

**AB AMBER GRID
CONSOLIDATED AND INTERIM REPORT OF THE COMPANY
FOR THE FIRST HALF OF 2020**

Vilnius
2020

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1. GENERAL INFORMATION

The reporting period for the consolidated and interim report of the Company AB “Amber Grid” covers the first half of the year 2020.

1.1. BACKGROUND

Name	AB Amber Grid (hereinafter referred to as “Amber Grid” or the “Company”)
Legal form	Public company
Date of registration and register	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Administrator of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised capital	EUR 51.730.929,06
Registered office address	Savanorių Ave. 28, LT-03116 Vilnius
Phone	+370 5 236 0855
Fax	+370 5 236 0850
Email address	info@ambergrid.lt
Website	www.ambergrid.lt

Amber Grid, the gas transmission system operator, is a company that plays an important role in safeguarding the national security of Lithuania. It is responsible for the transmission of natural gas and maintenance of gas pipelines, and for securing safe and reliable functioning and development of the gas transmission system. Amber Grid ensures natural gas transportation to system users through high pressure pipeline, maintenance and development of natural gas infrastructure. The infrastructure managed by the company encompasses gas transmission pipelines, gas compressor stations, and gas metering and gas distribution stations. Amber Grid also administers the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES).

Amber Grid is a part of EPSO-G UAB group of companies. EPSO-G UAB is a state-controlled group of energy transmission and exchange companies acting as a management company, the shareholder rights and obligations of which are fulfilled by the Ministry of Energy of the Republic of Lithuania. More information on UAB EPSO-G is provided on the website www.epsog.lt.

Amber Grid controls 100% of the authorized capital of GET Baltic UAB. GET Baltic UAB is a company that has a natural gas market operator’s license, organises and conducts trading on a natural gas exchange in Lithuania, Latvia and Estonia. More information on GET Baltic UAB is available on its website www.getbaltic.com.

VISION

Innovative energy company in the integrated European gas network.

- *Innovative* – applying advanced methods and techniques, which allow working faster, more efficiently, offering innovative solutions to customers and partners.
- *Integrated European gas network* – when the Baltic and the European gas markets both having access to the global LNG market are interconnected by physical infrastructure as well as well-functioning market and infrastructure rules, enabling easy and flexible gas transportation and trade.

MISSION

We provide effective and reliable gas transmission, we create favourable conditions for competition in the gas market and for the development of renewable energy sources.

- *Effectively* – we pursue the best results working efficiently and optimizing our operating processes.
- *Reliably* – we transport gas to our customers safely and without any unplanned interruptions.
- *Conditions favourable for competition* – we work for the conditions of the use of the transmission system and the services provided to be flexible and convenient for the existing and new gas market players, allowing to easily obtain gas from various sources.
- *Development of renewable energy sources* – by administering the register of “green” gas guarantees of origin and with other initiatives, we seek for the development of production and trade of gas from renewable energy sources.

1.2. PERFORMANCE INDICATORS

	2020, 1st half	2019, 1st half	2018, 1st half
Quantities of transported natural gas			
Quantity of gas transported to domestic exit points, GWh	12.556	12.551	12.383
Quantity of gas transported to adjacent transmission systems ¹ , GWh	14.877	14.674	15.547
Number of systems users at the end of the period	109	104	103
System operated by the Company			
Length of gas transmission pipelines, km	2.114	2.115	2.115
Number of gas distribution stations and gas metering stations, pcs.	68	68	70
Employees			
Number of employees at the end of the period	318	321	344

1.3. THE MAIN EVENTS

January

On 1 January 2020, natural gas transmission prices approved by the National Energy Regulatory Council (NERC) came into effect. The average price of transmission services applied by Amber Grid to the needs of Lithuanian consumers in 2020 (assessing long-term and short-term services), compared to the average price applied in 2019, decreased by more than 16 percent - up to 1.22 Eur/MWh.

On January 2020, GET Baltic started operating in Finland, becoming one regional trading platform for the Baltic and Finnish gas markets. The Finnish virtual outlet launched short-term and long-term natural gas

¹ Transmission systems of Latvia and Kaliningrad Region of the Russian Federation

products using an indirect capacity allocation model. This contributed to price convergence in the region and facilitated cross-border trade between Finnish and Baltic gas market participants.

On 2 January 2020, following the entry into force of the contract signed at the end of December 2019, Amber Grid began construction work on the GIPL gas pipeline connection with Poland. In the first stage of construction, the largest forces were concentrated on the construction of a gas pipeline from Jauniūnai to Alytus, which is the construction of a hundred-kilometer pipeline. Later, the remaining section of the pipeline will be constructed. In total, the GIPL connection to the Lithuanian-Polish border will continue for 165 km.

On 27 January, Amber Grid announced that it will become a solar energy generating consumer and will generate almost half of its electricity from renewable sources. It is expected that by autumn 2021, about 1400 kW of solar energy cells will be installed in the company's territories. This will account for about 40 percent of the company's total electricity demand.

February

On 28 February 2020, Vilnius Regional Court made a decision in the case based on the claim of UAB MT Group regarding the decisions of the GIPL Procurement Commission of the Amber Grid gas pipeline connection between Poland and Lithuania. The court left the results of the tender for the contract works unchanged. MT Group appealed against the judgment of the court of first instance. Lithuanian Court of Appeal in 21st May of 2020 left the judgment of the Court of First Instance unchanged. In 21st July of 2020 The Supreme Court of Lithuania accepted the cassation appeal of MT Group.

March

On 16 March 2020, following the declaration of a state-level emergency in Lithuania due to the threat of the COVID-19 pandemic, Amber Grid implemented the following business continuity and preventive measures: employees responsible for monitoring the situation and providing information to the Company's management were appointed, departments and employees performing critical functions and administering the main systems were identified, additional organizational measures were applied in the system control center, technical and replacement measures were planned in case of virus spread. The company reviewed the emergency management plan, prepared additional documents and implementation measures - lists of critical activities, measures required to ensure the continuity of these activities, lists of resources and responsible persons, etc.

On 24 March 2020, the Management Board of Amber Grid approved an agreement with the parent company EPSO-G on increasing a mutual lending and borrowing limit from EUR 10 million up to EUR 35 million. The audit committee of EPSO-G stated that the transaction was in line with market conditions and was fair and reasonable for non-counterparties, as it would have a positive impact on the financial results of Amber Grid.

April

On 7 April 2020, The Management Board of Amber Grid elected Nemunas Biknius the Director-General of the company. Until then, Director of Strategy and Development of EPSO-G N. Biknius held this post on a temporary basis.

On 20 April 2020, at the General Meeting, the shareholders elected the Management Board of Amber Grid for a new four-year term. Two independent members, Ignas Degutis, Chief Financial Officer of RB Rail SA (Rail Baltic), and Sigita Žutautas, Director of Home Loan Insurance UAB, as well as three representatives of the parent EPSO-G management company, Renata Damanskytė-Rekašienė, Director of Corporate Governance, Rimvydas Štilinis, Director of Infrastructure, and Algirdas Juozaponis, Director of Finance, who was elected

Chairman of the Management Board at the first meeting of the new term, were elected to the five-member Amber Grid Management Board.

On 22 April 2020, the European Commission, the ministries responsible for energy policy in Lithuania, Latvia, Estonia and Finland, regulatory authorities and transmission system operators endorsed the action plan for the creation of a gas market in the Baltic region. The Baltic gas market action plan envisages integrative actions in 2020-2022 to develop four-country gas transportation pricing, cross-border tariff waivers and related cross-system compensation for transmission system operators, regional gas transmission capacity allocation system and data exchange principles, as well as common information systems to support this regional gas market model.

May

On 19 May 2020, Lithuanian and Polish gas transmission system operators Amber Grid and GAZ-SYSTEM signed an agreement with the international consulting and engineering company AFRY (formerly Poyry) on the preparation of a study by independent experts presenting possible solutions for the commercially optimal use of the GIPL pipeline connecting the gas transmission systems managed by both companies.

On 22 May 2020, Amber Grid signed an agreement with the Lithuanian Business Support Agency (LBSA), according to which EU support will be provided for the reconstruction of 18 km sections of Vilnius-Kaunas main gas pipeline.

On 28 May 2020, NERC approved the prices of natural gas transmission services from 1 January 2021. In 2020, gas transmission prices were particularly low due to one-off adjustments, returning to customers additional revenue earned and cost savings from previous years. In 2021, prices will basically return to price level of 2019, but will still remain slightly lower. The gas transmission prices that will come into force from 1 January 2021 are announced here: <https://www.ambergrid.lt/en/services/tariffs-prices/tariffs-effective-from-1-january-2021>.

