all entry points are expected to be aligned with those applicable in the adjacent tariff zone of Latvia, Estonia and Finland. As the Klaipėda LNG terminal became the main gas entry point in the region and the demand is expected to remain high, it was decided to set the same price at the gas entry point in Klaipėda in 2023 as that at other gas entry points in Lithuania, and to give up on 75% discount.

In 2022, the average gas transmission price to meet the domestic consumption needs in Lithuania (for short-term and long-term products) was 1 EUR/MWh, i.e.

about 29% lower compared to the average gas transmission price in 2021 (1.40 EUR/MWh). Such decrease in transmission service prices resulted from a one-off adjustment for surplus revenue and cost savings passed through to the consumers in 2019 and 2020 and from the expected higher flows of natural gas.

In 2023, the average gas transmission price to meet the domestic consumption needs in Lithuania was set at 1.39 EUR/MWh, i.e. 39% higher compared to the average gas transmission price in 2022 (1 EUR/MWh) and close to the average price in 2021.

Debates regarding Lithuania's entry into the adjacent tariff zone of Latvia, Estonia and Finland (the FINESTLAT tariff zone) and the applicable gas market integration measures of the Baltic States and Finland were postponed on mutual agreement, given the actual geopolitical climate and situation in the gas market.

Close cooperation with the Polish transmission system operator Gaz-System allows creating favourable conditions for cross-border flows between Lithuania and Poland with effect from 2022, i.e. upon launching the new GIPL interconnection. As a result of changes in geopolitical and commercial situation and in view of higher importance of supply security across the EU, in May 2022 the GIPL interconnection was launched, which is actively used by the market participants without any commercial incentive measures. On 1 December 2022, a public consultation was announced by the NERC regarding Amber Grid's pricing for the period starting from 2024, where, inter alia, it was proposed to establish a differentiated (cost-based) quantity component in Lithuania at the GIPL cross-border interconnection point.



## 4.5.2. Balancing of gas flows in the transmission system

The Rules for Natural Gas Transmission System Balancing applicable from 1 March 2022 provide for that there shall be no trade in previous day products at the virtual trading point, which resulted in a higher number of market participants causing a situation of imbalance. As the transmission system operator seeks to ensure financial neutrality for the reporting period, it calculates a neutrality fee for each market participant. The amendments were introduced in line with the Commission Regulation (EU) No. 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.

During 2022, due to the imbalance caused by the system users, the Company bought 273.2 GWh and sold 190.6 GWh of gas.

As the amendments to Amber Grid Rules for Natural Gas Transmission System Balancing came into force on 1 March 2022, Amber Grid seeks to ensure financial neutrality for the reporting period, and it calculates a neutrality fee for each market participant. During March-December 2022, amount repaid to the system users was EUR 7,029.1 thousand, and amount collected from the system users was EUR 2,848.9 thousand.

Transmission of gas by transit 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 2022, transmission of gas to the Kaliningrad Region resulted in a 161.8 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.



## 4.5.3. Administration of funds intended for compensation of construction costs and fixed operating costs of the lng terminal, its infrastructure and the connector, and for compensation of reasonable costs incurred by the designated supplier

In order to ensure compliance with the requirements of the legal acts (the Law on Liquefied Natural Gas Terminal and the supplementing legal acts), the Company collects, administers and pays out the LNG terminal funds to the terminal operator (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, the NERC approved an extra charge of 252.86 EUR/(MWh/day/year) related to gas supply security effective from 1 January to 30 April 2022, which was 27% lower compared to an extra charge of 346.11 EUR/(MWh/day/year) effective in 2021. On 31 March 2022, the NERC approved a revised extra charge of 102.98 EUR/(MWh/day/year) related to gas supply security effective from 1 May 2022, which was 41% lower compared to an extra charge of 252.86 EUR/(MWh/day/year) effective during January-April 2022.

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

Components	Apportionment effective from 1 January to 30 April 2022	Apportionment effective from 1 May 2022
Regasification of liquefied gas	59,275%	0%
Administration costs	0.139%	0,341%
Reasonable supply costs of the required quantity for the LNG terminal	40.586%	99,659%
Total	100%	100%

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

There is a civil case currently pending before the court in relation to the unpaid amount of the LNG terminal funds, where Amber Grid (the Claimant) claims to award from Achema AB (the Respondent) payment of the LNG terminal add-on funds of EUR 4,678,130.41 plus delinquency interests of EUR 54,707.63 under the Natural Gas Transmission Service Contracts for 2012 and 2014.

By the decision of the court of 17 March 2022, the proceedings were suspended in respect of the Claimant's claims under the Natural Gas Transmission Service Contract for 2014, and by the decision of the court of 20 June 2022, the proceedings were also suspended in respect of the Claimant's claims under the Natural Gas Transmission Service Contract for 2012. The court suspended the proceedings in both respects of the case, as it is pending the decision of the European Commission on the compatibility of the LNG surcharge funds collected for the period from 1 January 2016 to 31 December 2018 with the State aid rules under the EU law. The Claimant disagreed with the court's decision of 20 June 2022 to suspend the proceedings in respect of the Claimant's claim to award from the Respondent the payment of EUR 763,119.55 outstanding debt under the Natural Gas Transmission Service Contract for 2012, and filed a separate appeal for annulment of the aforementioned decision. The Claimant's separate appeal was referred to the Lithuanian Court of Appeal on 14 July 2022. After the hearing of the appeal, on 8 September 2022 the Lithuanian Court of Appeal resolved to leave the decision of Kaunas Regional Court of 20 June 2022 unchanged.

## 4.6. 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 2022, Amber Grid prepared the Ten-Year Network Development Plan (2022-2031) 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 264 million. The gas consumption in Lithuania is expected to remain stable over the next ten years, besides, there will be a possibility to transport gas towards new directions – through Poland-Lithuania interconnection. Given the geopolitical situation, the gas flows through the Klaipėda LNG terminal and cross-border interconnection points with Latvia and Poland are expected to grow. The Network Development Plan also sets out the main directions for the development of the transmission system, including a focus on innovation and the development of green energy

The Network Development Plan also stipulates the main transmission system development directions, including focusing on innovations and green energy promotion.

On 6 September 2022, the NERC gave its consent for publishing the Ten-Year Network Development Plan (2022-2031) prepared by Amber Grid. The Plan is available to public on the Company's official website.

## 4.7. Green gas activity

Amber Grid plays an active role in the following fields related to green gas:



promotion of green gas;



administration of guarantees of origin.

## 4.7. Promotion of green gas

Intensive promotion of energy generation from the renewable energy sources (RES) and significant increase in the portion of RES in an overall energy balance, the existing and projected challenges related to the electricity network balancing and integration to the electricity transmission system create opportunities for the development of one of the most promising technologies Power-to-Gas, which involves production of green hydrogen from renewable electricity. This technology will allow accumulating high-power energy generated from RES and will 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 synthetic methane) and to

transport it through the gas transmission and distribution networks to the energy storage and consumption locations, and accordingly, 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 adaptability in Lithuania, in 2022 Lithuania together with its regional partners (the transmission system operators from the Baltic States and Finland) initiated a technical feasibility study on the adaptability of the gas transmission networks for transporting methane-hydrogen mixtures, which will also reveal the needs for investments in the system in view of different concentration levels of hydrogen. Currently, the study is in phase one and phase two.

In order to contribute more significantly to the promotion of hydrogen and Power-to-Gas technologies at local and regional level, the Company further participates in the Lithuanian Hydrogen Platform established by the Ministry of Energy, and is a member of the European Clean Hydrogen Alliance and the Lithuanian Hydrogen Energy Association. In 2022, the Company continued its involvement in the European Hydrogen Backbone initiative, which brings together 27 transmission system operators from across Europe. The initiative created a vision of hydrogen transmission infrastructure connecting all the countries across Europe.

## 4.7.2. Administration of guarantees of origin

In 2022, the Company administered the National Register of Guarantees of Origin for gas produced from RES (established in 2019) that fulfils 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. The Company cooperates with the designated bodies and renewable gas organisations in other countries. During 2021, the first guarantee of origin (10 MWh) for green gas were imported into Lithuania through the Guarantee of Origin system, which were granted the guarantees of origin in support of that fact.

In November 2022, the Company started imports of biomethane from the Netherlands, with the accompanying guarantees of origin and sustainability certificates. The biomethane will be used as fuel in the transport sector, and the guarantees of origin will be used in the fuel from renewable energy sources (FRES) unit system, thereby fulfilling the commitments of fuel suppliers in respect of the portion of renewable fuel in the final fuel mixture.

In 2022 the Company also successfully completed its

participation in the project REGATRACE (Renewable Gas Trade Centre in Europe) funded under the EU Horizon 2020 research and innovation programme. 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. A national vision and action plan for the development of biomethane sector was prepared in cooperation with the responsible bodies in Lithuania and local market participants.

The Company actively participated in the Working Group for the harmonisation of the activities of the National Registers of Guarantees of Origin for green gas established by the transmission system operators in Finland, Estonia, and Latvia. To facilitate the regional exchange of guarantees of origin, the general regulations and agreement were drafted in 2021. In January 2022, the Company, together with the Latvian and Estonian transmission system operators, conducted a survey of market participants to reveal the need for

regional exchange of guarantees of origin. The survey results showed that the most efficient and cost-effective way to proceed would be to join the European Association of Issuing Bodies (AIB) possessing the required IT system and the standards and rules for the guarantees of origin.

In order to ensure that the guarantees of origin market participants receive user-friendly, transparent services that meet the European best practice, the Company decided to upgrade the IT system of the Register of Guarantees of Origin. The upgrading is now in process, which is expected to be completed by March 2023. The upgrading will also allow integration of the Company's existing system with the systems in other countries or with pan-European solutions for the exchange of guarantees of origin, thereby facilitating and automating the exchange of guarantees of origin with other European countries.



## 4.8. Research & development activities

Amber Grid, together with the European gas transmission system operators, analysed and presented a vision for accelerating the development of the European hydrogen network by 2030. As part of pan-European Hydrogen Backbone (EHB) initiative, five potential large-scale hydrogen supply corridors in Europe were developed and announced. These corridors will initially connect local supply with local demand inside Europe, and subsequently, they will be expanded and connected to those European regions and neighbouring countries that hydrogen export potential.

Five hydrogen supply corridors are as follows:

- Corridor A: North Africa and Southern Europe
- Corridor B: South-West Europe and North Africa
- Corridor C: North Sea
- Corridor D: Northern and Baltic regions
- Corridor E: Eastern and South-Eastern Europe

As Lithuania seeks a rapid transition to renewable energy, in 2022 it completed the first national study on the development of hydrogen sector, showing that Lithuania has the potential to become a significant player in developing and transporting hydrogen resources in Europe. Following a detailed analysis of the situation, independent foreign experts concluded that Lithuania has the necessary capabilities to organise hydrogen production, storage, transmission and export. Experts identify the development of renewable electricity capacity in Lithuania and adjacent markets as one of key pre-requisites for creating a hydrogen economy. They emphasised that once hydrogen production capacity is in place, the gas transmission system could become the main transport network for green hydrogen gas at local and regional levels. This recommendati-

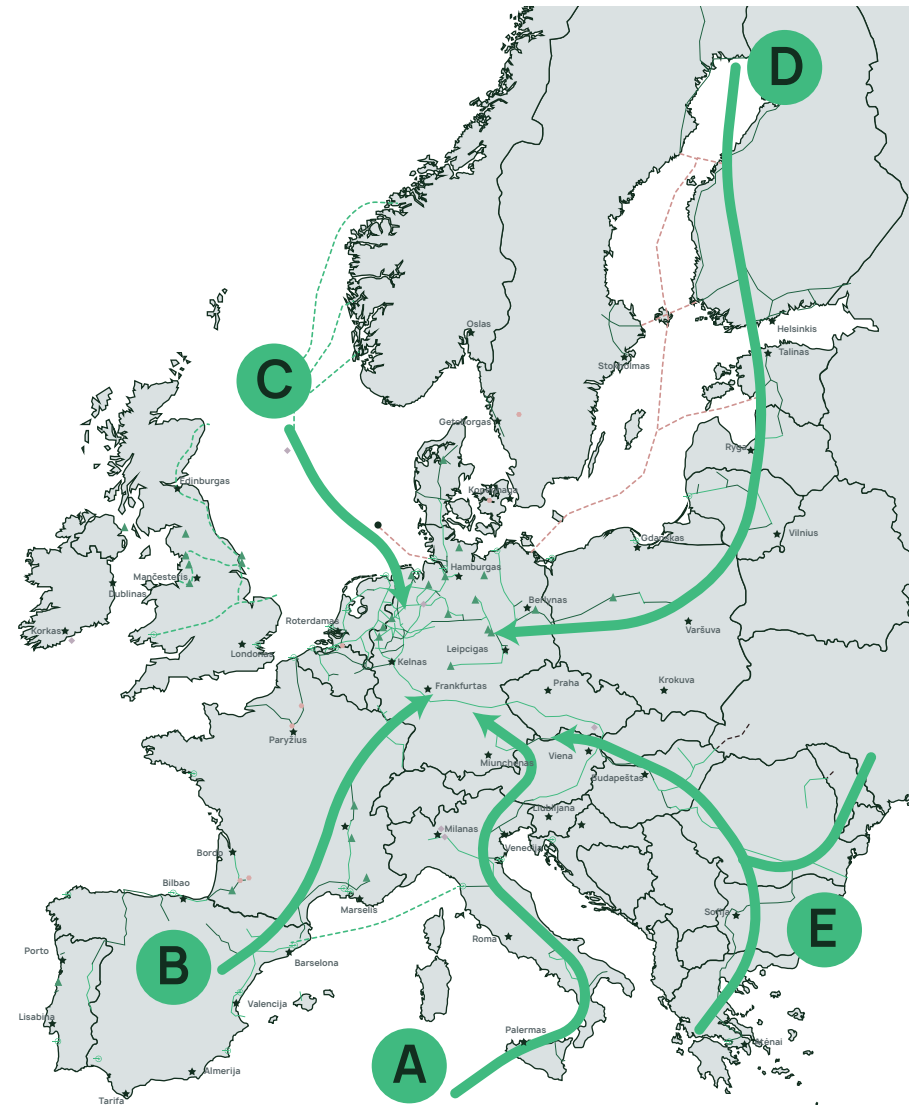


Fig. 8 Europe's hydrogen supply corridors



on was also made by the experts who conducted the study. According to them, Amber Grid, as the transmission system operator, should develop a hydrogen network in Lithuania by preparing for transporting the surplus energy to hydrogen consumption centres in Europe, which in turn will result in decarbonisation of the industry, transport and energy sectors.

## 4.9. Business plans and prospects

The regional gas market is expected to develop gradually.

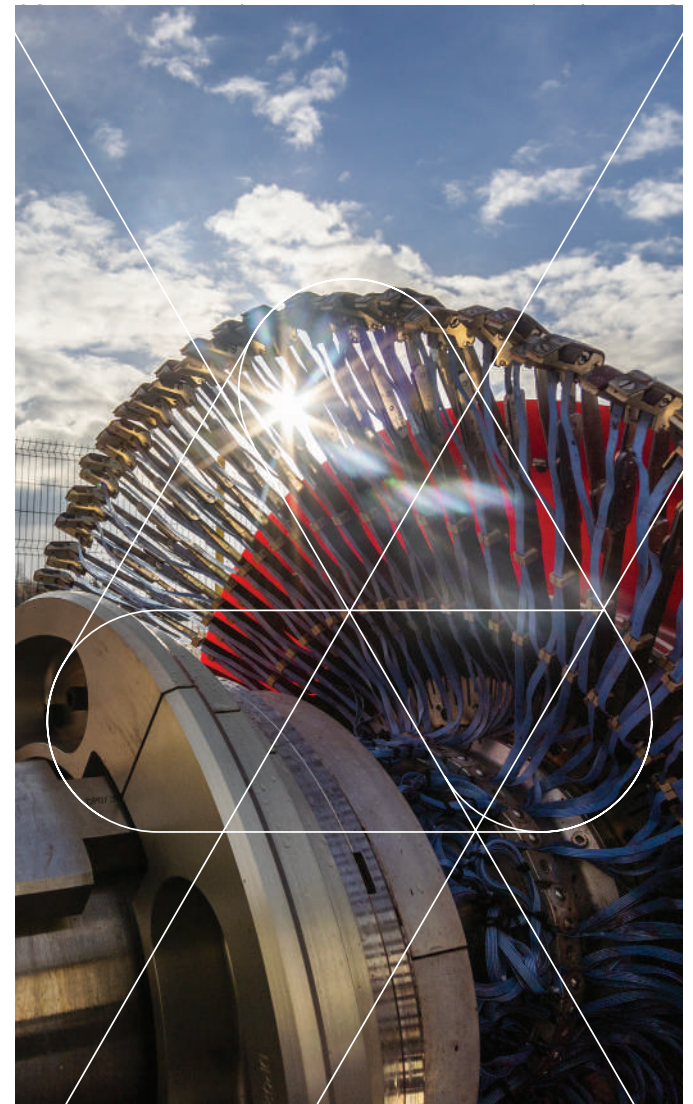
Agreement on a single gas market as from 2020 has been reached only between Latvia and Estonia, which together with Finland formed a common tariff zone as from 2020. Lithuania continues its debates with the regional partners to ensure that participation in a single gas market will be beneficial for all 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 REGATRACE projects, its membership in the ERGaR (European

Renewable Gas Registry) association and in the Association of Issuing Bodies (AIB), 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, safeguarding the business continuity of the Company, and implementation of the National Energy Strategy.

On 14 December 2022, six European TSOs: Gasgrid Finland (Finland), Elering (Estonia), Conexus Baltic Grid (Latvia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany) signed a memorandum on cooperation for the development of hydrogen supply infrastructure from Finland through Estonia, Latvia, Lithuania and Poland to Germany, thereby contributing to the achievement of REPower-EU 2030 goals. The project of Nordic-Baltic Hydrogen Corridor initiated jointly by six TSOs will strengthen the regional energy security, reduce dependence on imported fossil fuel energy, and will play an important role in reducing dependence of energy-intensive industry sectors on fossil fuel. In addition, the project may contribute significantly to the EU's GHG emission reduction target, as it will help to introduce changes in the production and consumption of fossil fuel in industry, transport, electric and heat power sectors by substituting with renewable fuel, i.e. green hydrogen. A feasibility study for the project is planned in 2023.

In 2023, the Company's transmission system is expected to transport around 19 TWh of natural gas for local needs to the domestic exit point, around 11 TWh to Latvia, around 13 TWh to Poland, and around





Amber  
Grid

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## 5. Financial results



## 5.1. Financial performance indicators

The Financial Results section covers 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.

	2022	2021	2020
Financial results (EUR '000)			
Revenue	98,206	68,595	52,286
EBITDA	32,036	35,372	26,060
Profit (loss) before tax	18,130	22,777	14,586
Net profit (loss)	15,665	23,211	18,170
Net cash flows from operating activities	19,768	29,068	24,672
Investments	42,960	45,745	91,903
Financial debt	100,962	104,849	119,591
Profit margins (%)			
EBITDA margin	32,6	51,6	49,8
Net profit (loss) margin	16,0	33,8	34,8
Average return on assets (ROA)	3,5	6,9	6,7
Average return on equity (ROE)	8,7	13,9	12,5
Liquidity ratios			
Current ratio	0,89	1,04	1,16
Quick ratio	0,84	0,94	1,10
Turnover of non-current assets	0,35	0,26	0,21
Capital structure ratios			
Equity-to-assets ratio	0,34	0,49	0,51
Financial debt-to-equity ratio	0,55	0,59	0,77
Financial debt-to-EBITDA ratio, times	3,2	3,0	4,6
Market value indicators			
Share price/earnings per share ratio (P/E), times	14,29	9,38	13,91
Net earnings (loss) per share, EUR	0,09	0,13	0,10

Table 5. Financial performance indicators

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 sha)



## 5.2. Revenue

In 2022, the Group's revenue totalled EUR 98,206 thousand, i.e. increased by 43.2% as compared to 2021. Revenue from natural gas transmission services amounted to EUR 65,383 thousand, i.e. increased by 21.6% compared to EUR 53,748 thousand in 2021 due to higher transported volume of gas in 2022. Revenue from system balancing products increased by 2.4 times and amounted to EUR 30,569 thousand in 2022 (2021: EUR 12,540 thousand). Such increase was driven by higher gas prices. As a result of discontinued imports of natural gas from Russia, the LNG terminal became the main source of gas supply for the Baltic region, which in turn resulted in redistribution of gas flows. Higher volume of gas is transported to Latvia, and with effect from May 2022 – to Poland. Transporting of gas to the adjacent gas transmission systems caused growth in revenue and brought changes in revenue structure.

Other revenue decreased by 2.3% in 2022 compared to 2021 and amounted to EUR 2,254 thousand (Fig. 8). GET Baltic further demonstrated its successful performance in natural gas trading operations in all of its markets, however, the total traded volume declined as a result of lower gas consumption across the region.

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.

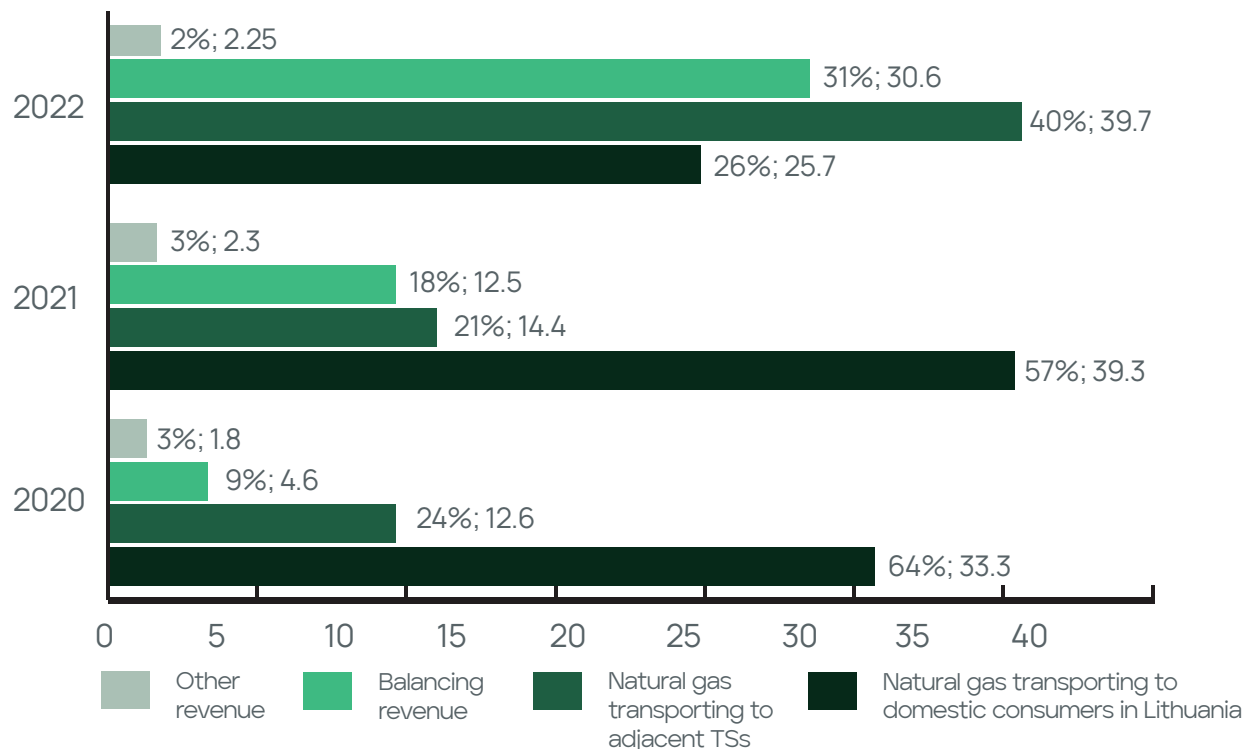


Fig. 9. The Group's revenue structure, %, EUR million

As a result of changes in the regulation of gas balancing product for the system users with effect from 1 April 2022, a neutrality principle has been introduced for this type of activities, and accordingly, its treatment for the accounting purposes does not have impact on the final result of operations, as those cash inflows are not recognised as revenue. More details are provided in Amber Grid financial statements for 2022.

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 2022.



### 5.3. Expenses

In 2022, the Group's expenses totalled EUR 79,357 thousand, i.e. increased by 1.7 times compared to 2021 (Fig. 9). Increase in expenses was driven by higher gas prices and increased gas balancing volume. Natural gas costs amounted to EUR 39,834 thousand and represented 50.2% of total expenses. Natural gas costs increased by 3.5 times compared to 2021 due to higher gas prices. The Company purchased 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. Depreciation and amortisation expenses of non-current assets amounted to EUR 13,045 thousand (16.4% of total expenses) and increased by 8.2% compared to 2021. Employee benefits and social security contributions amounted to EUR 12,423 thousand (15.7% of total expenses) and increased by 9.1% compared to 2021. Repair and technical maintenance costs amounted to EUR 4,646 thousand (5.9% of total expenses) and increased by 30.5% compared to 2021.

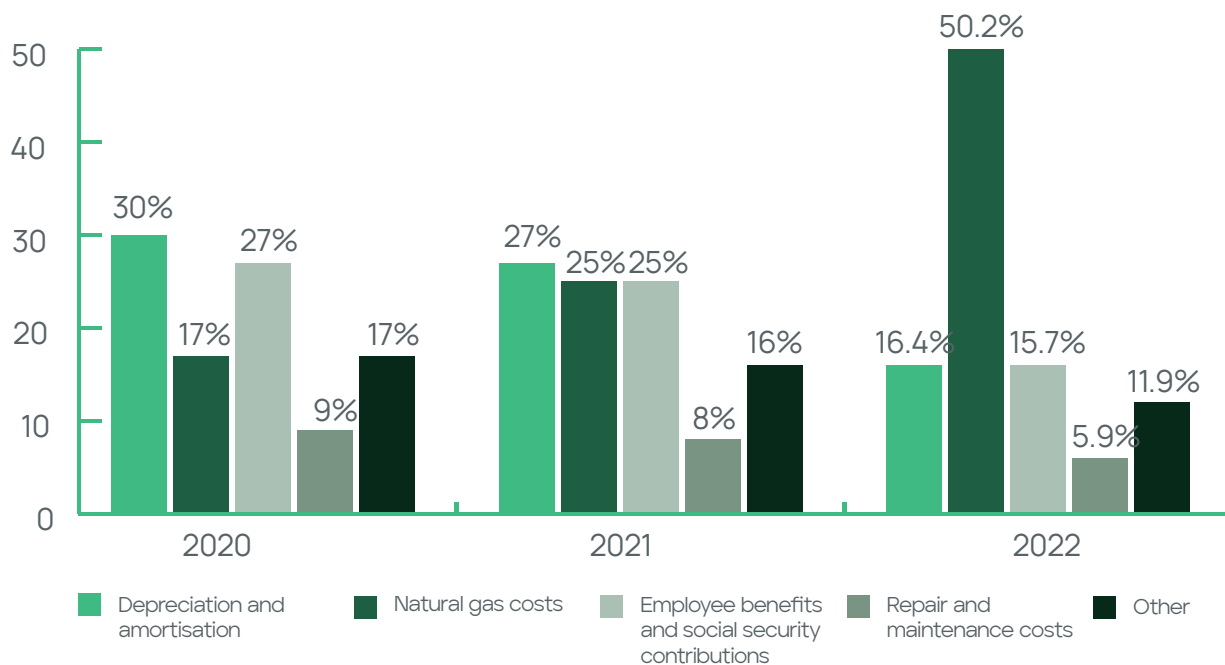


Fig. 10. The Group's expense structure, %

### 5.4. Results of operations

In 2022, the Group's net profit totalled EUR 15,665 thousand, i.e. decreased by 32.5% compared to EUR 23,211 thousand in 2021. In 2022, the Group's profit before tax amounted to EUR 18,130 thousand (2021: EUR 22,777 thousand), while earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 32,036 thousand (2021: EUR 35,372 thousand).

Deterioration in financial performance in 2022 was caused by lower gas transmission tariffs and higher natural gas costs for technological needs as a result of higher gas prices.

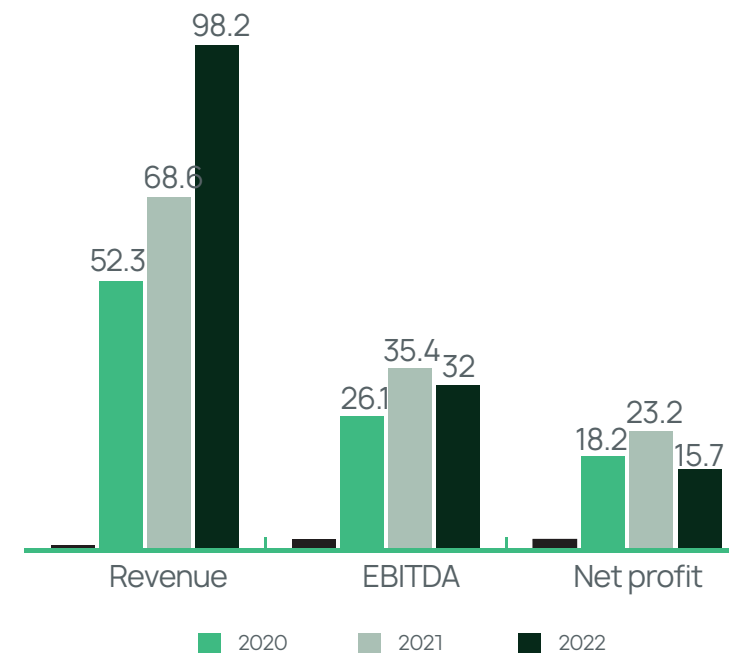


Fig. 11. The Group's financial performance, EUR million



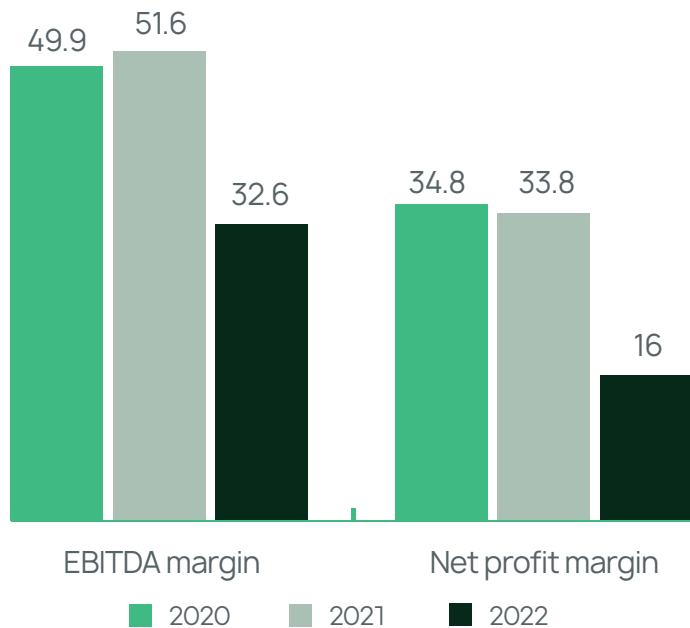


Fig. 12. The Group's profitability, %

The Company's adjusted net profit for 2022 amounted to EUR 19,543 thousand. Adjustments to regulated revenue, expenses and profitability indicators were made due to temporary regulatory deviations from the regulated profitability approved by the NERC. The indicators are adjusted in view of the adjusted previous period revenue, which has already been approved by the NERC decision at the time of setting the regulated transmission service prices for the current reporting period, and in view of the deviation between the current period profitability approved (regulated) by the NERC and the factual profitability, which will be estimated by the NERC at the time of setting the transmission service prices for the upcoming period.

Company	2022 m.	2021 m.
Adjusted EBITA (EUR '000)	35,024	26,412
Adjusted net profit (loss) EUR '000	19,543	16,611
Adjusted average return on equity, %	10,7	10,2

Table 6. Adjusted profitability indicators

## 5.5. Investments

In 2022, the Group's investments decreased by 6% and amounted to EUR 42,960 thousand (2021: EUR 45,745 thousand) as a result of completion of the GIPL project and classification of the payable CBCA contribution (EUR 27,450 thousand) as non-current assets.

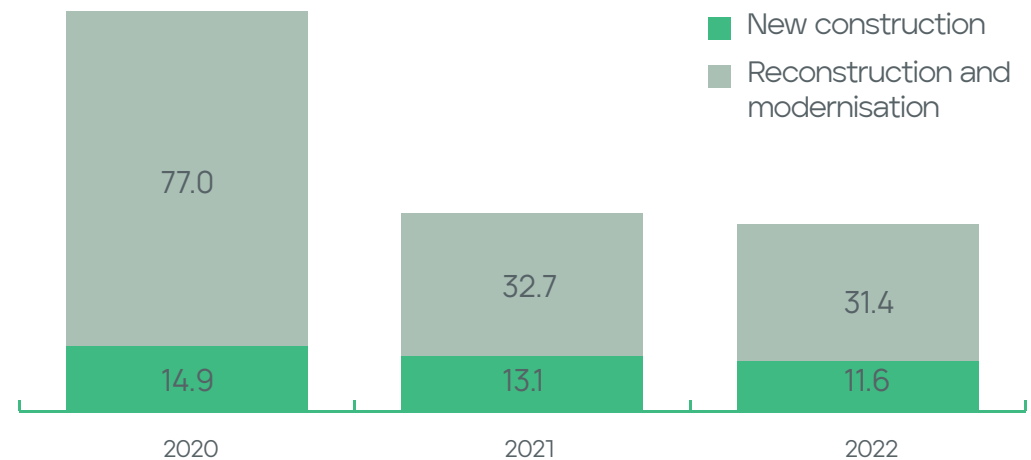


Fig 13. The Group's investment structure, EUR thousand



## 5.6. Assets

As at 31 December 2022, the Group's assets totalled EUR 548,356 thousand: non-current and current assets accounted for 53.3% and 46.7% of total assets, respectively.

In 2022, non-current assets increased by 7.4% and amounted to EUR 292,179 thousand due to the classification of CBCA contribution as non-current assets. As at 31 December 2022, the Group's current assets amounted to EUR 256,177 thousand, i.e. increased by 2.4 times compared to 2021. Such change was mostly driven by increase in amounts receivable and prepayments to exchange participants due to higher natural gas prices.

## 5.7. Equity and liabilities

In 2022, the Group's equity increased by 3.2% and totalled EUR 183,804 thousand at the end of the reporting period. Equity accounted for 33.5% of the Group's total assets at the end of the reporting period.

In 2022, amounts payable and liabilities increased 1.8 times and amounted to EUR 364,552 thousand at the end of the reporting period. Such change was mostly driven by increase in trade payables and advance amounts received from exchange participants due to higher natural gas prices.

As at 31 December 2022, financial debt amounted to EUR 100,692 thousand, i.e. decreased by EUR 3,887 thousand during the reporting period. The financial debt-to-equity ratio was 54.9%.

## 5.8. Cash flows

In 2022, the Group's net cash flows from operating activities amounted to EUR 19,768 thousand (2021: EUR 29,068 thousand). The Group's investments in non-current assets amounted to EUR 14,467 thousand (2021: EUR 48,488 thousand). In 2022, the EU financial support obtained to finance the investment projects amounted to EUR 9,429 thousand (2021: EUR 35,052 thousand).



## 5.9. 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 2022.

## 5.10. 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 2022.

## 5.11. 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 the year 2022.

The Company is 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 on market terms, and whether the transaction is fair from the standpoint of all the shareholders.