June

On 29 June 2020, Amber Grid submitted a ten-year gas transmission network development plan to NERC for assessment. In 2020-2029, it is planned to implement transmission system development investment projects aimed at diversifying gas supply sources in Lithuania and the region and ensuring the security and reliability of the gas transmission system. Among the most important projects in the ten-year plan of European gas operators are the completion of the project of the GIPL gas pipeline connection between Lithuania and Poland, the increase of gas transmission capacity between Lithuania and Latvia, and the modernization of the existing network elements. Over the next five years, investment in the gas transmission network is projected to reach around EUR 229 million, half of them is intended for the implementation of the project of the gas pipeline connection between Lithuania and Poland.

On 29 June 2020, EPSO-G and Amber Grid signed an agreement amending the mutual lending and borrowing agreement of 27 February 2019 under which the maximum lending and borrowing ceiling of EUR 35 million was increased to EUR 40 million.

On 29 June 2020, an Extraordinary General Meeting of Shareholders of Amber Grid approved the decision of the Management Board of Amber Grid of 4 June 2020 to conclude a loan agreement with the European Investment Bank on the loan in the amount of EUR 65 million to finance the construction of the gas pipeline connection between Poland and Lithuania for a maximum term of 18 years.

On 30 June 2020, Amber Grid signed a loan agreement with the European Investment Bank (EIB) worth up to EUR 65 million to finance the construction of a gas pipeline connection between Poland and Lithuania in the territory of the Republic of Lithuania.

Events after the reporting period

On 2 July 2020, in the GIPL project of the gas pipeline connection between Lithuania and Poland, complex works of horizontal directional drilling (HDD) under the river Neris were successfully completed. To reduce the impact on the environment, the section of the pipeline was laid under the riverbed, at a depth of 20 meters and connected to the laid pipeline.

MEMBERSHIP

The Company is a member of ENTSOG (www.entsog.eu), a member of the association “Polish and Lithuanian Chamber of Commerce”, a member of the National Lithuanian Energy Association and a member of ERGaR:

- ENTSOG was established on the basis of Regulation No. 715/2009 of the European Parliament and of the Council as an organisation intended for the cooperation of operators of gas transmission systems on the level of the European Community.
- Association “Polish and Lithuanian Chamber of Commerce” is a bilateral organisation of economic cooperation between Lithuania and Poland. The association collects information for its members on business opportunities in both countries, cooperates with organisations and individuals that ensure business management and development, organise conferences and thematic events.
- National Lithuanian Energy Association was set up in 2016. The association develops a common position of the energy sector, represents the interests of its members in state authorities, public and international organisations, aims at having the conditions of Lithuania’s electrical energy and gas supply developed and improved for the users in the country, and advance of the economic and technical energy sector promoted.
- As of 2019, the Company became a member of ERGaR (European Renewable Gas Registry) (www.ergar.org), which aims to develop cross-border guarantees of origin for gas produced from renewable energy sources.

2. OPERATIONAL ENVIRONMENT

2.1. OPERATIONAL ENVIRONMENT AND FORECASTS

First half of the year 2020 was a period of particularly favourable gas prices in global and regional markets. This was mainly due to the significant increase in the supply of liquefied natural gas (LNG), the lower demand for gas due to warm weather conditions and other reasons. These tendencies have contributed to the fact that during the first half of the year 2020, despite the very warm winter, gas consumption in Lithuania, due to the increased use of gas in electricity production, remained the same as in the first half of the year 2019. As a result, the total amount of gas imported to Lithuania increased by even 10 percent.

The most significant changes in the Baltic gas market are related to the integration of the “isolated” Finnish gas market with the Baltic region. In 2020, Baltconnector gas interconnection between Finland and Estonia was launched; the Finnish gas market has been liberalized and the Finnish gas trade has been integrated on the regional gas exchange.

In 2016, Prime Ministers of the Baltic countries made a political decision to integrate gas markets of the Baltic countries and Finland by 2020. This was achieved in part - from 2020, Latvian and Estonian gas markets were interconnected (by applying common rules for capacity allocation, balancing and other issues relevant to the functioning of the wholesale energy market), also, a common price area for transmission services between Latvia, Estonia and Finland (the so-called FINESTLAT price area) became operational. However, it was jointly agreed that Finland and Lithuania would join the single market in the region by 2022 under conditions acceptable to all countries in the Baltic region.

In the context of the fight against climate change, increasing requirements of the European Union environmental policy, promotion and development of the use of renewable energy sources and more efficient use of energy will reduce the consumption of natural gas for energy purposes in Lithuania. However, due to the limited choice of alternatives in some industries, segments of the transport sector, and rendering of balancing, reservation services in the heat and electricity sectors because of the competitiveness, natural gas will play an important role as a transition period energy to reduce European and national greenhouse gas emissions. At the same time, gas transported via pipelines will change with an increasing share of “green” gas: biomethane and gas produced by the conversion of green electricity - hydrogen and synthetic methane.

In its National Energy Independence Strategy, Lithuania has set ambitious goals that will make a significant contribution to the United Nations’ 2030 Agenda for Sustainable Development, the aims of the Paris Agreement and the meeting of goals of the EU's 2030 climate and energy framework. They aim to increase the share of renewable energy sources (including biomethane and other gas from RES) in the country's gross final energy consumption: in 2020 - up to 30%, in 2030 - 45% and from 2050 - 80%.

In the spring of 2020, the Ministry of Energy drafted the Law on Alternative Fuels. It is expected to submit the draft law to the Seimas of the Republic of Lithuania for consideration in the autumn session of 2020. The aim of the project is to expand the infrastructure for the use of alternative fuels by increasing the production and use of advanced biofuels, switching to modern and efficient public transport and promoting the use of clean vehicles in order to achieve a 15% share of renewable energy (RES) in transport by 2030. Particular attention is paid to the transformation of the freight transport sector. The aim is for biomethane and green hydrogen consumption to reach at least 5.2% of final energy consumption in the transport sector by 2030. Natural gas consumption infrastructure would also be promoted as long as the share of natural gas and biogas in the total structure of transport fuel consumption reaches 32%.

In Lithuania, as in the EU, it is expected that natural gas will remain an important energy resource during the transition to a low-carbon economy. Natural gas demand in the country will reach around 20 TWh in 2020-2030, of which more than 50% will be the demand for gas as a raw material in the fertilizer manufacturing industry.

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

The quarantine in force in Lithuania in March-June 2020 due to the COVID-19 pandemic did not have a significant impact on business continuity, implementation of strategic projects and financial results of Amber Grid. Prior to the official announcement of quarantine in the country, the company activated the Emergency Operations Center, revised the emergency management plan, prepared additional documents and implementation measures - lists of critical activities, measures required for continuity of these activities, lists of resources and responsible persons, etc. Business continuity and preventive measures entered into force immediately. All employees of the company were provided with personal safety equipment - masks, respirators, disposable gloves, disinfectant for hands, etc. The company's administration worked remotely during the quarantine, and the Operations Units, due to the specifics of the work, worked in the normal mode. To ensure smooth gas transmission, the engineers at the system control center worked in isolation, in two-week shifts. No cases of COVID-19 virus were reported in the company.

2.2. REGULATORY ENVIRONMENT

As of 2019, a new 5-year regulatory period has begun together with the network code on harmonised transmission tariff structures for gas (TAR NC) established by the Commission Regulation (EU) 2017/460 of 16 March 2017, the application of which has started in 2020 for pricing of transmission activities. Changes are expected in the price structure and (or) the prices of the Company's services due to the application of the provisions of the TAR NC as well as the ongoing processes of regional market integration (for more detailed information, see the section Natural Gas Price Regulation).

The changes that had come into effect as a result of the existing regulation had an impact on the Company's operations and results. The new 5-year regulatory period that started in 2010 resulted in the Company applying a new NERC-approved methodology for determining the rate of return on investments and the significantly reduced rate of return on investment (from 7.09% (for the year 2014-2018) to 3.33% (for the year 2019)) as from the beginning of the year. As the above methodology enables recalculating the cost of borrowed capital each year, the rate of return on investment changes annually. For 2020, it was adjusted and set to 3.38%, for 2021 – 3.72%.

2.3. INFORMATION ON THE ACTIVITIES OF GET BALTIC (THE SUBSIDIARY OF AMBER GRID) IN THE FIRST HALF OF THE YEAR 2020

Amber Grid controls 100% of the authorized capital of UAB GET Baltic. UAB GET Baltic is a licensed natural gas market operator that has the status of a Registered Reporting Mechanism (hereinafter – “the RRM”) granted by the Agency for the Cooperation of Energy Regulators (hereinafter – “the ACER”). The Company administrates the electronic trading system for trading spot and forward natural gas products with physical delivery in the market areas located in Lithuania, Latvia, and Estonia. By providing high quality services, the

Company is seeking to contribute to increase in liquidity, competitiveness, and transparency of the wholesale gas market of the Baltic States.

From 1 July 2017, the Company started providing implicit allocation of natural gas transmission capacity to the natural gas transmission system operators (TSO) of the Baltic States: Amber Grid, Connexus Baltic Grid AS (Latvia), Elering AS (Estonia) resulting in a more efficient allocation of short-term natural gas transmission capacity at interconnection points between the Baltic States.

From 1 July 2017, with the establishment of trading points in Latvia and Estonia and the launch of the implicit allocation of natural gas transmission capacity, GET Baltic has *de facto* become Regional Gas Exchange. Due to the integrated trading model, orders placed by market makers and other market participants in one country for trading spot and forward are automatically displayed in the trading points of other Baltic States together with the price of transportation between the Baltic States.

On 1 January 2019, amendments to legal acts of the Republic of Lithuania came into force, obliging the major regulated energy producers to purchase at least half of the gas demand on the Natural Gas Exchange GET Baltic. With regulated energy producers becoming players in a competitive and open natural gas market, the activity and turnover of the participants in 2019 on the GET Baltic Exchange increased significantly compared to the same period last year.

In order to create more favourable conditions for the Baltic and Finnish gas exchange participants to trade in short and long term transaction markets, the cooperation agreement was signed with the Polish commodity clearing house IRGiT. The purpose of the cooperation is to develop an optimal collateral management and settlement model and a risk management system for short and long-term natural gas transaction markets administered by GET Baltic in compliance with European standards.

After GET Baltic expanded its boundaries of geographic activity as from 1 January 2020, i.e. after the establishment of a trading point in Finland and after the Company started providing implicit allocation of natural gas transmission capacity to the Finnish transmission system operator Gasgrid Finland Oy, more favourable conditions for price convergence in the region and the facilitated cross-border trade between the Finnish and Baltic natural gas markets were started to be created.

GET Baltic Exchange activities in the first half of the year 2020:

- Sales turnover increased to 3.85 TWh. This is the highest sales turnover of the half of the year since the launch of GET Baltic. Compared to the first half of the year 2019, sales turnover increased more than two times (1.77 TWh in the first half of the year 2019);
- 10,210 transactions were concluded. Compared to the first half of the year 2019, the number of transactions increased more than two times (4,887 transactions in the first half of the year 2019);
- 48 participants, or an average of 45 participants per month, were active participants in the exchange in the first half of the year 2020 (in the first half of the year 2019, an average of 25 participants), i.e. they placed orders and entered into transactions;
- 26 exchange participants were registered for trading on the Finnish trading venue, including 20 new exchange participants;
- The largest transaction since the start of GET Baltic's operations was concluded: in one click in the long-term transactions market, 373 GWh of natural gas was purchased for supply in February;
- After concluding the first monthly transaction of this year in January, trading in the long-term transactions market took place every month in the first half of 2020.
- In order to facilitate the trading of secondary transmission system capacity in Finland, a technical specification was prepared and agreed with the Finnish TSO Gasgrid Finland Oy, on the basis of which

GET Baltic will create a transmission system capacity secondary trading platform based on European standards.

GET Baltic activity in H1 of 2020:



3. STRATEGY

3.1. STRATEGIC DIRECTIONS, GOALS AND RESULTS

At the beginning of 2020, the Company's Management Board approved the updated strategy of Amber Grid for 2017–2022. Seeking for an explicit coherence among the strategies of EPSO-G group of companies, they are standardized across all companies within the group as a result of the implementation of strategic directions.

Guided by the corporate vision and the strategic objectives as set by the State of Lithuania and the shareholder – to increase the corporate value and to ensure strategic interests in the gas sector – AB Amber Grid has focused on the following three strategic directions:

- Developing regional activities and ensuring the success of strategic projects;
- Sustainable growth of the Company and ensuring long-term shareholder value;
- Efficient operation and innovation;
- Creative and advanced organization.

Each of the strategic directions of the Company has a programme with strategic objectives, tasks, measures, desired outcomes and deadlines.

Changes in the design of activities reflect the strategic goals set by the Company - in order to be successful, we must further continue to operate in the global market, digitize and expand our services, implement innovative technological and intelligent solutions, and contribute to the creation and development of better conditions for renewable energy sources. All these changes are dictated by changing business environment, strategic decisions of the state, technological development.

To attain its objectives and thus approach the implementation of the Company's vision and mission, Amber Grid continuously measures and controls the progress achieved.

In 2020, considerable focus was put on the development of a single market and continuous works were conducted with regional partners. The aim is to create a single market on acceptable terms for all parties, including Lithuanian citizens and businesses. Lithuania seeks to join the common tariff area from 2022.

In order to create a unified infrastructure connecting the countries of the Baltic region with the gas transmission networks of other European Union countries, construction works of the GIPL project are underway. Since the start of pipeline construction (January 2020), 30% or a third of the total project has been implemented. It is planned that in 2020 two thirds of the project work will be completed.

With the introduction of a system of guarantees of origin for gas produced from RES in 2019, the company intends to further develop this system by integrating the national system of guarantees of origin for gas produced from RES into the emerging European system (guarantees of origin for imports and exports), improving the register so that it would meet European requirements for systems of guarantees of origin.

While improving the operational management, it is planned to implement a technological asset management system based on risk assessment, preceded by internal and external analysis. A comparative analysis of the activities of European transmission system operators will also be carried out, the results of which will be used to improve business processes.

In order to foster innovation and target innovative solutions, the company, together with other companies in the EPSO-G group, developed an integrated functional action plan for the development of the EPSO-G group's innovation ecosystem. Special attention is paid to innovative solutions - the analysis of the applicability and relevance of Hydrogen Gas Networks and Power to Gas (P2G) technologies started in 2019 in Lithuania is continued.

In order to create an efficient, competent organization in which operations are based on shared values and decisions are made in rapid response to the changing situation, the Company will strengthen its strategic leadership and management competencies.

By monitoring changes in the labor market, the company will review and update the general training system, linking it to the competencies module. Using the latest methods, the training system will be updated, which will allow to educate, retain and motivate employees.

A lot of attention will be paid to the implementation of organizational culture change. To this end, existing human resource management practices will be strengthened and developed. The strategy document also provides general data on the Company's operations, forecasts, changes in the environment and the changing market situation affecting the Company's long-term strategy.

3.2. STRATEGIC INFRASTRUCTURE PROJECTS

In the first half of the year 2020, Amber Grid continued the implementation of strategic gas transmission infrastructure projects – *Gas Interconnection Poland-Lithuania (GIPL)*, and *Capacity enhancement of Latvia-Lithuania interconnection*.

These strategic infrastructure projects have been included in the Fourth List of the EU Projects of Common Interest which was announced in October 2019, also in the Ten-Year Network Development Plan (TYNDP) of the *European Network of Transmission System Operators for Gas* (ENTSO-G) announced in 2018, in the Regional Gas Investment Plan 2017 of the Baltic Energy Market Interconnection Plan (BEMIP), in the Natural Gas Transmission System Operator's Ten Year (2020-2029) Plan on the Development of the Network, and in National Plan on the Implementation of Priority Projects of Electricity and Natural Gas Transmission Infrastructure approved by Resolution of the Government of the Republic of Lithuania of 10 May 2017 (the National Plan).