Agreement No.	Type of relationship	Name of related party	Details of related party	Agreement effective date	Type	Subject of agreement	Estimated value, excl. VAT	Comments
6-379	SOE	IGNITIS UAB	Entity code 303383884, Laisvės pr. 10, LT-04215 Vilnius	01/01/2022	Other than public procurement contracts	Agreement on operational balancing services for 2022 (purchase/sale of gas by managing the operational balance of the transmission system)	N/A	
6-379	SOE	IGNITIS UAB	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	01/01/2022	Purchase of goods	Natural gas for 2022 (January – April)	2,619,000.00	
22-09661	SOE	Energijos Skirstymo Operatorius AB (ESO AB)	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	25/02/2022	Other than public procurement contracts	Agreement on connection of main gas pipeline Šakiai-Jurbarkas LČ-2, 3A (Papiškių k., Kidulių sen., Šakių r.) to ESO AB electricity network	16,572.00	
22-09561	SOE	Energijos Skirstymo Operatorius AB (ESO AB)	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	25/02/2022	Other than public procurement contracts	Agreement on connection of main gas pipeline Panevėžys-Vilnius branch to Utena GDS ČA-3 (Dembuvkos k., Kurklių sen., Anykščių r.) to ESO AB electricity network	5,571.00	
22-09495	SOE	Energijos Skirstymo Operatorius AB (ESO AB)	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	25/02/2022	Other than public procurement contracts	Agreement on connection of main gas pipeline Panevėžys-Vilnius branch to Utena GDS ČA-2 (Dejūnų k., Kurklių sen., Anykščių r.) to ESO AB electricity network	6,323.00	
2022-113374	EPSO-G Group	TETAS UAB	Entity code 300513148, Senamiesčio g. 102B, LT-35116 Panevėžys	28/02/2022	Property lease contracts	Lease contract for motor vehicles (two Mercedes Benz U4000 vehicles)	19,045.00	
581924/SUT2201	EPSO-G Group	EPSO-G UAB	Entity code 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	17/01/2022	Purchase of services	Provision of services for disclosure of information required by the EU network code on gas balancing of transmission networks	8,400.00	
2022-118134	EPSO-G Group	EPSO-G UAB	Entity code 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	01/03/2022	Financial agreements	Lending and borrowing	20,000,000 / 40,000,000	Maximum lending/borrowing limits before interest on actual amount of loans granted/borrowings

Agreement No.	Type of relationship	Name of related party	Details of related party	Agreement effective date	Type	Subject of agreement	Estimated value, excl. VAT	Comments
2022-SUT-030	EPSO-G Group	EPSO-G UAB	Entity code 302826889, A. Juozapavičiaus g. 13, LT-09311 Vilnius	14/03/2022	Memorandum on cooperation	Memorandum on cooperation in jointly conducted procurements	N/A	
588406	EPSO-G Group	GET BALTIC UAB	Entity code 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	23/02/2022	Purchase of services	Provision of capacity allocation services at interconnection points on natural gas exchange	401,500.00	
40900/ 920966	SOE	Energijos Skirstymo Operatorius AB (ESO AB)	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	01/06/2022	Memorandum on cooperation	Memorandum on cooperation	N/A	
22-28193	SOE	Energijos Skirstymo Operatorius AB (ESO AB)	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	10/05/2022	Other than public procurement contracts	Agreement on connection of LČ-2, 3 (Kadriškių k., Aukštieji Paneriai, Vilniaus m. sav.), interconnection between main gas pipeline Ivacevičiai-Vilnius-Ryga and main gas pipeline Vilnius-Kaunas to ESO AB electricity network	7,267.08	
22-14967	SOE	Energijos Skirstymo Operatorius AB (ESO AB)	Entity code 304151376, Aguonų g. 24, LT-03212 Vilnius	10/05/2022	Other than public procurement contracts	Agreement on connection of main gas pipeline Pabradė-Visaginas ČA-9 (Magunkų k., Rimšės sen., Ignalinos r.) to ESO AB electricity network	3,891.51	
CPO211107	SOE	IGNITIS UAB	Entity code 303383884, Laisvės pr. 10, LT-04215 Vilnius	01/06/2022	Purchase of goods	(VPP-2437) electricity	648,000.00	
440222/ TV-SUT- 19-787	SOE	Transporto Valdymas UAB	Entity code 303383884, Laisvės pr. 10, LT-04215 Vilnius	01/05/2022	Property lease/purchase/-sale contracts	Additional arrangement No 3 on lease contract of motor vehicles	N/A	
	EPSO-G Group	GET BALTIC UAB	Entity code 302861178, Geležinio vilko g. 18A, LT-08104 Vilnius	07/03/2022	Non-disclosure agreement	Non-disclosure agreement	N/A	
593454	SOE	PROJEKTŲ EKSPERTIZĖ UAB	Entity code 120091161, A. Vienuolio g. 6-11, Vilnius	20/04/2022	Purchase of services	Provision of services for expert examination of phase II technical project for individual sections of the main gas pipeline (VPP2733)	10,367.00	

Table 6. Amber Grid related-party transactions, 2022

## 5.12. Information on material ownership interests held directly and indirectly

As at 31 December 2022, 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.

## 5.13. Disclosures under the eu taxonomy regulation (EU) 2020/852

Based on point © of part 2 of Article 1 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of the framework to facilitate sustainable investment, the Regulation applies to 'undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive 2013/34/EU of the European Parliament and of the Council (68), respectively'.

It is important to note that Amber Grid is not subject to the obligation to publish a non-financial statement or a consolidated non-financial statement, as set forth in the above-mentioned Directive, in view of the fact that the Company's average annual number of employees on payroll during the reporting financial year did not exceed 500 as at the year-end date.

Amber Grid, however, is a part of the EPSO-G Group that is subject to the requirements set forth in the above-mentioned Directive. Accordingly, all disclosures under the EU Taxonomy Regulation in relation to Amber Grid operations are presented in the audited EPSO-G consolidated and the company's annual report.





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## 6. Risks and risk management



# 6.1. Risks and risk management

## 1. Risk management policy

Risk is understood at the Company as a structured approach towards management of uncertainties through the methodical assessment of risk impact and probability, and through the implementation of appropriate risk management measures.

In 2022, the Company followed EPSO-G Group’s risk management policy and risk management approach approved by the Board. These two documents help ensure that the Company has a risk management system in place that meets the best practice and follows the internationally accepted COSO ERM framework.

The risk management policy is available to public on EPSO-G UAB official website at <https://www.epsog.lt/lt/apie-mus/veiklos-politikos/riziku-valdymas>.

The Company has adopted the following risk management process:

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.

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.

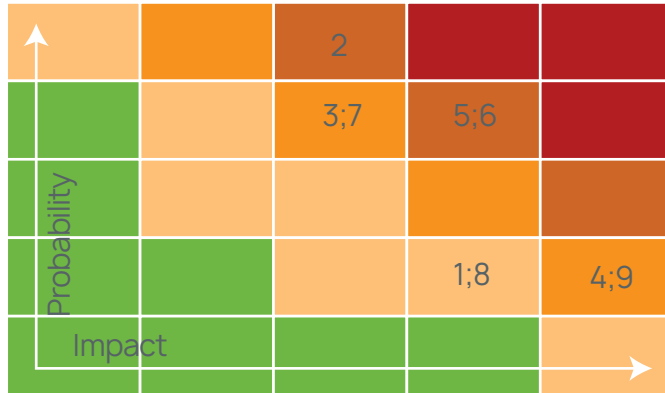
V. Monitoring. This process involves periodic monitoring of risks and of implementation of the risk management measures, which includes assessment of changes in risk level, the progress achieved with the implementation of risk management measures, and their effectiveness. The risk owners and the employees

responsible for implementation of risk management measures regularly report the monitoring results to EPSO-G and 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 among the risk owners, risk management unit, EPSO-G, CEO and collegial bodies of the Company is fundamental for an effective risk management process. Effective communication requires ensuring that the relevant information is communicated to the responsible employees on a timely basis.



## 2. Key risks and their management



The Company is exposed to the following key risks:

1. 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 agrees on 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.

2. Business transparency risk (failure to ensure competitive public procurement processes). 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.

With effect from 2021, the Company introduced 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.

3. 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 December 2022 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 management personnel.

4. 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. In 2022, the Company updated the assessment of occupational safety risk, and continuously monitored the implementation and compliance with the occupational safety requirements.

In order to manage the risk during the reporting period, the Company assessed the psychosocial and ergonomic risk factors affecting the employees, and performed continuous structured internal control at all levels. 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 November 2022, the Company obtained third re-certification to ISO 14001 and ISO 45001 standards. The Company had a certification 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 2022, the Company together with other Group companies started implementing the information system for occupational safety and health.

During 2022, no employees experienced any fatal or serious accidents either at the Company or its contractors.

1. 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/tests were held to assess resilience of employees to social engineering methods. Following the external audit in February 2022, the Company's information security management system was certified in full compliance to DIN EN ISO/IEC 27001:2017 standard (compliance to ISO/IEC 27001:2013 standard (including Cor 1:2014 and Cor 2:2015)). The cyber security team participated in the training exercise "Cyber Shield 2022" organised by the National Cyber Security Centre under the Ministry of National Defence.

2. 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. Based on the contracts with contractors/suppliers, the Company carried out continuous communication with the contractors, monitored the progress and quality of work, and ensured timely supply of materials and completion of work in line with the approved work fulfilment timetables.

3. 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 2023 by timely elimination of critical defects detected 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, further steps are being taken in relation to implementation of legislative initiative for differentiation of pipelines by pressure, where, based on a study, adjustments are made to the draft versions of the Regulations for Construction and Development of the Main Gas Pipeline and other related legal acts.

4. 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 October 2022. 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 March 2022, EPSO-G and the Company signed a new cashpool agreement.

5. Risk of decrease in domestic gas consumption caused by competition with other types of fuel. During 2022, 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 for the purpose of 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



### 3. COVID-19 risk management

The following business continuity and preventive measures were reviewed and implemented during 2022:

- appointment of employees responsible for monitoring of and reporting the situation;
- ensuring a possibility for employees with cold or other virus illness symptoms or who had contact with infected persons to work remotely, take holiday or a temporary leave, as set forth in a collective agreement;
- use of remote work organisation measures;
- transition to a hybrid work mode as a result of mitigation of infection risk and cancellation of a nation-wide emergency situation;
- sharing of information on preventive measures with employees;
- provision of employees with personal protection equipment;
- disinfection of premises;
- installation of stationary or mobile UV lamps for air disinfection at premises with a larger number of employees and/or visitors.



#### 4. Transition and physical risks caused by climate change

A more stringent EU regulation aimed at accelerating reduction of the GHG emissions, introduction of the Taxonomy Regulation requirements, and the rising prices of emission allowances might have financial and reputational effects on the Company. The EU Green Deal may cause the gas activities to become less attractive for the investors, which in turn may hamper the Company's efforts to attract funding necessary for ensuring business continuity. At the same time, the increasing annual temperature caused by climate change may result in lower volume of transmitted natural gas, thereby adversely affecting the Company's revenue. In order to mitigate those risks, the Company is implementing its plan of measures for reduction of the GHG emissions, and is looking into possibilities for diversifying its activities; connection of biomethane and green hydrogen producers to the gas transmission system, exploration of the current system capabilities to interact in the environment of natural gas and hydrogen gas, preparation for the implementation of the pilot Power-to-Gas project, development of professional competences of its specialists in the field of hydrogen integration. The Company has set a strategic goal to adapt its gas transmission system to transporting hydrogen by the year 2030.

#### 5. 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.





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## 7. Governance code



## 7.1. Information on compliance with the corporate governance code

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

## 7.2. Share capital

The Company's authorised share capital amounts to EUR 51,730,929.06 It is divided into 178,382,514 ordinary registered shares with par value of EUR 0.29 each. An ordinary registered share with par value of EUR 0.29 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 2022. 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.

## 7.3. Shares and shareholder rights

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

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 2022, the Company held no own shares and had no transactions relating to acquisition or disposal of its own shares.



## 7.4. Shareholders

As at 31 December 2022, Amber Grid had over 2,400 shareholders (Lithuanian and foreign natural and legal persons), whereof 1 (one) shareholder held more than 5% of the Company's shares.

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

Table 7. Shareholders of the Company

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

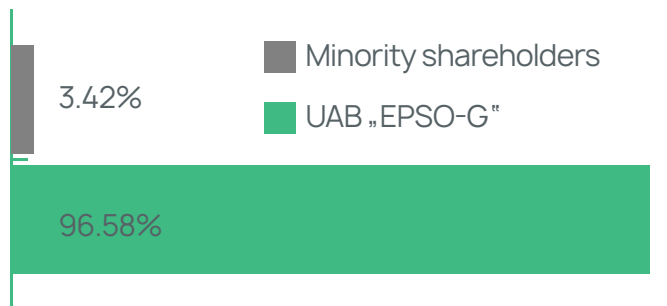


Fig. 14. Shareholder structure as at 31 December 2022

## 7.5. Details of trading in securities on regulated markets

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

### Basic details of Amber Grid's shares

ISIN code	LT0000128696
LEI code	097900BGMP0000061061
Ticker	AMG1L
Shares in issue (number of shares)	178.382.514

Table 8. Basic details of Amber Grid's shares

In 2022, the trading turnover in the Company's shares was EUR 0.4 million (2021: EUR 0.74 million), with the total of 338,463 shares (2021: 648,560 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 2022 are provided in Fig. 16.

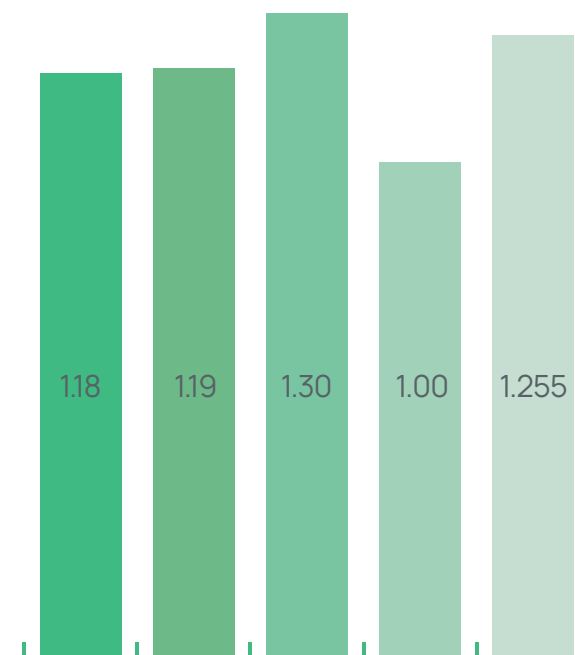


Fig. 15. Share price dynamics at NASDAQ Vilnius, 2022

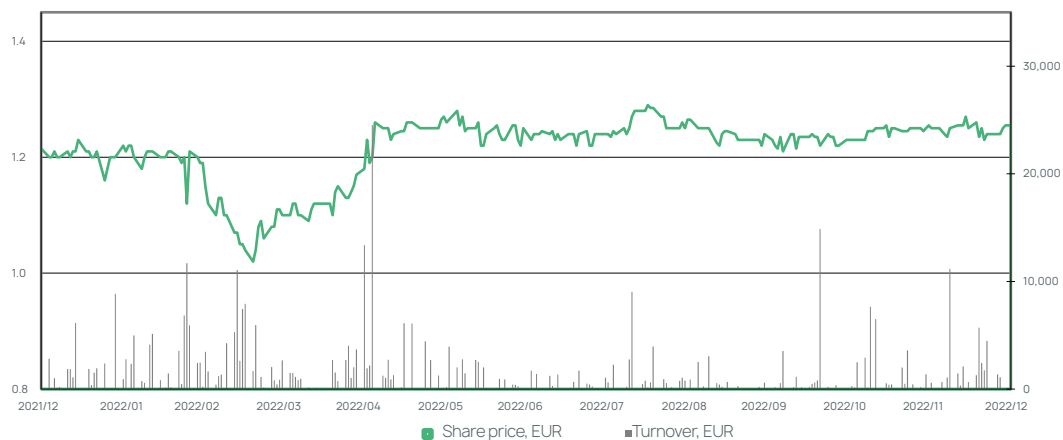


Fig. 16. Amber Grid's share price and turnover, 2022

As at 31 December 2022, Amber Grid's market capitalisation reached EUR 223.87 million. The quoted price per share and the market capitalisation increased by 2.87% in 2022.

## 7.6. Dividends

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

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

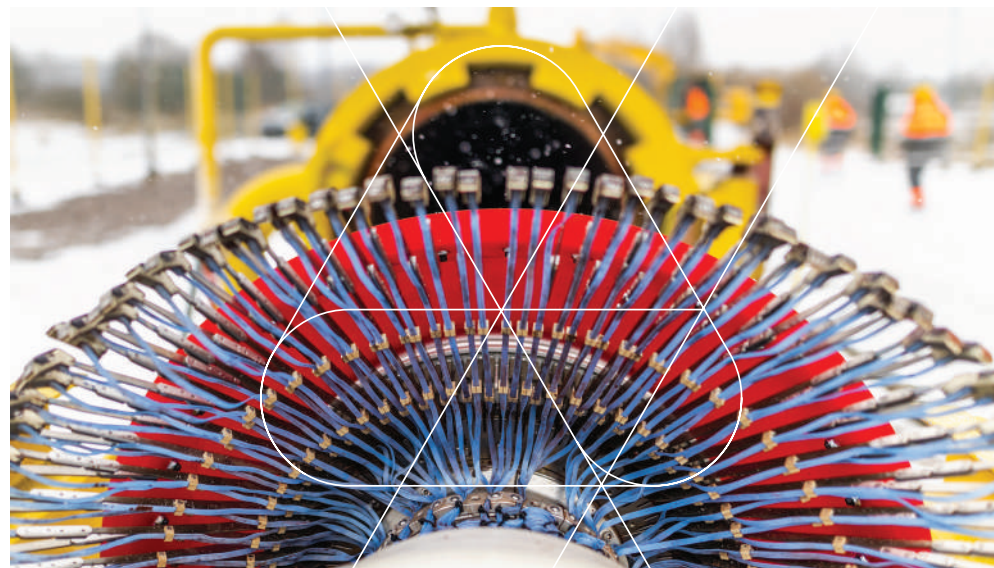
On 20 April 2022, the Ordinary General Meeting of Shareholders made the decision

to pay out dividends in total amount of EUR 9.9 million or EUR 0.0555 per share.

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.

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 a higher 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).



## 7.7. 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.

### AB SEB Bank's requisite details

Entity code	112021238
Registered office address	Konstitucijos pr. 24, LT-08105 Vilnius, Lithuania
Phone	+370 5 268 2800
Email	mailto:info@seb.ltinfo@seb.lt
Official website	www.seb.lt

Table 9. Bank's requisite details

## 7.8. 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 <https://www.ambergrid.lt/en/us/for-investors/information-for-investors/668>.

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 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):

1. approval of the Board's decisions as set forth in Article 38<sup>3</sup> 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;
2. 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;
3. 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<sup>4</sup> of the Articles of Association.

<sup>3</sup>38. The following decisions of the Board shall be subject to approval by the Meeting: 38.1. on the transfer, pledge or other encumbrance of the shares (ownership interest, member contributions) held by the Company or the rights carried by such shares (ownership interest, member contributions) or any other rights of a member of a legal entity; 38.2. on the transfer of a complex of assets or a substantial part thereof owned by the Company's controlled entities and/or associates, if the carrying amount of the assets transferred exceeds 1/50 of the share capital of the Company; 38.3. on the transfer, pledge, change of a legal status, any other encumbrance or disposition of the Company's assets included in the List of Facilities and Assets of Special Strategic Importance for Ensuring National Security, as stipulated in the Law on Protection of Objects of Importance for Ensuring National Security of the Republic of Lithuania, if the value of the above-referred assets exceeds 1/50 of the share capital of the Company; 38.4. on the transfer, other disposition or encumbrance of the shares and the rights carried by the shares held in directly or indirectly controlled entities that are the owners of and that develop, operate, use or otherwise have the disposition of the assets referred to herein in subparagraph (iii), on the increase, reduction of the share capital of such entities or on any other actions that may lead to changes in the share capital structure of such entities (e.g., issuance of convertible debentures), and on the reorganisation, spinoff, restructuring, liquidation, rearrangement of the entities referred to herein, or on any other actions that lead to changes in a legal status of the entities referred to herein; 38.5. on the investment, transfer, lease (estimated individually for each type of transaction), pledge or mortgage (estimated as a total amount of transactions) of the Company's assets with the carrying amount exceeding 1/5 of the share capital of the Company; 38.6. on any transactions that involve arrangements on payment of penalties with the total amount exceeding 1/5 of the share capital of the Company; 38.7. on offering of surety or guarantee for the discharge of obligations of third parties, the amount whereof exceeds 1/5 of the share capital of the Company; 38.8. on the acquisition of assets for the price exceeding 1/5 of the share capital of the Company; 38.9. on the submission of the Company's projects for recognising them as the projects of special national importance and/or projects important to the State, as defined in the legal acts.

<sup>4</sup>A member of the Board shall neither refuse to vote nor abstain, except for the cases specified by laws and these Articles of Association. If a member of the Board takes part (votes, participates in discussions, etc.) in a decision-making process, which is (directly or indirectly) related to personal interests of the respective member of the Board, the respective member of the Board shall immediately refrain from any actions pertaining to fulfilment of his functions, and shall notify the Board of the existing conflict of interests. The Board shall decide on the suspension of the member of the Board from voting at the time of making a decision on the specific matter, and when the Board is unable to decide as none of the Board members are able to vote on the specific matter due to a conflict of interests, the respective decision on the suspension of Board members shall be made by the Meeting.

## The Board

The Articles of Association of Amber Grid stipulate that the Board consists of five members appointed by the General Meeting of Shareholders for the term of office of four years, 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.

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

Full name	Job position	Term of office	Job positions held elsewhere	Share-holding in Amber Grid	Qualification
Dalius Svetulevičius	Chairman of the Board	Board member since 20/04/2020 (elected on 20/04/2022) – Chairman of the Board elected since 22/11/2022	EPSO-G UAB, Technical Manager	None	Kaunas University of Technology, Bachelor in Electrical Engineering; Master in Measurement Engineering; Vilnius University, Master in Management and Business Administration
Karolis Švaikauskas	Board member	Since 20/04/2020 (elected on 20/04/2022)	Head of the Group for Competition in Energy Sector, Ministry of Energy	None	Vytautas Magnus University, Bachelor in History, Master in Political Science and Baltic Studies; Humboldt University of Berlin, Scandinavian and North European Studies
Ignas Degutis	Independent Board member	Since 20/04/2020	CFO, 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	Council member, the Faculty of Economics and Business Administration, Vilnius University	None	Vilnius University, Master in Business Management and Administration; ESMT European School of Management and Technology, Berlin, Post-graduate Studies
Vytautas Bitinas	Chairman of the Board	From 20/04/2020 to 17/11/2022	Director for Strategy and Development, EPSO-G UAB	None	Kaunas University of Technology, Master in Computer Sciences; Baltic Institute of Corporate Governance, Professional Board Member
Algirdas Juozaponis	Chairman of the Board	From 20/04/2020 to 20/04/2022	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	From 20/04/2020 to 20/04/2022	Legal and Corporate Governance Director, EPSO-G UAB	None	Vilnius University, Legal Faculty, Majoring in Commercial Law, Master of Law; Baltic Institute of Corporate Governance, Professional Board Member; Lawyer's Certificate
Nemunas Biknius	CEO	Since 08/04/202	Chairman of Supervisory Council, Klaipėda State Seaport Authority	0.001505% shareholding 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	-

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



Overall, 24 Board meetings were held during 2022.

 Present

 Absent





















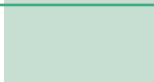
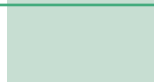
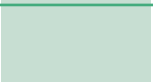
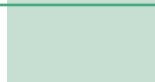
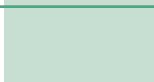
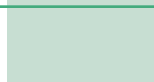
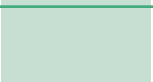
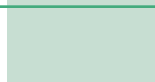

















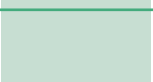
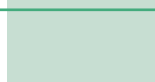
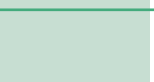
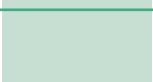
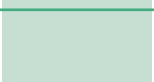
No.	Meeting date	Algirdas Juozaponis	Renata Damanskytė-Rekašienė	Sigitas Žutautas	Ignas Degutis	Vytautas Bitinas	Dalius Svetulevičius	Karolis Švaikauskas
1.	10 January					Not elected	Not elected	Not elected
2.	26 January					Not elected	Not elected	Not elected
3.	28 January					Not elected	Not elected	Not elected
4.	22 February					Not elected	Not elected	Not elected
5.	1 March					Not elected	Not elected	Not elected
6.	15 March					Not elected	Not elected	Not elected
7.	15 March (extra-ordinary)					Not elected	Not elected	Not elected
8.	21 March					Not elected	Not elected	Not elected
9.	24 March					Not elected	Not elected	Not elected
10.	19 April					Not elected	Not elected	Not elected
11.	27 April	Recalled from office	Recalled from office					
12.	20 May	Recalled from office	Recalled from office					

Table 11. Statistics of attendance at the Board meetings of Amber Grid

Nr.	Posėdžio data	Algirdas Juozaponis	Renata Damanskytė-Rekašienė	Sigitas Žutautas	Ignas Degutis	Vytautas Bitinas	Dalius Svetulevičius	Karolis Švaikauskas
1.	1 June	Recalled from office	Recalled from office					
2.	21 June	Recalled from office	Recalled from office					
3.	1 July	Recalled from office	Recalled from office					
4.	26 July	Recalled from office	Recalled from office					
5.	16 July	Recalled from office	Recalled from office					
6.	1 September	Recalled from office	Recalled from office					
7.	20 September	Recalled from office	Recalled from office					
8.	18 October	Recalled from office	Recalled from office					
9.	25 October	Recalled from office	Recalled from office					
10.	22 November	Recalled from office	Recalled from office			Resigned		
11.	29 November	Recalled from office	Recalled from office			Resigned		
12.	13 December	Recalled from office	Recalled from office			Resigned		

### Decisions adopted by the Board during 2022:

10 January. Approval of Amber Grid AB Strategy for 2021-2030 and Action Plan for 2022-2024.

26 January. Approval of Amber Grid AB CEO's goals for 2022, goal weighting and performance measurement indicators. Joining the updated procurement policy, sustainability policy

and equal opportunities policy of the EPSO-G UAB Group.

28 January. Announcement of selection of the strategic partner for subsidiary Gas Exchange UAB, who would be offered to acquire a stake in the company.

22 February. Approval of the essential terms and conditions of cashpool agreement between Amber Grid AB and EPSO-G UAB. Approval of the essential terms and conditions of lease contract for special purpose motor vehicles. Approval of signing the purchase/sale agreement for natural gas, and the essential terms and conditions thereof.

1 March. Recommendation to subsidiary GET Baltic UAB to enter into cashpool agreement with EPSO-G UAB.

15 March. Approval of assessment of Amber Grid AB CEO's performance in respect of goals set for 2021.

21 March. Approval of incentive payments to Amber Grid AB employees for successful implementation of GIPL project. Approval of updated report on implementation of Amber Grid AB Strategy for 2021-2030 for the year 2021. Joining the updated corruption prevention policy of the EPSO-G UAB Group. Adoption of decision to vote at GET Baltic UAB Ordinary General Meeting of Shareholders (held on 23 March 2022) regarding the approval of audited set of financial statements of GET Baltic UAB for the year 2021, and regarding the approval



of proposed profit appropriation of GET Baltic UAB for the year 2021.

24 March. Approval of Amber Grid AB Annual Report for 2021 and Amber Grid AB Remuneration Report for 2021, which is a part of Amber Grid AB Annual Report for 2021. Approval of Amber Grid AB separate and consolidated financial statements for 2021. Approval of Amber Grid AB proposed profit appropriation for 2021, and adoption of decision to submit it for approval to the General Meeting of Shareholders. Calling of Ordinary General Meeting of Shareholders of Amber Grid AB on 20 April 2022.

19 April. Approval of CEO's one-off annual variable pay for 2021, based on the assessment of CEO's performance in respect of goals set by the Board of Amber Grid AB, and in respect of demonstration of values and leadership.

27 April. Election of Vytautas Bitinas to the position of the Chairman of the Board of the Company. Approval of

entering into contract for reconstruction of the Kėdaiiai gas distribution station, and the essential terms and conditions thereof. Approval of entering into 4 contracts for replacement of shut-off devices (14 pcs.) and installation of remote control system (SCADA), and the essential terms and conditions thereof. Approval of entering into framework contracts in relation to procurement of Services of Internal Diagnostics of the Main Gas Pipelines, and the essential terms and conditions thereof. Approval of Amber Grid AB's membership in the European Association of Issuing Bodies (AIB).

20 May. Setting of tariffs for natural gas transmission services effective from 1 January 2023.

1 June. Calling of Amber Grid AB Extraordinary General Meeting of Shareholders on 23 June 2022. Approval of provision of financial support to public undertakings Vilnius Gediminas Technical University and Panevėžys College. Approval of decision to treat the job positions in the area of cybersecurity (manager and specialist of cybersecurity) as equivalent to IT specialists.

21 June. Approval of amendment to the essential terms and conditions of the procurement contract in relation to the investment project Implementation of remote control of gas transmission system (Replacement of shut-off devices and connection to the remote control system SCADA).

1 July. Approval of Amber Grid AB Ten-Year Plan (2022-2031) for the development of natural gas transmission network.

26 July. Joining the updated policy for support from the EPSO-G UAB Group. Approval of amendments to the essential terms and conditions of the construction contract in relation to the investment project Capacity enhancement of Latvia-Lithuania interconnection (ELLI). Approval of amendments to the essential terms and conditions of the construction contract in relation

to the investment project Installation of launching and receiving chambers for the monitoring device and installation of remote control of gas transmission system (phase II). Approval of the newly revised version of Amber Grid AB's Rules for Access to the Natural Gas Transmission System.

16 August. Approval of amendments to the essential terms and conditions of the contracts for reconstruction of the Šiauliai gas distribution and for reconstruction of the Telšiai gas distribution station.

1 September. Approval of the essential preconditions for sale of stake in GET Baltic UAB by entering into share purchase/sale agreement.

20 September. Approval of entering into transactions in relation to the project Reconstruction of separate sections of the main gas pipeline Vilnius-Kaunas, approval of the essential terms and conditions of the contracts and calling of the Extraordinary General Meeting of Shareholders. Approval of entering into transactions in relation to reconstruction of separate sections of the main gas pipeline and approval of the essential terms and conditions thereof. Approval of amendments to the essential terms and conditions of the construction contracts in relation to the investment project Modernisation of the Šiauliai gas distribution station, the Telšiai gas distribution station, and the Mažeikiai gas metering station. Joining of the updated project management policy and recruitment policy of EPSO-G UAB.

18 October. Approval of provision of support (equipment) for public undertaking Blue/Yellow.

25 October. Approval of the updated draft version of Amber Grid AB Strategy 2030 and its submission to public undertaking Governance Coordination Centre. Joining the updated remuneration, performance

appraisal and training policy and equal opportunities policy of the EPSO-G UAB Group.

22 November. Election of Dalius Svetulevičius to the position of the Chairman of the Board of the Company. Joining the updated personal data policy and treasury management and financial risk management policy of the EPSO-G UAB Group. Approval of the Company's salary ranges for the year 2023.

29 November. Calling of the Extraordinary General Meeting of Shareholders in relation to determining the amounts of remuneration for Amber Grid AB Board members and approval of the Board's budget for 2023 and beyond.

13 December. Approval of Amber Grid AB plan for risk management measures in 2023. Joining the Supplier Code of Conduct of the EPSO-G UAB Group. Approval of entering into reconstruction contract for replacement of shut-off devices of the main gas pipeline and connection to the remote control system SCADA, and approval of the essential terms and conditions thereof. Approval of transfer of tax losses for 2019 to related party EPSO-G UAB and the essential terms and conditions of the transaction. Approval of compensation of expenses incurred by GET Baltic UAB and the essential terms and conditions of the transaction. Approval of Amber Grid AB Board meeting calendar and action plan for 2023.

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

- organize strategic sessions of EPSO-G group companies, focusing on strategic planning and discussion of shareholder expectations;
- to organize meetings of the new tenure of the

- EPSO-G Board and the Group's management bodies, Group committees (during the first half of 2023 after the appointment of the new EPSO-G Board).

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 committees acting jointly within the EPSO-G Group:

- Remuneration and Nomination Committee
- Audit Committee
- Innovation and Development Committee (active until 1 December 2022)

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

To ensure transparency and efficiency of its operations, the 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 years ended 31 December 2020 and 2021 was EUR 50.5 thousand.

The audit of financial statements for the year 2022 will also be performed by PricewaterhouseCoopers UAB. It was approved by Amber Grid AB General Meeting of Shareholders held on 23 June 2022. The fee for the services will not exceed EUR 50.5 thousand.

#### Remuneration management

On 31 March 2021, Amber Grid joined the remuneration, performance appraisal and training policy of the EPSO-G Group (the "Remuneration Policy") that applies to all employees of the Company and is made available to public on its 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 payroll costs, and at the same time to motivate employees with incentives encouraging them to contribute to the implementation of the Company's mission, vision, values, and goals.

Remuneration of the 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 demonstration of exceptional perfor-

mance and innovation-driven approach; additional benefits; non-financial benefits.

#### Remuneration components

The fixed pay (FP) component is the largest and most important part of monetary remuneration, the amount of which depends on the job level determined for each job position using the methodology that is applied in a global practice. The FP is determined within the range set for each job level, 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 Company's CEO is set by the Company's Board, and for the rest of employees - by the Company's CEO. The maximum VP for the Company's CEO, top-level management is 30%, and the maximum VP for the middle- and first-level management, 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 management personnel and specialists on a yearly basis after the approval of the Company's audited financial results by the Board and by the decision of the General Meeting of Shareholders. The VP is payable to workers on a quarterly basis.

With effect from 25 October 2022, Amber Grid joined the updated remuneration, performance appraisal and training policy of the EPSO-G Group (the "Remuneration Policy") that applies to all employees of the Company as from 1 January 2023 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.

Based on the updated Remuneration Policy, the remuneration system of the EPSO-G Group employees has the following components: (i) monthly pay; (ii) extra pay as defined in the Labour Code of the Republic of Lithuania, the Company's internal regulations and the collective agreements; (iii) financial incentives; (iv) project incentives; (v) one-off bonuses for exceptional performance and innovation-driven approach; (vi) additional benefits; (vii) non-financial benefits.

A one-off bonus for exceptional performance may be payable by the decision of the Company's CEO. For the purpose of maintaining continuous progress, different incentives may be payable to encourage innovation initiatives across the EPSO-G UAB Group. Such incentives may be payable for innovation-driven approach and creativity of employees as they present their innovative ideas.

Amber Grid's average pay by category of employees in 2022:

Pareigybių grupės	Grupė		Bendrovė	
	2022	2021	2022	2021
CEO	10.715	10.012	13.264	12.290
Top level managers	8.345	7.473	8.432	3.961
Middle and first-level managers	4.518	3.933	4.534	3.961
Experts-specialists	2.789	2.427	2.790	2.424
Workers	1.639	1.495	1.639	1.495
<b>Total</b>	<b>2.786</b>	<b>2.437</b>	<b>2.743</b>	<b>2.400</b>

Average monthly pay in Amber Grid, 2022

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 (the updated policy was approved by the decision of the Company's General Meeting of Shareholders on 23 June 2022)<sup>6</sup>, the purpose of which is to set general, clear and transparent principles for monetary remuneration of the Company's CEO and Board members for the fulfilment of their functions, as well as the 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 promote their contribution 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 the Guidelines for Determining the Remuneration for Fulfilment of Functions in the Bodies of EPSO-G UAB and the EPSO-G UAB Group, 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 to join the Company's management.

Remuneration for the functions fulfilled in the Company's Board may be payable only to those Board members of the Company who meet the criteria set forth in the effective legal acts of the Republic of Lithuania and the Guidelines for Determining the Remuneration for Fulfilment of Functions in the Bodies of EPSO-G UAB and the EPSO-G UAB Group.

Until 23 June 2022, a fixed monthly pay (gross) was payable to the Company's Board members (a higher amount was payable depending on the below-described circumstances):

1. EUR 1,750 payable to the Board members who are also members of at least one board committee formed within the EPSO-G Group;
2. EUR 1,400 payable to the Board members who are not members of any board committees formed within the EPSO-G Group;
3. EUR 2,150 payable to the chairperson of the Board in view of additional administrative functions undertaken by the chairperson, who is also member of at least one board committee formed within the EPSO-G Group; and to the chairperson of the Board who is also board member within EPSO-G Group;
4. EUR 1,800 payable to the chairperson of the Board for additional administrative functions undertaken by the chairperson, who is not member of any board committees formed within the EPSO-G Group.