GAS INTERCONNECTION POLAND-LITHUANIA (GIPL)

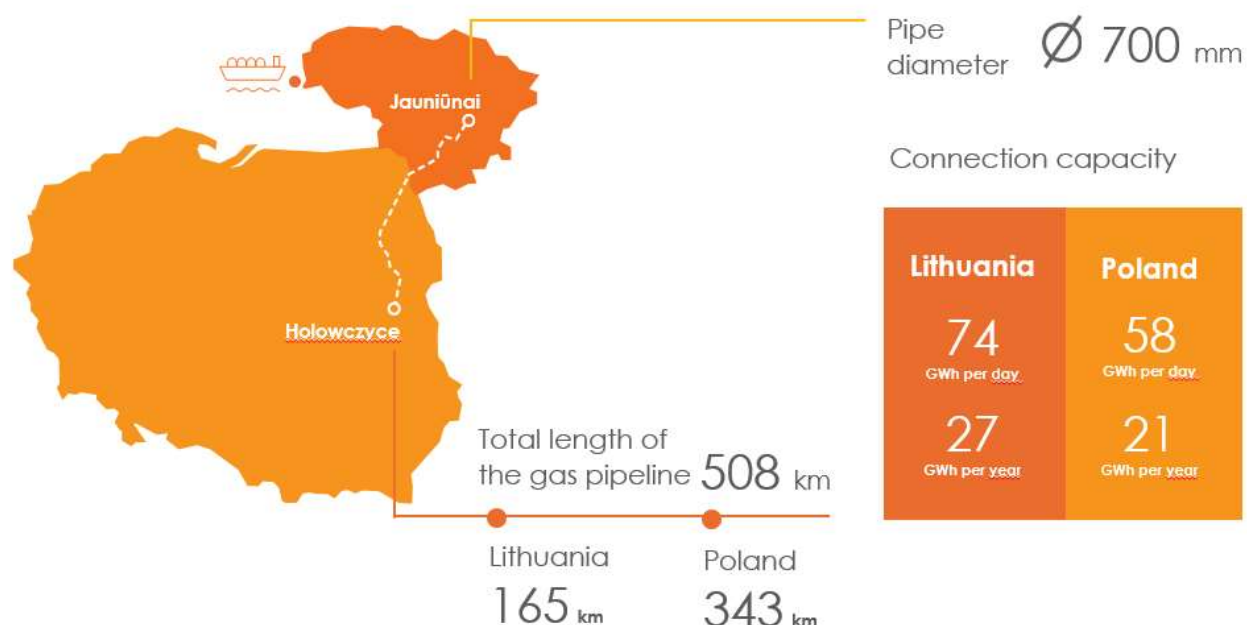
The European Commission has recognised the GIPL as one of the key projects in the area of infrastructure providing security of supplies, being of significant importance for the energy security of the EU. Amber Grid is implementing the GIPL project in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A.

Objectives of the project:

- integrate the Baltic and the Finish gas markets into the common EU market for gas,
- diversify gas supply sources,
- increase the security of gas supply.

Pic. 1. Gas Interconnection Poland-Lithuania (GIPL) project.

Gas Interconnection Poland-Lithuania



The total length of the planned gas pipeline will be 508 km, of which 165 km in the Lithuanian territory. Capacities created after construction of the gas interconnection will enable to transport annually in the direction of the Baltic States up to 27 TWh of natural gas, in the direction of Poland – up to 21 TWh annually, and the Baltic and Finnish gas markets will become a part of the single gas market of the EU.

Benefits of the GIPL project:

- Will integrate gas markets of the Baltic countries and Finland into a common EU gas market;
- Will diversify access to alternative gas supply sources, routes, counterparties and increase of competition;
- Will increase security and reliability of gas supply – both in terms of additional interconnection capacity and possibility to apply solidarity measures between Member States of the EU in case of emergency;
- Will enable more flexible and efficient use of LNG terminals and transmission infrastructure in Poland and Lithuania;
- Will increase the liquidity of gas trade in the Polish and Baltic trade zones and strengthen their regional role.

In the first half of the year 2020, the implementation of the GIPL pipeline connection project is progressing faster than planned. 30% of the total GIPL project was implemented. By the end of June, more than 117 km of steel pipes of 165 km were delivered to Lithuania.

In June, complex horizontal directional drilling (HDD) works under the river Neris were successfully completed.

At the initiative of Lithuanian and Polish gas transmission system operators, independent experts have launched a study to assess how to expand the commercial use of the GIPL connection and what actions are needed to maximize the economic benefits of the GIPL gas connection for Lithuanian, Polish and other EU consumers and market participants.

Works performed during the first half of 2020:

- ~117.6 km of pipelines was accepted;
- ~87.9 km was welded in strands;
- ~21.4 km of trenches was buried;
- ~79.6 km of junctures was scanned;
- 5,894 m² of archaeological and detailed research were carried out.

The GIPL project is funded with own funds of Amber Grid and GAZ-SYSTEM S.A. and with borrowed funds, 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 operations of the GIPL project will be funded by Lithuania, Latvia and Estonia according to the cross-border cost allocation solution covering the part of the GIPL infrastructure costs in the territory of Poland.

More information on the GIPL project, its progress and news can be found on the project website: <https://www.ambergrid.lt/en/projects/gas-interconnection-poland-lithuania-gipl>.

ENHANCEMENT OF LATVIA-LITHUANIA INTERCONNECTION

The aim of the project is to increase the capacity of the gas systems' interconnection Latvia-Lithuania, ensure safe and reliable natural gas supply and achieve a more effective use of the infrastructure and better integration of the gas markets of the Baltic States. In this way better conditions will be provided for the use of the Latvian Inčukalns underground gas storage facility. Project promoters – Amber Grid and Latvian transmission system operator AS Conexus Baltic Grid.

On 28 January 2020, the procurement of capacity increase design services for the gas pipeline connection between Latvia and Lithuania was announced. Applications were received, initial proposals were negotiated, and final proposals were received. The winner of the design services tender was elected on 18 June 2020, and a contract is planned to be signed in July.

During the project, the capacity of the Kiemėnai gas metering station will be increased on the Lithuanian side and the gas pipeline near the Panevėžys compressor station will be rebuilt, and in Latvia, the main gas pipeline will be rebuilt to increase the maximum operating pressure from 40 to 50 bar. The investments will increase gas interconnection capacity to 130.47 GWh per day in the direction of Latvia (now it is 67.6 GWh per day) and to 119.5 GWh per day in the direction of Lithuania (now it is 65.1 GWh per day). After the implementation of the project by the end of 2023, the increased gas transmission capacity between Lithuania and Latvia will be valuable also due to the already operating GIPL connection between Lithuania and Poland.

On 20 December 2019, INEA, the Company and Conexus Baltic Grid signed a contract to finance construction works for the Lithuanian-Latvian gas pipeline capacity enhancement project. The total investment for this project will amount to EUR 10.2 million, the EU support from CEF up to 50% of eligible costs of the project financing, i.e. up to EUR 2.1 million for the Lithuanian share.

3.3. REGIONAL MARKET

On 1 July 2017, the Company, together with the transmission system operators of Latvia and Estonia, has started applying the implicit capacity allocation model at cross-border interconnection points in the Baltic States, thus allocating part of the day-before booked capacity via the GET Baltic gas exchange. Starting from 1 July 2018, this method has also been extended to current day capacity allocation. It is a transitional instrument for the integration of the Baltic gas in order to increase the competitiveness of the gas markets and to promote cross-border trade in gas. The regional gas market is expected to develop gradually.

In the first half of 2019, the transmission system operators in the neighbouring Baltic States and Finland agreed that from 2020, a single gas market area will be created by Latvia and Estonia, which together with Finland will form a common tariff area – from 2020, in the connection with Finland, a zero transmission price will be applied, while prices for access to the tariff area will be unified. Finland intends to join the single market area by 2022 at the earliest.

Although Lithuania supports the idea of creating a common regional gas market, the terms of such an agreement do not safeguard Lithuania's interests, since such joining would impose an ungrounded additional financial burden on domestic consumers. Therefore, negotiations are under way with Latvian, Estonian and Finnish operators on the conditions, under which Lithuania would join the zone. The aim is to create a single market on acceptable terms for all parties, including Lithuanian citizens and businesses. Lithuania expects to join the common tariff area at a later stage, probably starting in 2022. The Baltic States and Finland will continue to coordinate their positions on further market integration to develop a mutually acceptable model of cooperation between operators. This will also be influenced by the results of the study on the integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets carried out in April 2020 (for more detailed information, see the section Natural Gas Price Regulation).

As the Company proceeds with the implementation of the GIPL project, it also cooperates with the Polish partners: Amber Grid - with the Polish gas transmission system operator Gaz-System, while the gas exchange operator GET Baltic (the subsidiary of Amber Grid) - with the Polish power exchange TGE (Towarowa Giełda Energii SA). In the first half of 2020, the preparation of a study on increasing the commercial opportunities and economic value of the GIPL for the market was started, and, based on its results, further steps towards market harmonization will be decided in cooperation between the two countries' operators, regulators and governments.