Based on the decision of the Company's General Meeting of Shareholders held on 23 June 2022, the following fixed monthly pay rates (gross) were introduced for the Company's Board members with effect from 1 April 2022, based on the criteria set forth in the Guidelines for Determining the Remuneration for Fulfilment of Functions in the Bodies of EPSO-G UAB and the EPSO-G UAB Group (a higher amount is payable depending on the below-described circumstances):

1. EUR 1,400 – payable to the Company's Board member;
2. EUR 1,800 – payable to the chairperson of the Board;
3. EUR 2,400 – payable to the Company's Board member who is also member of the Innovation and Development Committee (IDC) of the EPSO-G UAB Group;

<sup>6</sup>The Policy is available on the Company's official website at [www.ambergrid.lt](http://www.ambergrid.lt)

- EUR 2,800 – payable to the Company’s Board member who is also chairperson of the IDC;
- EUR 2,800 – payable to the chairperson of the Board who is also member of the IDC;
- EUR 3,200 – payable to the chairperson of the Board who is also chairperson of the IDC.

Based on the above-mentioned decision adopted by the Company’s General Meeting of Shareholders, the annual remuneration budget of EUR 51,600 was set for the year 2022 for the remuneration of the Board members and for additional costs related to fulfilment of their functions at the Board.

Based on the decision adopted by the Company’s General Meeting of Shareholders held on 22 December 2022, the following monthly fixed pay rates (gross) were introduced for the Company’s Board members with effect from the date of decision of the General Meeting of Shareholders:

- EUR 4,097 – payable to the chairperson (independent) of the Board;
- EUR 3,073 – payable to the Board member (independent);
- EUR 2,458 – payable to the Board member (civil servant), in case the civil

- servant does not hold a position or does not fulfil functions in a collegial body of another state-owned enterprise and/or municipality-owned enterprise;
- EUR 1,536 payable to the Board member (civil servant), in case the civil servant holds a position or fulfils functions in a collegial body of another state-owned enterprise and/or municipality-owned enterprise.

The tables below present information on remuneration of the members of the management bodies, and annual changes in the remuneration amounts:

Job position	Full name	Date of appointment	Date of removal from office	Gross work pay (EUR)				
				2018	2019	2020	2021	2022
CEO	Saulius Bilyš	June 2013	October 2019	119,392	203,391	-	-	-
CEO	Nemunas Biknius	October 2019	-	-	20,075	117,192	148,586	159,410

Table. Remuneration of the Company’s CEO



Job position	Full name	Work pay of Board members (EUR)				
		2018	2019	2020	2021	2022
Board member	Renata Damanskytė - Rekašienė	-	-	-	-	-
Board member	Algirdas Juozaponis	-	-	-	-	-
Board member	Rimvydas Štilinis	-	-	-	-	-
Independent Board member	Ignas Degutis	-	-	11,713	16,800	17,278
Independent Board member	Sigitas Žutautas	3,850	14,125	21,000	30,535	30,078
Independent Board member	Nerijus Datkūnas	11,575	12,305	5,133	-	-
Board member	Karolis Švaikauskas	-	-	-	-	439

Table. Remuneration of the Company's Board members







Amber  
Grid

8. Sustainability report  
(disclosure of non-  
financial information)



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## 8.1. About the sustainability report

This AB Amber Grid Sustainability Report of 2022 was prepared in accordance with the GRI Core of the Global Reporting Initiative (GRI). Information is disclosed on a materiality basis; it reflects the Company's progress in implementing the United Nations Global Compact (UNGC) and the Company's contribution to the United Nations' sustainable development goals (SDGs). This report meets the requirements for social responsibility reports as stipulated by Lithuanian legislation. The report takes into account Nasdaq's Environmental, Social and Governance (ESG) Reporting Guidelines and other guidelines. The following information covers the period from 1 January 2022 to 31 December 2022 and forms part of Amber Grid's consolidated annual report for 2022. The sustainability report should be read in conjunction with the consolidated annual report of the company.

The content of the report includes the most recent information available at the time of its publication, but the report has not been formally audited. The previous sustainability report and other information on the company's sustainability management and activities are available on the company's website.

If you have any questions about the content of the sustainability report or the company's sustainability activities, please send an email to [r.kazlauskine@ambergrid.lt](mailto:r.kazlauskine@ambergrid.lt).



## 8.2. Sustainable performance management, principles and priorities

Sustainability is at the heart of the Company’s strategy and strategic plan. The Company is committed to implementing its strategic activities along the following sustainability lines:

### Sustainability lines:



#### Environmental area

Enabling climate-neutral energy by reducing the environmental impact of activities



#### Social area

Building a progressive organisation in compliance with sustainability principles



#### Governance area

Managing and developing the energy exchange platform transparently and efficiently

The Company also aims to contribute directly to the implementation of the United Nations’ sustainable development goals by focusing on ensuring access to clean and modern energy, combating climate change, developing modern infrastructure and innovation, safe and appropriate working conditions, employee well-being, and a sustainable supply chain.

EPSO-G contributes to each of the United Nations’ sustainable development goals through:

#### Objective 7. Affordable and clean energy:

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

#### Objective 8. Decent work and economic growth:

- We take a proactive approach to employee health and safety.
- We are building an organisational culture based on respect for human rights.
- We invest in the professional and personal development of our employees.
- We ensure clear and transparent principles for employee remuneration.
- We support voluntary unionisation.

#### Objective 9. Industry, innovation, and infrastructure:

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

#### Objective 12. Responsible consumption and production:

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

#### Objective 13. Combating climate change:

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

#### Key Long-Term Objectives of the Company

Amber Grid’s sustainability objective is to transform the energy sector by striking a sustainable balance between environmental, social, and economic objectives, thereby contributing to the creation of a climate-neutral economy.



Line	Goal	2022	2021	Sustainability lines of the UN sustainable development goals
Environmental area				
Enabling climate-neutral energy by reducing the environmental impact of activities	By 2030, the negative environmental impact of activities will be reduced by 2/3 (66%) compared to 2019	-47.70%.	-12.77	
	0 significant environmental incidents in operations	0	0	Objective 7. Affordable and clean energy
	By 2030, hydrogen transport options will have been developed in line with new national and cross-border standards.	A study on Lithuania's hydrogen sector roadmap and implementation plan was conducted. A study on the adaptation of gas transmission infrastructure to transport the methane/hydrogen blend was launched in cooperation with transmission operators in neighbouring countries.	A feasibility study on hydrogen development was launched.	Objective 13. Combating climate change
	The amount of RES gas entering the gas system (with guarantees of origin) in 2030 will comprise 0.95 TWh.	Import of biomethane from the Netherlands to Lithuania with guarantees of origin was launched. A total of 4.5 GWh of biomethane was imported.	A system of guarantees of origin of biomethane was launched, but no biomethane entered the system in 2021.	
Social area				
Building a progressive organisation in compliance with sustainability principles	0 cases of human rights violations or discrimination	0	0	Objective 8. Appropriate work and economic growth
	0 serious or fatal accidents	0	0	
	Customer satisfaction (GCSI) at least 70%	82%	83%	

Line	Goal	2022	2021	Sustainability lines of the UN sustainable development goals
Governance area				
Managing and developing the energy exchange platform transparently and efficiently	We will ensure 0 cases of corruption	0	0	Objective 9. Industry, innovation, and infrastructure
	We will strive for an A+ Good Governance Index of the GCC	A+	A	
	100% green procurement by 2030	50%	10%	
	Reliable and secure operation of gas transmission systems	The proportion of removed critical gas leaks in the number of identified critical gas leaks 0	The proportion of removed critical gas leaks in the number of identified critical gas leaks 0	Objective 12. Responsible consumption and production
	Sustainability criteria integrated into the requirements for contracting companies	More than 50% of the Company's procurements (by value) were green. The target for 2023 is that 100% of the Company's public procurements by value should be green.	More than 10% of green procurements of the procurement value of the public procurements that took place	
	Company structures and incentive systems adapted to promote innovation	The Company proposed 26 innovative ideas, 24 of which have been turned into projects or tasks to be implemented by 2025. In total, the Company allocated over EUR 800,000 to innovation development in 2022.	The Company has approved 16 innovative projects to be implemented by 2025.	

Table 17. "Amber Grid" sSustainability objectives and result

## Sustainability and risk management

The company has integrated sustainability principles into its business processes, and the management of sustainability domains by competency covers all levels.

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

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

The Group Sustainability Development Manager is responsible for monitoring and coordinating the achievement of the Group's sustainability objectives. Meanwhile, within the company, the relevant environmental, social and governance objectives are delegated to the different functional units of the company (e.g. environmental, work safety, human resources, risk and compliance manage-

ment, etc.) according to their competences. The company has delegated a separate person responsible for ensuring equal opportunities within the company.

### Policies

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

**Sustainability Policy.** In 2021, the board of EPSO-G approved a new group sustainability policy, replacing the previous group-wide social responsibility policy. The new sustainability policy defines sustainability guidelines and principles shared by all the group's companies and guiding the group's activities. By adopting an umbrella policy on sustainability and on the management of other sustainability-related areas (environmental protection, occupational health and safety, equal opportunities, etc.), the EPSO-G Group is strengthening its management of sustainability at a strategic level, defining the key directions and principles for the development of sustainability, which guide the activities of the group's companies and the creation of a progressive organisational culture. The implementation of this Policy is the responsibility of the heads of the companies of the EPSO-G Group and the supervisors of the sustainability development functional area.

**Environmental Policy.** The EPSO-G Group aims to contribute to the achievement of the environmental and climate change goals set out in the United Nations' 2030 Agenda for Sustainable Development, as well as to the commitments set out in the Paris Agreement, the European Green Deal, the National

Energy Independence Strategy, and the National Climate Change Management Agenda. This policy defines the key environmental principles that apply throughout the EPSO-G Group to reduce the environmental impact of its activities and to establish a culture based on the principles of sustainable development within the EPSO-G Group and its environment. The implementation of the Environmental Policy is the responsibility of the heads of the companies of the EPSO-G Group and the supervisors of the sustainability functional area. They ensure that environmental aspects are identified in a timely manner, the environmental objectives are set, plans are drawn up, targets are set for improving the environmental condition and sufficient resources are allocated to their implementation, results are monitored periodically, and processes, technologies, and working methods are audited.

The **Occupational Safety and Health (OSH) Policy** defines the general principles of occupational safety and health and the guidelines for their implementation. The implementation of this policy is the responsibility of the heads of the Group's companies and functional supervisors of the OSH area, who ensure that OSH aspects are identified in a timely manner, OSH objectives are set, plans are drawn up, targets are set to improve the OSH situation and sufficient resources are allocated to their implementation, results are monitored periodically, and processes, technologies, and working methods are audited. The functional supervisors of the OSH activities of the Group's companies periodically provide the heads of the Group's companies and the EPSO-G OSH functional supervisor with reports and data on Incidents, Accidents, Occupational Accidents and OSH violations to assess the OSH situation and the

effectiveness of the policy, and to take decisions to improve OSH.

The **Prevention of Corruption Policy** defines the principles and requirements for the prevention of corruption and the guidelines for their enforcement, the implementation of which creates the preconditions and conditions for the implementation of the highest standards of transparent business conduct.

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

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

The **Selection Policy**, which was updated on 01/08/2022, defines the Group's overall selection principles and practices to select transparently the best candidates who have the right qualifications, skills, experience, and values for collegial bodies and for managerial and professional positions at all levels and who will contribute effectively to the achievement of the Group's objectives.

The **Employee Remuneration, Performance Assessment and Education Policy**. On 25/10/2022, Amber Grid signed up to a new group policy that defines clear and transparent principles for the remuneration and performance assessment of the Group's employees, and the corresponding employee remuneration system, the principles of learning, refresher courses, and professional development.

The **Procurement Policy**, which was updated on

21/02/2022, defines the key principles and objectives of procurement, guidelines for procurement planning and preparation, the conduct and coordination of group procurement, implementation of procurement principles and best practices, supply and supplier management, contract management control, and review of disputes and decisions.

The **Supplier Code of Conduct**, which was approved on 25/11/2022, defines the standards of conduct that

Sub-suppliers to adhere to in order to promote legitimate, professional, sustainable and fair business practices that incorporate the objectives of environmental protection, human rights, labour standards, and business ethics. The Supplier Code of Conduct is based on the principles of the United Nations Global Compact.

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





## 8.3. The most significant impacts on sustainability

In 2021, Amber Grid carried out an assessment of the significance of environmental, social, and governance impacts relevant to the company's operations, by involving stakeholders. The survey involved 180 respondents, including the company's employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, investors, and the heads of the Group's companies and board members. According to the sustainability policy adopted in 2021, the company commits through a materiality assessment ensuring stakeholder involvement, to review environmental, social, and economic impacts and sustainability priority topics on a regular basis, but at least once every two years.

### Amber Grid materiality matrix of sustainability topics

#### Environmental area

1. Reduction of environmental impacts and GHG emissions during activities
2. Preservation of biodiversity and ecosystems
3. Sustainable and efficient use of resources during activities
4. Reduction of waste, responsible sorting and management
5. Creation of favourable conditions for RES growth
6. Adaptation of energy systems for decarbonisation

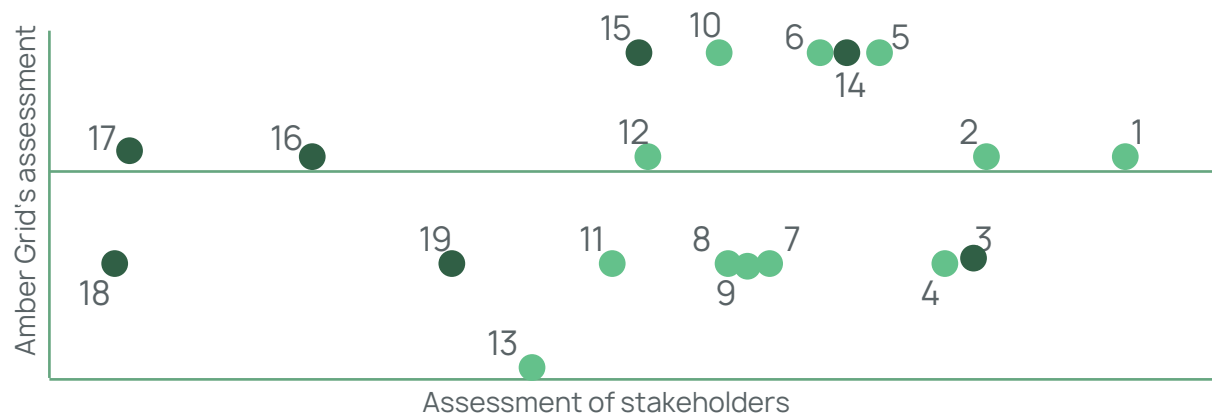
#### Social area

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

#### Governance area

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

\*Note - There are no topics with a score lower than 3 in the materiality assessment of Amber Grid. Therefore, the scale of sustainability topics ranges from moderately significant to significant and very significant.



Picture 16. "Amber Grid" materiality matrix of sustainability topics

Explanation of environmental, social, and economic impacts. Amber Grid assessed the significance of 19 impacts, which were determined in accordance with the specific nature of the company’s activities, its long-term strategy until 2030, and the SASB and GRI guidelines for determining materiality.

**Environmental impacts:**

- Reducing environmental impacts and GHG emissions during operations: reducing environmental impacts (on air, water, soil quality), pollution and greenhouse gases (CO2, CH4, SF6 , etc.) during company operations.
- Preservation of biodiversity and ecosystems: protecting terrestrial and aquatic wildlife, natural vegetation and habitats of high ecological value during activities.
- Sustainable and efficient use of resources during the company’s operations: using green energy in the company’s operations, using water and other resources efficiently.
- Reduction of waste, responsible sorting and management: reducing the amount of waste generated by operations, and ensuring the safe and proper management of hazardous and non-hazardous waste.
- Creation of favourable conditions for RES growth: ensuring efficient grid connection of renewable energy producers, smooth operation of the system for guarantees of origin for energy.
- Adaptation of energy systems for decarbonisation: adapting transmission networks to transport reliably new and increased quantities of renewable

- energy sources (electricity/biogas, methane, and green hydrogen).

**Social impacts:**

- Ensuring human rights and equal opportunities for employees: ensuring human rights, creating a culture based on equal opportunities and non-discrimination within the company.
- Ensuring professional development for employees: providing professional and personal development opportunities for employees and actively developing the necessary competences.
- Employees’ well-being and job satisfaction: creating an environment that enhances employees’ well-being and satisfaction and ensures work-life balance.
- Occupational health and safety: ensuring that the company’s employees and contractor employees comply with safety requirements when carrying out work, and actively ensuring the good health of employees.
- Dialogue and community involvement: actively informing local communities about the activities taking place in their environment, fostering a culture of dialogue and community involvement.
- Customer satisfaction with services: the quality of customer service, improving customer-centric services.



- Social activities, volunteering, and social partnerships: promoting volunteering, educational activities and targeted cooperation with NGOs, education and government institutions.

**Governance impacts:**

- Reliability and security of transmission networks: ensuring the safe, reliable, and efficient operation of energy transmission systems.
- Transparent governance and creation of an anti-corruption environment: following standards of transparency and business ethics, zero tolerance of corruption and actively fighting all forms of it.
- Cybersecurity and data protection: ensuring the security of critical data, building a cyber-attack-resistant IT infrastructure, and creating an organisational culture.
- Sustainable value for the economy and financial return for the state: meeting shareholders' financial return targets, ensuring return on investment, economic and social returns.
- Implementation of innovation, research, digitalisation: creating an organisational culture that fosters innovation, ensuring adequate funding for innovation.
- Sustainable supply chain management: increasing the share of public procurement of goods and services that meet environmental and sustainability standards, actively encouraging contractors, suppliers, and other partners to follow recognised environmental, anti-corruption, and social standards.



## 8.4. Environmental sustainability

### Our Approach

In the environmental field, the Company's main objectives are to enable climate-neutral energy and to reduce the environmental impacts of its operations, including greenhouse gas emissions. In its environmental policy adopted in 2021, the company committed to monitoring the environmental impact of its activities, and to introducing modern technologies and measures to reduce significant environmental impacts. The Company is committed to ensuring the protection of biodiversity when operating, expanding or modernising the infrastructure of energy systems. The Company has the objective of ensuring zero tolerance to environmental incidents. We also aim to hold contractors and other business partners accountable for the environmental impacts of their activities and to seek to reduce them. In 2022, 221 in-house safety and environmental inspections and 179 safety and environmental inspections of contractors were carried out at the Company's sites.

The Company also follows the precautionary principle of carrying out environmental impact assessment procedures in accordance with legal requirements before undertaking projects that may have a significant impact on the environment, including biodiversity or society. The implementation of the environmental policy is the responsibility of the head of the company and environmental supervisors, who ensure that environmental aspects are identified in a timely manner, environmental objectives are set, plans are drawn up, targets are set for improving the environmental condition, and sufficient resources are allocated to their implementation, results are moni-



red periodically, and the processes, technologies, and working methods are audited.

### Environmental Management System

Since 2014, the Company has had an environmental management system compliant with the international standard ISO 14001, and since 2016, an occupational health and safety management system compliant with the OHSAS 18001 standard has been in place. The environmental and occupational health and safety management system is integrated into all planning, organisation, and management processes of Amber Grid's operations and is applied to all employees of the Company.

The management pays close attention to environmental protection and occupational health and safety issues, which are closely linked to the Company's strategic objectives. The Company continuously invests in new equipment, information management and production process technologies to improve the environment and working conditions: periodic health checks are carried out in accordance with the identified occupational risk factors, employees are given prophylactic vaccinations against influenza and tick-borne encephalitis, and only reliable collective and personal protective equipment that complies with quality standards is selected. Management has set a goal to contribute to the development of green energy, aiming at climate-neutral operations, and it has set a target to reduce the environmental impact (including, but not limited to, greenhouse gas ("GHG") emissions) of the Company's operations by 2/3 by the year 2030.

Employees are kept informed and educated on environmental protection and occupational health and safety issues, thereby ensuring social cooperation and partnership.

The management system is continuously monitored

and periodically reviewed, taking into account the natural conditions of the changing environment and changing external and internal factors, in direct relation to the Company's environmental and occupational health and safety policy, the Company's strategy, and the goals and objectives of its implementation.

In formulating its long-term commitments, strategic directions (priorities) and objectives, the Company drew on the IESE Business School's approach to **management through the organisation's mission and stakeholder theory**. The stakeholder theory approach encourages a broader view of the value created by the organisation than just through the prism of shareholders, but by defining the value created for the key stakeholders and focusing on their well-being.

Procedures for recording incidents and potential incidents are in place to manage unsafe situations. Incidents and potential incidents (unsafe workplaces) recorded by the Company are discussed by the Incident Prevention Committee, including employees from different areas in the discussion. A mobile app and access at all workplaces have been developed for easy recording of occupational safety and environmental incidents and unsafe situations.

**Actions and Initiatives in 2022**

In 2022, the Company's management system was re-certified for the third time in accordance with ISO 14001 and re-certified in accordance with the occupational health and safety management system standard ISO 45001. In 2022, the external supervision audit and certification audit of the management system did not identify any discrepancies.

**Emergency Management**

The Company is a facility of national importance and an undertaking of major importance for national security.



The Company is also registered in the Register of Facilities of National Importance and Hazardous Facilities as a facility of national importance and is included in the list of Critical Information Infrastructure and its managers.

The Company's Emergency Management Plan is regularly reviewed, adjusted, supplemented, and coordinated with the Fire and Rescue Department under the Ministry of the Interior and with the National Energy Regulatory Council.

All employees of the Company are introduced to the Plan by organising civil protection training in the Company's remote education system. The Plan is communicated to the employees involved in the emergency management process, who confirm that they have read the plan with their signatures.

**Actions and Initiatives in 2022**

The Company updated its hazard and risk analysis in 2022 and refined its emergency management plan on the basis of this analysis.

**Environmental Aspects**

In order to reduce negative environmental impacts, the company carried out a greenhouse gas inventory and a general environmental impact assessment in 2021, and in 2022, based on the results of the inventory, an Environmental Impact Mitigation Plan was prepared and approved until 2030.

The greenhouse gas inventory of 2022 shows that the most significant environmental aspects remain almost the same as in 2021. However, insignificant environmental aspects (< 3%, such as waste) and environmental impacts that cannot be mitigated, such as the space occupied by the pipeline infrastructure, are no longer

Emissions of stationary combustion plants	44%
Fuel consumption in vehicles	2%
Methane leaks	51%
Use of purchased electricity	3%
Use of purchased thermal power	0%

Table 18. Gas inventory and general environmental impact assessment results

included in the inventory.

### Actions and Initiatives in 2022

The removal of the insignificant environmental aspects and aspects that cannot be mitigated resulted in a slight change in the significance of the remaining aspects: the significance of methane leakage decreased by 1.3%, while the significance of stationary combustion plants increased by 11.6%, and the significance of vehicle fuel consumption and energy consumption remained the same as in 2021.

In 2022, the use of the mobile gas compressor prevented the release of 789.8 thousand m<sup>3</sup> of natural gas into the environment. In 2021, 2,118.0 thousand m<sup>3</sup> and in 2020, 2,030.0 thousand m<sup>3</sup> were saved. The aim is to use the mobile compressor as much and as efficiently as possible every year. In 2022, the mobile compressor was fully deployed, but little repair and other work was carried out, resulting in lower natural gas savings than in previous years when more work was carried out. The mobile compressor is one of the main environmental impact mitigation measures currently applied by the company and included in the Environmental Impact Mitigation Plan.

No violations of environmental laws were identified in the company in 2022. No significant environmental incidents occurred in the operations.

### Water and Wastewater Management

In order to meet the water needs of the Company's operations, water resources are extracted from 6 underground freshwater boreholes located at 4 of the Company's sites. The 25-year assessment of the use of the resources in the 2017 Inspection Report for the Piniava water extraction point and the 2019 Hydrogeological Report for the Jauniūnai GCS and Šakiai GMS concluded that there will be no significant adverse impact on the environment and other water extraction points.

### Actions and Initiatives in 2022

When the in-house Environmental Communication Campaign was launched in 2022, one of the priority areas was saving water resources. Therefore, employees were educated and encouraged to save water both at work and at home through screensavers, articles, and tips in the newsletter. In addition, employees were encouraged not only to minimise the amount of water extracted and consumed, but also to minimise the amount of generated wastewater accordingly.

The company's surface and domestic wastewater is treated in wastewater treatment plants: a biochemical reactor, sludge settling tanks, and oil traps. After treatment, the wastewater is discharged to the natural environment or to centralised networks.

Indicator	Units of Measurement	2022 m.	2021 m.	2020 m.
Amount of Water Consumed	m <sup>3</sup>	3,220	3,037	3,101
Amount of Surface Wastewater	m <sup>3</sup>	14,579	11,062	10,258
Amount of Domestic Wastewater	m <sup>3</sup>	3,220	2,864	3,033

Table 19. Water and wastewater management amounts

The amount of surface wastewater in 2022 was larger than in previous years. This was mainly caused by the newly included wastewater from the stormwater runoff in the area of Gudelių Str. 49 in Vilnius, which had not been taken into account before. In previous years, the area was accounted for both domestic and surface wastewater, but in 2022, it was possible to separate some of the wastewater and to carry out more accurate, separate accounting for this area.

In recent years, the full operation of the new Santaka Gas Metering and Pressure Regulating Station has resulted in additional water consumption and wastewater generation, which are accounted for.

To ensure the quality of the treatment of wastewater discharged into the natural environment, periodic monitoring of wastewater pollution is carried out. The results of the wastewater pollution measurements are published on a quarterly basis on the Company's publicly accessible website at [www.ambergrid.lt](http://www.ambergrid.lt), under the heading "Environmental Pollution Monitoring". The monitoring ensures that only treated and clean wastewater compliant with the environmental legislation of the Republic of Lithuania is discharged into the natural environment.

### Waste Management

Waste sorting is carried out in the company's units. Employees can sort household waste such as paper, plastic, metal, glass, deposit containers, small electrical and electronic waste, and batteries. In addition, hazardous waste is separated by type of waste and stored in marked containers protected from environmental impacts prior to removal. Specialised waste carriers and handlers are contracted for the safe removal, handling, and disposal of waste generated by the Company's operations.

Types of Waste	2022	2021	2020
Hazardous waste, t	28,43	38,64	18,86
Non-hazardous waste, t	43,529	36,54	95,58
Paper, glass, and plastics, t	4,123	3,05	2,34
Iron, steel, ferrous metals, t	794,66	0,1	34,29

Table 20. Waste amounts

By removing individual bins from offices in 2021, the company uses fewer bin bags and employees take short breaks more frequently and exercise while carrying waste to the sorting bins in common areas.

Actions and Initiatives in 2022

In order to encourage employees to become more involved in solving environmental problems and saving resources not only within the Company, but also outside, an Environmental Communication Campaign was launched in 2022. To convey serious messages in a playful way, environmental characters, Amberiukai, were created for the campaign to promote three priority environmental areas. One of the priority areas focuses on waste sorting. Sorting is encouraged and, most importantly, it must be done correctly, avoiding sorting mistakes and contamination of sorted waste.

During the campaign, customised posters on the sorting of paper, plastic/metal, glass, and municipal waste were made and put up at all the Company's facilities where waste could be generated, with specific advice on how each type of waste should be sorted and what to do with specific waste generated in the employees' households. The sorting posters emphasise the

importance of sorting disposable biodegradable coffee cups, which are often used in the office, and on the importance of eliminating disposable cups in general. A special computer screensaver was also created to remind employees on a daily basis about the importance of sorting and the preservation of natural resources. It highlights the potential future scarcity of widely used household products and materials without sorting. The importance of waste generation, sorting, and management was reinforced throughout the year through articles on the company's Intranet, in an updated information section available to all employees, in the weekly newsletter and during in-house training.

On 22 April 2022, the DAROM campaign was organised in the company's units. Every year it receives considerable attention from employees and their families. In 2022, more than 100 employees took part in the campaign. On the occasion of Earth Day, employees collected green waste and litter at Amber Grid's facilities and in the areas around them, which are publicly accessible to unauthorised persons and unprotected from illegal waste disposal outdoors. In order to prevent illegal littering by unauthorised persons in the protection zones of the company's facilities, special information boards were made to warn about the fines for waste disposal outdoors in accordance with the applicable legislation.

All the environmental communication measures implemented in 2022 invite employees to get involved, educate them, and change attitudes and habits, not only within the company, but also beyond. This is why the company has seen an increase in the amount of waste sorted each year. On the other hand, the amount of hazardous waste generated has been decreasing year on year, both due to better sorting of waste and to the reduced use of environmentally hazardous

products. The aim is to maintain these trends in the future. Non-hazardous waste generation in 2022 was higher than in 2021, but this may be related to the Darom campaign carried out at the Company's facilities. As the campaign was organised at the initiative of the company, the removal and treatment of waste was organised at the company's expense.

Transport Equipment

The company aims to manage its transport fleet efficiently. Employees are encouraged to use car-sharing, public transport, taxis, and to co-operate during business trips or other journeys, whenever it is possible to travel together. The Company encourages employees to organise meetings between different companies and departments of the Company by videoconferencing, thus reducing transport costs and environmental emissions.



Type of Fuel	2022	2021	2020
Diesel Fuel	217.02 thousand litres	237.69 thousand litres	239.3 thousand litres
Petrol	36.38 thousand litres	43.16 thousand litres	48.1 thousand litres
Electricity	2,045 MWh	0	0

### Actions and Initiatives in 2022

In 2022, the company acquired 7 electric vehicles on lease and in Q1 2023 it is completing the installation of 4 charging stations for electric vehicles at its production bases in Vilnius and Piniava. Renewable electricity will be used to charge the electric vehicles in 2023.

#### Engaging the Public in Environmental Protection

When planning new economic activities or upgrades, the Company assesses their potential environmental impact and identifies potential pollution mitigation measures early in the project. In the context of the environmental impact assessment procedures, the public is given early access to the planned economic activities and pollution mitigation measures and it is given the opportunity to submit comments and proposals. The Company is actively concerned about the environment and public well-being, it is open to providing information to interested authorities, public organisations, and residents. For many years, the Company has focused on strengthening relations with communities. There were no meetings with communities in 2022 on environmental impact assessment as no activities requiring environmental impact assessment were planned.

### Actions and Initiatives in 2022

In 2022, the Company uploaded approximately 60 individual public information notices on its publicly accessible website at [www.ambergrid.lt](http://www.ambergrid.lt), under the heading "Announcements", related to environmental protection, protection zones for infrastructure in operation, special and local class area plans, their preparation, decision-making on the plans, and other relevant information.

In order to encourage the public to vote for Amber Grid's environmental perfor-

mance and to be recognised in the public eye as an environmentally friendly company, the Company applied for the National Responsible Business Award in 2022 in the category of the "Environmentally-Friendly Company of the Year". By participating in this competition, the Company openly shares its environmental achievements with the public and experts from the responsible authorities, and gives the public the opportunity to express their opinion on the Company's achievements through a public vote on the [www.15min.lt](http://www.15min.lt) portal.

#### Ambient Air Pollution

The Company's operations use a variety of combustion plants, such as compressors, boilers, power generators, etc., which emit nitrogen oxides and carbon

		2022	2021	2020
Ambient Air Pollutant	Unit of Measurement	58,6	27,3	19,8
Nitrogen oxide, NO <sub>x</sub>	t	73,3	35,21	25,23
Carbon monoxide, CO	t			

monoxide into the air. Although ambient air pollution is not very significant compared to the impact of greenhouse gases, it is an environmental impact that needs to be monitored and reduced.

### Actions and Initiatives in 2022

In recent years, due to the newly constructed GIPL pipeline and the increased transmission of natural gas to neighbouring countries and Lithuanian consumers, compressors and combustion plants have been operating more intensively, for longer hours, consuming more fuel and releasing more NOX and CO into the ambient air. In order to reduce GHG emissions and ambient air pollution, in 2022, an Environmental Impact Mitigation Plan was developed, which focuses on improving



fuel efficiency, switching appliances from combustion to electric or appliances using cleaner fuels. Analyses are currently underway to improve the efficiency of compressors and to overhaul the boiler houses of gas distribution stations, replacing inefficient combustion boilers with condensing boilers or boilers using cleaner energy, such as geothermal heat.

#### Reducing Greenhouse Gases

x

The Company has set an ambitious target to reduce its environmental impact (including, but not limited to, GHGs) by 2/3 by 2030, compared to a base year of 2019, based on the goals of the Paris Climate Accords of 12 December 2015, and the European Union and national ambitions to halt climate change. In order to achieve this goal and to contribute to the global targets, the Company launched a group-wide inventory of GHG emission sources and assessment of the overall environmental impact of its operations in 2021. The aim was to identify the group-wide environmental impacts, to identify impact mitigation measures, and to assess the realistic feasibility of implementing the measures. In 2022, an Environmental Impact Mitigation Plan up to 2030 was prepared in cooperation with external experts. At the end of the same year, the Environmental Impact Mitigation Plan was approved by the company's Technical and Innovation Committee and presented to the board, which supported its implementation.

Indicator	Units of Measurement	2022	2021	2020	Notes
<b>Greenhouse Gas Emissions</b>					
Direct Scope 1 Emissions, including:		35,108,527	58,788,621	62,260,364	Scope 2 Approach - Market-based Approach
Emissions from stationary combustion plants		15,997,750.8	6,572,705	4,780,716	
Emissions from mobile combustion plants (transport, mobile compressor)	kg CO <sub>2</sub> e	666,451	794,364	862,022	
Renewable electricity generation emissions		0	0	-	
Controlled emissions of leaked (vented out) gas (methane)		4,946,190.8	39,063,161	44,806,909	Vented out
Uncontrolled emissions of leaked (escaped) gases (methane, f-gases)		13,498,134.6	12,358,391	11,810,717	Escaped
Indirect Scope 2 Emissions, including:		1,188,994	1,741,779	1,632,344	
Non-renewable electricity consumption acquired		1,185,589	1,736,424	1,626,550	
Renewable electricity consumption acquired	kg CO <sub>2</sub> e	0	-	-	No renewable electricity was acquired in 2021 and 2020
Non-renewable electricity costs for electric vehicles		48.4	-	-	Use of electric vehicles started in 2022
Thermal power consumption acquired		3,356.3	5,355	5,794	

Rodiklis	Matavimo vnt.	2022 m.	2021 m.	2020 m.	Pastabos
<b>Šiltnamio efektą sukeliančių dujų emisijos</b>					
Total GHG emissions (direct and indirect)	kg CO <sub>2</sub> e	36,297,521	60,530,400	63,892,708	
Emissions of biogenic origin are excluded		26,925	29,452	32,574	
Change in GHG emissions compared to the base year of 2019	%	47.70	12.77	7.9336	
Relative performance indicator	kg CO <sub>2</sub> e	0.00061	0.00115	0.0011	Revised indicators for 2020 and 2021
<b>Leaks</b>					
Fluorinated greenhouse gas consumption/leakage	kg	22.30	23.60	9.80	Refrigerants: R410A and R32
Natural gas loss, including:	m <sub>3</sub>	1,025,999	2,864,945	3,314,339	
Controlled releases of methane into the environment	t	197,8	1,562.5	1,792.3	
Uncontrolled leakage of methane into the environment	t	538,1	492.4	471.6	

Table 23. GHG results

### Actions and Initiatives in 2022

Comparison of the GHG data of 2022 with the base year of 2019 shows a 47.70% reduction in emissions. Such a significant reduction in emissions was mainly influenced by the small number of repairs in 2022, during which large amounts of methane are released into the environment because using a mobile compressor is impossible. Emission reduction measures adopted include the use of the mobile compressor wherever possible, the replacement of gas boilers at gas distribution stations with condensing boilers, the relocation of the Company's main office to a more energy-efficient building with lower energy consumption, and the purchase and operation of electric vehicles.

Although combustion operated more intensively in 2022 than in the previous year and burned more fuel, less frequent shutdowns and start-ups led to more efficient fuel use and lower methane emissions after shutdowns. All of the above reasons and the measures applied have contributed to a reduction in Scope 1 and 2 emissions, and thus to the reduction of Company's overall GHG emissions.

Meanwhile, more repair and reconstruction tasks are planned for 2023, so methane emissions into ambient air may be higher than in 2022, despite the use of a mobile compressor or other mitigation measures. Therefore, other mitigation measures will be applied to control emissions.