3.4. EUROPEAN UNION FINANCIAL ASSISTANCE

In the first half of the year 2020, three projects of natural gas transmission infrastructure provided for in the National Plan were signed. To implement them, 50% of the required amount was allocated as the EU financial assistance in accordance with the Operational Programme for the European Union Funds' Investments in 2014–2020:

- Project "Reconstruction of Individual Sections of Vilnius-Kaunas Main Gas Pipeline", during its implementation the 17.9 km section of Vilnius-Kaunas main gas pipeline will be reconstructed (re-laid), where a number of defects have been identified after internal diagnostics. Reconstruction of the gas pipeline will help to ensure uninterrupted, reliable and safe gas transmission to the residents of Kaunas and Kaišiadorys district municipalities. The total value of the project is EUR 17.164 thousand, this is the most expensive project of the Programme implemented so far;
- Project "Modernization of Telšiai Gas Distribution Station, Šiauliai Gas Distribution Station and Mažeikiai Gas Metering Station", during which new technological equipment meeting modern requirements and advanced infrastructure elements will be installed in Šiauliai and Telšiai gas distribution stations and Mažeikiai gas metering station. This will allow for more flexible

management of the gas transmission system, data collection and transmission. The total value of the project is EUR 4.055 thousand;

- Project “Modernization of Gas Cleaning Equipment at Panevėžys Gas Compressor Station”, during its implementation three natural gas filters at Panevėžys gas compressor station will be replaced. After replacing the gas cleaning filters a higher level of the gas transmission system will be achieved, i.e. automated filter management will be ensured, which will ensure uninterrupted, reliable and safe transmission of natural gas to system users. The total value of the project is EUR 0.911 thousand.

The total amount of all agreements signed in the first half of the year 2020 is EUR 22.130 thousand.

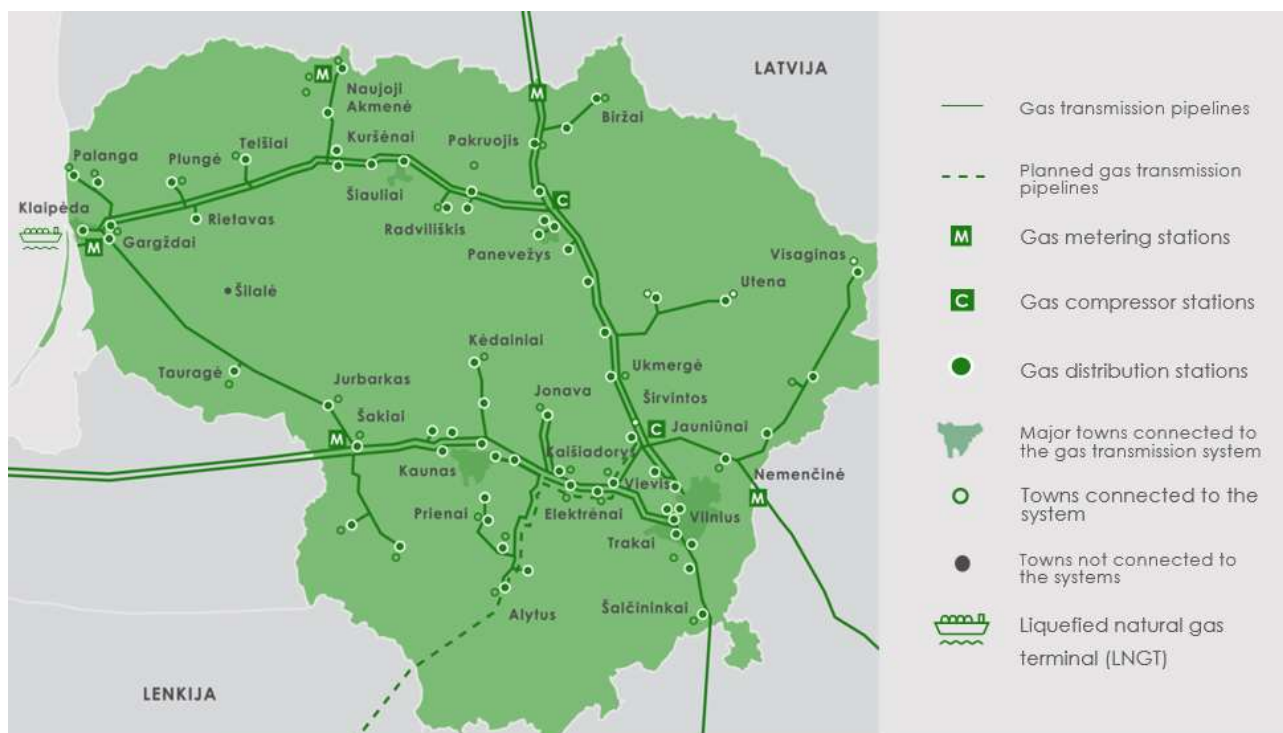
4. OPERATIONS

4.1. TRANSMISSION SYSTEM

The natural gas transmission system is composed of gas transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, anti-corrosion facilities designed for protection of pipelines, data transmission and connection systems and other assets attributed to the transmission system. The Lithuanian gas transmission system is connected to the gas transmission systems of the Republic of Latvia, Republic of Belarus, Kaliningrad District of the Russian Federation, and Klaipėda LNG terminal (Map 1).

The Company uses 65 gas distribution stations (GDS), 3 gas metering stations (GMS) and 2 gas compressor stations (GCS). The length of maintained pipelines amounts to 2,114 km, diameter – from 100 to 1,220 mm. Design pressure of most of the transmission system amounts to 54 bars.

Map 1. Natural Gas Transmission System in Lithuania.



4.2. MAINTENANCE, RECONSTRUCTION AND MODERNISATION

Maintenance of trunk pipelines is regulated by rules, standard legal acts and is carried out in strict compliance with the requirements set forth therein. To ensure reliability and safety of the transmission system, maintenance and repair works are conducted continuously.

In the first half of the 2020, the Company performed reconstruction and modernisation of the following:

- continued installing pig launchers/receivers of the control device (stage 2);
- carried out the implementation of technological control of gas transmission system (replacement of shut-off devices and connection to remote control system SCADA);
- carried out procurement procedures for other projects to be implemented.

4.3. MARKET OF PROVIDED SERVICES

Amber Grid provides the system users, other operators and participants of the gas market with natural gas transmission services in the territory of Lithuania: it transmits gas to Lithuania's consumers, also transports natural gas to Latvia and Kaliningrad District of the Russian Federation. Gas are supplied to the system via the Liquefied Natural Gas (LNG) terminal in Klaipėda and entry points from Belarus and Latvia.

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

In addition, Amber Grid is responsible for balancing natural gas flows in the transmission system and administration of funds intended to compensate for the costs of construction and fixed operating costs of the LNG terminal, its infrastructure and the connector and the reasonable costs of the natural gas supply incurred by the designated supplier. The Company actively works with its partners in creating conditions for efficient functioning of the natural gas market by increasing the competitiveness and liquidity of the gas market and ensuring attractive conditions for operation in the natural gas market for clients.

As of 1 June 2019, Amber Grid administers the National for Guarantee of Origin for gas produced from renewable energy sources (RES), i. e. it performs the functions of issuing, transferring and cancelling guarantees of origin, supervision and control of the use of guarantees of origin and recognition of guarantees of origin issued in other states, in Lithuania. Green gas is produced from biomass and other RES. The guarantee of origin shall be granted for one unit of energy - one megawatt-hour (MWh) delivered to the gas transmission and distribution network. The system of guarantee of origin enables the origin of the biogas produced to be identified, registered and monitored, while the consumers of this fuel can be guaranteed that the gas they use is produced from renewable energy sources.

4.4. CLIENTS

Clients of natural gas transmission via gas transmission pipelines and balancing of natural gas flows in the transmission system services provided by Amber Grid are big Lithuanian power and district heating generation companies, also industrial and medium size business companies in Lithuania, Baltic and third party energy, natural gas supply companies, which are provided with natural gas transmission services.

Clients of the Registry for Guarantee of Origin for gas produced from renewable energy sources: the Register includes gas producers, gas suppliers, gas transmission system and gas distribution network operators and other market participants intending to obtain or dispose of guarantees of origin.

4.5. PROVIDED SERVICES

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

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

4.5.1. NATURAL GAS TRANSMISSION

AMOUNTS OF NATURAL GAS TRANSMITTED

In the first half of the year 2020, for the Lithuanian and Baltic countries' consumers as many as 3,263.7 GWh of natural gas from Belarus through Kotlovka GMS, 11,046.3 GWh from Klaipėda LNG terminal and from Latvia to Lithuania were injected to the transmission system managed by the Company, i.e. 72% of the amount needed by these users was supplied from the LNG terminal. 1,035.5 GWh of natural gas were shipped from the Republic of Latvia to Lithuania.

In the first half of the year 2020, as many as 12,555.8 GWh of natural gas were transported to the internal exit point for Lithuania's consumers. Compared to the same period of 2019, when 12,550.6 GWh of natural gas were transported, the transmitted amounts remained similar.

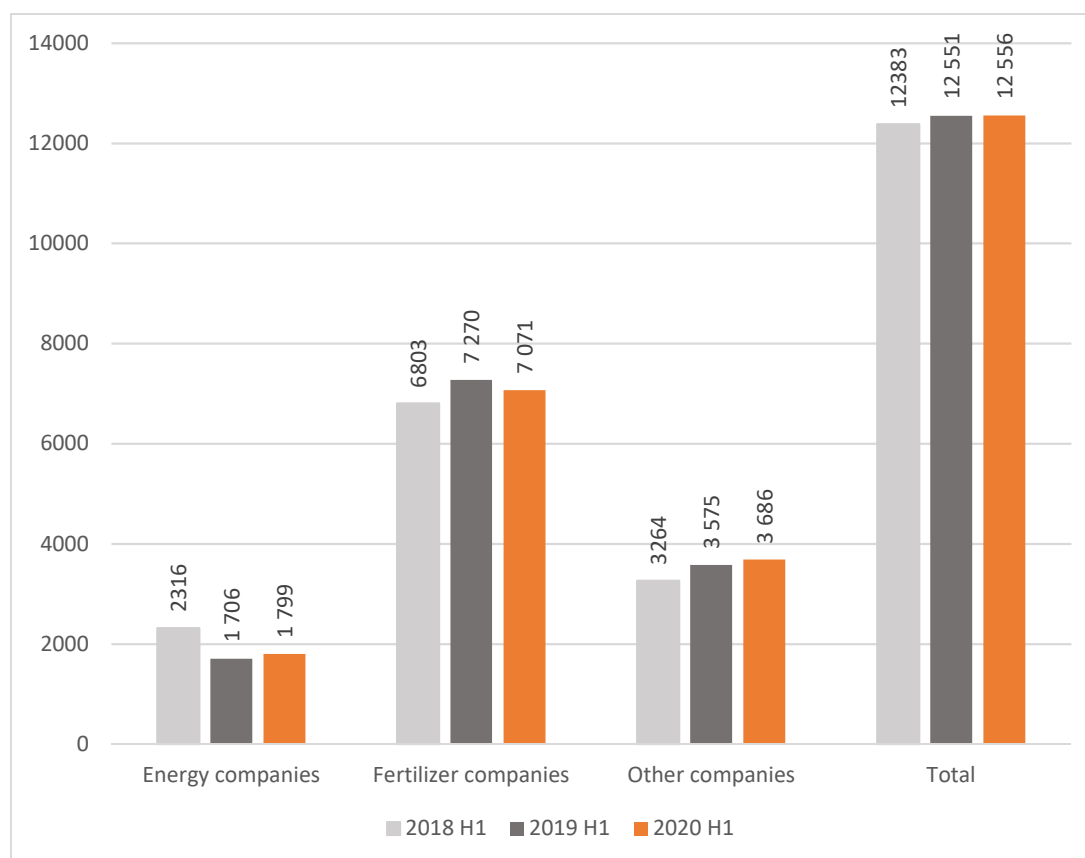
In the first half of the year 2020, the amount of gas supplied to the system users from the transmission system to Latvia via Kiemēnai GMS amounted to 2,524.5 GWh or about 2.1 times more than in the first half of the year 2019 (1,200.8 GWh) of natural gas.

During the reporting period, 12,352.8 GWh of natural gas were transported to Kaliningrad Region of the Russian Federation (in the first half of the year 2019 – 13,472.7 GWh).

As at 1 July 2020, the Company had concluded 109 natural gas transmission service agreements with natural gas transmission system users (natural gas users, natural gas distribution system operators, importers, natural gas supply companies supplying gas to consumer systems) of which 71 system users used transmission capacity during the reporting period. The Company had 2 natural gas balancing agreements with market participants which trade in natural gas in a virtual market area but do not transport it via the transmission system.

Structure of natural gas amounts transmitted in the internal exit point in terms of transmission system users is depicted in Pic. 2.

Pic. 2. Amounts of Transmitted Natural Gas by to Natural Gas Transmission System Users in Lithuania, GWh, 1st half of the year 2018 - 1st half of the year 2020.



NATURAL GAS PRICE REGULATION

Prices for natural gas transmission services are subject to regulation by the National Energy Regulatory Council (NERC). Price caps can be annually adjusted by decision of the NCC in accordance with the procedure established by NERC in the Methodology for Setting of State-Regulated Prices in the Natural Gas Sector.

On 10 June 2019, NERC set a maximum income cap for regulated activities of Amber Grid (by providing the services of natural gas transportation through the natural gas transmission system) for 2020 - EUR 36.1 million, i. e. 17.8% percent below the set maximum income cap of EUR 43.9 million in 2019 (this is a one-off decrease as the cumulative return on investment, as since the end of last 2014-2018 regulatory period, cumulative deviation of return on investment, based on which permissible income level for 2020 was decreased, has been estimated).

Accordingly, natural gas transmission service prices set for the transmission system's entry and exit points and not exceeding the revenue ceiling set by NERC for 2020, approved by NERC in the middle of autumn of 2019 entered into force on 1 January 2020. More details on the prices for natural gas transmission that came into force as at 1 January 2020 are available on the Company's website: <https://www.ambergrid.lt/en/services/tariffs-prices/tariffs-effective-from-1-january-2021>.

In 2020, the average price of transmission services for the needs of Lithuanian consumers (for long-term and short-term services), compared to the applied average price in 2019, is decreasing on average by just over 16% (up to 1.22 EUR/MWh). The mentioned significant (almost by 18%) decrease in transmission service

income cap (compared to 2019) as of 2020 affected mostly the decrease of average gas transmission prices to Lithuanian system users.

From 19 February 2020 to 31 March 2020, NERC conducted a public consultation in accordance with the requirements of Article 28 of the European Commission Regulation establishing the Network Code on the Harmonised Gas Transmission Tariff Structure (TAR NC) for multipliers, seasonal coefficients and discounts to be applied in 2021. Taking into account the opinion received from market participants during the public consultation and the revenue ceiling of Amber Grid regulated activities set by NERC on 7 May 2020 for 2021 – EUR 42.4 million, i.e. 17.5 percent higher than the one set for 2020 and relatively close to the revenue ceiling for 2019 (EUR 43.9 million), at the end of May 2020, NERC approved the transmission service prices set by the Company's Management Board for 2021. More details on the prices for natural gas transmission that will come into force as at 1 January 2021 are available on the Company's website <https://www.ambergrid.lt/en/services/tariffs-prices/tariffs-effective-from-1-january-2021>.

In 2021, the average price of gas transmission services for the needs of Lithuanian consumers (assessing long-term and short-term services) will amount to 1.40 Eur/MWh, and, compared to the average price applied in 2020 (1.22 Eur/MWh), will increase by about 15%, and compared to the average price in 2019 (1.46 Eur/MWh) - will be lower by about 4%. In 2020, the revenue ceiling and, consequently, gas transmission prices were particularly low due to one-off adjustments (which are no longer reflected in the prices of the year 2021), returning to consumers additional earned income and cost savings for the previous regulatory year. In 2021, prices will basically return to the price level of the year 2019 but will remain even lower due to growing flows and efficiency. Although the prices of services in 2021 include the estimated and planned investments in the construction of the gas pipeline connection with Poland (GIPL) and the costs of renewal and modernisation of the transmission network in Lithuania, due to the annually growing gas flows to Latvia and more efficient operations of the Company, the impact of investments is amortized and the overall price level is maintained when transmitting gas to the needs of Lithuanian consumers.

In order to increase the ease and flexibility of access to the transmission system and to promote the development of a regional gas market, at entry points, from 2020, transmission service prices are being harmonised with those of the neighbouring tariff area covering Latvia, Estonia and Finland. In addition, in order to create the best possible conditions for market participants to use the Lithuanian LNG terminal and increase the competitive pressure on prices in the gas market, from 2019, a 75% discount is applied to the price of transmission services at the Klaipėda entry point. Keeping harmonisation of entry points with entry prices in the neighbouring tariff area covering Latvia, Estonia and Finland, and the application of the 75% discount are also reflected in the approved prices for 2021.