### Energy

The consumption of non-renewable energy sources and the emissions associated with their use are among the main drivers of climate change in the Company's operations. Therefore, the reduction of energy consumption, the efficient use of energy resources, the substitution of non-renewable energy with renewable energy or the application of other more environmentally friendly and innovative solutions are essential to reduce the Company's GHG impact on the environment.

Indicator	Units of Measurement	2022	2021	2020	Notes
Energy Consumption					
Natural Gas	MWh	78,089.2	32,442.6	23,664	
Petrol	MWh	39,436	43,745	48,715	
Diesel Fuel	l	224,650	244,751	270,158	
Energy, including:	MWh	3,296	3,248	3 059	
Purchased Electricity	MWh	2,167	3,140	2,941.3	
Electricity Produced and Consumed	MWh	1,060	0	0	
Purchased Heat	MWh	68	108	117,4	

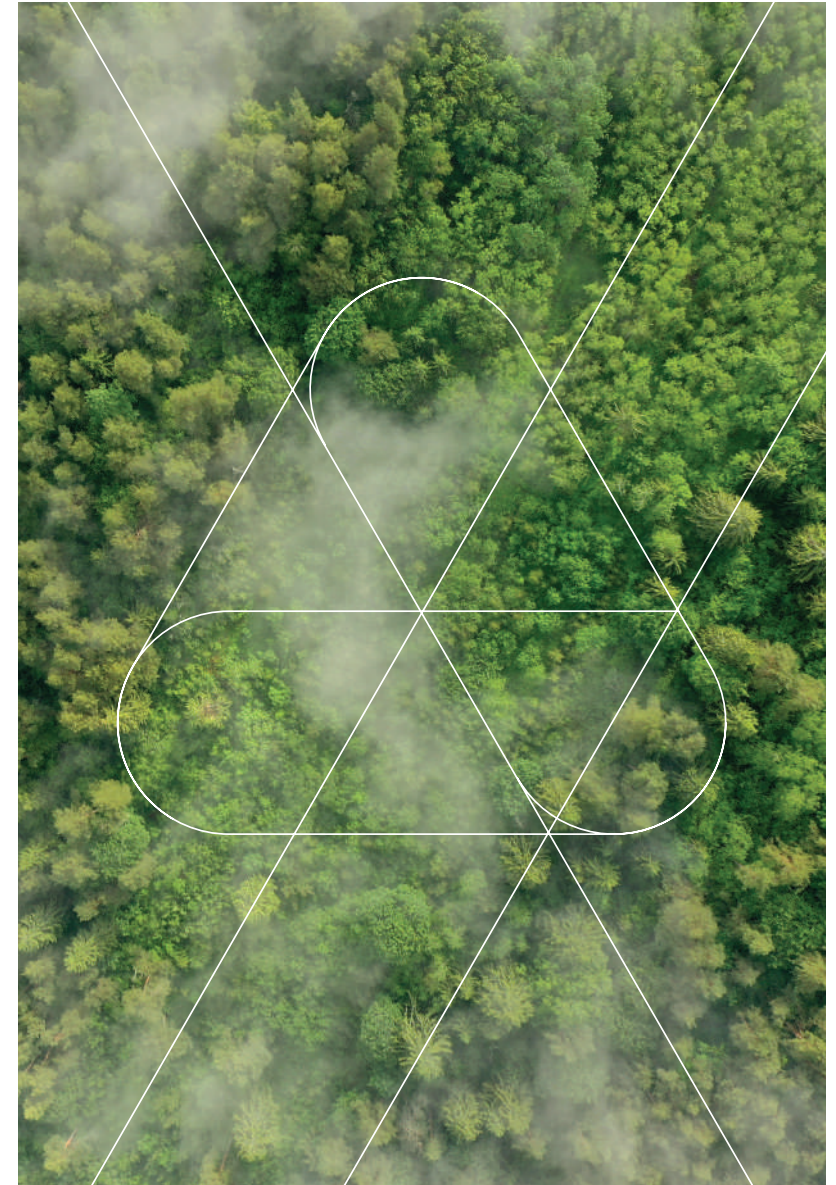
Table 24. Energy consumption

### Actions and Initiatives in 2022

In 2022, the more intensive operation of the combustion plants led to an increase in the consumption of natural gas in the Company, but the reconstruction and replacement of boilers at more gas distribution stations is reducing fuel consumption at these facilities. More efficient use of fuel in compressor stations has led to less frequent shutdowns and allowed the units to operate at optimum mode. A study on improving the efficiency of compressor stations is also being carried out to analyse all the directions and possible measures to improve fuel efficiency.

In contrast to natural gas, petrol and diesel fuel consumption has decreased in recent years. The Company purchased and started to operate electric vehicles, more employees cooperate on business trips and more employees share a vehicle, as it was safe to do so due to the decreased risk of COVID-19.

In 2021, 1.45 MWh solar parks were built at 3 of the Company's sites. In February 2022, the renewable energy parks became fully operational. The table below shows the renewable energy indicators.



Indicator	Units of Measurement	2022	2021	2020	Notes
<b>Renewable energy sources</b>					
Installed power of solar panels		1.45	1.45	0	Total installed power of solar parks
Energy from solar panels	MWh	1,426	70	0	All solar parks were operational in February 2022
Consumed energy from solar panels		1,060	0	0	
Renewable electricity consumption acquired		23.2	0	0	

Table 25. Renewable energy resources

In the future, the table of renewable energy indicators will be supplemented with data on green hydrogen and biomethane feed-in to the Company's networks and consumption for the Company's own use.

Amberiuokas, an environmental character created as part of the Environmental Communication Campaign launched in 2022, encouraged colleagues to save electricity. In the digital space, the following tools were used: screensavers, visualisation of the in-house Intranet news area, articles in the weekly newsletter, an updated environmental protection section on the Intranet. In the physical space, stickers next to light switches in the office were used.

### Biodiversity

A balance of vegetation, greenery, and impermeable surface areas is maintained on and around most of the Company's sites. The sites are not fully surfaced with asphalt, most use water permeable crushed rock; vegetation is maintained to the extent permitted by pipeline operation, fire safety and legal requirements.

During the summer period, grass is allowed to grow on the Company's sites to the extent that is safe in accordance with fire safety requirements. The grass is not cut very short, thus not damaging the plant and allowing it to recover. The natural dispersal of pollen and the appearance of native plants in or around the Company's sites is not inhibited.

### Actions and Initiatives in 2022

After the completion of the GIPL (Gas Interconnection Poland-Lithuania) project in 2022, post-construction monitoring of the individual phases will be carried out for 4 years. During this monitoring, how the local flora, fauna, and species diversity characteristic of the area are recovering from the construction of the pipeline is monitored and it is decided whether additional measures are needed to restore or improve the pre-construction situation. In addition to surface water bodies, the landscape, avifauna, ichthyofauna, entomofauna, invasive species, habitat condition, and surface vegetation are monitored according to the monitoring plan. According to the data of 1-2 years of monitoring, the construction of the Lithuania-Poland gas pipeline interconnection has not had any significant negative impact on the environment. As expected, biodiversity is recovering naturally.

### Green Gas Initiatives

We are ready to transform the natural gas system to transport renewable energy sources, such as biomethane/hydrogen blends and pure green hydrogen, safely. We aim to integrate this system into the single European market, creating a single platform that operates efficiently and transparently, enabling the state to follow Europe's green deal confidently, and consumers to use clean energy easily and at the best price.

In line with the energy transformation, the decarbonisation of the economy and the implementation of the European Green Deal, a roadmap study for the development of hydrogen technologies in



Lithuania was prepared in mid-2022.

The intensive development of RES energy production and the significant increase in the share of RES in the overall energy balance, as well as the current and future challenges of balancing the electricity grid and integrating it into the electricity transport system, create opportunities for the development of one of the technologies with most potential: Power-to-Gas, green hydrogen, produced from renewable electricity. In order to assess the relevance and applicability of hydrogen gas and Power-to-Gas technologies in Lithuania, the Company continued the analysis of the tech-

nical and economic feasibility of the application of these technologies in Lithuania, which was initiated in 2021.

**Actions and Initiatives in 2022**

In 2022, the Company, together with its regional partners (the Baltic and Finnish gas transmission system operators), launched a technical feasibility study on the adaptation of the gas transmission network for the transport of methane/hydrogen blends, which will also lead to the identification of the system investment needs for different hydrogen concentrations. The second phase of the research and development plan is currently underway.

The Company administered the national register of guarantees of origin for gas produced from RES, established in 2019, which performs the functions of issuing, transferring, and cancelling guarantees of origin, supervising and controlling the use of guarantees of origin, and recognising guarantees of origin issued in other countries in Lithuania. This system is useful for energy consumers wishing to use in their business environmentally friendly gaseous energy produced in Lithuania or in another European Union country. In order to integrate the national system for the administration of guarantees of origin with the systems of other EU countries, the Company cooperates with the designated bodies responsible for the administration of guarantees of origin in other countries and with the associations that unite them.

In November 2022, imports of biomethane from the

Netherlands to Lithuania started, with guarantees of origin. This biomethane will be used as a transport fuel, and the guarantees of origin will be used in the system of fuel from renewable energy resource units (RERUs), thus covering the obligations of fuel suppliers regarding the share of renewable fuels in the final fuel mix.

In 2022, the company completed its successful participation in REGATRACE (Renewable GAs TRAdE Centre in Europe), a project funded by the EU's Horizon 2020 research and innovation programme, to establish a European scheme for a registry of origin for biomethane and other renewable gases, and to stimulate the development of the green gas production and market. A national vision and action plan for the development of the biomethane sector has been developed together with Lithuanian authorities and market participants.

In January 2022, the company, together with the Latvian and Estonian TSOs, carried out a survey of market participants to understand the need for the exchange of guarantees of origin in the region. The results showed that the most efficient and cost-effective way to proceed would be to join the European association of bodies issuing guarantees of origin (AIB), which has the necessary IT system, standards and rules on guarantees of origin.



## 8.5. Social sustainability

### Our view

The company's social purpose is to create a progressive, sustainable organisation culture. Integral elements of this culture include the well-being and development of employees, the promotion of a culture of safe working practices, equal opportunities, the development of open and mutually trusting relationships with local communities and ensuring customer satisfaction with the services provided. The company aims to become an organisation that is perceived by the majority of its suppliers, producers, consumers, employees, communities, and other stakeholders as a sustainable organisation.

On 31 December 2022, the Company had 332 employees.

Job Title Category	Gender	Number of Employees on 31 December 2022	Number of Employees on 31 December 2021	Number of Employees on 31 December 2020
Whole Company	Men	255	252	254
	Women	77	72	65
Top Management	Men	5	5	5
	Women	1	1	1
Middle Management	Men	27	26	22
	Women	13	11	10
Experts	Men	129	132	129
	Women	62	59	52
Workers	Men	94	89	98
	Women	1	1	2

Table 26. Distribution of "Amber Grid" employees by gender

Education	Number of Employees on 31 December 2022	Number of Employees on 31 December 2021	Number of Employees on 31 December 2020
Higher Education	222	211	202
Higher Education by Gender, Men/Women, %	69,4/30,6	71/29	73,2/26,8
Post-Secondary Education	38	42	44
Post-Secondary Education by Gender, Men/Women, %	84,2/15,8	81/19	84/16
Secondary and Vocational Education	72	71	73
Secondary and Vocational Education by Gender, Men/Women, %	95,8/4,2	95,8/4,2	94,5/5,5

Table 27. Distribution of "Amber Grid" employees by education

By valuing the contribution of every employee, we aim to retain and attract staff in a competitive market environment. Staff turnover has remained similar in recent years.

	2022	2021	2020
Turnover, %	11,04	11,21	10,7
Turnover by Gender, Men/Women, %	64/36	75/25	57/43

Table 28. "Amber Grid" employee turnover rates

The turnover of part-time employees and staff employed under fixed-term contracts is monitored. No significant changes in the statistical indicators were recorded according to the criteria selected for monitoring.

	2022	2021
Number of Part-Time Employees/Number of Part-Time Employees who Resigned	3/1	3/0
% of Part-Time Employees by Gender, Men/Women	66,7/33,3	100/0
% of Part-Time Employees who Resigned by Gender, Men/Women	100/0	0/0
Number of Staff Employed under Fixed-Term Contracts/Number of Staff Employed under Fixed-Term Contracts who Resigned	15/5	9/2
% of Part-Time Employees by Gender, Men/Women	20/80,	33,3/66,7
% of Part-Time Employees who Resigned by Gender, Men/Women	40/60	100/0

Table 29. "Amber Grid" employee turnover rates

The average age of employees in 2022 was 44.4 years (41.2 for women; 45.4 for men)

Age of Employees	Number of Employees (%)	Age Group Distribution by Gender (Men/Women, %)
< 20-30	7	58,3/41,7
30-40	28	68,2/31,8
40-50	30	77,6/22,4
50-60	24	78,8/21,2
> 60	11	91,7/8,3

Table 30. Age indicators of "Amber Grid" employees

The majority of the company's employees are men. This is strongly influenced by the specific nature of the activities carried out: women are less likely to opt for technical engineering and field-based technological work and directly related professions.

#### Initiatives and actions implemented in 2022:

- A new reward and performance assessment system
- A new collective agreement
- A draft people management strategy was developed
- New health insurance
- Possibility of working from abroad was launched
- The shift plan was reviewed and updated
- An employer image plan was developed

#### Cooperation with educational institutions:

- A concept for cooperation with schools was developed
- We joined the Energy Smart Start initiative
- Study support agreements with Vilnius TECH and Panevėžys College were signed, 8 scholarships were awarded
- The Vilnius Tech event
- Guided tours
- The traineeship (paid internship) project GROWING ENERGY PROFESSIONALS was implemented

#### Digitalisation solutions for people management:

- Automated calculation of the variable remuneration part;
- A digital tool for analysing and displaying staff data was launched;
- HCMS system comparison and needs analysis, preparatory work for system procurement, a digitised performance assessment process;
- Procurement and start of implementation of the applicant tracking system

- (ATS).

Staff surveys and studies:

- It's good to work – a hybrid working model
- Feedback after intermediate performance interviews
- Exit interviews/surveys
- Newcomer surveys
- Culture study

Cooperation with the Trade Union

In 2022, 59.9% of the organisation's employees belonged to the trade union. The aim of the trade union is to represent the professional, labour, economic, and social rights and legitimate interests of its members. Periodic meetings are organised between trade union representatives and the Company's management to discuss topical issues.

The Company cooperates closely with the trade union and develops a constructive social dialogue. In 2022, the Company actively cooperated with the representatives of the trade union council, jointly implementing initiatives, sharing best practices, and seeking the best solutions:

- A new Staff Remuneration, Performance Assessment and Learning Policy and a description of the staff remuneration and performance assessment procedure were approved;
- In 2022, 2 requests were received under the collective agreement's principles for material assistance to employees in the event of accidents or illnesses; both requests were approved and material assistance was granted. A new collective agreement was signed; it will enter into force on 1 January 2023.

Collective Agreement and Additional Advantages



**Health**

- Active and peaceful recreation areas
- Health insurance with the option to choose the desired plan
- Lectures on health, emotional well-being, physical education
- Vaccinations against influenza and tick-borne encephalitis
- Up to 4 working days per year of absence from work without applying to a healthcare institution



**Financial support**

- After a child is born
- For raising three children or a disabled child
- In the case of death of an employee
- When the employee terminates the employment contract after reaching retirement age
- In case of accidents



**Professional and personal development**

- Incentives for innovation and achieving crucial results
- Funding of studies
- Promotion of the annual performance assessment
- Training, professional and personal development, refresher courses, seminars, conferences, traineeships in Lithuania and abroad
- In-house lecturer programme and training
- Career opportunities in the EPSO-G group of companies



**Flexible work schedule**

- Custom start and end times for work
- Remote work



**Additional vacation**

- Additional 3 working days of annual vacation, 23 days per year in total Additional vacation for 5 years of experience + 1 working day
- Additional vacation in case of death of a relative – 3 working days



**Events**

- Summer event, Christmas event, gifts for employees and their children
- A volleyball tournament to promote physical activity, a bike hike and kayaking
- Professional events and public holidays
- Team events of units



**Other additional advantages**

- Delivery of fruit to the office
- Parking places near the office
- A modern office and an ergonomic workstation





The Company supports cultural and health activities, various festive events and individual team events and other social activities in which all employees of the Company are entitled to participate without discrimination or restriction. The collective agreement establishes working, remuneration, social, economic, and professional conditions and guarantees, which are not regulated by law or other normative legal acts. Employees are entitled to additional financial guarantees (payments in the event of accidents, illness, death of relatives, support for the birth of a child, support for raising three or more children or a disabled child), additional days of vacation (after the birth of a child, the death of a relative, etc.), and other guarantees.

The Company encourages employees whose nature of activity and technical conditions allow them to work remotely to use this form of work organisation to carry out their assigned functions as necessary. As of May 2022, remote work was replaced by a hybrid model of work organisation, in which the employee works part of the time from home and part of the time at the office.

#### A Learning Organisation – Developing Competences

In order to successfully develop the organisation's activities, to remain competitive on the market, and to have motivated and committed employees who are successful, we set high competences development goals. In a context of rapid change and in order to be ready to take on new challenges, to focus on new quality, to apply new ways of working, to innovate, to make flexible and appropriate decisions at different levels, we need to have the necessary knowledge and competences, to keep learning and improving.

We have refined the educational orientations that will guide us in the coming years:

- Strengthening of professional competences;
- Efficiency of activities (innovation and digitalisation);
- Implementing a customer-oriented culture;
- Management and leadership;
- Emotional well-being of employees.

Staff learning is guided by the following general principles:

- The principle of linking to the Group's and the Company's strategy, values, performance assessment, competences model, shift work planning, assessment of professional and technical qualifications.
- The principle of personal responsibility, where the employee is responsible for their own learning outcomes, with the employer providing the conditions and opportunities for learning and development.

The 70-20-10 principle, whereby 70% of development, improvement, and learning activities come from the employee's work experience, 20% come from interaction and collaboration with colleagues and executives with diverse experiences and competences, and 10% come from structured training events.

The consistent application of this model not only strengthens professional competences, but also inter-departmental cooperation, and improves relations with colleagues and stakeholders.

In order to build an effective, competent, progressive leadership organisation based on shared values, the Company's general and leadership competency model

identifies the strategic skills and capabilities of employees, the competences that have the greatest impact on the success of the organisation, the achievement of its strategic goals, and the development of leadership.

The Company's ambition is to become a competence centre for the energy of the future, shaping future energy trends, legislation, and business models.

Based on the organisation's strategic goals, development orientations, and each employee's objectives and development needs, a development plan is drawn up for each employee, which is regularly reviewed and the employee's personal progress is monitored.

#### Actions and Initiatives in 2022

In 2022, various initiatives were implemented in the area of staff development/learning:

- An ongoing training programme for executives at all levels to improve theoretical and practical leadership skills;
- "Growing with AG" training with in-house lecturers, with as many as 22 employees sharing their knowledge with colleagues;
- Continuation of the initiative to give employees a better insight into the activities of other units and the company, where employees from different departments present their activities;
- A new staff onboarding programme;
- "Different Fridays", an initiative for development and learning time;
- A series of seminars on emotional well-being, where various lecturers and external guests shared their

- insights and experiences;
- Participation in an English language skills development programme, depending on every employee's individual level of English;
- Testing new forms of learning, such as microlearning and e-learning;
- External training in creativity, effective communication, and personal productivity;
- Developing new competences for the future - the Hydrogen Competence Development Programme;
- Introducing a standardised model of professional and technical competences.

We aim to train executives at all levels, develop a programme of in-house lecturers, and foster leadership and professional development by finding different ways of learning and applying them in practice. Staff are familiar with microlearning, use e-learning platforms, and participate in remote and live training.

The Company gives its employees the opportunity to participate in seminars and conferences both in Lithuania and abroad, where employees improve their work-related skills, learn about innovations in their field and best practices of other companies. Employee development and creativity are encouraged through hackathons.

The Company carries out its core business in a regulated energy environment, where there are clear requirements for the professional training and certification of staff to perform main and additional functions. In accordance with the legal framework, the Company

organises professional and other compulsory training for staff as well as certification of energy personnel.

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

To develop employees' professional competences, the Company organises additional training on safety, technical and environmental issues (working with chemicals, using and checking lifting equipment, using fall protection equipment, etc.).

#### Actions and Initiatives in 2022

Every year, the Company's Occupational Safety and Environment Department organises a Safety Week and a Health Week, during which occupational safety and health training is provided. In 2022, a presentation on safety incidents, laughter yoga training, and success rituals were organised. Group-wide presentations by the responsible authorities to employees on COVID-19 management measures and vaccination were also organised.

At least once a year, environmental awareness training is organised for staff. In 2022, an environmental awareness lesson was organised to inform employees about the environmental legal requirements imposed on the Company and about the environmental impact of GHGs.



Type of Training	Number of Trainees			Number of Employees Trained			Duration of Training, hrs		% of Employees Trained Compared to the Total Number* of Employees		
	2022	2021	2020	2022	2021	2020	2022	2021	2022	2021	2020
Vocational Training	382	215	187	167	130	113	6148	3866	51,2	66,9	35,5
Certification of Energy Personnel	204	346	216	127	199	130	226	346	39	62	40,9
Compulsory Training	404	360	331	331	321	246	1462	1289	101,5	100	77,4
Technical Training	251	206	78	153	141	51	1182	577	47	64,2	16
General Training	2477	2005	1285	283	289	170	11027	3952	86,8	90	53,5

Table 31. The number of employees who participated in the training

### Staff Succession

Given the uniqueness of the Company's operations and the specific competencies that the employees acquire over time, the Company assessed the need to strengthen the employees' succession preparation in 2019. To this end, between 2019 and 2022, the Company conducted a posts assessment and identified critical posts requiring succession preparation, and developed and implemented succession preparation plans for critical positions and executives. In 2023, work will continue to develop the necessary competencies within the Company to ensure that staff are able to deputise for one another fully and to ensure business continuity when needed.

### Recruitment and Careers

The Company has updated its recruitment policy, which sets out the general principles and practices for the recruitment of employees, which helps to select transparently the best candidates with the right qualifications, skills, experience and values to contribute effectively to the achievement of the Company's objectives.

The Company applies high standards of values, professionalism, and good reputation to all levels of employees and standards of excellent leadership skills to executives. The combination of competences, leadership and professional knowledge of employees and executives creates the preconditions for building a creative and progressive Company that is open to innovation and change.

Given that career advancement opportunities are one of the key motivational factors for employees, the Company encourages employees to participate in announced recruitment opportunities and to pursue their career paths horizontally or vertically. Looking back over the past years, efforts have been made to maintain a similar rate of change at post level, which is linked to a similar rate of turnover.

\* Calculated as a % of the average annual number of employees (326 employees in 2022; 321 employees in 2021; 318 employees in 2020)

Change at Post Level	2022	2021	2020
Executives-Executives	2	0	1
Experts-Executives	2	7	7
Experts-Experts	11	9	14
Workers-Experts	0	2	2
Workers-Workers	6	1	0

Table 32. Change in job position level

### Onboarding and Adaptation of New Staff

In 2022, the adaptation process for new staff was resumed. The adaptation process is implemented in the Company in accordance with uniform practices. New employees are provided with an adaptation plan (with the executive in charge and a mentor assigned whenever possible); during the adaptation period, employees are introduced to the main functions, duties, and responsibilities, the Company's activities, employees of other units, the Company's procedures and working principles; they take part in newcomer training and other introductory meetings. In 2022, the content and format of the training was updated and supplemented by the Company's staff conducting the newcomer training. From 2022, after the adaptation period, newcomers are invited to complete an e-survey to obtain newcomer feedback and improve the process based on newcomer needs. The aim of the updated survey is to help newcomers to get to know the Company's organisational culture, become part of the team, understand the principles of work, and start creating value for the Company through their work more quickly.

### Staff Performance Assessment System

Performance assessment is one of the most impor-

tant management and effective leadership techniques for achieving organisational goals, building positive relationships between executives and their subordinates, planning the employees' careers, and increasing their motivation. A new Staff Remuneration, Performance Assessment and Learning Policy and a Description of the Staff Remuneration and Performance Assessment Procedure were approved at the end of 2022. The new performance assessment system will enter into force on 1 January 2023. The annual assessment is an employees' performance management tool that provides a framework for setting, assessing, and holding employees accountable for their individual goals, linked to value behaviours and the remuneration system and contributing to a progressive, results-oriented organisational culture. The Company aims to set individual strategy-related goals for each employee, which they pursue in line with the Company's values of professionalism, cooperation, and progress. Goals must be measurable, specific, time-bound, achievable, and motivating. The annual interview helps to assess how well the employee has achieved their goals and to set new ones; it creates a culture of feedback between executives and subordinates. During the interview, the employee's competences, learning and career opportunities, and the employee's expectations are discussed as well. From 1 January 2023, annual performance assessment interviews will be held for all employees of the Company.

### Protection of Human Rights and Equal Opportunities

We value the diversity of our employees and strive to ensure equal opportunities for all our employees to be a fully-fledged part of the organization.

### Actions and Initiatives in 2022



In 2022, we updated our Equal Opportunities Policy, which defines forms of discrimination, harassment, sexual harassment and violence, the ways of identifying them, prevention measures, reporting and report handling procedures, protection measures for whistle-blowers and victims, and the forms of assistance provided to them. The Company does not tolerate discrimination, promotes a work environment that reflects the diversity of society, and implements the principles of respect for diversity in its activities. The benefits of employee diversity for teams and the organisation as a whole are also important to the Company. The Company regularly collects and publishes data on the diversity of its workforce, including gender, age, education and occupation. In 2022, we carried out an equal opportunities ruler study (a tool for situational assessment in the workplace based on employee and employer surveys/questionnaires). Based on the data collected, the Office of the Equal Opportunities Ombudsperson (OEEO) gives the workplace a score out of ten and provides a detailed report and recommendations on how to ensure equal opportunities in the workplace). The Company's Equal Opportunities Ruler score is 8.5 points. In 2023, we will take steps to integrate diversity and inclusion topics into the content of employee education and ongoing communication about the benefits and relevance of diversity and inclusion.

The Company had no discrimination incidents or other incidents related human rights abuses in 2022 (and none from 2020 to 2021).

#### Occupational Safety

In 2022, the Company continued its actions to protect employees from the risk of possible exposure to COVID-19. In view of the changing epidemiological situation, remote work remained a priority in the Company and a hybrid working model was introduced to reduce the risk of infection in the Company. Employees are provided with unrestricted access to disposable tests for the detection of COVID-19 virus antigens. All employees were provided with personal protective equipment and biocidal products at all times. Mobile UV lamps for air disinfection are used to protect employees from contagious viral diseases on the Company's premises where a larger number of employees and/or visitors may be present at the same time. Stationary UV lamps are installed on the premises where employees monitoring the operation of the transmission system and the technological management are present 24/7.

#### Actions and Initiatives in 2022

In 2022, an assessment of new ergonomic risk factors was carried out throughout the Company, as well as an assessment of psychosocial risk factors according to the Stress Management Standard.

In 2022, the Company had two minor accidents, one of which was not directly related to the work being performed and the other was due to the influence of natural conditions (1 occupational accident in 2021, 0 minor accidents in 2020). In total, throughout the Company's history since 2013, there have been 5 occupational accidents, all classified as minor.

Since 2014, the Company has had an occupational safety and health committee, which consists of two

safety and health representatives elected by the employees and two committee members appointed by the employer. The employees' safety and health representatives and the members of the committee are elected for a two-year term. The committee meetings are held at least every quarter. The agenda and the frequency of the meetings of the committee depend on the reports of the employees' safety and health representatives (of which there are 19 in the Company), the Company's processes, accidents, and other matters relating to the employees' safety and health.

To ensure social cooperation and partnership on environmental protection and occupational safety and health issues, all employees of the Company are continuously informed and educated by organising various events, distributing information materials, and providing internal training.

The incident prevention committee, established in 2018, operates in the Company. Its main activity is examining potential risks and unsafe situations and safety incidents, identifying and eliminating the causes of such incidents, and providing for preventive measures. In 2022, the number of reported actual and potential incidents decreased to 10 (compared to 15 in 2021 and 19 in 2019). For the convenience of employees and for easier and quicker management of information on safety incidents, in 2021, the Company's experts developed a mobile app for incident registration, which makes it easy to register a safety incident by phone or computer.

#### Occupational Health

The Company cares about the health of its employees, so it continuously promotes a healthy lifestyle and exercising, it organises compulsory preventive health check-ups and preventive vaccinations for the employees.

Measure	Number of employees in 2022	Number of employees in 2021	Number of employees in 2020
Compulsory preventive health check-ups	141	263	233
Vaccinations against tick-borne encephalitis	69	110	52
Vaccinations against influenza	96	101	141

Table 33. Employee health prevention

The Company provides regular first-aid training, general leaflets on a balanced diet, correct sitting posture, work activities, specific mobility exercises, and measures to promote physical activity.

In 2022, the new health insurance is a company-funded employee health insurance that gives insured employees faster and more convenient access to health services: medical treatment at selected public or private healthcare institutions, doctors' appointments, various tests, medicines, and other health promotion services.

#### Support and Public Relations

Financial support may be allocated to:

- Developing cooperation with the communities in which the company operates or implements projects or programmes, as well as with other groups whose interests are affected by the company's activities, including projects or programmes to improve the well-being of the communities where the company operates. The company encourages voluntary and unpaid involvement of employees in such activities;
- Educational activities, studying at universities or other higher education institutions in programmes closely linked to the company's activities;
- In exceptional cases, with the approval of the company's board, support may be granted for other purposes set out in the legislation to targeted groups of beneficiaries.

#### Actions and Initiatives in 2022

Investing in the most sought-after professions of the future, Amber Grid signed cooperation agreements with Vilnius Tech University and Panevėžys College in 2022 and provided EUR 50,000 in financial support for engineering students' scholarships. Our scholarships were given to 17 Vilnius Tech students and 8 students from Panevėžys College. This step aims to address the issue of attracting experts needed for the transformation of the Lithuanian energy sector and to achieve synergy between science and business.

In the context of Russia's targeted destruction of Ukraine's energy infrastructure, in 2022, Amber Grid donated EUR 18,000 for equipment to its Ukrainian colleagues for the repair of gas pipelines. The equipment will help the Ukrainian gas transmission system operator to rebuild damaged pipelines. The aid was transferred to the Ukrainian gas operator through the non-governmental organisation Blue/Yellow.

The support agreements are available on the company's website.

In 2022, the company engaged in the following activities:

- In order to contribute to the education of future energy professionals, we have organised tours for pupils and students at our branches in Gudeliai and Jauniūnai, where they are introduced to the Amber Grid infrastructure, the work in the control room, and the principles of operation of gas distribution stations. Throughout the year, 150 young people visited our facilities.
- We gave lectures to students of the Department of Electrical Engineering at Vilnius Tech. Colleagues shared their knowledge about the grid we manage and its security, the prospects of green gas, and innovations we are developing in our company.
- We each have our own energy story, our own tale of what we do every day at the gas company. We simply have to share these stories with the environment. Especially with the younger generation, to encourage them to become energy professionals in the future. That is why we had launched an ambassador programme, for which 10 employees signed up and started spreading the word about what we do and how exciting and meaningful it is to work in the energy sector.
- The company encourages its employees to volunteer. In 2022, 35% of the company's employees joined volunteering activities, participating in Darom, Blood Donation, Red Cross campaigns, etc.

## 8.6. Governance sustainability

### Our Approach

Amber Grid aims to ensure transparent and efficient management and development of the energy exchange platform. This includes the reliable and secure operation of the gas transmission system, the development of an anti-corruption culture, the improvement of the supply chain based on sustainability standards, and the promotion and implementation of innovation in operations.

### Anti-Corruption and Transparency

The company continuously reinforces its commitment to responsible business principles. The Company does not tolerate any form of corruption, undue benefits, accepting, giving, offering, promising or demanding gifts through the abuse of position. The prevention of corruption is also included in the list of priority areas of the compliance programme, and periodic reports are submitted to the audit committee and to the board on the actions taken in this area.

The company's anti-corruption activities are based on national legislation and voluntary commitments that go beyond it:

- All executives of the company are directly responsible for implementing corruption prevention measures and setting an example for their employees;
- Proportionate corruption prevention procedures based on risk assessment are in place. They are available here: [https://www.ambergrid.lt/lt/apie\\_mus/-bendroveskorupcijosprevencijospolitika/abambergridantikorupcijospolitika](https://www.ambergrid.lt/lt/apie_mus/-bendroveskorupcijosprevencijospolitika/abambergridantikorupcijospolitika);
- An annual corruption risk assessment is carried out every year, measures to mitigate corruption risks are planned and adapted, the effectiveness of anti-corruption activities is monitored, and, where necessary, more effective measures are introduced.

In 2022, the Company focused on implementing the provisions of the updated Law on Prevention of Corruption, which entered into force on 1 January 2022. During 2022, the Company adopted/updated the following documents:

- The anti-corruption policy;
- The description of the procedures for setting up and maintaining internal whistleblowing channels;
- The description of the procedures for conducting internal investigations;

- The rules for staff anti-corruption behaviour.

From 2021, in accordance with the Law of the Republic of Lithuania on Adjustment of Public and Private Interests and the procedure established by the Chief Official Ethics Commission (the "COEC"), the members of the Company's board, top-level executives, heads of structural units and employees of the Company involved in procurement procedures declare their private interests in the COEC's PINREG information system. In 2022, 186 declarations of private interests of the Company's employees were/are submitted to PINREG. During 2022, no cases of the Company's employees being in a situation of conflict of interest have been identified.

Violations of the provisions of the legislation and norms of conduct, violations of economic transactions and accounting, bribery, graft, influence peddling, abuse, conflicts of interest, nepotism and cronyism, violations of the requirements of transparency, equality, non-discrimination, proportionality, and impartiality of procurement by the Company's executives and employees may be reported here: [https://www.ambergrid.lt/lt/apie\\_mus/korupcijos-prevencija/pasitikejimolinija](https://www.ambergrid.lt/lt/apie_mus/korupcijos-prevencija/pasitikejimolinija).

### Actions and Initiatives in 2022

In 2022, 10 (ten) reports/complaints were received. The reports were found to be related to minor environmental, pipeline protection zone status violations and are not related to potential corruption. Five reports were received in 2021; no reports were received in 2020.

On 14 December 2022, the TEAMS information platform was used to provide annual corruption prevention training for the Company's employees. The following topics were presented/discussed:

- New documents in the area of Corruption Prevention were adopted/updated in 2022;
- The gifts policy;
- Alignment of interests/conflicts.

One hundred and twenty-six employees of the Company participated in the training (118 employees in 2022; 106 employees in 2021; 153 employees in 2020).

All new employees are provided with training by the Prevention Department, during which they are introduced to the Company's corruption prevention policy, the Company's anti-corruption measures, the reporting system, and the whistle-blower protection guarantees. During 2022, 36 new employees received prevention training.

The Company pays great attention to the protection of personal data in order to ensure the confidentiality of data security of the Company's employees, customers, and partners, and the compliance of data processing activities with the requirements of the Law of the Republic of Lithuania on Legal Protection of Personal Data and the General Data Protection Regulation (GDPR) of the EU. The protection of personal data in the Company is governed by the Personal Data Protection Policy and the Personal Data Processing Rules. The Company has also prepared a privacy notice, which provides visitors to the Company's website with information on what personal data is processed by the Company and for what purposes, information about the visitors' rights and how to exercise them, presented in a clear and easy-to-understand manner, as well as a procedure for dealing with requests, contact details, and the persons responsible for dealing with the requests. You can read the privacy notice at: [https://www.ambergrid.lt/lt/apie\\_mus/privatumo-pranesimas](https://www.ambergrid.lt/lt/apie_mus/privatumo-pranesimas)

The area of personal data protection is also included in the list of priority areas of the compliance programme, and periodic reports on the actions carried out in this area are submitted to the audit committee and the board.

In order to comply with the GDPR, the Company periodically updates the documents regulating the protection of personal data, records of data processing activities, conducts data protection impact assessments, legitimate interest (balance) assessment tests, organises employee training, and carries out compliance audits of individual areas. Technical security measures are also a major focus.

In 2022, the Group's personal data protection policy was updated, extended training was provided to employees who handle a large amount of personal data in the course of their work, and four compliance audits were carried out.

#### Cybersecurity

The Company's operations are directly dependent on the proper functioning of the Company's core Information Technology (IT) and Operational Technology (OT). A disruption in IT and OT, a data breach or a cyber attack may disrupt the Company's operations. Cybersecurity is therefore an essential component of the overall safety and security of the Company's operations.

We manage cybersecurity risks by periodically assessing the information security risks of vital processes, IT and OT systems. To ensure information security, we systematically respond to information security incidents and vulnerabilities. The Company has designated owners of information assets, IT and OT systems, and vital business processes.

The Company ensures information security by operating in accordance with international information security standards (ISO 27001, IEC 62443) and global best practices of information security. On 23 February 2022, the Company's information security management system was certified in accordance with ISO 27001:2017, which forms the basis for the overall data protection management strategy and objectives.

Information security obligations are included in contracts with third parties, who must ensure the same level of information security as the Company.

We pay close attention to safe remote work and awareness-raising of the employees by organising periodic information security training, which is compulsory for all employees, and by conducting periodic tests involving mock attacks against our employees.

Particular attention is paid to infrastructure and services, the disruption of which would be detrimental not only to the Company, but also to the Republic of Lithuania. To ensure their cybersecurity, we constantly cooperate with the National Cybersecurity Centre and other authorised authorities.

#### Customers

The Company's customers are large electricity and district heating generation companies, industrial companies and medium-sized Lithuanian business companies, natural gas supply companies, and natural gas distribution system operators to which natural gas transmission services are provided. In 2022, the Company concluded contracts with 121 system users (110 system users in 2021).

Focusing on customers and improving customer satisfaction is one of the Company's strategic objectives. In order to find out the needs of customers, Amber Grid organised a customer satisfaction survey at the end of 2022. The survey aimed to assess how customer satisfaction with Amber Grid's services has changed and to what extent Amber Grid's services and service provision meet customer expectations, as well as customers' day-to-day experience using Amber Grid's services. The customer satisfaction score was measured by the GCSI customer satisfaction index and the NPS Index. The survey showed high customer satisfaction scores. The GCSI score of 82 is in line with the results achieved by companies with a high standard of service delivery, and the NPS score of 40 showed that 53% of respondents are likely to recommend Amber Grid to others. Customers evaluated positively the ability of staff to resolve customer queries and situations and prompt service provision, and these customer ratings rose from 8.9 to 9.1 in comparison to 2021. Among the areas for improvement, customers mentioned the need for a modern self-service system and an API.





Amber Grid appreciates the high level of customer trust and aims to maintain high customer satisfaction rates in the future. In early 2023, Amber Grid will introduce a mentoring manager to assist customers with their concerns, in response to customer demand for a contact person. In the first half of 2023, Amber Grid will make it possible for customers to purchase basic services through a new electronic self-service for transmission services. The new self-service will implement all business processes, from ordering services to billing, and will allow customers to submit data automatically in accordance with the AS4 protocol.

Amber Grid places great emphasis on creating good customer experiences within the company. In early 2023, the company announced a customer experience improvement programme called "Put Yourself in a Customer's Shoes", which aims to involve all employees in creating a good customer experience.

#### Public Procurement

In planning and performing procurements and procurement contracts, the Company is guided by the provisions of the Law of the Republic of Lithuania on Procurement by Entities Operating in the Field of Procurement, Waste Water Management, Energy, Transport or Postal Services (the "Law"), other legal acts regulating procurement and applicable to the Company, or by good commercial practice where the Law does not apply to certain procurements.

The Company implements projects of regional and national importance. These are projects require large investments. Their success depends on the understanding, trust, and support of shareholders, partners, controlling and regulatory authorities, and the people of Lithuania. Therefore, in its operations, the Company focuses on oversight of public procurement processes and prevention of corruption. The Company has effective measures in place to ensure that procurement is carried out in a transparent manner, in accordance with the requirements of equality, non-discrimination, mutual recognition and proportionality, and does not accept fraud, bribery or other illegal, anti-competitive practices. Information on the procurement plans for the year, their implementation and the persons responsible is made public on the Company's website. In order to ensure fair competition, the Company makes available to potential suppliers information on the projects to be implemented and the planned works for which it intends to organise tenders for contract works.

#### Green Procurement

The Company is committed to reducing its environmental impact and is therefore committed to prioritising green procurement. Green procurement is defined as procurement that seeks to procure goods, services or works that have the lowest possible environmental impact at one, several or all stages of the life cycle of the goods, services or works.

The Company is guided by the green procurement objectives set out in the Resolution of the Government of the Republic of Lithuania on the Establishment and Implementation of Green Procurement Objectives (current version), and undertakes to carry out:

- At least 50% of green procurements in 2022;
- At least 100% of green procurements every year since 2023.

In 2022, more than 50% of the Company's procurements (by value) were green.

The specific green procurement criteria to be applied are set out in the relevant legislation of the Republic of Lithuania (30 product categories approved by Order No D1-508 of the Minister of Environment of the Republic of Lithuania). We will determine the optional criteria taking into account the subject matter of the procurement and best practices in Lithuania and abroad, and by assessing the environmental impact of the subject matter of the procurement.

In preparing the 2022 procurement plan, we have identified green procurement in it. We will assess the environmental impact of the subject matter of the procurement and the applicable green criteria through research on needs and market research/consultations.

When initiating procurement, it is a requirement to specify the green criteria to be applied to the subject matter of the procurement, and we will monitor the fulfilment of the green criteria during the performance of procurement contracts.

Every quarter, an analysis of the experience of green procurement is carried out, the green criteria are refined, and plans are made for the coming periods.

As priority green criteria, we highlight:

- Type I environmental labelling (according to LST EN ISO 14024);
- Requirements that suppliers apply the requirements of an environmental management system in accordance with LST EN ISO 14001 or the European Union's Eco-Management and Audit Scheme (EMAS), or other environmental management standards based on relevant European or international standards (as approved by certification bodies that comply with European Union legislation or international certification standards), for the performance of the work or the provision of services;
- Avoidance of paper documents;
- The life-cycle cost criterion to be applied in the evaluation of tender bids;

- Assessment of disposal costs, recycling options;
- Energy efficiency;
- Preservation of natural resources;
- Use of renewable energy sources;
- Long life span, durability, functionality, etc.

When implementing green procurements, we will aim to choose materials that are as environmentally friendly as possible and, where possible, prioritise the elimination of environmentally harmful materials/products.

We will develop the competences of our staff and suppliers in the area of green procurements to make green procurements and contract implementation as efficient and smooth as possible.

#### Supply Chain Management

In 2022, we adopted and published a Supplier Code of Conduct. It will be used as a basis for assessing the environmental standards, responsible employment, anti-corruption and human rights practices of suppliers involved in public procurement.

To monitor compliance with the Supplier Code of Conduct, we will invite suppliers to provide information on their value chain and geography of operations, policies in force, employment, anti-corruption and environmental practices. Suppliers and their employees will also have the opportunity to report to us behaviour that violates the Code through the reporting channel.

The Supplier Code of Conduct is just the first step on the long road to sustainable supply chain management. We have set ourselves the goal of having a process for verifying suppliers at their sites of operation ready within this year.

#### Innovation

In order to foster innovation and the search for potential new activities, the Company, together with other companies in the EPSO-G Group, followed a functional action plan for the creation of an innovation ecosystem in the EPSO-G Group for the period from 2022 to 2024, and the activities set out in the plan are planned to be implemented in 2023.

In 2022, in order to involve as many of the Company's employees as possible and to encourage innovation and new activities, an easily accessible form for registering

innovative ideas on the Microsoft Teams platform was created. The tool has proved its worth as 26 potential innovative ideas were registered in 2022 (12 in 2021). A new automated report on innovations and their benefits was generated. It is available to the Company's employees on the Microsoft Power BI platform, which enables employees to see both the overall status of the Innovation Portfolio and the benefits it provides, thus contributing to the development of an Innovative Company culture.

In order to become not only more efficient, but also to increase the use of green energy, in 2022, the Company completed the construction of solar power plants, which had started in 2020, and became a green energy producing consumer. In total, over 1,400 kW of solar cells were installed on the Company's site, generating over 1,660 MWh of electricity in 2022. The gas pipeline system and all of its facilities consume a significant amount of electricity per year, which is why the investment in the in-house solar power generation has paid off and, taking into account the 2022 electricity price hikes, has allowed the company to save more than EUR 300,000. In addition, emissions of almost 1,000 t of CO<sub>2</sub> have been avoided because of the plants.

In preparation for green gas integration, the Company has launched an innovative project to develop virtual chromatographs that will not only help ensure safe and reliable integration of green gas into the gas transmission system in the future, but will also speed up and make the whole process of gas quality assurance faster and more cost-efficient. The project upgraded the existing Simone gas flow modelling software to determine the quality of natural gas by assessing the inlet gas quality parameters. The first results obtained in 2022 exceeded expectations, as the results obtained from virtual chromatographs were practically indistinguishable from those obtained from physical chromatographs.

Digitalisation of IT systems. In 2022, the Company launched or continued a series of IT systems digitalisation projects: the continuation of the development of the Integrated Accounting and Financial Management Information System, which will ensure efficient accounting, budgeting, control and analytical functions for the EPSO-G Group. A strong focus has also been and will continue to be placed on ensuring the cybersecurity of IT systems. In 2022, the company started to participate in the Cyber4DE research and development project, which will share existing best practices with international consortium partners in order to improve cybersecurity.

As part of the improvements in performance management, the implementation of an asset management system based on risk assessment has been completed. In the light of the experience gained, the Company's strategic asset management plan drawn up in 2021 has been updated and the 2023 operational schedules have been approved, taking into account potential risks, which were assessed using risk calculation algorithms.

The Company is participating for the fourth year in an initiative that benchmarks the performance of a series of European transmission system operators. Based on the results of this benchmarking, improvements in operational processes are planned and implemented. In 2020 and 2021, the analyses were used as a basis for improving the Company's operational processes. This is a long-term project and in 2023 we will continue to improve the efficiency of the operational processes according to the results of the benchmarking.

#### Honest Taxpaying

2022	2021	2020
2,809,965.37	8,202,570.29	10,186,477.59

Table 34. "Amber Grid" paid fees

Amber Grid implements the principles of fair business by declaring and paying all due business taxes responsibly and correctly. According to the State Tax Inspectorate, the amount of taxes paid by Amber Grid is:

#### Key Indicators of Taxonomic Economic Activity

Article 1(2)© of Chapter I of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment states that this Regulation applies to "undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive 2013/34/EU of the European Parliament and of the Council (68), respectively".

It is noted that AB Amber Grid is not subject to the obligation under the Directive to publish a non-financial statement or a consolidated non-financial statement as the average annual number of employees in the company, according to the list of employees during the reporting financial year, did not exceed 500 as at the last day of that year.

However, AB Amber Grid is part of the EPSO-G Group of companies, which is subject to the requirements of the Directive. Therefore, disclosures under the EU Taxonomy Regulation for the activities of AB Amber Grid are provided in the consolidated and audited annual statement of UAB EPSO-G.

## Key Indicators of Taxonomic Economic Activity

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## 8.7. NASDAQ ESG indicators

The information provided covers the period from 1 January to 31 December 2022 and the indicators should be considered in conjunction with the Sustainability Report. The data for the ESG (Environmental, Social and Governance) indicators presented below have not been verified by external organisations and reflect information available at the time of disclosure.

## Environmental Indicators

	2022	2021	2020
<b>E1. Greenhouse Gas Emissions, kg</b>			
1 area	35 108 527	58 788 621	62 260 364
2 area	1 188 994	1 741 780	1 632 345
General	36 297 521	60 530 400	63 892 708
Of Biogenic Origin	26 925	29 452	32 574
<b>E2. GHG Emission Intensity, g of CO<sub>2</sub> eq./kWh</b>			
2022	0,61	1,15	1,1
<b>E3. Energy Consumption</b>			
2022	2022	2021	2020
Electricity Generated, MWh	1 426,2	70,1	0
Electricity Consumed, MWh	3 227,55	0	0
Electricity Purchased, MWh	2 167	3 140	2 941,3
Natural Gas, MWh	78 089,2	32 442,6	23 663,9
Diesel Fuel, l	39 436	43 745	48 715
Petrol, l	224 650	244 751	270 158
Thermal Power, MWh	67,98	108	117,4
<b>E4. Energy Intensity, GJ/MWh</b>			
2022	0,57	0,33	0,25
<b>E5. Types of Electricity Consumption</b>			
2022	2022	2021	2020
Renewable Electricity, %	33,51	0	0
Non-Renewable Electricity, %	66,49	100	100
<b>E6. Water Consumption, thousands of m<sup>3</sup></b>			
2022	3,220	3,037	3,101
<b>E7. Environmental Protection Activities</b>			
2022	2022	2021	2020
Does the Company comply with an official environmental protection policy?	Yes	Yes	Yes
<b>E8. Climate Change/Board Participation</b>			
2022	2022	2021	2020
Does the board monitor and/or manage climate-related risks? Yes/No	Yes	Yes	Yes
<b>E9. Climate Change/Management Involvement</b>			
2022	2022	2021	2020
Does the top-level executive team monitor and/or manage climate-related risks? Yes/No	Yes	Yes	Yes
<b>E10. Climate Risk Reduction</b>			
2022	2022	2021	2020
Total annual investment in climate-related infrastructure, resilience, and product development:			
Green Production, millions of euro	0,615	0,314	0
Modernisation of Gas Networks, millions of euro	3,7	9,6	9,5

Table 35. "Amber Grid" environmental indicators

## Social Responsibility Indicators

S1. CEO/Staff Remuneration Ratio	2022	2021	2020
Ratio of the CEO's salary and bonuses (X) to the average salary of full-time staff X:1	4,9	5,1	4,42
S2. Salary Ratio by Gender	2022	2021	2020
Ratio of the average total salary of men (X) to the average salary of women X:1	0,95:1	0,91:1	0,85:1
S3. Staff Turnover Rate	2022	2021	2020
Total staff turnover during the period, %	11,04	11,21	10,69
Turnover of part-time staff during the period, %	0,31	0	0,63
Turnover of staff employed under fixed-term contracts during the period, %	1,53	0,62	1,57
S4. Gender Diversity	2022	2021	2020
Total share of women and men actually in employment, %	77 % men; 23 % women	78 % men; 22 % women	80 % men; 20 % women
Worker posts held by men and women, %	99 % men ; 1 % women	99 % men ; 1 % women	98 % men ; 2 % women
Expert posts held by men and women, %	68 % men; 32 % women	69 % men; 31 % women	71 % men; 29 % women
Middle management (MM and UM from 2021 onwards) posts held by men and women, %	68 % men; 32 % women	77 % men; 23 % women	69 % men; 31 % women
Top-level executive (TLE) posts held by men and women, %	83 % men; 17 % women	83 % men; 17 % women	83 % men; 17 % women
S5. Share of Temporary Workers	2022	2021	2020
Share of part-time staff, %	0,9	0,93	0,63
Share of staff employed under fixed-term contracts/consultancy contracts, %	3	2,8	1,57
S6. Non-Discrimination	2022	2021	2020
Does the Company comply with a policy to prevent sexual harassment and/or discrimination? Yes/No	Yes	Yes	Yes
S7. Occupational Injury Rate	2022	2021	2020
Injury frequency per number of employees, %	0,6	0,3	0,3
S8. General Health and Safety	2022	2021	2020
Does the Company publish and comply with an occupational health and safety policy and/or a general health and safety policy? Yes/No	Yes	Yes	Yes
S9. Child and Forced Labour	2022	2021	2020
Does the Company comply with a child labour policy? Yes/No	Yes	Yes	Yes
Does the Company comply with a policy on forced labour? Yes/No	Yes	Yes	Yes
If so, does the child and/or forced labour policy also apply to suppliers and vendors?	No	No	No
S10. Human Rights	2022	2021	2020
Does the Company publish and follow a human rights policy? Yes/No	Yes	Yes	Yes
If so, does the human rights policy also apply to suppliers? Yes/No	Yes	No	No

Table 36. "Amber Grid" indicators of social responsibility

## Governance Indicators

	2022	2021	2020
<b>G1. Board diversity</b>			
Total share of board posts held by women (compared to men), %	25% until 20 April 2022 0% from 20 April 2022	25%	Until 20 April 2020 - 4(0) (4 out of 4 members were men); 0%. From 20 April 2020 to 31 August 2020 - 5(1) (1 woman out of 5 members of the board); 20%. From 31 August 2020 - 4(1) (1 woman out of 4 members of the board); 25%
<b>G2. Board Independence</b>			
Does the Company forbid its director from holding the post of the chairperson of the board? Yes/No	Yes	Yes	Yes
Total number of independent members of the supervisory board, %	50% until 20 April 2022 40% from 20 April 2022 to 18 November 2022 50% from 18 November 2022	50%	50% until 20 April 2022 20% from 20 April 2020 to 31 August 2020 50% from 31 August 2020
Total number of independent board members, %	There is no supervisory board		There is no supervisory board
<b>G3. Incentivising Executives</b>			
Are executives formally incentivised to obtain sustainability results?	Yes	Yes	No
<b>G4. Collective Negotiations</b>			
Total share of employees with collective agreements compared to the total number of employees, %	100	100	100
<b>G5. Supplier Code of Conduct</b>			
Are suppliers required to comply with the Code of Conduct? Yes/No	No	No	No
<b>G6. Ethics and Anti-Corruption</b>			
Does the company comply with the Anti-Corruption Policy? Yes/No	Yes	Yes	Yes
If it does, what percentage of employees have formally confirmed their compliance with the policy? %	100	100	100
<b>G7. Data Protection</b>			
Does the company comply with the Personal Data Policy? Yes/No	Yes	Yes	Yes
Has the company taken steps to comply with the GDPR? Yes/No	Yes	Yes	Yes
<b>G8. ESG Reporting</b>			
Does the Company publish a sustainability report? Yes/No	Yes	Yes	Yes
Are sustainability data included in reporting to operational supervisors? Yes/No	Yes	Yes	Yes
<b>G9. Disclosure Practices</b>			
Does the company provide sustainability data to sustainability reporting systems? Yes/No	Yes	Yes	Partially
Does the company focus on specific Sustainable Development Goals (SDGs)? Yes/No	Yes	Yes	Partially
Does the company set targets and report on progress towards SDGs of the UN?	Yes	Yes	Partially
<b>G10. External Audit and Evaluation of the Report</b>			
Are sustainability disclosures audited by a third party? Yes/No	Partially	Partially	Partially

## 8.8. GRI indicators of sustainability

### General Standard Disclosures

GRI standard	Topic	Page
<b>Organisational Profile</b>		
102-1	Name of the organisation	7
102-2	Activities, brands, products, and services	7
102-3	Location of headquarters	7
102-4	Location of operations	7; 31
102-5	Ownership and legal form	7
102-6	Markets served	7; 31-32
102-7	Scale of the organisation	7; 94
102-8	Information on employees and other workers	94-95; 109
102-9	Supply chain	106-107
102-10	Significant changes to the organisation and its supply chain	8-11; 106
102-11	Precautionary Principle or approach	53; 79; 84
102-12	External initiatives	102
102-13	Membership of associations	12-13
<b>Strategy</b>		
102-14	Statement from senior decision-maker	3-5
102-15	Key impacts, risks, and opportunities	15-17; 53-57; 79
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	22-25
102-17	Mechanisms for advice and concerns about ethics	100-101
<b>Governance</b>		
102-18	Governance structure	62-69; 119
102-19	Delegating authority	62-69
102-20	Executive-level responsibility for economic, environmental, and social topics	62-69; 79
102-21	Consulting stakeholders on economic, environmental, and social topics	81

GRI standard	Topic	Page
<b>Governance</b>		
102-22	Composition of the highest governance body and its committees	62-64
102-23	Chair of the highest governance body	62-64
102-24	Nominating and selecting the highest governance body	62-69
102-25	Conflicts of interest	22; 62-69
102-26	Role of highest governance body in setting purpose, values, and strategy	22; 62-69
102-27	Collective knowledge of highest governance body	22; 62-69
102-28	Evaluating the highest governance body's performance	76-78
102-29	Identifying and managing economic, environmental, and social impacts	53-57; 79
102-30	Effectiveness of risk management processes	76-78
102-31	Review of economic, environmental, and social topics	79; 110
102-32	Highest governance body's role in sustainability reporting	79-80
102-33	Communicating critical concerns	81-83
102-34	Nature and total number of critical concerns	69-71
102-35	Remuneration policies	69-71, 109
102-36	Process for determining remuneration	69-71, 109
102-37	Stakeholders' involvement in remuneration	70; 109
102-38	Annual total compensation ratio	70; 109
102-39	Percentage increase in annual total compensation ratio	76; 81-83
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	22-23
102-41	Collective bargaining agreements	22-23; 81
102-42	Identifying and selecting stakeholders	81
102-43	Approach to stakeholder engagement	76; 81-83
102-44	Key topics and concerns raised	

## General Standard Disclosures

GRI standard	Topic	Page
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	75
102-46	Defining report content and topic Boundaries	81
102-47	List of material topics	81
102-48	Restatements of information	75
102-49	Changes in reporting	75
102-50	Reporting period	75
102-51	Date of most recent report	75
102-52	Reporting cycle	75
102-53	Contact point for questions regarding the report	75
102-54	Claims of reporting in accordance with the GRI Standards	75
102-55	GRI content index	111-113
102-56	External assurance	75; 110
<b>Identified Material Sustainability Topics and their Boundaries</b>		
103-1	Explanation of the material topic and its Boundary	76-78
103-2	The management approach and its components	79
103-3	Evaluation of the management approach	5; 79
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	43; 61; 107
201-2	Financial implications and other risks and opportunities due to climate change	84; 107
201-4	Financial assistance received from government	28
<b>Procurement Practices</b>		
204-1	Proportion of spending on local suppliers	105

GRI standard	Topic	Page
<b>Anti-Corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	103-104
205-3	Confirmed incidents of corruption and actions taken	103
<b>Energija</b>		
302-1	Energy consumption within the organisation	86; 90-93
302-3	Energy intensity	89; 108
<b>Biologinė įvairovė</b>		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	92; 108
304-2	Significant impacts of activities, products, and services on biodiversity	92
<b>Emisijos</b>		
305-1	Direct (Scope 1) GHG emissions	89-90; 108
305-2	Energy indirect (Scope 2) GHG emissions	89-90; 108
305-4	GHG emissions intensity	89-90; 108
305-5	Reduction of GHG emissions	89-90; 108
<b>Atliekos</b>		
306-1	Waste generation and significant waste-related impacts	87-88
306-2	Management of significant waste-related impacts	87
306-3	Waste generated	87



## General Standard Disclosures

GRI standard	Topic	Page
<b>Environmental Compliance</b>		
307-1	Non-compliance with environmental laws and regulations	84
<b>Supplier Environmental Assessment</b>		
308-1	New suppliers that were screened using environmental criteria	105-106
308-2	Negative environmental impacts in the supply chain and actions taken	105-106
<b>Employment</b>		
401-1	New employee hires and employee turnover	94; 109
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	96
401-3	Parental leave	109
<b>Labour/Management Relations</b>		
402-1	Minimum notice periods regarding operational changes	96
<b>Occupational Health and Safety</b>		
403-1	Occupational health and safety management system	84-85
403-2	Hazard identification, risk assessment, and incident investigation	101-102; 109
403-3	Occupational health services	101-102; 109
403-4	Worker participation, consultation, and communication on occupational health and safety	97-98; 101-102
403-8	Workers covered by an occupational health and safety management system	84-85; 98-102
403-9	Work-related injuries	101; 109

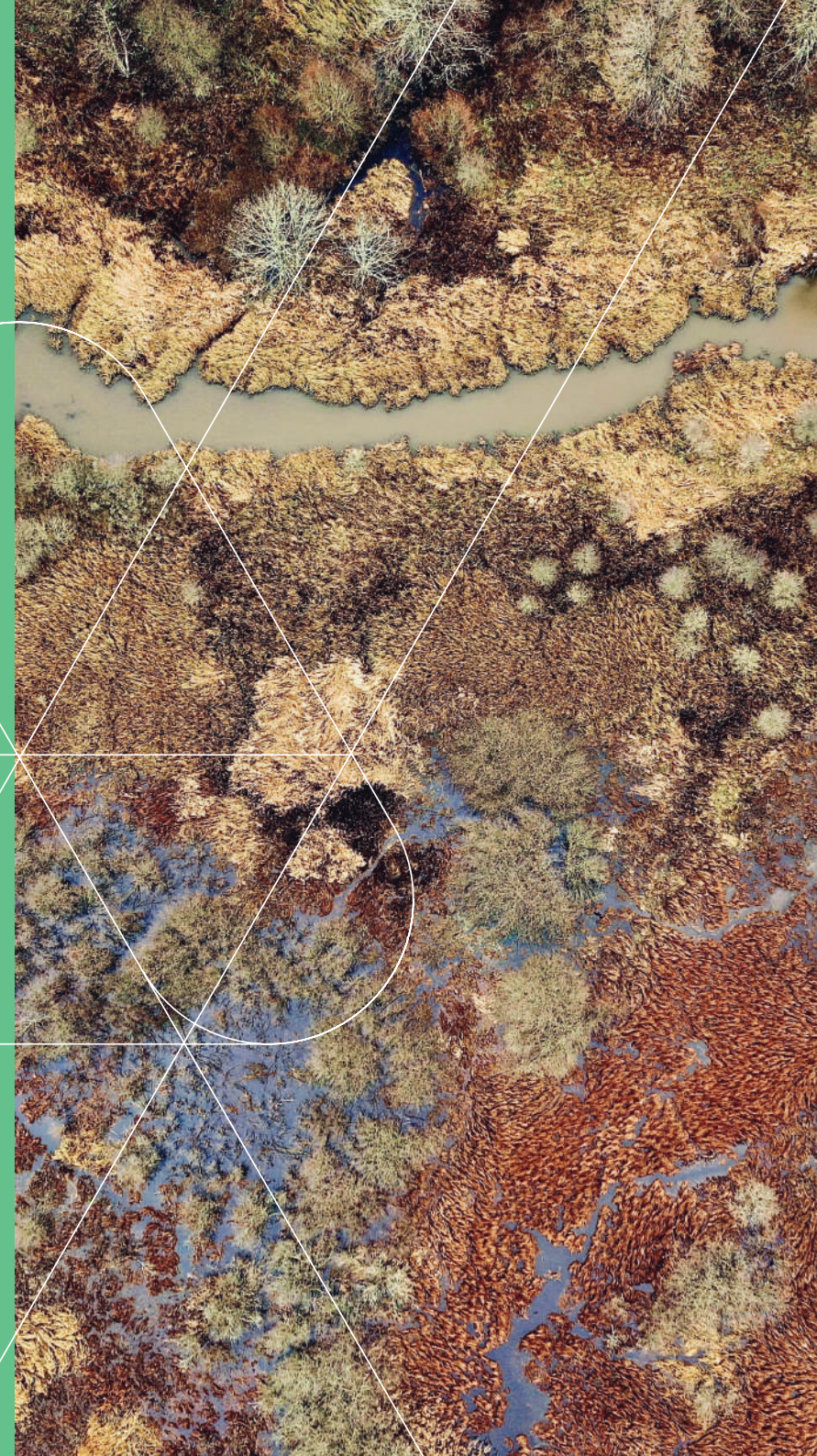
GRI standard	Topic	Page
<b>Training and Education</b>		
404-1	Average hours of training per year per employee	99-100
404-2	Programs for upgrading employee skills and transition assistance programs	96-100
403-3	Percentage of employees receiving regular performance and career development reviews	96-100
<b>Diversity and Equal Opportunity</b>		
405-1	Valdymo organų ir darbuotojų įvairovė	94-95
405-2	Moterų ir vyrų bazinio atlyginimo santykis	94-95; 109
<b>Non-Discrimination</b>		
406-1	Incidents of discrimination and corrective actions taken	100-101; 109
<b>Local Communities</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	102

38 lentelė. „Amber Grid“ darnumo GRI rodiklių atskleidimas



Amber  
Grid

9. 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 and on the official website of NASDAQ Vilnius stock exchange ([www.nasdaq-baltic.com](http://www.nasdaq-baltic.com)).

#### Material events during the reporting year 2022:

Date	Material events during the reporting period
28/01/2022	Regarding the selection of strategic partner for Amber Grid's subsidiary Gas Exchange GET Baltic
04/02/2022	Consolidated results of operations of Amber Grid AB group for the year 2021
22/02/2022	The Audit Committee's opinion regarding the transaction with the related party
23/02/2022	The Audit Committee's opinion regarding the transaction with the related party
23/02/2022	The Audit Committee's opinion regarding the transaction with the related party
28/02/2022	Amber Grid AB signed an agreement on lease of special purpose motor vehicles with Tetas UAB
02/03/2022	Amber Grid AB signed a cashpool agreement with EPSO-G
18/03/2022	Amber Grid AB announces the audited consolidated and separate financial statements, consolidated annual report for 2021
21/03/2022	Installation of EU-certified parts in GIPL pipeline, as revealed in Amber Grid study
25/03/2022	Notice of calling the Ordinary General Meeting of Shareholders of Amber Grid AB
08/04/2022	EPSO-G UAB proposal regarding the nomination to the Board members of Amber Grid AB
20/04/2022	Decisions adopted during the Ordinary General Meeting of Shareholders of Amber Grid AB
20/04/2022	Annual information of Amber Grid Ab for 2021
28/04/2022	Amber Grid AB procedure for payment of dividends for 2021
28/04/2022	Dividend ex-day
28/04/2022	Regarding election of the chairperson of the Board
05/05/2022	Amber Grid AB group's consolidated results of operations for 1Q 2022
10/05/2022	Regarding natural gas transmission system operator's revenue cap of regulated activities for 2023
20/05/2022	Regarding the prices of natural gas transmission services
31/05/2022	Approval of new prices for natural gas transmission services
01/06/2022	Amber Grid AB sustainability report for 2021
02/06/2022	Notice of calling the Extraordinary General Meeting of Shareholders of Amber Grid AB
09/06/2022	Nasdaq event CEO Meets Investors 2022
23/06/2022	Regarding the decisions adopted during the Extraordinary General Meeting of Shareholders of Amber Grid AB
04/08/2022	Amber Grid AB group's consolidated results of operations for 1Q 2022
22/09/2022	Notice of calling the Extraordinary General Meeting of Shareholders of Amber Grid AB
14/10/2022	Regarding the decision adopted during the Extraordinary General Meeting of Shareholders of Amber Grid AB
04/11/2022	Amber Grid AB group's consolidated results of operations for a nine-month period of 2022
04/11/2022	Resignation of Vytautas Bitinas from the position of the Chairman of the Board of Amber Grid AB
12/11/2022	Regarding the election of the Chairperson of the Board
30/11/2022	Notice of calling the Extraordinary General Meeting of Shareholders of Amber Grid AB
02/12/2022	Amber Grid investor calendar for 2023
07/12/2022	Audit Committee's opinion regarding the transaction with related parties
13/12/2022	Audit Committee's opinion regarding the transaction with related parties
22/12/2022	Regarding the decision adopted during the Extraordinary General Meeting of Shareholders of Amber Grid AB

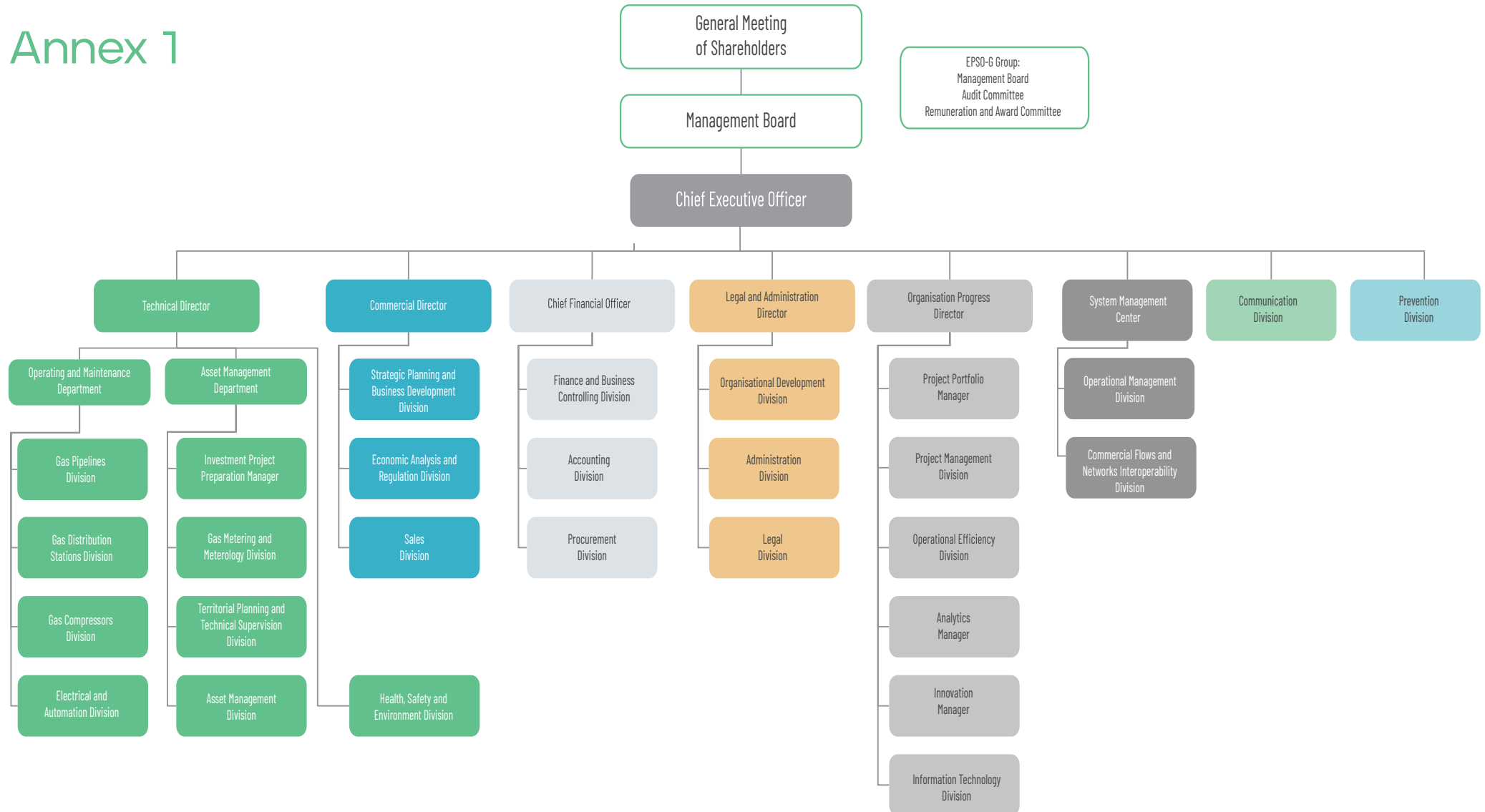
All notices that are made available to public according to the procedure defined in legal acts can be found in an electronic publication of the Manager of the Register of Legal Entities. All notices on convening the Company's General Meeting of Shareholders and other material events are announced on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

Table 19. Material events of Amber Grid during 2022

# 11. Annexes

## Amber Grid's organisational structure

### Annex 1



# 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.

### 1.5 Summary of the Company's Corporate Governance Report

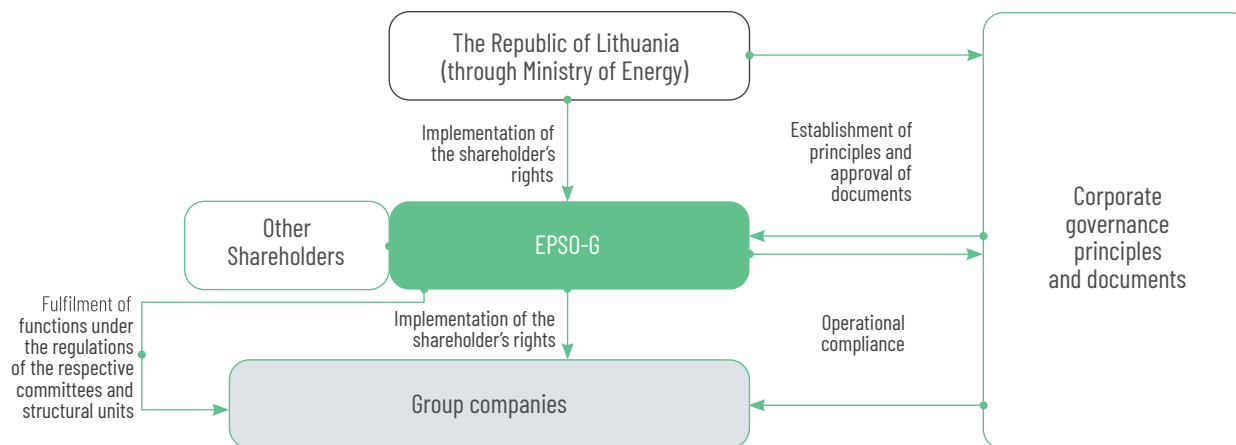
Amber Grid AB is a part of the EPSO-G UAB group of companies ("the Group"). The Company's management structure and governance model are determined by the Company's Articles of Association, the Corporate Governance Guidelines of the EPSO-G Group approved on 24 April 2018 by the Ministry of Energy (the 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](http://www.ambergrid.lt)) and the official website of EPSO-G UAB ([www.epsog.lt](http://www.epsog.lt)).