It should be noted that Lithuania's accession to the neighbouring price area, which includes Latvia, Estonia and Finland (hereinafter referred to as the FINESTLAT price area), and the applicable Baltic and Finnish gas market integration measures are being actively discussed. A study on the integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets has been commissioned by Lithuanian, Latvian, Estonian and Finnish transmission system operators since April 2020, including the possibility for Lithuania to merge with the neighbouring FINESTLAT price area operating from 2020, as well as the establishment of an Inter-TSO Compensation (ITC) mechanism. Significant results of the Integration Study, which may lead to changes in the price structure and/or prices of services provided by the Company, are expected in the second half of 2020.

4.5.2. BALANCING OF NATURAL GAS FLOWS IN THE TRANSMISSION SYSTEM

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

gas to a gas market participant if the market participant has caused a shortage of gas in the transmission system.

In the first half of the year 2020, due to disbalance caused by the system users, the Company purchased 14.2 GWh and sold 9.1 GWh of natural gas.

When transmitting gas from a third country to a third country, the physical flows in the transmission system results in a difference between the calculated gas energy value at the entry and exit points of the gas transmission system. In the first half of the year 2020, during the transmission of gas to the Kaliningrad Region, there was a 206.1 GWh energy difference at the entry and exit points of the transmission system, which was reimbursed to the Company for the services rendered from the third country to the third country.

Apart from balancing of the gas flows of 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 process characteristics of the transmission system.

4.5.3. ADMINISTRATION OF FUNDS INTENDED TO COMPENSATE FOR THE COSTS OF CONSTRUCTION AND FIXED OPERATING COSTS OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND THE CONNECTOR AND THE REASONABLE COSTS OF THE NATURAL GAS SUPPLY INCURRED BY THE DESIGNATED SUPPLIER

In order to ensure compliance with the Republic of Lithuania Law on LNG terminal and its implementing legal acts, the Company collects, administers and pays out the LNG terminal funds to the terminal's operator (AB Klaipėdos Nafta) and the designated supplier (Ignitis UAB) in accordance with the procedure prescribed in laws and these funds are used to compensate Amber Grid for the costs of the administration of the LNG terminal funds.

By the resolution of 31 December 2019, NERC established an additional component of security of natural gas supply in the amount of EUR 343.71 / (MWh/day/year), which is applicable from 1 January 2020.

In the letter dated 17 January 2020 "On the Distribution of Liquefied Natural Gas Terminal Funds to Their Recipients", NERC informed about the percentages by which LNGT funds administered each month, as of 1 January 2020, are distributed and paid in the proportions given in the table.

Table 1. Information on distribution of the collected LNGT funds among the LNGT beneficiaries for 2020

Components	Rate applied as from 1 January 2020
Regasification of liquefied natural gas component	56.53%
Administrative costs component	0.11%
Component of reasonable costs of supplying LNGT minimum quantity	43.35%
Total:	100%

Judicial disputes took place with AB Achema with regard to non-paid LNG terminal funds. There are currently two civil cases pending at courts of general jurisdiction for unpaid LNG terminal funds. Both cases have been suspended until the final procedural decision is passed. The Court of Justice of the European Union will give its final judgment regarding the case No C-847/19 P under the appeal brought against the decision of the General Court of the European Union as of 12 September 2019 in case No. T-417/16.

4.6. ON-GOING AND PLANNED PURCHASES AND INVESTMENTS

In June 2020, Amber Grid prepared and submitted to NERC a ten-year (2020–2029) network development plan. The plan provided for the amount of investments in gas transmission system expansion projects in the next decade which is EUR 229.15 million. It is estimated that in the next ten years, the amounts of gas consumed in Lithuania will slightly increase, there will be an opportunity to transport gas in new directions - a gas pipeline between Poland and Lithuania. 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.

4.7. CORPORATE OPERATIONAL PLANS AND FORECASTS

The regional gas market is expected to develop gradually. For now, what concerns the single gas market from 2020 only Latvia and Estonia have agreed upon, which together with Finland as from 2020 will form a common tariff area. Lithuania continues to engage in discussions with partners in the region with a view to the participation of all countries in a single gas market on mutually beneficial terms. Lithuania will join the common zone at a later stage.

By contributing to Lithuania's ambitious goals for a greater share of renewable energy in the country's energy balance, the Company participates in a number of initiatives and projects that enable its specialists to develop competencies in the field of gas from RES. The Company's participation in the REGATRACE project, RAIDA 2050 project and membership of the European Renewable Gas Registry (ERGAr) association in addition to the aforementioned goals will enable the development of new competencies that will contribute to the promotion of green gas production and market development in Lithuania, ensuring continuity of the Company's activities and implementation of the National Energy Strategy.

It is estimated that in 2020 the Company will transport about 23 TWh of natural gas to the domestic exit point for the Lithuanian system users, 6 TWh – to the Republic of Latvia, and 25 TWh – to the Kaliningrad Region of the Russian Federation. About 62% of the amount of natural gas intended for the users of Lithuania and other Baltic countries is planned to be obtained from Klaipėda LNG terminal. The specific volumes of gas flows and sources of gas supply will depend on the market situation during the course of the year, air temperature and other circumstances.

5. FINANCIAL RESULTS

5.1. FINANCIAL INDICATORS²

Table 2. Financial indicators of the Group.

	2020, 1st half	2019, 1st half	2018, 1st half
Financial results (thousand EUR)			
Revenue	24,860	25,965	27,566
EBITDA	11,392	11,358	13,974
Profit (loss) before tax	5,622	6,118	7,475
Net profit (loss)	7,390	5,043	6,538
Cash flows from main operations	11,046	14,052	17,835
Investments	48,992	8,816	5,832
Net financial debt	87,007	80,329	82,117
Profitability ratios (%)			
EBITDA margin	45.8	43.7	50.7
Profit before tax margin	22.6	23.6	27.1
Net profit (loss) margin	29.7	19.4	23.7
Return on assets (ROA)	2.9	2.3	2.5
Return on equity (ROE)	5.2	3.8	3.9
Liquidity ratios	30-06-2020	30-06-2019	30-06-2018
Current ratio	0.32	0.42	0.34
Quick ratio	0.30	0.36	0.29
Leverage ratios	30-06-2020	30-06-2019	30-06-2018
Equity to total assets ratio	57.5	59.3	61.9
Financial debt to equity ratio	59.9	61.3	51.8
Market values ratios	30-06-2020	30-06-2019	30-06-2018
Share price/earnings per share ratio (P/E), times	23.41	38.49	39.56
Net earnings (loss) per share, EUR	0.04	0.03	0.04

Indicator calculation formulas:

- EBITDA = Profit (loss) before tax + Financial expenditure – Financial income + Depreciation and amortisation expenses + Costs of the loss of value + Property write offs
- EBITDA margin = EBITDA / Revenue
- Net profit (loss) margin = Net profit (loss) / Revenue
- Profit before tax margin = Profit before tax / Revenue
- ROA = Net profit (loss) / Average value of assets
- ROE = Net profit (loss) / Average equity
- Current ratio = Current assets / Current liabilities