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.

## Material events of Amber Grid during 2021



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.

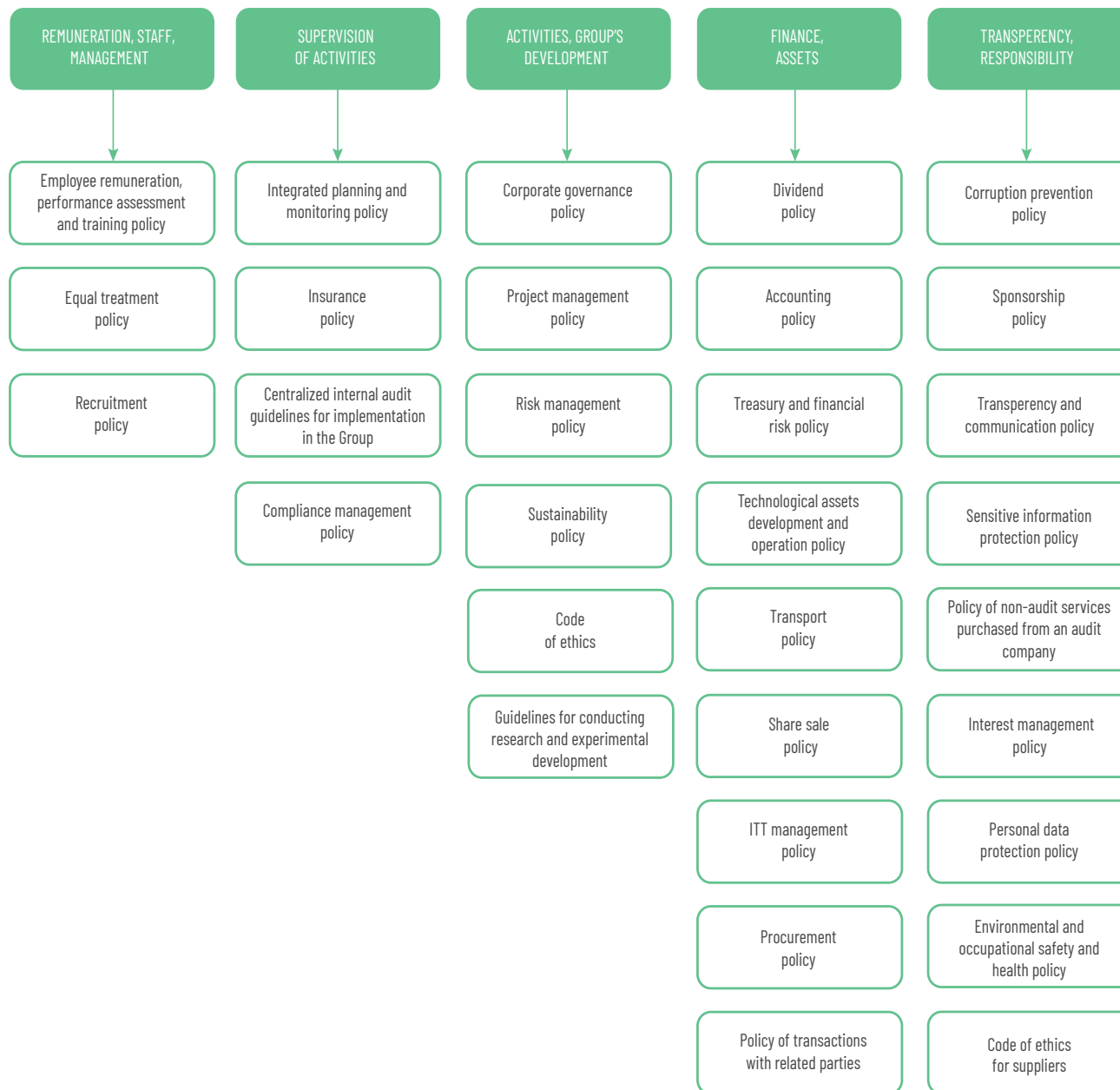
On the basis of the Risk Management Policy of EPSO-G Group, a uniform risk management system of the Group has been implemented at the

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:



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
<p><b>Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights.</b>                      The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.</p>		
<p>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.</p>	<p>YES</p>	<p>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</p> <p>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.).</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p> <p>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.</p>

<p>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.</p>	YES	<p>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.</p>
<p>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.</p>	YES	<p>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).</p>
<p>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.</p>	NO	<p>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.</p>
<p>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.</p>	YES	<p>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.</p>
<p>1.10. Members of the company's collegial management body, heads of the administration<sup>9</sup> 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.</p>	YES NO	<p>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.</p>

<sup>9</sup> 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
<b>Principle 2: Supervisory board</b>		
<b>2.1 Functions and liability of the supervisory board</b>		
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.		
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 <sup>10</sup> 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.

<sup>10</sup> For the purposes of this Code, the criteria of independence of the members of the supervisory board are interpreted as the criteria of unrelated 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
<b>2.2. Formation of the supervisory board</b>		
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
<b>Principle 3: Management board</b>		
<b>3.1. Functions and liability of the management board</b>		
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 <a href="https://www.oecd.org/daf/anti-bribery/44884389.pdf">the OECD Good Practice Guidance</a> <sup>11</sup> 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: <ul style="list-style-type: none"> <li>- there is an internal audit function at the group level;</li> <li>- the Audit Committee is formed at the group level, mostly consisting of independent members, with the internal audit function accountable to it;</li> <li>- 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.</li> </ul>
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.

<sup>11</sup> 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.

<p>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<sup>12</sup>, 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.</p>	YES	<p>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.</p>
<p>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.</p>	YES	<p>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.</p>
<p>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.</p>	YES	<p>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.</p> <p>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.</p> <p>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.</p>
<p>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.</p>	YES	<p>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.</p>

<sup>12</sup> 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
<b>Principle 4: Rules of procedure of the supervisory board and the management board of the company</b>		
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 uninterrupted 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
<p><b>Principle 5: Nomination, remuneration and audit committees</b></p>		
<p>5.1. Purpose and formation of committees</p>		
<p>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.</p>		
<p>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.</p>		
<p>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<sup>13</sup>.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>Not applicable</p>	<p>See 5.1.1.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p> <p>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.</p>
<p>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.</p>	<p>YES YES</p>	<p>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.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>

<sup>13</sup> 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: <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) devote the attention necessary to ensure succession planning.</li> </ol>	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: <ul style="list-style-type: none"> <li>- assistance in the selection of candidates to members of the bodies in all the group companies;</li> <li>- 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;</li> <li>- provision of recommendations on the policies of the group companies that govern the remuneration policy and employee performance assessment;</li> <li>- provision of recommendations on the system for succession planning in the critical job positions.</li> </ul>
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.		
<p>The main functions of the remuneration committee should be the following:</p> <p>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;</p> <p>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;</p> <p>3) review, on a regular basis, the remuneration policy and its implementation.</p>	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 <sup>14</sup> .	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: <ul style="list-style-type: none"> <li>- supervision of preparation and audit of financial statements of the Group companies;</li> <li>- responsibility for ensuring compliance by the auditors and audit firms of the Group companies with the principles of independence and objectivity;</li> <li>- responsibility for the supervision of effectiveness of internal controls, risk management and internal audit systems of the Group companies;</li> <li>- responsibility for control over provision of non-audit services by the auditor and/or audit firm of the Group companies;</li> <li>- ensuring the functioning of the complaints system and handling of complaints;</li> <li>- evaluation of transactions with related parties.</li> </ul>
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.		
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.

<sup>14</sup> 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.

<p>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.</p>	<p>YES</p>	<p>See 5.4.3. The Audit Committee organises a meeting with the auditors to discuss the audit plan.</p>
<p>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.</p>	<p>YES</p>	<p>The Audit Committee ensures the functioning of the complaints system and the handling of complaints.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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#### 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.

<p>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.</p>	<p>YES</p>	<p>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.</p>
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PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
<b>Principle 7: Remuneration policy of the Company</b>		
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.

<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>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.</p>	<p>YES NO</p>	<p>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.</p>

PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
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**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.

<p>8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.</p>	<p>YES</p>	<p>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 EP-SO-G UAB Group and individual Group companies; to ensure employee engagement; to create and maintain sustainable relationship with stakeholders based on mutual trust.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>
<p>8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>YES</p>	<p>The stakeholders are provided with the conditions to familiarise themselves with the required information.</p>
<p>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.</p>	<p>YES</p>	<p>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.</p>



PRINCIPLES/RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
<b>Principle 9: Disclosure of information</b>		
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.

<p>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.</p>	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
<p>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.</p>	YES	EPSO-G UAB, as a parent company, discloses consolidated information in the consolidated annual report.
<p>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.</p>	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
<p>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.</p>	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
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### 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.

<p>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.</p>	YES	The Company's financial information is audited by an independent audit firm.
<p>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.</p>	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.
<p>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.</p>	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<sup>15</sup> 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<sup>16</sup> 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* :

<sup>15</sup> 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.

<sup>16</sup> 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 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
<i>* 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.</i>	
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

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 <sup>17</sup> :	
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

<sup>17</sup> 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 2022



**Consolidated and separate statement of financial position**

(All amounts are in EUR '000 unless otherwise stated)

	Notes	Group		Company	
		At 31	At 31	At 31	At 31
		December	December	December	December
		2022	2021	2022	2021
<b>ASSETS</b>					
<b>A. Non-current assets</b>		<b>292,179</b>	<b>272,087</b>	<b>292,179</b>	<b>272,202</b>
I. Intangible assets	6	2,584	4,742	2,584	4,210
II. Property, plant and equipment	7	281,089	255,984	281,089	255,978
II.1. Land		125	125	125	125
II.2. Buildings		6,526	6,529	6,526	6,529
II.3. Structures and equipment		229,892	199,940	229,892	199,940
II.4. Plant and machinery		33,831	37,143	33,831	37,143
II.5. Motor vehicles		220	373	220	373
II.6. Other PP&E		3,849	4,066	3,849	4,060
II.7. Construction work in progress	7	6,646	7,808	6,646	7,808
III. Right-of-use assets	9	3,365	3,849	3,365	3,737
IV. Non-current financial assets		-	4	-	769
IV.1. Investment in subsidiary		-	-	-	769
IV.2. Other non-current financial assets		-	4	-	-
V. Deferred income tax assets		5,141	7,508	5,141	7,508
<b>B. Current assets</b>		<b>256,177</b>	<b>108,127</b>	<b>53,168</b>	<b>46,318</b>
I. Inventories and prepayments		13,735	8,818	13,735	8,801
I.1. Inventories	10	12,833	8,101	12,833	8,101
I.2. Prepayments		902	717	902	700
II. Amounts receivable		38,220	45,946	38,220	35,257
II.1. Trade receivables	11	18,498	21,424	18,498	10,736
II.2. Other amounts receivable	12,19	19,722	24,522	19,722	24,521
III. Prepaid income tax		-	943	-	943
IV. Other financial assets	13	423	51,514	423	1,305
V. Cash and cash equivalents	14	21	906	21	12
VI. Assets held for resale (assets of disposal group)	15	203,778	-	769	-
<b>Total assets</b>		<b>548,356</b>	<b>380,214</b>	<b>345,347</b>	<b>318,520</b>

(cont'd on the next page)

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

**Consolidated and separate statement of financial position**

(All amounts are in EUR '000 unless otherwise stated)

		Group		Company	
		At 31	At 31	At 31	At 31
		December	December	December	December
		2022	2021	2022	2021
<b>EQUITY AND LIABILITIES</b>					
<b>C.</b>	<b>Equity</b>	<b>183,804</b>	<b>178,040</b>	<b>183,392</b>	<b>177,573</b>
I.	Share capital	51,731	51,731	51,731	51,731
II.	Reserves	115,999	102,715	115,941	102,678
II.1.	Legal reserve	5,231	5,210	5,173	5,173
II.2.	Other reserves	110,768	97,505	110,768	97,505
III.	Retained earnings (deficit)	16,074	23,594	15,720	23,164
<b>D.</b>	<b>Amounts payable and liabilities</b>	<b>364,552</b>	<b>202,174</b>	<b>161,955</b>	<b>140,947</b>
I.	Amounts payable after one year and non-current liabilities	78,777	97,661	78,777	97,578
I.1.	Non-current borrowings	73,496	91,391	73,496	91,391
I.2.	Lease liabilities	3,012	3,494	3,012	3,411
I.3.	Contract liabilities	1,271	1,305	1,271	1,305
I.4.	Provisions	998	1,471	998	1,471
II.	Amounts payable within one year and current liabilities	285,775	104,513	83,178	43,369
II.1.	Current borrowings	9,571	3,284	9,571	3,284
II.2.	Current portion of non-current borrowings	17,895	10,174	17,895	10,174
II.3.	Current portion of lease liabilities	502	432	502	401
II.4.	Trade payables	13,668	32,476	13,668	8,439
II.5.	Advance amounts received and contract liabilities	882	37,284	882	829
II.6.	Income tax liability	-	86	-	-
II.7.	Employment-related liabilities	2,754	2,943	2,754	2,826
II.8.	Other amounts payable and current liabilities	37,142	16,546	37,142	16,128
II.9.	Provisions	764	1,288	764	1,288
II.10.	Liabilities of disposal group	202,597	-	-	-
<b>Total equity and liabilities</b>		<b>548,356</b>	<b>380,214</b>	<b>345,347</b>	<b>318,520</b>

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	
		2022	2021 (reclassified)	2022	2021 (reclassified)
Revenue	27	97,600	68,017	96,046	66,395
Other income	28	606	578	606	578
Dividend income	29	-	-	598	478
<b>Revenue, other income, dividend income</b>	<b>5</b>	<b>98,206</b>	<b>68,595</b>	<b>97,250</b>	<b>67,451</b>
<b>Operating expenses</b>					
Natural gas costs		(39,834)	(11,268)	(39,834)	(11,268)
Depreciation and amortisation		(13,045)	(12,057)	(12,854)	(11,882)
Employee benefits and related social security contributions		(12,423)	(11,387)	(11,942)	(10,937)
Repair and technical maintenance expenses		(4,646)	(3,561)	(4,646)	(3,561)
Taxes other than income tax		(2,812)	(2,320)	(2,808)	(2,318)
Telecommunications and IT system expenses		(1,953)	(1,715)	(1,840)	(1,625)
Other expenses		(4,644)	(3,073)	(4,617)	(2,857)
<b>Total operating expenses</b>		<b>(79,357)</b>	<b>(45,381)</b>	<b>(78,541)</b>	<b>(44,448)</b>
<b>Operating profit/(loss)</b>	<b>5</b>	<b>18,849</b>	<b>23,214</b>	<b>18,709</b>	<b>23,003</b>
<b>Finance activity</b>					
Finance income		45	2	21	2
Finance costs		(764)	(439)	(642)	(388)
<b>Finance costs at fair value</b>	<b>30</b>	<b>(719)</b>	<b>(437)</b>	<b>(621)</b>	<b>(386)</b>
<b>Profit/(loss) before income tax</b>	<b>5</b>	<b>18,130</b>	<b>22,777</b>	<b>18,088</b>	<b>22,617</b>
<b>Income tax</b>					
Current year income tax		(98)	(113)	(1)	-
Deferred income tax		(2,367)	547	(2,367)	547
<b>Total income tax</b>	<b>5,31</b>	<b>(2,465)</b>	<b>434</b>	<b>(2,368)</b>	<b>547</b>
<b>Net profit/(loss)</b>	<b>5</b>	<b>15,665</b>	<b>23,211</b>	<b>15,720</b>	<b>23,164</b>
Basic and diluted earnings /(loss) per share (EUR)	32	0.09	0.13	0.09	0.13

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	
		2022	2021	2022	2021
<b>I. Net profit /(loss)</b>		<b>15,665</b>	<b>23,211</b>	<b>15,720</b>	<b>23,164</b>
<b>II. Other comprehensive income</b>		-	-	-	-
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		-	-	-	-
<b>III. Total comprehensive income /(loss)</b>		<b>15,665</b>	<b>23,211</b>	<b>15,720</b>	<b>23,164</b>

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 earnings	Total
<b>Balance at 31 December 2020</b>	<b>51,731</b>	<b>5,173</b>	<b>69,465</b>	<b>28,461</b>	<b>154,830</b>
Net profit/(loss) for the period	-	-	-	23,211	23,211
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>23,211</b>	<b>23,211</b>
Reserves established	-	37	28,040	(28,077)	-
Dividends approved	-	-	-	-	-
Total transactions with owners	-	37	28,040	(28,077)	-
<b>Balance at 31 December 2021</b>	<b>51,731</b>	<b>5,210</b>	<b>97,505</b>	<b>23,594</b>	<b>178,040</b>
Net profit/(loss) for the period	-	-	-	15,665	15,665
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>15,665</b>	<b>15,665</b>
Reserves established	-	21	13,263	(13,284)	-
Dividends approved	-	-	-	(9,901)	(9,901)
Total transactions with owners	-	21	13,263	(23,185)	(9,901)
<b>Balance at 31 December 2022</b>	<b>51,731</b>	<b>5,231</b>	<b>110,768</b>	<b>16,074</b>	<b>183,804</b>

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
<b>Balance at 31 December 2020</b>	<b>51,731</b>	<b>5,173</b>	<b>69,465</b>	<b>28,041</b>	<b>154,410</b>
Net profit/(loss) for the period	-	-	-	23,164	23,164
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>23,164</b>	<b>23,164</b>
Reserves established	-	-	28,040	(28,040)	-
Dividends approved	-	-	-	-	-
Total transactions with owners	-	-	28,040	(28,040)	-
<b>Balance at 31 December 2021</b>	<b>51,731</b>	<b>5,173</b>	<b>97,505</b>	<b>23,164</b>	<b>177,573</b>
Net profit/(loss) for the period	-	-	-	15,720	15,720
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>15,720</b>	<b>15,720</b>
Reserves established	-	-	13,263	(13,263)	-
Dividends approved	-	-	-	(9,901)	(9,901)
Total transactions with owners	-	-	13,263	(23,164)	(9,901)
<b>Balance at 31 December 2022</b>	<b>51,731</b>	<b>5,173</b>	<b>110,768</b>	<b>15,720</b>	<b>183,392</b>

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		Company	
		2022	2021	2022	2021
<b>I. Cash flows from operating activities</b>					
I.1.	5	15,665	23,211	15,720	23,164
		<b>Adjustments for non-cash items and other corrections:</b>			
I.2.	6,7,9	13,045	12,057	12,854	11,882
I.3.		97	(115)	97	(115)
I.4.		1	142	1	48
I.5.	5,31	2,465	(434)	2,368	(547)
I.6.	30	-	-	-	-
I.7.	30	757	437	635	386
I.8.	29	-	-	(598)	(478)
I.9.	19	(101)	(144)	(101)	(144)
I.10.		(8)	2	(8)	2
		<b>Changes in working capital:</b>			
I.11.		(4,822)	(6,047)	(4,822)	(6,047)
I.12.		(9,845)	(13,579)	(7,757)	(4,910)
I.13.		655	(214)	1,286	(214)
I.14.		36,567	24,682	4,189	2,923
I.15.		103,338	32,461	(5,754)	4,167
I.16.		(137,878)	(42,868)	882	(1,302)
I.17.		(168)	(523)	-	(472)
		<b>19,768</b>	<b>29,068</b>	<b>18,992</b>	<b>28,343</b>
<b>II. Cash flows from investing activities</b>					
II.1.		(14,467)	(48,448)	(14,363)	(48,410)
II.2.		69	169	69	169
II.3.		9,429	35,052	9,429	35,052
II.4.		-	-	598	478
		<b>(4,969)</b>	<b>(13,227)</b>	<b>(4,267)</b>	<b>(12,711)</b>

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		Company	
		2022	2021	2022	2021
<b>III. Cash flows from financing activities</b>					
III.1. Dividends (paid)		(9,900)	-	(9,900)	-
III.2. Proceeds from borrowings		-	-	-	-
III.3. (Repayments) of borrowings		(10,174)	(10,174)	(10,174)	(10,174)
III.4. Change in overdraft		6,287	(4,568)	6,287	(4,568)
III.5. Interest (paid)		(634)	(540)	(512)	(489)
III.6. Liabilities settled in relation to right-of-use assets		(446)	(420)	(417)	(392)
III.7. Other cash flows from financing activities		-	-	-	-
<b>Net cash flows from (used in) financing activities</b>		<b>(14,867)</b>	<b>(15,702)</b>	<b>(14,716)</b>	<b>(15,623)</b>
<b>IV. Cash and cash equivalents included in disposal group</b>	15	<b>(817)</b>	-	-	-
<b>V. Net increase (decrease) in cash and cash equivalents</b>		<b>(885)</b>	<b>139</b>	<b>9</b>	<b>9</b>
<b>VI. Cash and cash equivalents in the beginning of the period</b>	14	<b>906</b>	<b>767</b>	<b>12</b>	<b>3</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	14	<b>21</b>	<b>906</b>	<b>21</b>	<b>12</b>

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 2022 and 2021, 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 2022 and 2021, 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](http://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](http://www.enmin.lt)).

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

Information on the subsidiary as at 31 December 2022 and 2021 is presented below:

#### Subsidiary

#### Interest held



	Registered office address	At 31 December 2022	At 31 December 2021	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 2021, the share capital of GET Baltic 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 separate and the consolidated financial statements for the year ended 31 December 2022, the Company's investment in the subsidiary was accounted for as assets held for sale and as a disposal group, respectively, at the carrying amount of the investment that was lower than the fair value of the investment. Information on assets and liabilities of the disposal group is disclosed in Note 15.

As at 31 December 2022, the average number of employees on payroll at the Group was 340 (31 December 2021: 332), and the average number of employees on payroll at the Company was 328 (31 December 2021: 321).

## 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 2022 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, and are in compliance thereof.

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 16 March 2023. 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 and IFRIC interpretations were adopted by the Group and the Company for the first time in the financial year ended 31 December 2022:**

**Covid-19-Related Rent Concessions – Amendments to IFRS 16** (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). The amendments have no impact on the Group's and the Company's financial statements, because no Covid-19-related rent concessions are applicable to the Group and the Company.

**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. Based on the Group's and the Company's assessment, the amendments have no significant impact on the financial statements.

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. The amendment has no impact on the financial statements.

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 has no impact on the financial statements.

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. The amendment has no impact on the financial statements.

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. The amendment has no impact on the financial statements.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The amendment is not relevant for the Company and the Group.

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 amendment is not relevant for the Company and the Group.

***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:***

**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 intend to review the provided accounting policy disclosures.

**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.

**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. Based on the Group's and the Company's assessment, the amendments will have no significant impact on the financial statements.

**IFRS 17 Insurance contracts** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of insurance companies, which would otherwise be similar. IFRS 17 is a single standard establishing recognition, measurement, presentation and disclosure requirements for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires that similar principles are applied to reinsurance contracts held and to investment contracts containing a discretionary participation feature.

**Amendments to IFRS 17 and an amendment to IFRS 4** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition.

This amendment will have no impact on the Company's financial statements since it is not engaged in any insurance activities.

## 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 6.

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 23).

## Maintenance costs and other subsequent expenditures of intangible assets

Maintenance costs of intangible assets are recognised as expenses in the reporting period when they are incurred. Updating and development costs of intangible assets incurred subsequent to their acquisition or creation are recognised as expenses in



the reporting period when they are incurred, except for software updating, modification, upgrading or new version installation costs that are capitalised by adding them to the cost of that software or recognising as a separate item of non-current intangible assets. In such case, the remaining useful life of the former software is re-measured and impairment is recognised for the remaining net book amount, if any.

## 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 7).

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, after considering 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'.

#### **Maintenance, repair, reconstruction and other subsequent costs of property, plant and equipment**

Maintenance costs of property, plant and equipment are recognised as expenses of the reporting period when they are incurred. The costs of the day-to-day servicing of an item of PP&E are not included in the cost of that item. Rather, these costs are recognised as expenses when they are incurred. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the property, plant and equipment. When property, plant and equipment is subject to reconstruction (major enhancement), such reconstruction/major enhancement works are recognised as a separate component of PP&E and the net book amount of the component of the replaced part of assets is written off.

The condition of continuing to operate an item of property, plant and equipment is performing regular major inspections for faults regardless of whether parts of the item are replaced, its cost is added to the carrying amount of the item of property, plant and equipment as a separate component, which is depreciated over the period until the next regular inspection.

#### **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 amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss 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 statement of profit or loss 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 Group and the Company use 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 do not retain control of the financial asset, such asset is derecognised by the Group and the Company, whereas all the 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).

Purchases of natural gas during the period from 1 March 2022 exclude gas purchased for the balancing of the system user.

## 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 Assets held for sale and discontinued operations

The Group classifies its long-lived assets and disposal groups as assets held for sale if:

1. It is expected that the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use;
2. The asset is available for immediate sale; and
3. The sale of the asset is highly probable in its present condition and subject to terms that are usual and customary for sales of such assets (or disposal group).

The sale is considered as highly probable if:

- management is committed to a plan to sell an asset (or a disposal group);
- an active programme to locate a buyer and complete the plan has been initiated;
- the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification as assets held for sale.

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

Discontinued operations represent a component of operations and cash flows that can be clearly distinguished from the rest of operations and cash flows of the Company and that either has been disposed of, or is classified as held for sale, and:



- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When eliminating intragroup transactions, the Group and the Company consider whether the elimination of intragroup transactions should be performed from the assets and liabilities of disposal group/whether from assets and liabilities unassigned to disposal group. If the intragroup transactions and balances are expected after the disposal, the elimination entries will be made from the assets and liabilities of disposal group. If it is unlikely that the intragroup transactions will be conducted after the disposal, the elimination entries will be made from the assets and liabilities unassigned to disposal group.

## 2.12 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.

## **2.13 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.

## **2.14 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.

## 2.15 Income tax

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

### Current income tax

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 2022 and 2021. 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.

### Deferred income tax

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.

### Current and deferred income tax for the reporting period

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.

## 2.16 Revenue recognition

Recognition and measurement of the Group's and the Company's revenue is based on a 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 transmission services

Revenue from system users for natural gas transmission services is recognised over time based on the reported data on 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 services

The Company's revenue from system balancing products consists of technical balancing revenue, transit flow balancing revenue, and system users balancing revenue.

In transactions of balancing providing technical balancing and transit flow balancing services, the Company acts as principal.

Below is described the revenue recognition for the provision of system user's balancing services.

Based on the EC regulation establishing a network code on gas balancing of transmission networks (the "Regulation"), the system users bear the responsibility of balancing their inputs against their off-takes. If the system users fail to balance gas at the entry/exit points, the Company is entitled to undertake the balancing actions as set forth in the Regulation. In accordance with the Regulation, the Company undertakes the balancing actions in respect of the system users with reference to measures on each gas day.

Revenue from balancing services is recognised when the transmission system user's imbalance quantity becomes negative, thereby causing natural gas shortfall. Expenses from balancing services are recognised when the transmission system user's imbalance quantity becomes positive, thereby causing natural gas surplus. As the Company seeks to ensure financial neutrality, it levies a neutrality charge for each reporting month with effect from 1 March 2022. Neutrality charge means a charge payable to/by the transmission system operator due to performance of its balancing activities. The neutrality charge represents the difference between the expenses and revenue of the transmission system operator from the balancing activities. The neutrality charge may be both positive and negative. When the neutrality charge is negative, the transmission system operator pays the neutrality charge to the system users. When the neutrality charge is positive, the system users pay the neutrality charge to the transmission system operator. The purpose of the neutrality charge is to ensure financial neutrality of the transmission system operator.

Due to amendments introduced in regulation of balancing activities with effect from 1 March 2022, the Company acts as an agent in its gas purchase/sale transactions and reports net result of balancing activities in the financial statements. The neutrality charge is expected to ensure a zero gain/(loss) from balancing activities. Acting as an agent in balancing gas purchase/sale transactions is explained by limited control of the balancing services and purchases of gas, absence of economic benefits, no discretion in establishing the price for the balancing services since the pricing is governed by law, no discretion in choosing a counterparty and inability to regulate demand. In addition, the activities of the Company, as the transmission system operator, are not associated with trade in natural gas, and the regulated balancing actions are performed for the benefit of all system users rather than for the benefit of a specific system user.

#### 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 03-294 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 are collected and transferred to the recipients of the LNG terminal funds: the LNG terminal operator (until 1 May 2022), 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. 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 the 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.

2. 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.

### 2.17 Expense recognition

Expenses incurred in relation to revenue earned during the reporting period are recognised by the Group and the Company on an accrual basis, and based on the following principles: 1) the costs are recognised as expenses to the extent of the value of goods sold or services rendered, since the criterion for recognition of expenses is that they have been incurred to earn revenue of the reporting period; 2) the costs incurred by the Group company during the reporting period are recognised as expenses of the reporting period immediately, unless they can be linked to earning of the specific revenue, and no income is expected to be earned in relation to such expenses in the next periods.

The Group and the Company use expense classification by type.

Taxes such as real estate tax, land tax, land rent tax, taxes related to environmental pollution, non-deductible value added tax, etc. are recognized as expenses.

### 2.18 Finance income and costs

#### Finance income

Finance income includes income earned by the Company from financing activities, such as foreign exchange gain, interest income on cash balance.

The Group's and the Company's finance costs include as follows:

- foreign exchange loss,
- interest on borrowings,
- undisputed fines and interest on late payments,.

### 2.19 Cash flows

The Group and the Company report cash flows using the indirect method. Reporting of cash flows from operating activities based on the indirect method means that net profit/(loss) for the reporting period is presented as cash inflows or outflows from operating activities of the Group and the Company for the reporting period. Cash inflows and outflows from investing and financing activities for the reporting period are presented separately unless cash flows are presented on a net basis.

For the purpose of the Group's and the Company's financial statements, dividends paid are reported as cash flows of financing activities, whereas dividends received are reported as cash flows of investing activities.

For the purpose of the Group's and the Company's financial statements, interest paid is reported as cash flows of financing activities, whereas interest received is reported as cash flows of investing activities.

### 2.20 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 statement of profit or loss. Such balances are translated at the period-end exchange rates.

### 2.21 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 2022 and 2021, the carrying amount of the financial assets approximated their fair value.

## 2.22 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.

## 2.23 Events after the reporting period

Events after the reporting period 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 reporting period that are non-adjusting events are disclosed in the notes when material.

## 2.24 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as income 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, 7), deferred income tax assets (Notes 3.3 and 31), reclassification of investment in subsidiary as assets held for sale and disposal group (Notes 3.4 and 15), accounting policies applicable to balancing of system users (Note 3.5). 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 Valuation of PP&E

As described in Note 7, the Company tested the value of property, plant and equipment to determine whether it is consistent with its fair value. The determination of the assets' fair value is mainly affected by the assumptions used in assessing the transmission service income for the future periods. The assumptions used in determining the fair value of property, plant and equipment are described in more detail in the above-mentioned note.

### 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 compensation.

Based on the Law on Special Land Use Conditions, the Group and the Company are obliged to register the protected areas designated for the protection of the operated engineering networks, as well as the main gas pipeline class location areas.

The initial provision was established, as an intangible asset and a non-current liability, based on the amendments to the Regulations of the Real Property Cadastre made in 2020, which were necessary for the obligation to form a register of protected areas by 1 December 2022, as prescribed by the Law on Special Land Use Conditions, and based on the Description of the procedure for the establishment and approval of protected areas approved by Order No. 1-339 of 13 October 2020 of the



Lithuanian Minister of Energy. The provision for protected areas was recognized under current and non-current liabilities. The provision was calculated in view of:

- expected costs of formation of protected areas (marking registration prices multiplied by the number of protected areas) and registration costs of class location areas;
- relevant discount rate – borrowing rate for similar liabilities.

As at 21 December 2022, the provision was not re-measured. As at 31 December 2022, the provision was re-measured because to ensure more clarity in legal regulation, lower volumes for protected zone registration services were established. In addition, relevant services were acquired by way of a public procurement procedure in order to fulfil the actions necessary for the establishment and registration of protected zones and class location areas. The value of contracts for those services was lower than the preliminary value applied in the assumptions used for provisioning purposes, and therefore, the Company re-measured the intangible asset and liability over the expected term of fulfilment of obligation.

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, considering 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 provision is not significant, therefore it is not formed.

### 3.3 Deferred income 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 2022, deferred income tax on unutilised investment relief amounted to EUR 2,192 thousand (31 December 2021: EUR 4,608 thousand). See Note 2.14 for the items included in the base for calculation of deferred tax assets.

### 3.4 Assets held for sale and disposal group

In the financial statements for the period ended 30 September 2022, investment in subsidiary Get Baltic was reclassified as assets held for sale as it met all criteria: (1) all the required approvals were obtained for the intended stock sale transaction, i.e. the Boards of the Company and the Group gave their approval to the initial terms and conditions of sale and to initiation of the sale process; (2) the asset or disposal group is available for immediate sale in its present condition and subject to terms that are usual and customary for sales of such assets (disposal group); (3) active actions were taken to complete the sale (location of potential buyers submitted the initial offerings); (4) the sale of the asset (disposal group) is highly probable and the sale of the asset (disposal group) is expected to be completed within one year, except for the events and circumstances beyond the Company's control that extend the period to complete the sale of the asset (disposal group) beyond one year; (5) the asset (disposal group) can be marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The disposal group does not qualify as discontinued operations because the subsidiary does not represent a separate major line of business or geographical area of operations, and accordingly, the effects of discontinued operations are not recognised in the statement of profit or loss and cash flow statement.

The Company's transactions with Get Baltic will be conducted beyond the sale date, and therefore, intragroup transactions are eliminated from the disposal group in the consolidated financial statements. More information on financial influence are presented in Note 15.



### 3.5 Accounting policies for balancing of system users

Following the amendments introduced in regulation of balancing activities with effect from 1 March 2022, the Company assessed whether it acts as a principal or as an agent in its transactions of balancing services. The Company's management concluded that with effect from 1 March 2022 it acts as an agent in its transactions of balancing services (see Note 2.16), and therefore, the net result of the balancing activities is reported in the financial statements. Before 1 March 2022, the Company acted as a principal in its transactions of balancing services, and therefore, revenue and expenses from transmission and balancing services were reported in the financial statements.

## 4 Reclassification of comparative figures in the financial statements

In the statement of profit or loss as at 31 December 2022, the Group and the Company reclassified revenue by presenting separately other income from non-operating activities and dividend income, and by eliminating them from finance income. A detailed classification of revenue is presented in Notes 27-29.

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS	2021		2021	
	Before reclassification		After reclassification	
	Group	Company	Group	Company
EUR'000				
Revenue	68,595	66,973	68,017	66,395
Other income	-	-	578	578
Dividend income	-	-	-	478
<b>Revenue, other income, dividend income</b>	<b>68,595</b>	<b>66,973</b>	<b>68,595</b>	<b>67,451</b>
<b>Finance activity</b>				
Income	2	480	2	2
Costs	(439)	(388)	(439)	(388)
<b>Finance costs at fair value</b>	<b>(437)</b>	<b>92</b>	<b>(437)</b>	<b>(386)</b>

## 5 Segment reporting

Operating segments are disclosed in view of the manner in which the activities are organised, i.e. by type of product and service.

The Group has two operating segments: 1) natural gas transmission services and 2) natural gas exchange operator's activities (disposal group).

All non-current assets of the Group are domiciled in Lithuania, where the Group operates.

During the year ended 2022, the Group generated 99% (31 December 2021: 97%) of its total revenue from the transmission systems, 1% (31 December 2021: 2%) of its total revenue from the natural gas exchange services, and as at 31 December 2021: 1% of its total revenue from provision of other goods and services.

The table below contains information on the Group's operating segments for the year ended 31 December 2022:

	Gas transmission	Gas exchange*	Total
Revenue	96,652	1,690	98,342
Revenue after elimination of intragroup revenue	96,652	1,554	98,206
Operating profit/(loss)	18,111	738	18,849
Finance income/(costs), net	(621)	(98)	(719)
Profit/(loss) before income tax	17,490	640	18,130
Income tax	(2,368)	(97)	(2,465)
Net profit/ (loss)	15,122	543	15,665

Depreciation and amortisation	(12,854)	(191)	(13,045)
Write-offs of property, plant and equipment	-	-	-

\*In the statement of financial position, the assets and liabilities of the gas exchange segment have been included in the assets and liabilities of the disposal group.

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

	Gas transmission	Gas exchange	Total
Revenue	66,973	1,660	68,633
Revenue after elimination of intragroup 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	(11,882)	(175)	(12,057)
Write-offs of property, plant and equipment	(26)	-	(26)

As at 31 December 2022, there were three customers of the Group, each generating over 10% of the Company's total revenue. Revenue from those customers totalled EUR 78,594 thousand, whereof:

Customer A – EUR 41,840 thousand;  
 Customer B – EUR 22,754 thousand;  
 Customer C – EUR 14,000 thousand.

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

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

## 6 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
<b>At 31 December 2020</b>	<b>68</b>	<b>2,376</b>	<b>210</b>	<b>2,179</b>	<b>4,833</b>
Cost (revalued amount)	282	4,258	266	2,179	6,985
Accumulated amortisation	(214)	(1,882)	(56)	-	(2,152)
<b>Net book amount at 31 December 2020</b>	<b>68</b>	<b>2,376</b>	<b>210</b>	<b>2,179</b>	<b>4,833</b>
Additions	10	822	24	-	856
Write-offs	-	-	-	-	-
Reclassification from/to PP&E	-	479	-	-	479



Amortisation	(19)	(1,030)	(64)	-	(1,113)
Offsetting of grants against non-current assets	-	(313)	-	-	(313)
<b>At 31 December 2021</b>	<b>59</b>	<b>2,334</b>	<b>170</b>	<b>2,179</b>	<b>4,742</b>
Cost (revalued amount)	292	5,246	290	2,179	8,007
Accumulated amortisation	(233)	(2,912)	(120)	-	(3,265)
<b>Net book amount at 31 December 2021</b>	<b>59</b>	<b>2,334</b>	<b>170</b>	<b>2,179</b>	<b>4,742</b>
Additions	-	376	42	-	418
Adjustment for changes in assumptions	-	-	-	(889)	(889)
Amortisation	(17)	(1,121)	(75)	-	(1,213)
Offsetting of grants against non-current assets	-	-	-	-	-
Reclassification to disposal group (Note 15)	(36)	(301)	(137)	-	(474)
<b>At 31 December 2022</b>	<b>6</b>	<b>1,288</b>	<b>-</b>	<b>1,290</b>	<b>2,584</b>
Cost (revalued amount)	51	4,808	5	1,290	6,154
Accumulated amortisation	(45)	(3,520)	(5)	-	(3,570)
<b>Net book amount at 31 December 2022</b>	<b>6</b>	<b>1,288</b>	<b>-</b>	<b>1,290</b>	<b>2,584</b>

	Company				Total
	Patents and licences	Computer software	Other intangible assets	Protected areas	
<b>At 31 December 2020</b>	<b>3</b>	<b>2,007</b>	<b>-</b>	<b>2,179</b>	<b>4,189</b>
Cost (revalued amount)	41	3,515	5	2,179	5,740
Accumulated amortisation	(38)	(1,508)	(5)	-	(1 551)
<b>Net book amount at 31 December 2020</b>	<b>3</b>	<b>2,007</b>	<b>-</b>	<b>2,179</b>	<b>4,189</b>
Additions	10	812	-	-	822
Write-offs	-	-	-	-	-
Reclassification from/to PP&E	-	479	-	-	479
Amortisation	(4)	(963)	-	-	(967)
Offsetting of grants against non-current assets	-	(313)	-	-	(313)
<b>At 31 December 2021</b>	<b>9</b>	<b>2,022</b>	<b>-</b>	<b>2,179</b>	<b>4,210</b>
Cost (revalued amount)	51	4,493	5	2,179	6,728
Accumulated amortisation	(42)	(2,471)	(5)	-	(2,518)
<b>Net book amount at 31 December 2021</b>	<b>9</b>	<b>2,022</b>	<b>-</b>	<b>2,179</b>	<b>4,210</b>
Additions	-	315	-	-	315
Adjustment for changes in assumptions	-	-	-	(889)	(889)
Amortisation	(3)	(1,049)	-	-	(1,052)
Offsetting of grants against non-current assets	-	-	-	-	-
<b>At 31 December 2022</b>	<b>6</b>	<b>1,288</b>	<b>-</b>	<b>1,290</b>	<b>2,584</b>
Cost (revalued amount)	51	4,808	5	1,290	6,154
Accumulated amortisation	(45)	(3,520)	(5)	-	(3,570)
<b>Net book amount at 31 December 2022</b>	<b>6</b>	<b>1,288</b>	<b>-</b>	<b>1,290</b>	<b>2,584</b>

The Group's intangible assets with the acquisition cost of EUR 441 thousand as at 31 December 2022 (31 December 2021: EUR 14 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 made in 2020, 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. A discount rate of 0.62% was used for discounting of the provision.

As at 31 December 2022, as a result of changes in the assumptions the Company re-measured the amount of intangible assets and liability over the likely period of settlement of liability, using a discount rate of 1.24%.

**7 Property, plant and equipment**

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

	Group							Total
	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	
<b>At 31 December 2020</b>	<b>125</b>	<b>5,427</b>	<b>146,003</b>	<b>34,583</b>	<b>542</b>	<b>3,171</b>	<b>51,773</b>	<b>241,624</b>
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)
<b>Net book amount at 31 December 2020</b>	<b>125</b>	<b>5,427</b>	<b>146,003</b>	<b>34,583</b>	<b>542</b>	<b>3,171</b>	<b>51,773</b>	<b>241,624</b>
Additions	-	-	-	31	-	603	44,255	44,889
Write-offs	-	-	-	-	-	(1)	(43)	44
Disposals	-	-	-	-	(1)	(1)	-	(2)
Reclassification from/to inventories	-	-	(4)	-	-	(5)	(136)	(145)
Reclassification from/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)
<b>At 31 December 2021</b>	<b>125</b>	<b>6,529</b>	<b>199,940</b>	<b>37,143</b>	<b>373</b>	<b>4,066</b>	<b>7,808</b>	<b>255,984</b>
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)
<b>Net book amount at 31 December 2021</b>	<b>125</b>	<b>6,529</b>	<b>199,940</b>	<b>37,143</b>	<b>373</b>	<b>4,066</b>	<b>7,808</b>	<b>255,984</b>
Additions	-	-	26,844	-	-	277	15,416	42,537
Write-offs	-	-	(27)	-	-	-	-	(27)
Disposals	-	-	-	-	-	-	-	-
Reclassification from/to inventories	-	-	(44)	(7)	-	-	-	(51)
Reclassifications	-	289	9,086	130	-	1,050	(10,555)	-
Depreciation	-	(291)	(5,908)	(3,435)	(153)	(1,540)	-	(11,327)
Offsetting of grants against non-current assets	-	-	-	-	-	-	(6,023)	(6,023)
Reclassification to disposal group (Note 15)	-	-	-	-	-	(4)	-	(4)
<b>At 31 December 2022</b>	<b>125</b>	<b>6,527</b>	<b>229,891</b>	<b>33,831</b>	<b>220</b>	<b>3,849</b>	<b>6,646</b>	<b>281,089</b>
Cost (revalued amount)	125	6,818	235,799	37,266	373	5,387	6,646	292,414
Accumulated depreciation	-	(291)	(5,908)	(3,435)	(153)	(1,538)	-	(11,325)
<b>Net book amount at 31 December 2022</b>	<b>125</b>	<b>6,527</b>	<b>229,891</b>	<b>33,831</b>	<b>220</b>	<b>3,849</b>	<b>6,646</b>	<b>281,089</b>

	Company							Total
	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	
<b>At 31 December 2020</b>	<b>125</b>	<b>5,427</b>	<b>146,003</b>	<b>34,583</b>	<b>542</b>	<b>3,167</b>	<b>51,773</b>	<b>241,620</b>
Cost (revalued amount)	125	5,807	150,737	38,003	749	4,155	51,773	251,349
Accumulated depreciation	-	(380)	(4,734)	(3,420)	(207)	(988)	-	(9,729)



<b>Net book amount at 31 December 2020</b>	<b>125</b>	<b>5,427</b>	<b>146,003</b>	<b>34,583</b>	<b>542</b>	<b>3,167</b>	<b>51,773</b>	<b>241,620</b>
Additions	-	-	-	31	-	599	44,255	44,885
Write-offs	-	-	-	-	-	(1)	(43)	(44)
Disposals	-	-	-	-	(1)	(1)	-	(2)
Reclassification from/to inventories	-	-	(4)	-	-	(5)	(136)	(145)
Reclassification from/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)
<b>At 31 December 2021</b>	<b>125</b>	<b>6,529</b>	<b>199,940</b>	<b>37,143</b>	<b>373</b>	<b>4,060</b>	<b>7,808</b>	<b>255,978</b>
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)
<b>Net book amount at 31 December 2021</b>	<b>125</b>	<b>6,529</b>	<b>199,940</b>	<b>37,143</b>	<b>373</b>	<b>4,060</b>	<b>7,808</b>	<b>255,978</b>
Additions	-	-	26,844	-	-	277	15,416	42,537
Write-offs	-	-	(27)	-	-	-	-	(27)
Disposals	-	-	-	-	-	-	-	-
Reclassification from/to inventories	-	-	(44)	(7)	-	-	-	(51)
Reclassifications	-	289	9,086	130	-	1,050	(10,555)	-
Depreciation	-	(291)	(5,908)	(3,435)	(153)	(1,538)	-	(11,325)
Offsetting of grants against non-current assets	-	-	-	-	-	-	(6,023)	(6,023)
<b>At 31 December 2022</b>	<b>125</b>	<b>6,527</b>	<b>229,891</b>	<b>33,831</b>	<b>220</b>	<b>3,849</b>	<b>6,646</b>	<b>281,089</b>
Cost (revalued amount)	125	6,818	235,799	37,266	373	5,387	6,646	292,414
Accumulated depreciation	-	(291)	(5,908)	(3,435)	(153)	(1,538)	-	(11,325)
<b>Net book amount at 31 December 2022</b>	<b>125</b>	<b>6,527</b>	<b>229,891</b>	<b>33,831</b>	<b>220</b>	<b>3,849</b>	<b>6,646</b>	<b>281,089</b>

The Group's part of property, plant and equipment with the revalued amount of EUR 133 thousand as at 31 December 2022 (31 December 2021: EUR 165 thousand) was fully depreciated but still in use.

Following the launching of commercial flows via the GIPL interconnection through the Santaka point, the cost of PP&E includes the payable CBCA contribution (the "CBCA contribution") of EUR 27,450 thousand, which was set under the cross-border cost allocation principles. The CBCA contribution will be paid to the Polish transmission system operator upon completion of construction of the interconnection in the territory of Poland, and upon fixing and auditing the value of construction works. As at 31 December 2021, the CBCA contribution, as a variable payment depending on future events, was not included in the cost of PP&E and no liability was recognised for this payment until the launching of the interconnection.

The payable CBCA contribution to the Polish transmission system operator may still be revised in view of the actual amount of investments of the operator, and will be reviewed annually over the period of 20 years after the GIPL completion, by taking into consideration revenue of the Polish transmission system operator at the interconnection point.

The cost of PP& in 2022 also included investments in solar plant modules amounting to EUR 615 thousand, rebuilding of the main gas pipeline section in Kaunas FEZ territory amounting to EUR 715 thousand, investments in GIPL (filling with gas, etc.) amounting to EUR 326 thousand, capacity enhancement of Lithuania-Latvia gas interconnection (enhancement of the Kiemėnai GDS) amounting to EUR 3,572 thousand, reconstruction of the Grigiškės, Kėdainiai, Vievis, Šiauliai, Telšiai GDSs





amounting to EUR 5,840 thousand, reconstruction of the main gas pipelines based on diagnostics results amounting to EUR 538 thousand, replacement of shot-off devices and connection to Scada amounting to EUR 711 thousand, reconstruction of separate sections of the main gas pipeline Vilnius-Kaunas amounting to EUR 381 thousand.

Depreciation of grants in amount of EUR 4,461 thousand as at 31 December 2022 (31 December 2021: EUR 3,344 thousand) was reported in the statement of profit or loss as an offsetting of depreciation of related assets against proceeds from grants.

In 2022, part of the Company's capitalised borrowing costs (interest) were added to the cost of PP&E and amounted to EUR 21 thousand (2021: EUR 140 thousand). The annual interest capitalisation rate in 2022 was 0.652% (2021: 0.352%).

The table below presents the net book amounts of the Company's property, plant and equipment, which would have been recognised under the historical cost method, excluding prepayments and less grants received and negative revaluations which would be equivalent to impairment as at 31 December 2022 and 2021:

	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	Total
At 31 December 2022	125	6,527	229,891	33,831	220	3,849	6,646	281,089
At 31 December 2021	125	6,529	199,940	37,143	373	4,060	7,808	255,978

Had the value of the Company's PP&E been not reduced by the amount of grants, the carrying amount of PP&E as at 31 December 2022 would be higher by EUR 127,087 thousand (31 December 2021: EUR 125,179 thousand). The table below presents information on property, plant and equipment, the value of which was reduced by the amount of grants received/receivable:

	At 31 December 2022	At 31 December 2021
<b>Carrying amount at 1 January</b>	<b>125,179</b>	<b>109,332</b>
Additions	6,023	19,194
Depreciation	(4,109)	(3,100)
Write-offs	(6)	(247)
<b>Carrying amount at 31 December</b>	<b>127,087</b>	<b>125,179</b>

#### Value of PP&E in 2022

The Company's property, plant, and equipment is accounted for at a revalued amount. The Company performed the last revaluation of its property, plant and equipment on 31 December 2018, it was performed using the Group's internal resources and not engaging an independent external valuer. There were no regulatory decisions that could significantly influence the property value during 2022.

The Company performed the value test for property, plant and equipment as at 31 December 2022 and 31 December 2021 and established that the carrying amount of the assets within the materiality limits corresponds to their fair value. The value corresponded to Level 3 of the fair value hierarchy (Note 2.21), it was performed using the Company's internal resources and not engaging an independent external valuer. The Company estimated the fair value of the assets as at 31 December 2022 and 31 December 2021 under the income method using the discounted cash flows calculation technique. The value of the assets was determined as the present value of net future cash flows.

The Company's activity is regulated by State. The property operates as a integral network. The fair value of those assets was tested by using the discounted income approach, based on cash flow projections until 2027, and by adding the discounted terminal value beyond 2027.

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 the NERC. The revenue caps for regulated activities may be annually adjusted by the decision of the NERC in accordance with the procedure established in the *Methodology for determining revenue from and prices for regulated natural gas transmission activities*. The ROI rate is set for the Company based on the *Methodology for determining the rate of return on investment* (the WACC Methodology) approved by the NERC. According to the provisions of the WACC Methodology, the ROI rate applicable to the Company is revised annually

by the NERC. The ROI rate set for the Company by the NERC for 2023 is 3.96% (3.94% for 2022). In the opinion of the management, there were no significant changes in the regulatory environment during 2022.

As from 2024, a new regulatory period 2024-2028 will start. The management believes that a higher ROI rate will be set given the rising borrowing costs.

Key assumptions used in the fair value testing as at 31 December 2022 were as follows:

- a 4.64% discount rate was used in discounting of cash flows for 2023 and beyond;
- the NERC's 3.96% ROI rate was used for 2023, and a 5.46% ROI rate was used for 2024 and beyond;
- the terminal value of cash flows was determined by equating the ROI rate (pre-tax rate of 5.46%) with the discount rate;
- the temporary regulatory deviations resulting from the Company's excess expenditures due to increased gas transmission volume (higher capacities and quantities actually ordered by the system users) will reverse in future by adjusting the transmission prices for the system users (one-off effect);
- the annual growth rate for indefinite period is not applicable (equals 0).

The major items of the Group's construction work in progress were as follows as at 31 December 2022 and 2021:

Items	At 31 December 2022	At 31 December 2021
Installation of launching and receiving chambers for the monitoring device	2,328	10,364
Installation of operational technological control of gas transmission system	1,251	1,487
Construction of the main gas pipeline Vilnius-Kaunas and Kaunas-Šakiai interconnection	551	551
Reconstruction of separate sections of the main gas pipeline Vilnius-Kaunas	473	92
GDS reconstruction	6,247	407
ELLI capacity enhancement (enhancement of the Kiemėnai GDS)	-	148
Modernisation of gas compressor stations	560	798
Installation of solar plant modules	-	41
Rebuilding of the main gas pipeline in Kaunas FEZ territory	-	26
Other	1,607	1,097
Grants recognised (offset against non-current assets)	(5,774)	(6,606)
<sup>1)</sup> Less: impairment of construction work in progress	(597)	(597)
	<b>6,646</b>	<b>7,808</b>

<sup>1)</sup> Impairment of EUR 551 thousand was established for the project "Construction of the main gas pipeline Vilnius-Kaunas and Kaunas-Šakiai interconnection" (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, etc.

## 8 Investments in subsidiary

As at 31 December 2022 and 2021, the Company's investments were as follows:

Subsidiary	Cost	Impairment	Reclassification to assets held for sale (Note 15)	Carrying amount	Ownership interest, %
<b>At 31 December 2022</b>					
GET Baltic	769	-	(769)	-	100
<b>Total</b>	<b>769</b>	<b>-</b>	<b>(769)</b>	<b>-</b>	

Subsidiary	Cost	Impairment	Reclassification to assets held for sale	Carrying amount	Ownership interest, %
<b>At 31 December 2021</b>					
GET Baltic	769	-	-	769	100
<b>Total</b>	<b>769</b>	<b>-</b>	<b>-</b>	<b>769</b>	

Since the carrying amount of the investment is expected to be recovered entirely through sale, and the sale is considered as highly probable, the investments in subsidiary were reclassified as a disposal group (see Notes 3.4 and 15 for more details).

## 9 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 expected to be exercised, the lease term is 10 years. Due to increase in the land lease rate over the period 2019-2021, the Company remeasured right-of-use assets and lease liabilities. The value of land held on lease and recognised as assets, as well as the lease liabilities increased by EUR 257 thousand. To mitigate the environmental impact, the Company renewed its fleet of cars by replacing polluting vehicles with electric cars. In 2022, the initial cost of right-of-assets amounted to EUR 105 thousand. The lease period is 4 years.

	Group			
	Buildings	Land	Motor vehicles	Total
<b>Net book amount of assets recognised at 31 December 2020</b>	<b>221</b>	<b>1,252</b>	<b>862</b>	<b>2,335</b>
New leases	1,716	257	8	1,981
Write-offs	-	-	-	-
Depreciation	(162)	(16)	(289)	(467)
<b>Net book amount at 31 December 2021</b>	<b>1,775</b>	<b>1,493</b>	<b>581</b>	<b>3,849</b>
<b>Net book amount of assets recognised at 31 December 2021</b>	<b>1,775</b>	<b>1,493</b>	<b>581</b>	<b>3,849</b>
New leases	-	-	105	105
Write-offs	-	-	-	-
Depreciation	(197)	(15)	(292)	(504)
Reclassification to disposal group (Note 15)	(83)	-	(2)	(85)
<b>Net book amount at 31 December 2022</b>	<b>1,495</b>	<b>1,478</b>	<b>392</b>	<b>3,365</b>
Initial cost	1,716	1,534	1,224	4,474
Accumulated depreciation	(221)	(56)	(832)	(1,109)
<b>Net book amount at 31 December 2022</b>	<b>1,495</b>	<b>1,478</b>	<b>392</b>	<b>3,365</b>
	Company			
	Buildings	Land	Motor vehicles	Total
<b>Net book amount of assets recognised at 31 December 2020</b>	<b>99</b>	<b>1,252</b>	<b>853</b>	<b>2,204</b>
New leases	1,716	257	-	1,973
Write-offs	-	-	-	-
Depreciation	(143)	(16)	(281)	(440)
<b>Net book amount at 31 December 2021</b>	<b>1,672</b>	<b>1,493</b>	<b>572</b>	<b>3,737</b>

<b>Net book amount of assets recognised at 31 December 2021</b>	<b>1,672</b>	<b>1,493</b>	<b>572</b>	<b>3,737</b>
New leases	-	-	105	105
Write-offs	-	-	-	-
Depreciation	(177)	(15)	(285)	(477)
<b>Net book amount at 31 December 2022</b>	<b>1,495</b>	<b>1,478</b>	<b>392</b>	<b>3,365</b>
Initial cost	1,716	1,534	1,224	4,474
Accumulated depreciation	(221)	(56)	(832)	(1,109)
<b>Net book amount at 31 December 2022</b>	<b>1,495</b>	<b>1,478</b>	<b>392</b>	<b>3,365</b>

Depreciation of right-of-use assets is started from the lease commencement date through to the end of the lease period.

## 10 Inventories

	Group	
	At 31 December 2022	At 31 December 2021
Raw materials, spare parts and other inventories	1,135	1,212
Natural gas	12,250	7,289
Assets held for sale	-	5
Inventories, gross	13,385	8,506
Less: write-down allowance	(552)	(405)
	<b>12,833</b>	<b>8,101</b>

Increase in inventories of natural gas was mostly driven by high prices of natural gas in 2022.

The acquisition cost of the Company's inventories stated at net realisable value as at 31 December 2022 amounted to EUR 1,135 thousand (31 December 2021: EUR 1,212 thousand). Inventory write-down allowance was included in other expenses.

Inventories recognised as expenses during the reporting period amounted to EUR 40,772 thousand as at 31 December 2022 (31 December 2021: EUR 12,208 thousand).

## 11 Trade receivables

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
<b>I. Trade receivables under contracts with customers</b>				
I.1. Amounts receivable after one year	-	-	-	-
<b>Net book amount of amounts receivable after one year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
I.2. Current trade receivables				

Amounts receivable for transmission of natural gas	13,834	9,424	13,834	9,574
Amounts receivable for natural gas	-	10,838	-	-
Amounts receivable for balancing of transmission system	4,473	1,222	4,473	1,222
Amounts receivable for other services	-	-	-	-
Less: expected credit losses for trade receivables	(17)	(67)	(17)	(67)
<b>Net book amount of trade receivables under contracts with customers</b>	<b>18,290</b>	<b>21,417</b>	<b>18,290</b>	<b>10,729</b>
Other trade receivables	208	7	208	7
<b>Net book amount of trade receivables under other contracts with customers</b>	<b>208</b>	<b>7</b>	<b>208</b>	<b>7</b>
<b>Total current trade receivable</b>	<b>18,498</b>	<b>21,424</b>	<b>18,498</b>	<b>10,736</b>

Current trade receivables are interest free and their settlement term is typically between 7 and 20 calendar days. Impairment allowance of EUR 17 thousand was established for trade receivables as at 31 December 2022.

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 for amounts receivable, the Company applies an individual assessment and a provision matrix. The provision matrix is based on historical information on settlements of debts of customers over a period longer than 36 months. The loss rates may be adjusted in view of forward-looking macroeconomic forecasts. The loss rates are classified into separate groups of receivables on the basis of credit risk characteristics and past due period.

The Company's trade receivables	Not past due	Trade receivables past due				Total	
		1-30 days	31-90 days	91-180 days	181 and more days		
<b>At 31 December 2022</b>	<b>18,470</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>18,515</b>	
Trade receivables assessed individually	9,038	-	-	-	-	9,038	
Impairment	13	-	-	-	-	13	
<i>Trade receivables assessed collectively, whereof:</i>	<i>3,196</i>	<i>6,236</i>	<i>44</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>9,477</i>
State-owned enterprises	<i>3,196</i>	-	-	-	-	-	<i>3,196</i>
Expected credit losses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Other customers	-	6,236	44	-	-	1	6,281
Expected credit losses	0.00%	0.04%	2.99%	5.83%	17.55%	100.00%	
Customers undergoing or in bankruptcy/liquidation	-	-	-	-	-	-	-
Expected credit losses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Impairment	-	2	1	-	-	1	4
<b>Total expected credit losses</b>	<b>-</b>	<b>15</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>17</b>

Expected credit loss rates:

Collectively assessed amounts receivable	Not past due		Past due (days)			
	<30	31-90	91-180	>181		
State-owned enterprises	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other entities	0.04%	2.99%	5.83%	17.55%	100%	100%
Entities undergoing or in bankruptcy/liquidation	100%	100%	100%	100%	100%	100%

For the purpose of the individual assessment, the range of expected credit losses was 0-1.9% in 2022 (2021: 0-1.8%).  
Movement on impairment allowance account of the Group's trade receivables:

	2022	2021
<b>Carrying amount at 31 December 2021</b>	<b>67</b>	<b>70</b>
Reversal of impairment	(50)	(3)
<b>Carrying amount at 31 December 2022</b>	<b>17</b>	<b>67</b>

## 12 Other amounts receivable

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
<b>Non-financial assets</b>				
LNG terminal funds receivable	7,802	13,385	7,802	13,385
Grants receivable	6,976	10,330	6,976	10,330
Taxes receivable	2,147	21	2,147	21
<b>Total non-financial assets</b>	<b>16,925</b>	<b>23,736</b>	<b>16,925</b>	<b>23,736</b>
<b>Financial assets</b>				
Contract assets	2,780	766	2,780	766
Other amounts receivable	17	20	17	19
<b>Total financial assets</b>	<b>2,797</b>	<b>786</b>	<b>2,797</b>	<b>785</b>
<b>Total other amounts receivable</b>	<b>19,722</b>	<b>24,522</b>	<b>19,722</b>	<b>24,521</b>

As at 31 December 2022, LNG terminal funds receivable included an overdue amount of EUR 5,688 thousand (31 December 2021: EUR 4,912 thousand), whereof overdue amount of Achema AB amounted to EUR 5,587 thousand, and overdue amount of Kauno Termofikacijos Elektrinė UAB amounted to EUR 101 thousand as at 31 December 2022.

The Group does not recognise impairment for the LNG terminal funds receivable, 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 based on 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 GIPL interconnection project amounted to EUR 3,195 thousand as at 31 December 2022 (31 December 2021: EUR 8,840 thousand).

As at 31 December 2022, the Group's other amounts receivable included receivable VAT and other overpaid taxes amounting to EUR 2,754 thousand, other receivables amounting to EUR 42 thousand, contracts assets amounting to EUR 2,780 thousand. Other amounts receivable of EUR 632 thousand were reclassified to the disposal group.

Current contract assets relating to natural gas transmission services amounted to EUR 2,780 thousand as at 31 December 2022 (31 December 2021: EUR 766 thousand).

No impairment was established for the Group's other amounts receivable.

## 13 Other financial assets

The Group's other financial assets as at 31 December 2022 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), the funds transferred by the exchange participants and security deposits received.

The LNG terminal funds collected from the system users are kept on separate bank accounts opened for LNG terminal funds as prescribed by legal acts, and they are intended for payment to the recipients of the LNG terminal funds: the LNG terminal operator (Klaipėdos Nafta AB) until 1 May 2022, the designated supplier (Ignitis UAB), and the Company to cover the administration costs of the LNG terminal funds.

Based on Resolution No. O3E-1522 of 19 November 2021 adopted by the NERC, an extra charge on natural gas transmission price related to natural gas supply was set, to be effective during the period from 1 January 2022 to 31 March 2022. Based on Resolution No. O3E-438 of the NERC, an extra charge on natural gas transmission price related to natural gas supply security was revised with effect from 1 May 2022.

The funds of the gas exchange participants consist of funds transferred by the clients of GET Baltic under the provisions of the *Regulation of trading on the natural gas exchange* approved by the Board of GET Baltic 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, to submit a bank guarantee) on the gas exchange operated by GET Baltic, 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 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
LNG terminal funds	1	1,305	1	1,305
Security deposits received	422	-	422	-
Funds transferred by gas exchange participants	-	50,209	-	-
<b>Total other financial assets</b>	<b>423</b>	<b>51,514</b>	<b>423</b>	<b>1,305</b>

#### 14 Cash and cash equivalents

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Cash at bank	21	906	21	12
	<b>21</b>	<b>906</b>	<b>21</b>	<b>12</b>

The Company and the Group keep their cash balances on bank accounts. As at 31 December 2022, the cash balance 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 2022, the Company and the Group had no contracts on deposits.

The table below presents the long-term foreign currency credit ratings of the banks with which the Group kept its cash balances as at 31 December 2022:

Bank	Cash at bank at 31 December 2022	Credit rating agency		
		Moody's	Standart &Poor's	Fitch Ratings
SEB Bankas AB <sup>1)</sup>	824	Aa3	A+	AA-
Swedbank AB <sup>1)</sup>	14	Aa3	A+	AA-

<sup>1)</sup> The ratings assigned to the parent banks as at 31 December 2022.

#### 15 Assets held for sale, assets and liabilities of disposal group

When preparing the financial statements, investment in subsidiary Get Baltic was reclassified as assets held for sale as all criteria for such classification were met (Note 3.4).

As at 31 December 2022, below indicated assets and liabilities were reclassified to held for sale, in view of GET Baltic stock sale plan currently implemented by the Company, which is expected to be completed during one year from the moment of reclassification to assets held for sale:

	Disposal group	
	Note	At 31 December 2022
<b>Non-current assets</b>		
Intangible assets	6	474
Other property, plant and equipment	7	4
Right-of-use assets	9	85
Other non-current financial assets		4
<b>Current assets</b>		
Prepayments		26
Trade receivables	11	12,767

Other amounts receivable	12	632
Other current financial assets	13	188,969
Cash and cash equivalents	14	817
<b>Total assets of disposal group</b>		<b>203,778</b>
<b>Non-current liabilities</b>		
Non-current lease liabilities	21	57
<b>Current liabilities</b>		
Current portion of lease liabilities	21	29
Trade payables	24	56,415
Advance amounts received	25	145,932
Income tax liabilities		15
Employment-related liabilities		136
Other amounts payable and current liabilities	26	13
<b>Total liabilities of disposal group</b>		<b>202,597</b>

## 16 Share capital

The Company's share capital amounted to EUR 51,731 thousand and it is divided into 178,382,514 ordinary registered shares with par value of EUR 0.29 each. For more details on the share capital of the subsidiary, see Note 1.

## 17 Dividends

During the Company's Ordinary General Meeting of Shareholders held on 20 April 2022, the decision was made to pay put dividends in total amount of EUR 9,901 thousand, i.e. EUR 0.0555 per share. During the Company's Ordinary General Meeting of Shareholders held on 23 April 2021, the decision was made not to distribute profit for payment of dividends.

## 18 Reserves

### Legal reserve

A legal reserve is a compulsory reserve under the laws 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 Meeting of Shareholders regarding the proposed appropriation of profit. When approving the proposed appropriation of profit for 2022, the total amount of profit for appropriation of EUR 13,263 thousand was transferred to other reserves of which EUR 166 thousand a target reserve for support. When approving the proposed appropriation of profit for 2021, the total amount of profit for appropriation of EUR 28,040 thousand was transferred to other reserves under the decision of the General Meeting of Shareholders.

## 19 Grants

Grants comprise grants for acquisition of non-current assets and for compensation of costs. Movement on the grants account was as follows during 2022 and 2021:

	Company	
	2022	2021
<b>Balance at 1 January</b>		
Grants receivable (Note 12)	10,330	25,628
Grants received in advance (current liabilities)	(151)	(236)
	<b>10,179</b>	<b>25,392</b>
<b>Grants recognised</b>		
Reclassified to PP&E (Note 7)	6,023	19,381
Reclassified to intangible assets (Note 6)	-	313



Write-off	(5)	-
Grants utilised for compensation of costs	<b>101</b>	<b>144</b>
	<b>6,119</b>	<b>19,838</b>
<b>Grants received</b>		
Grants received as cash	9,429	34,854
	<b>9,429</b>	<b>34,854</b>
<b>Grants received as assets</b>	-	<b>197</b>
<b>Balance at 31 December</b>		
Grants receivable (Note 12)	6,976	10,330
Grants received in advance (current liabilities)	(107)	(151)
	<b>6,869</b>	<b>10,179</b>

## 20 Borrowings

The Group's and the Company's borrowings included as follows:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
<b>Non-current borrowings</b>	<b>73,496</b>	<b>91,391</b>	<b>73,496</b>	<b>91,391</b>
<b>Current borrowings</b>	<b>27,466</b>	<b>13,458</b>	<b>27,466</b>	<b>13,458</b>
Current borrowings (EPSO-G UAB)	9,571	3,284	9,571	3,284
Current portion of non-current borrowings	17,895	10,174	17,895	10,174
<b>Total borrowings</b>	<b>100,962</b>	<b>104,849</b>	<b>100,962</b>	<b>104,849</b>

To balance its working capital, on 1 March 2022 the Company and EPSO-G UAB entered into a cash pool contract, based on which the maximum borrowing limit (overdraft) from EPSO-G UAB was set in amount of EUR 40,000 thousand. An agreement expires on 1 March 2023 with the possibility to extend the agreement two times for a period of 12 months. In accordance with the terms of the lending and borrowing agreement, it was automatically extended for another year.

As at 31 December 2022, the Company's borrowings under this contract amounted to EUR 9,571 thousand (31 December 2021: EUR 3,284 thousand). As at 31 December 2022, the unwithdrawn balance amounted to EUR 30,429 thousand.

As at 31 December 2022, the weighted average interest rate on the Group's and the Company's borrowings was 1.53% (31 December 2021: 0.34%). The interest rate is either fixed or linked to variable 3-6-month EURIBOR rate.

As at 31 December 2022, borrowings with fixed interest rates amounted to EUR 45,000 thousand (31 December 2021: EUR 45,000 thousand), borrowings with variable interest rates amounted to EUR 55,962 thousand (31 December 2021: EUR 59,849 thousand).

As at 31 December 2022, borrowings from Nordic Investment Bank amounted to EUR 17,391 thousand (31 December 2021: EUR 19,565 thousand).

As at 31 December 2022, borrowings from European Investment Bank amounted to EUR 60,000 thousand (31 December 2021: EUR 60,000 thousand).

As at 31 December 2022, borrowings from OP Corporate Bank plc Lithuania branch amounted to EUR 14,000 thousand (31 December 2021: EUR 22,000 thousand).

As at 31 December 2022 and 2021, the Company complied with the covenants set forth in the loan agreements with the above-mentioned banks.

Non-current borrowings grouped by maturity:

	Group			
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	Borrowings with fixed interest rate	Borrowings with fixed interest rate	Borrowings with variable interest rate	Borrowings with a variable interest rate
2022	-	-	-	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
	<b>45,000</b>	<b>45,000</b>	<b>46,391</b>	<b>56,565</b>

The maturities of the Group's borrowings match those of the Company's borrowings.

All borrowings of the Group were obtained in the euros, and therefore, the outstanding balances of borrowings were denominated in the euros for the period from 31 December 2021 and 31 December 2022, 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 2021 and 2022:

	Group			
	Cash	Borrowings	Lease liabilities	Total
<b>Net debt at 31 December 2020</b>	<b>767</b>	<b>(119,669)</b>	<b>(2,363)</b>	<b>(121,265)</b>
Movement in cash and cash equivalents	139	-	-	139
(Proceeds) from borrowings	-	-	-	-
Repayment of borrowings	-	10,174	-	10,174
Movement in overdraft	-	4,568	-	4,568
Lease payments	-	-	418	418
New leases	-	-	(1,724)	(1,724)
Lease modifications	-	-	(257)	(257)

Other movements				
Interest charges expensed and interest capitalised		(481)	(29)	(510)
Interest paid		491	29	520
Other non-monetary movements	-	-	-	-
<b>Net debt at 31 December 2021</b>	<b>906</b>	<b>(104,917)</b>	<b>(3,926)</b>	<b>(107,937)</b>
Movement in cash and cash equivalents	(68)	-	-	(68)
(Proceeds) from borrowings	-	-	-	-
Repayment of borrowings	-	10,174	-	10,174
Movement in overdraft	-	(6,287)	-	(6,287)
Lease payments	-	-	432	432
New leases	-	-	(105)	(105)
Lease modifications	-	-	-	-
Other movements				
Interest charges expensed and interest capitalised	-	(619)	(31)	(650)
Interest paid	-	512	31	543
Other non-monetary movements	(817)	-	85	(732)
<b>Net debt at 31 December 2022</b>	<b>21</b>	<b>(101,137)</b>	<b>(3,514)</b>	<b>(104,630)</b>

	Company			
	Cash	Borrowings	Lease liabilities	Total
<b>Net debt at 31 December 2020</b>	<b>3</b>	<b>(119,669)</b>	<b>(2,230)</b>	<b>(121,896)</b>
Movement in cash and cash equivalents	9	-	-	9
(Proceeds) from borrowings	-	-	-	-
Repayment of borrowings	-	10,174	-	10,174
Movement in overdraft	-	4,568	-	4,568
Lease payments	-	-	391	391
New leases	-	-	(1,716)	(1,716)
Lease modifications	-	-	(257)	(257)
Other movements				
Interest charges expensed and interest capitalised	-	(481)	(27)	(508)
Interest paid	-	491	27	518
Other non-monetary movements	-	-	-	-
<b>Net debt at 31 December 2021</b>	<b>12</b>	<b>(104,917)</b>	<b>(3,812)</b>	<b>(108,717)</b>
Movement in cash and cash equivalents	9	-	-	9
(Proceeds) from borrowings	-	-	-	-
Repayment of borrowings	-	10,174	-	10,174
Movement in overdraft	-	(6,287)	-	(6,287)
Lease payments	-	-	403	403
New leases	-	-	(105)	(105)
Lease modifications	-	-	-	-
Other movements				
Interest charges expensed and interest capitalised	-	(619)	(30)	(649)
Interest paid	-	512	30	542
Other non-monetary movements	-	-	-	-
<b>Net debt at 31 December 2022</b>	<b>21</b>	<b>(101,137)</b>	<b>(3,514)</b>	<b>(104,630)</b>

## 21 Lease liabilities

Lease liabilities and their movement were as follows:

	Group	
	At 31 December 2022	At 31 December 2021
<b>Carrying amount of lease liabilities at 1 January</b>	3,926	2,363
Lease liabilities under IFRS 16	-	257
New leases	105	1,724

Lease terminations (write-off of debts and accumulated interest thereon)	-	-
Interest charged	31	28
Lease payments (principal and interest)	(462)	(446)
Reclassification to disposal group (Note 15)	(86)	-
<b>Carrying amount at 31 December</b>	<b>3,514</b>	<b>3,926</b>
Non-current lease liabilities	3,012	3,494
Current lease liabilities	502	432

	Company	
	At 31 December 2022	At 31 December 2021
<b>Carrying amount of lease liabilities at 1 January</b>	3,812	2,230
Lease liabilities under IFRS 16	-	257
New leases	105	1,716
Lease terminations (write-off of debts and accumulated interest thereon)	-	-
Interest charged	30	26
Lease payments (principal and interest)	(433)	(417)
<b>Carrying amount at 31 December</b>	<b>3,514</b>	<b>3,812</b>
Non-current lease liabilities	3,012	3,411
Current lease liabilities	502	401

	Group	
	At 31 December 2022	At 31 December 2021
Lease liabilities		
Current portion	502	432
Maturity of non-current liabilities:	3,012	3,494
Between 1 and 2 years	247	505
Between 2 and 3 years	222	243
Between 3 and 5 years	404	421
After 5 years	2,139	2,325

	Company	
	At 31 December 2022	At 31 December 2021
Lease liabilities		
Current portion	502	401
Maturity of non-current liabilities:	3,012	3,411
Between 1 and 2 years	247	476
Between 2 and 3 years	222	221
Between 3 and 5 years	404	389
After 5 years	2,139	2,325

Interest charged on lease liabilities and included in the Group's finance costs amounted to EUR 31 thousand as at 31 December 2022 (31 December 2021: EUR 28 thousand).

The Company has a lease contract for office premises with variable lease payments not included in the value of lease liabilities. As from 1 January 2023, the lease rate for office premises may be revised in view of changes in the average consumer price index as a result of inflation, however, to an extent not higher than 2%. The Group and the Company had no short-term lease contracts. In 2022, lease payments for low-value assets amounted to EUR 162 thousand.

## 22 Contract liabilities

Funds from connection of new system users to the gas transmission system and advance amounts received from the system users for transmission services are recognised as contract liabilities.

Contract liabilities included as follows:

	Company	
	At 31 December 2022	At 31 December 2021
Non-current portion of contract liabilities under connection contracts	1,271	1,305
<b>Total non-current contract liabilities</b>	<b>1,271</b>	<b>1,305</b>
Current portion of contract liabilities under connection contracts	34	33
Advance amounts received for connection services	318	-
Advance amounts received for transmission services	-	23
<b>Total current contract liabilities</b>	<b>352</b>	<b>56</b>
<b>Total contract liabilities</b>	<b>1,623</b>	<b>1,361</b>

Contract liabilities from connection of new consumers to the gas transmission system amounted to EUR 1,305 thousand as at 31 December 2022 (31 December 2021: EUR 1,338 thousand), of which non-current portion of contract liabilities under connection contracts amounted to EUR 1,271 thousand as at 31 December 2022 (31 December 2021: EUR 1,305 thousand). Contract liabilities to be recognised as revenue within one year are reported as current contract liabilities.

### 23 Provisions

	Company	
	At 31 December 2022	At 31 December 2021
Provisions for employee pension obligations	738	602
Provisions for registration of special land use conditions (protected areas)	1,024	2,157
<b>Carrying amount</b>	<b>1,762</b>	<b>2,759</b>
Non-current provisions	998	1,471
Current provisions	764	1,288

As at 31 December 2022, the Company's and the Group's employee benefit obligations related to payment of one-off benefits to employees leaving the Company at retirement age amounted to EUR 738 thousand (31 December 2021: EUR 602 thousand). There are no other long-term employee benefit obligations for long-term service of employees 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 2022	At 31 December 2021
Discount rate	0.83%	0.37%
Annual employee turnover rate	7.65%	5.99%
Annual salary growth	4.00%	3.30%
Average time to retirement (years)	20.06	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. A discount rate of 0.62% was used for discounting of the provision.

As at 31 December 2022, the Company re-measured the provision and the related intangible assets in view of changes in assumptions. To ensure more clarity in legal regulation, lower volumes for protected zone registration services were established. In addition, relevant services were acquired by way of a public procurement procedure in order to fulfil the actions necessary for the establishment and registration of protected zones and location areas. The value of contracts for those services was lower than the preliminary value applied in the assumptions used for provisioning purposes, and therefore, the

amount of provision was reduced by EUR 889 thousand. The revised amount of costs was discounted using a discount rate of 1.24% over the expected term of fulfilment of obligation.

## 24 Trade payables

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Payables to suppliers under the investment programme (reconstruction)	3,159	2,141	3,159	2,141
Payables to service providers	2,043	1,457	2,043	1,438
Payables to non-current assets repair service providers	244	358	244	358
Payables to natural gas suppliers	2,600	28,520	2,600	4,502
Payables in relation to balancing services	5,622	-	5,622	-
	<b>13,668</b>	<b>32,476</b>	<b>13,668</b>	<b>8,439</b>

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

## 25 Advance amounts received

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
<b>Financial liabilities</b>				
Deposits received	422	-	422	-
Advance payments received from the exchange participants	-	36,455	-	-
<b>Total financial liabilities</b>	<b>422</b>	<b>36,455</b>	<b>422</b>	<b>-</b>
<b>Non-financial liabilities</b>				
Contract liabilities	352	56	352	56
Advance grants received	60	60	60	60
Other accrued revenue	47	91	47	91
Other advance amounts received	1	622	1	622
<b>Total non-financial liabilities</b>	<b>460</b>	<b>829</b>	<b>460</b>	<b>829</b>
<b>Total advance amounts received and contract liabilities</b>	<b>882</b>	<b>37,284</b>	<b>882</b>	<b>829</b>

Advance payments from the 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 payment, thereby reducing the amount payable for gas and exchange services. The advance payment not used in full or in part remains for other settlements of an exchange participant. If an advance payment has not been used by an exchange participant for over 1 year, such amount is repaid to the exchange participant.

## 26 Other amounts payable and current liabilities

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
<b>Non-financial liabilities</b>				
Payable LNG terminal funds under administration	7,635	12,259	7,635	12,259
Accrued LNG terminal funds under administration <sup>1)</sup>	328	2,406	328	2,406

Payable real estate tax	666	838	666	838
Payable value added tax	-	637	-	235
Other taxes payable	29	12	29	12
<b>Total non-financial liabilities</b>	<b>8,658</b>	<b>16,152</b>	<b>8,658</b>	<b>15,750</b>
<b>Financial liabilities</b>				
Payable CBCA contribution	27,450		27,450	
Payable dividends	58	58	58	58
Accrued expenses	976	336	976	320
<b>Total financial liabilities</b>	<b>28,484</b>	<b>394</b>	<b>28,484</b>	<b>378</b>
<b>Total other amounts payable</b>	<b>37,142</b>	<b>16,546</b>	<b>37,142</b>	<b>16,128</b>

<sup>1)</sup> 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 classified as payable LNG terminal funds when a VAT invoice is issued to the Company for the extra charge on the natural gas transmission price related to natural gas supply security.

As at 31 December 2022, other amounts payable of EUR 27,450 thousand include the commitment to pay CBCA contribution. For more details on CBCA contribution, see Note 7.

## 27 Revenue

The Group's and the Company's revenue includes as follows:

	Group		Company	
	2022	2021	2022	2021
<i>Revenue under contracts with customers</i>				
Transmission of natural gas in the territory of Lithuania	65,383	53,748	65,383	53,748
Revenue from system balancing products	30,569	12,540	30,569	12,540
Revenue from trading on exchange	1,364	1,481	-	-
Revenue from connection of new consumers (deferred revenue)	33	34	33	34
Other income	190	141	-	-
<b>Total revenue under contracts with customers</b>	<b>97,539</b>	<b>67,944</b>	<b>95,985</b>	<b>66,322</b>
<i>Revenue other than under contracts with customers</i>				
Revenue from administration of LNG terminal funds	61	73	61	73
<b>Total revenue other than under contracts with customers</b>	<b>61</b>	<b>73</b>	<b>61</b>	<b>73</b>
<b>Total revenue</b>	<b>97,600</b>	<b>68,017</b>	<b>96,046</b>	<b>66,395</b>

	Group		Company	
	2022	2021	2022	2021
<i>Revenue recognised over the period</i>				
Transmission of natural gas in the territory of Lithuania	65,383	53,748	65,383	53,748
Revenue from system balancing products	30,569	12,540	30,569	12,540
Membership revenue	85	70	-	-
Other income	266	248	94	107
<b>Total revenue recognised over the period</b>	<b>96,303</b>	<b>66,606</b>	<b>96,046</b>	<b>66,395</b>

<i>Revenue recognised at a point in time, upon provision of services</i>				
Revenue from trading on exchange	1,297	1,411	-	-
<i>Total revenue recognised at a point in time, upon provision of services</i>	<b>1,297</b>	<b>1,411</b>	-	-
<b>Total revenue under contracts with customers</b>	<b>97,600</b>	<b>68,017</b>	<b>96,046</b>	<b>66,395</b>

## 28 Other income

The Group's other income includes as follows:

	Group		Company	
	2022	2021	2022	2021
Grants recognised as income	101	144	101	144
Income from sale of goods	248	2	248	2
Rental income	23	8	23	8
Gain on disposal of PP&E	47	168	47	168
Interest on late payment	27	64	27	64
Other income	160	192	160	192
	<b>606</b>	<b>578</b>	<b>606</b>	<b>578</b>

## 29 Dividend income

	Group		Company	
	2022	2021	2022	2021
Dividend income	-	-	598	478

In 2022, the Company received dividends of EUR 598 thousand (2021: EUR 478 thousand) from its subsidiary GET Baltic.

## 30 Financing activities

	Group		Company	
	2022	2021	2022	2021
Interest income	-	-	-	-
Interest income on late payments	10	-	10	-
Other	35	2	11	2
<b>Total finance income</b>	<b>45</b>	<b>2</b>	<b>21</b>	<b>2</b>
Interest on borrowings	603	346	603	346
Other finance costs	161	93	39	42
Total finance costs	764	439	642	388
<b>Finance costs at fair value</b>	<b>(719)</b>	<b>(437)</b>	<b>(621)</b>	<b>(386)</b>

## 31 Current and deferred income tax

Income tax expenses include as follows:

	Group		Company	
	2022	2021	2022	2021
Current income tax expenses	(98)	(113)	(1)	-
Deferred income tax benefit/(expenses)	(2,367)	547	(2,367)	547
<b>Income tax benefit /(expenses) for the reporting period</b>	<b>(2,465)</b>	<b>434</b>	<b>(2,368)</b>	<b>547</b>

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



	PP&E revaluation (impairment)	Fees on connection of new consumers	Impairment allowance for receivables and write- down allowance for inventories	Accruals	Unutilised investment relief	Other	Total
Deferred income tax assets							
<b>At 31 December 2020</b>	<b>2,646</b>	<b>206</b>	<b>52</b>	<b>238</b>	<b>3,923</b>		<b>7,065</b>
Recognised in profit/(loss)	(156)	(5)	19	23	685	-	566
<b>At 31 December 2021</b>	<b>2,490</b>	<b>201</b>	<b>71</b>	<b>261</b>	<b>4,608</b>		<b>7,631</b>
Recognised in profit/(loss)	(148)	(5)	15	42	(2,416)	145	(2,367)
<b>At 31 December 2022</b>	<b>2,342</b>	<b>196</b>	<b>86</b>	<b>303</b>	<b>2,192</b>	<b>145</b>	<b>5,264</b>

	Interest capitalisation rate	Total
Deferred income tax liabilities		
<b>At 31 December 2020</b>	<b>104</b>	<b>104</b>
Recognised in profit/(loss)	19	19
Recognised in other comprehensive income	-	-
<b>At 31 December 2021</b>	<b>123</b>	<b>123</b>
Recognised in profit/(loss)	-	-
Recognised in other comprehensive income	-	-
<b>At 31 December 2022</b>	<b>123</b>	<b>123</b>

Deferred income tax assets

	Company	
	At 31 December 2022	At 31 December 2021
<b>Deferred income tax assets before impairment of realisable value</b>	<b>5,264</b>	<b>7,631</b>
Less: impairment of realisable value	-	-
Less: deferred tax assets offset against deferred tax liabilities	(123)	(123)
<b>Deferred income tax assets, net</b>	<b>5,141</b>	<b>7,508</b>

Deferred income tax, net as at 31 December 2020	6,961
Deferred income tax, net as at 31 December 2021	7,508
Deferred income tax, net as at 31 December 2022	5,141

According to the provisions of the Law on Corporate Income Tax, income tax relief may be applied to investments in fixed assets meeting the criteria set out in the Law on Corporate Income Tax. When calculating income tax for the year 2022, the Company and the Group utilised the income tax relief and reduced the income tax expenses for the year 2022 by the total amount of EUR 266 thousand (2021: EUR 3,878 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 authority.

Under the assessment of the Group and the Company EUR 546 thousand net deferred income tax will be realized within 12 months. EUR, 4,595 thousand - over a period of more than 12 months.

When estimating the components of deferred income assets and liabilities in 2022 and 2021, 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	
	2022	2021

Profit (loss) before income tax	18,727	23,349
Income tax (expenses) at the effective income tax rate	(2,809)	(3,503)
Non-deductible expenses, non-taxable income	79	72
Investment relief utilised during the reporting period	266	3,180
Other	-	-
Additional unutilised investment relief	-	685
Adjustments to previous year income tax	(1)	-
	<b>(2,465)</b>	<b>434</b>

	Company	
	2022	2021
Profit (loss) before income tax	18,088	22,617
Income tax (expenses) at the effective income tax rate	(2,713)	(3,393)
Non-deductible expenses, non-taxable income	80	75
Investment relief utilised during the reporting period	266	3,180
Other	-	-
Additional unutilised investment relief	-	685
Adjustments to previous year income tax	(1)	-
	<b>(2,368)</b>	<b>547</b>

### 32 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	
	2022	2021
Net profit attributable to equity holders of the Group (EUR '000)	15,665	23,211
Weighted average number of shares ('000 units)	178,383	178,383
Basic and diluted earnings (loss) per share (EUR)	<b>0.09</b>	<b>0.13</b>

### 33 Cash flows from investing and financing activities

In 2022, when calculating cash flows from investing activities, the Company took into consideration the following: movement in amounts payable for non-current assets of EUR 28.468 thousand, re-measurement of provision for registration of special land use conditions and related intangible assets of EUR 238 thousand, and capitalised interest costs of EUR 21 thousand. Reclassification from non-current assets (including construction work in progress) to inventories and assets held for sale amounted to EUR 80 thousand.

In 2021, when calculating cash flows from investing activities, the Company took into consideration the following: movement in 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 interest costs of EUR 140 thousand. Reclassification from non-current assets (including construction work in progress) to inventories and assets held for sale amounted to EUR 283 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 3,410 thousand (2021: EUR 15,357 thousand).

### 34 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 Group's Treasury and Financial Risk Management Policy.

**Group**
**Company**


Financial assets	Note	At 31	At 31	At 31	At 31
		December 2022	December 2021	December 2022	December 2021
Trade receivables	11	18,498	21,424	18,498	10,736
Other amounts receivable	12	2,797	786	2,797	785
Cash and cash equivalents	14	21	906	21	12
Other financial assets	13	423	51,514	423	1,305
<b>Total financial assets</b>		<b>21,739</b>	<b>74,630</b>	<b>21,739</b>	<b>12,838</b>

Financial liabilities	Note	Group		Company	
		At 31	At 31	At 31	At 31
		December 2022	December 2021	December 2022	December 2021
Borrowings	20	100,962	104,849	100,962	104,849
Lease liabilities	21	3,514	3,926	3,514	3,812
Trade payables	24	13,668	32,476	13,668	8,439
Other amounts payable and liabilities	25,26	28,906	36,849	28,906	378
<b>Total</b>		<b>147,050</b>	<b>178,100</b>	<b>147,050</b>	<b>117,478</b>

### Liquidity risk

Liquidity risk is managed continuously 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's cash pool account to balance its working capital.

As at 31 December 2022, unwithdrawn balance of credit limit amounted to EUR 30,429 thousand. The unwithdrawn balance of credit limit will enable to cover the existing liabilities. The principles for calculation of liquidity ratios are described in section *Financial Results* of the Annual Report.

The Group's liquidity ratios (after elimination of effects of the LNG terminal funds under administration) were as follows as at 31 December 2022 and 2021:

	At 31 December 2022	At 31 December 2021
Current ratio	0.89	1.04
Quick ratio	0.84	0.94

The table below presents the Group's financial liabilities grouped by maturity as at 31 December 2022 and 31 December 2021, based on undiscounted contractual payments (scheduled payments including interest):

	On demand	Up to 3 months	Between 3	Between 1	After 5 years	Total
			and 12 months	and 5 years		
Interest-bearing borrowings and liabilities	-	11,103	17,533	27,166	51,649	107,451
Lease liabilities	-	125	406	974	3,281	4,786
Other liabilities	-	1,456	27,450	-	-	28,906
Trade payables	-	13,668	-	-	-	13,668
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>26,352</b>	<b>45,389</b>	<b>28,140</b>	<b>54,930</b>	<b>154,811</b>
Interest-bearing borrowings and liabilities	-	4,472	9,327	37,135	56,169	107,103

Lease liabilities	-	75	386	1,278	3,490	5,229
Other liabilities	36,455	394	-	-	-	36,849
Trade payables	-	32,476	-	-	-	32,476
<b>Balance at 31 December 2021</b>	<b>36,455</b>	<b>37,417</b>	<b>9,713</b>	<b>38,413</b>	<b>59,659</b>	<b>181,657</b>

The table below presents the Company's financial liabilities grouped by maturity as at 31 December 2022 and 31 December 2021, based on the undiscounted contractual payments (scheduled payments including interest):

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>After 5 years</b>	<b>Total</b>
Interest-bearing borrowings and liabilities	11,103	17,533	27,166	51,649	107,451
Lease liabilities	125	406	974	3,281	4,786
Other liabilities	1,456	27,450	-	-	28,906
Trade payables	13,668	-	-	-	13,668
<b>Balance at 31 December 2022</b>	<b>26,352</b>	<b>45,389</b>	<b>28,140</b>	<b>54,930</b>	<b>154,811</b>
Interest-bearing borrowings and liabilities	4,472	9,327	37,135	56,169	107,103
Lease liabilities	75	355	1,190	3,490	5,110
Other current liabilities	378	-	-	-	378
Trade payables	8,439	-	-	-	8,439
<b>Balance at 31 December 2021</b>	<b>13,364</b>	<b>9,682</b>	<b>38,325</b>	<b>59,659</b>	<b>121,030</b>

#### 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 81% of the Company's total trade receivables as at 31 December 2022 (31 December 2021: 90%).

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 14). 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 2022 and 2021, the Group had borrowings with variable interest rates (for more details, see Note 20 *Borrowings*). Exposure to interest rate risk arises from variable interest rates that are linked to EURIBOR. In view of the Treasury and Financial Risk Management Policy, the Group did not enter into any financial instrument transactions intended to manage the interest rate risk during 2022 and 2021.



The table below demonstrates the sensitivity of the Company's profit before tax to theoretic potential shifts 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 2022	+100	(2,031)
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 2022, 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 were used by the Group and the Company to estimate the fair value of each class of financial asset and liabilities not reflected at fair value:

- (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. As at 31 December 2022, the fair value of the Group non-current borrowings with a fixed interest rate were approximately EUR 10.932 thousand less than their book (nominal) values.

### **35 Direct financial impact of Russia's invasion to Ukraine**

As a result of the military actions initiated by the Russian Federation against Ukraine on 24 February 2022, the Company has introduced all the sanctions, business restrictive measures, etc. that were initiated or announced by the local or foreign authorities; has taken actions in one or another way connected with the activities of the Russian and Belarus legal or natural persons, its shareholders, management body members, and, as prescribed by law, has disclosed information to the investors, which has significant impact on the Group's and the Company's operations.

It is important to note that the procedure for the implementation of international sanctions and restrictive measures is governed under the Lithuanian Law on the Implementation of Economic and Other International Sanctions (the Law) and other related legal acts.

Given that the Group and the Company have no significant transactions and subsidiaries in the affected markets (Russia, Belarus, Ukraine), the events in Ukraine had no direct impact on the Group's and the Company's financial performance and cash flows.

As from 1 April 2022, in response to Russia's energy blackmailing of Europe and the war in Ukraine, Lithuania totally discontinued accepting Russian gas in order to ensure full energetic independence from Russian gas. As a consequence, the natural gas transmission system in Lithuania operates totally free of imports of Russian gas. The domestic demand for natural gas is satisfied in full through the LNG terminal in Klaipėda. Transporting of gas by transit through Lithuania to the Kaliningrad Region is continued, however, in an unusual technical mode that ensures transmission of gas only to the extent necessary for the transit. As from 1 May 2022, the GIPL interconnection became accessible for the gas market participants to conduct commercial gas flows between Lithuania and Poland. The Group expects that this interconnection will become of regional importance and its impact on revenue growth will be higher than expected.

#### **Revenue from contracts with customers**

The war in Ukraine has caused the value of some investment projects to rise because the contractors have faced challenges of disruptions in supply chains, higher prices of materials, and increased inflation. The agreement with contracts often have a clause on repricing due to higher than expected inflation, and accordingly, the increase in prices was probable and duly considered. The agreements with contractors are amended only in view of effects of increased prices and by making sure that it will be reflected in the Company's pricing.

All assets of the Group are domiciled in Lithuania. No negative impact was observed on revenue from contracts with customers, although the Company has one customer (system user) from Russia, which receives natural gas transmission services from third country to third country. The Company has obtained the necessary approvals/permits from the responsible authorities regarding the fulfilment of critical functions of national importance, because natural gas transmission is related to Lithuania's commitment to ensure uninterrupted supply of natural gas through the gas pipelines in the territory of Lithuania to satisfy the needs of the Kaliningrad Region of the Russian Federation. Neither local nor the EU regulations stipulate any restrictions on gas transmission to Russia, including collection of EUR payments from Russia.

#### **Expected credit losses: financial assets**

When determining the expected credit losses resulting from Russia's invasion to Ukraine, the Company's management took into account the past events, the present and future economic conditions that were known as at the reporting date. The Company does not expect any issues in relation to liquidity or credit risk.

#### **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 Russia's invasion to Ukraine would require significant adjustments to the management's forecasts covering the period 2022-2026. In addition, in view of the most relevant information and long-term forecasts, no significant change is expected in the ROI rate. Russia's invasion to Ukraine is not expected to bring significant changes in legal regulation and scope of services rendered. The management did not identify any circumstances in relation to Russia's invasion to Ukraine that might result in material change in the value of property, plant and equipment stated at revalued amount.

### **36 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 consumption of natural gas for both energetic 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" gas is expected to increase gradually: biomethane and gases produced by conversion of green electricity into green hydrogen and synthetic methane. The main objective set in the Company's strategy is to work together on the way of Lithuanian energy system's transformation towards climate neutral economy. One of the main sustainability objectives of Amber Grid AB is to mitigate the environmental impact of its operations.

In 2022, the environmental impact assessment and an inventory of GHG emissions were carried out, and the 2023-2030 plan for the measures of mitigation of greenhouse emissions was prepared with a goal to reduce the Company's total emissions by two-thirds compared to the base emissions in 2019. More details are provided in the sustainability section of the Annual Report.

The assessment of climate change impact was carried out on the useful lives of property, plant and equipment, the value of financial assets, no significant impact was detected. In the assessment of the company's management there is no significant impact on the consolidated financial statements, whereas in future the Company's vision is to develop the system that empowers competition and use of eco-friendly energy. The management of sustainable activities, principles and priorities, sustainability in the field of environmental protection are disclosed on chapter 8 of the annual report.

### **37 Regulation of prices and the Company's profitability**

As at 31 December 2022, accumulated positive regulatory deviations (approved by the NERC) in revenue and expenses from natural gas transmission services amounted to EUR 10.9 million. Regulated revenue from natural gas transmission services in 2023 was reduced by this amount.

In 2022, the result of natural gas transmission services exceeded the return on investments set by the NERC, however, positive regulatory deviations have not been approved yet by the NERC. When determining the level of revenue from natural gas transmission services for 2024, it is necessary to consider the positive regulatory deviations in 2022, thereby reducing/increasing revenue from transmission services for 2024.

### 38 Off-balance sheet commitments and contingencies

#### Litigations

Currently, the Company is involved in two civil cases: 1) regarding award of the LNG terminal funds and late interest from Achema AB; 2) regarding award of damages for low quality goods, late interest and litigation costs from the supplier of goods.

In respect of the civil case regarding award of the LNG terminal funds, the Company acts solely as an administrator of the LNG terminal funds, transfers the LNG terminal funds to their recipients only after collecting them from the buyers, and accordingly, the Company does not incur credit risk in respect of the disputed amount.

By the decision of Kaunas Regional Court of 20 January 2022, the proceedings were suspended in respect of the claimed LNG extra charges of EUR 4,678 thousand and late interest of EUR 55 thousand arising from the natural gas transmission service contract of 22 December 2014, as it was pending the decision of the European Commission regarding the compatibility of the LNG extra charges, collected during the period from 1 January 2016 to 31 December 2018, with the state aid rules under the EU law. By decision of 17 March 2022, the Lithuanian Court of Appeal left the decision of Kaunas Regional Court of 20 January 2022 unchanged.

By the decision of Kaunas Regional Court of 20 September 2022, the proceedings were also suspended in respect of late interest of EUR 763,119.55 arising from the natural gas transmission service contract of 21 December 2012 and a counterclaim, whereby Achema AB requested to declare as unlawful the Company's actions when calculating late interest under the natural gas transmission service contract of 21 December 2012 and when allocating the payments collected from Achema AB under the contract for offsetting against late interest, as it was pending the decision of the European Commission regarding the compatibility of the LNG terminal funds, charged during the period from 1 January 2016 to 31 December 2018, with the state aid rules under the EU law. As the Company disagreed with the decision of Kaunas Regional Court of 20 June 2022, it filed a separate appeal regarding the annulment of the aforementioned part of the decision. As the Lithuanian Court of Appeal investigated the Company's separate appeal, it made a decision on 8 September 2022, by which the decision of Kaunas Regional Court of 20 June 2022 was left unchanged.

In the proceedings regarding the low quality goods, on 6 September 2022 the Company referred to the court with request to issue the court's order regarding award of EUR 69.8 thousand damages for low quality goods, 6% annual late interest and litigation costs. On 7 September 2022, the court order was issued, based on which outstanding debt of EUR 69.8 thousand, 6% annual late interest and litigation costs were awarded in favour of the Company. The court order was further submitted to the bailiff for execution.

#### Commitments to acquire non-current assets

As at 31 December 2022, the Group and the Company had off-balance sheet contractual commitments to acquire non-current assets for the amount of EUR 18.7 million (31 December 2021: EUR 3.3 million).

### 39 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 VVJ - VKC | Valdymo koordinavimo centras \(governance.lt\)](#).

The Group's and the Company's related parties as at 31 December 2022 and 2021 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);
- Energy Cells UAB (common shareholders);
- The Company's subsidiary GET Baltic.

Ignitis Grupė UAB group companies:

- Energijos Skirstymo Operatorius AB;
- Ignitis UAB;
- Ignitis Gamyba UAB;
- Energetikos Paslaugų ir Rangos Organizacija UAB;
- Transporto Valdymas UAB;
- Ignitis Polska sp. z.o.o.
- Other Ignitis group companies.

Other state-owned enterprises:

- Klaipėdos Nafta AB;
- State Enterprise Ignalina Nuclear Power Plant;
- Geoterma VJ;
- 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 2022 and 2021:

At 31 December 2022

	Group										
	Purcha- ses	LNG terminal funds (purcha- ses)	Sales	LNG termi- nal funds (sales)	Amounts recei- vable	Recei- vable LNG termi- nal funds	Borro- wings	Amount s pay- able	Pay- able LNG termi- nal funds	Divi- dends recei- ved	Finan- ce costs
UAB EPSO-G	153	-	-	-	-	-	9,571	56	-	-	81
UAB TETAS	4	-	30	-	-	-	-	-	-	-	-
AB Ignitis gamyba	1,602	-	99,074	6,368	1,020	432	-	84,613	-	-	-



AB Energijos skirstymo operatorius	2,630	-	271	228	49	8	-	15	-	-	-
UAB Ignitis UAB	122,039	18,996	50,158	6,163	5,720	402	-	2,379	3,660	-	-
Transporto valdymas	408	-	-	-	-	-	-	44	-	-	-
AB Klaipėdos nafta	-	10,729	4	-	1	-	-	-	3,975	-	-
VĮ Ignalinos atominė	-	-	4	7	-	-	-	-	-	-	-
Ignitis Polska sp. Z.o.o.	74	-	214	-	38	-	-	-	-	-	-
Other state-owned enterprises	68	-	-	-	-	-	-	9	-	-	-
	<b>126,978</b>	<b>29,725</b>	<b>149,755</b>	<b>12,766</b>	<b>6,828</b>	<b>842</b>	<b>9,571</b>	<b>87,116</b>	<b>7,635</b>	<b>-</b>	<b>81</b>

## 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
GET Baltic	42,143	-	14,000	-	214	-	-	2,604	-	598	-
UAB EPSO-G	127	-	-	-	-	-	9,571	54	-	-	81
UAB TETAS	4	-	30	-	-	-	-	-	-	-	-
AB Ignitis gamyba	1,475	-	7,460	6,368	1,019	432	-	378	-	-	-
AB Energijos skirstymo operatorius	2,630	-	270	228	49	8	-	15	-	-	-
UAB Ignitis UAB	13,091	18,996	22,749	6,163	1,876	402	-	2,334	3,660	-	-
Transporto valdymas	402	-	-	-	-	-	-	43	-	-	-
AB Klaipėdos nafta	-	10,729	-	-	-	-	-	-	3,975	-	-
VĮ Ignalinos atominė	-	-	4	7	-	-	-	-	-	-	-
UAB Geoterma	-	-	-	-	-	-	-	-	-	-	-
Ignitis Polska sp. Z.o.o.	74	-	214	-	38	-	-	-	-	-	-
Other state-owned enterprises	68	-	-	-	-	-	-	9	-	-	-
	<b>60,014</b>	<b>29,725</b>	<b>44,727</b>	<b>12,766</b>	<b>3,196</b>	<b>842</b>	<b>9,571</b>	<b>5,437</b>	<b>7,635</b>	<b>598</b>	<b>81</b>

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	Dividends 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 UAB	37,082	35,607	16,681	22,373	1,728	1,318	-	5,522	4,939	-	-
Transporto valdymas	405	-	-	-	-	-	-	44	-	-	-
AB Klaipėdos nafta	-	27,732	4	-	-	-	-	-	7,005	-	-
VĮ Ignalinos atominė UAB	-	-	61	110	5	11	-	-	-	-	-
Geoterma	-	-	-	-	45	65	-	-	-	-	-
Other state-owned enterprises	59	-	-	-	-	-	-	6	-	-	-
	<b>37,928</b>	<b>63,339</b>	<b>79,885</b>	<b>37,156</b>	<b>2,269</b>	<b>2,874</b>	<b>3,284</b>	<b>10,535</b>	<b>11,944</b>	<b>-</b>	<b>99</b>
Company											
	<b>Purcha- ses</b>	<b>LNG teminal funds (purcha ses)</b>	<b>Sales</b>	<b>LNG termi- nal funds (sales)</b>	<b>Amou nts receiv able</b>	<b>Recei- vable LNG termi- nal funds</b>	<b>Borro- wings</b>	<b>Amou nts pay- able</b>	<b>Pay- able LNG termi- nal funds</b>	<b>Divi- dends recei- ved</b>	<b>Finance costs</b>
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	-	-
VĮ Ignalinos atominė UAB	-	-	61	110	5	11	-	-	-	-	-
Geoterma	-	-	-	-	45	65	-	-	-	-	-
Other state-owned enterprises	59	-	-	-	-	-	-	6	-	-	-
	<b>13,570</b>	<b>63,339</b>	<b>13,297</b>	<b>37,156</b>	<b>2,419</b>	<b>2,874</b>	<b>3,284</b>	<b>4,265</b>	<b>11,944</b>	<b>478</b>	<b>99</b>

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 2022, the Company neither formed nor recognised any impairment provisions for amounts receivable from related parties.

#### Compensation to management

	Group		Company	
	2022	2021	2022	2021
Employment-related payments	771	697	673	604
Payments to Board members	48	47	48	47
	<b>819</b>	<b>744</b>	<b>721</b>	<b>651</b>

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.

#### 40 Non-audit services

In 2021 and 2022, the audit firm of the financial statements provided other services to the Group and the Company for the amount of EUR 18 thousand (each year), to the Company for the amount of EUR 17 thousand (each year) during the aforementioned period.

#### 41 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 2022 and 2021, the Company and its subsidiary complied with this requirement. Under the Lithuanian Law on Companies, there are certain restrictions for distribution and payment of dividends. The Group's dividend policy defines the principles for setting, payment and declaration of dividends. There are no other external or intra-group imposed capital requirements on the Company.

#### 42 Events after the end of the financial year

On 13 January 2023, there was a fire in the main gas pipeline of the Company in Pasvalys region. There were no human injuries during the incident. The incident had no impact on the business continuity or revenue of the Company. All commitments to the system users were duly fulfilled. The causes of the incident are currently investigated by both in-house experts of the Company and relevant authorities. Based on preliminary information, around EUR 2.3 million of costs were incurred during the incident. The Company has insurance coverage for its property, as well as third party liability insurance. Currently, the Company is undergoing investigations by the police and NERC, and unscheduled inspection by the Environmental Protection Department.