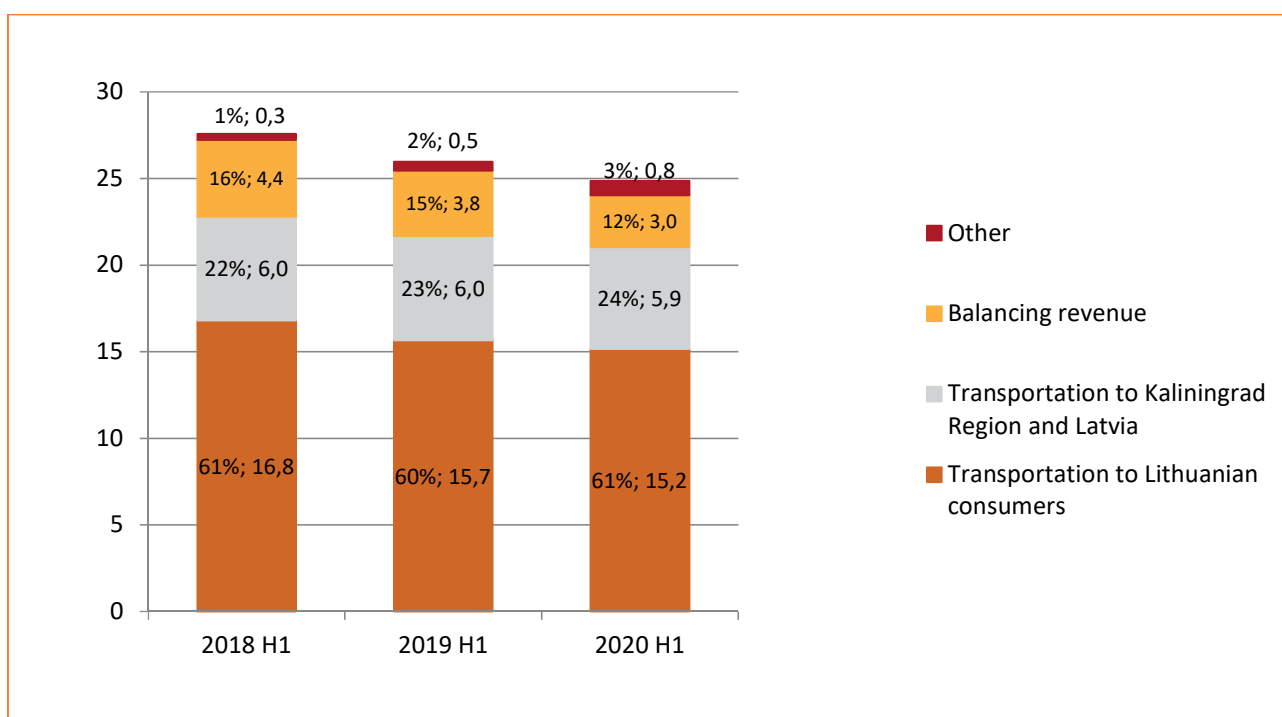
² The Group's financial indicators were calculated after elimination of the assets or liabilities generated by the LNG terminal funds.

- Quick ratio = (Current assets – Inventory) / Current liabilities
- Equity ratio = Equity / Assets
- Financial debt to Equity ratio = Financial debt / Equity
- Price to earnings ratio = Share price in the end of period / (Net profit / Number of shares outstanding)

5.2. REVENUE

In the first half of the year 2020, the Company's revenue totalled EUR 24,860 thousand and, compared to the corresponding period in 2019, decreased by 4.3%. Increased gas transportation to Latvia and higher consumption in Lithuania in the second quarter of 2019 partially offset the reduced demand for gas transportation services at the beginning of the year due to warm winter weather. Balancing revenues fell due to lower natural gas prices. Other revenue – revenue from services of a licensed natural gas market operator (UAB GET Baltic), revenue from the administration of LNG terminal funds and other – totalled EUR 821 thousand in the first half of the year 2020.

Pic. 3. Revenue Structure, 2018–1st half of the year 2020, %; EUR million



Balancing revenue includes:

- 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 technical characteristics of the transmission system and gas flow deviations (imbalances) for technical reasons.

The Company is obliged to administer the LNG terminal funds under the law. For more information and disclosures about the calculation of the LNG terminal funds and services provided by UAB GET Baltic, see the Company's financial statements for the first half of the year 2020.

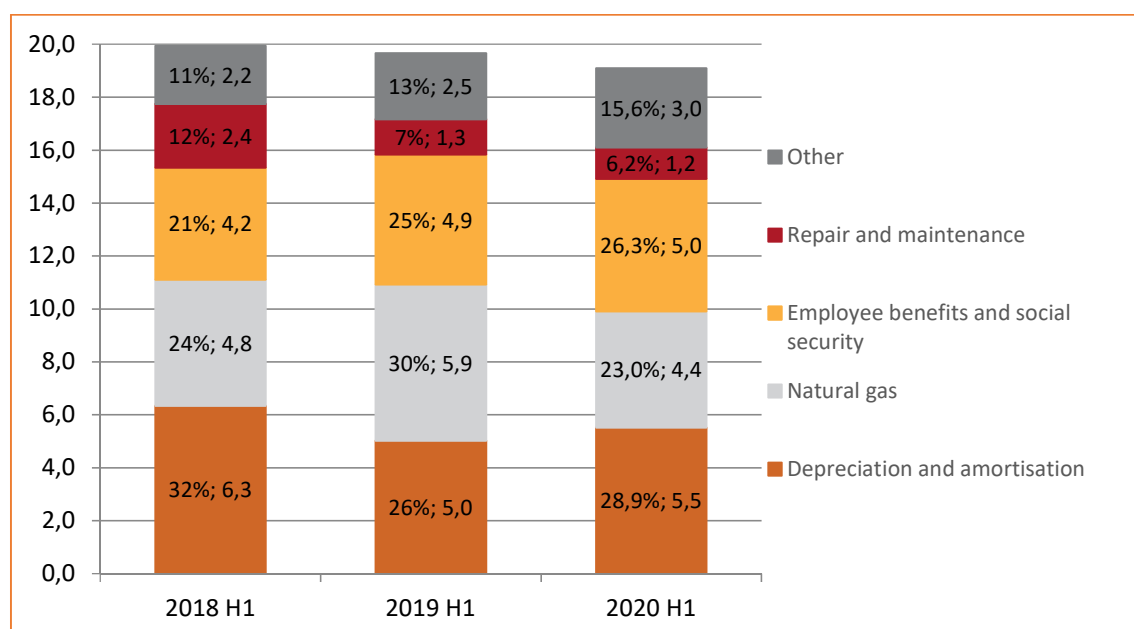
5.3. COSTS

In the first half of the year 2020, the Company's costs totalled EUR 19,087 thousand and, compared to the corresponding period in 2019 were 2.9% lower.

Depreciation and amortisation costs of non-current assets amounted to EUR 5,524 thousand and accounted for 28.9% of total costs, and due to higher investments than depreciation increased by 10.0% compared to the first half of the year 2019.

Natural gas costs amounted to EUR 4,385 thousand (23.0% of all costs) and decreased by 25.7% compared to the corresponding period of the year 2019 due to the lower prices of natural gas. Employee benefits and social security expenses amounted to EUR 5,014 thousand (26.3% of total costs), repair and maintenance – EUR 1,186 thousand (6.2% of total costs). The Company purchased natural gas for technological needs, for balancing gas flows for system users and other gas market participants involved in the balancing of transmission system and technical balancing.

Pic. 4. Cost Structure, 2018–1st half of the year 2020, %; EUR million

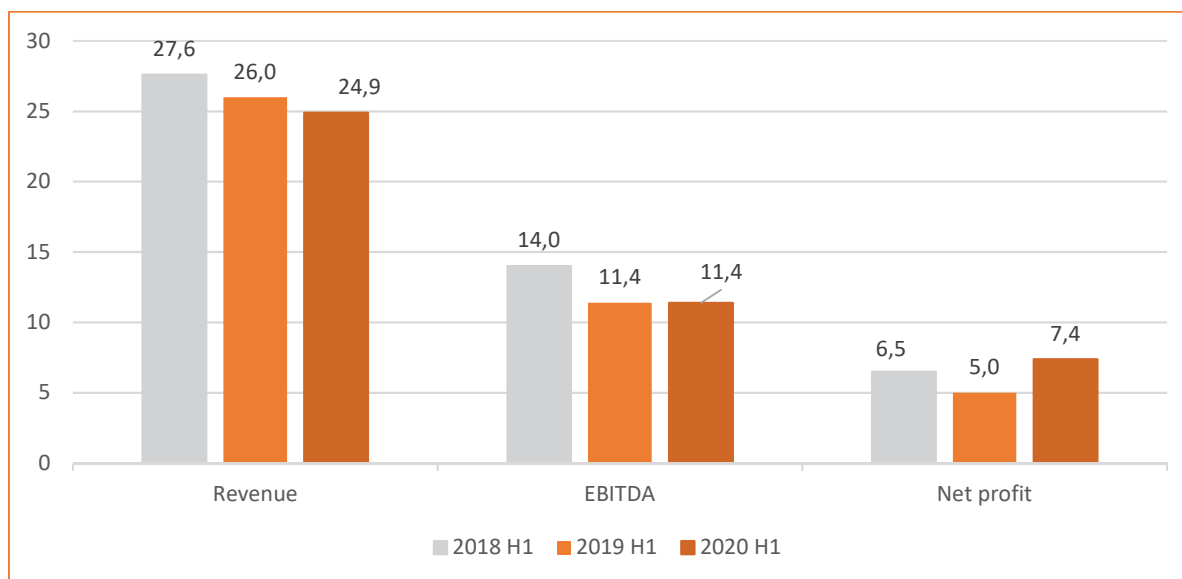


5.4. OPERATING RESULTS

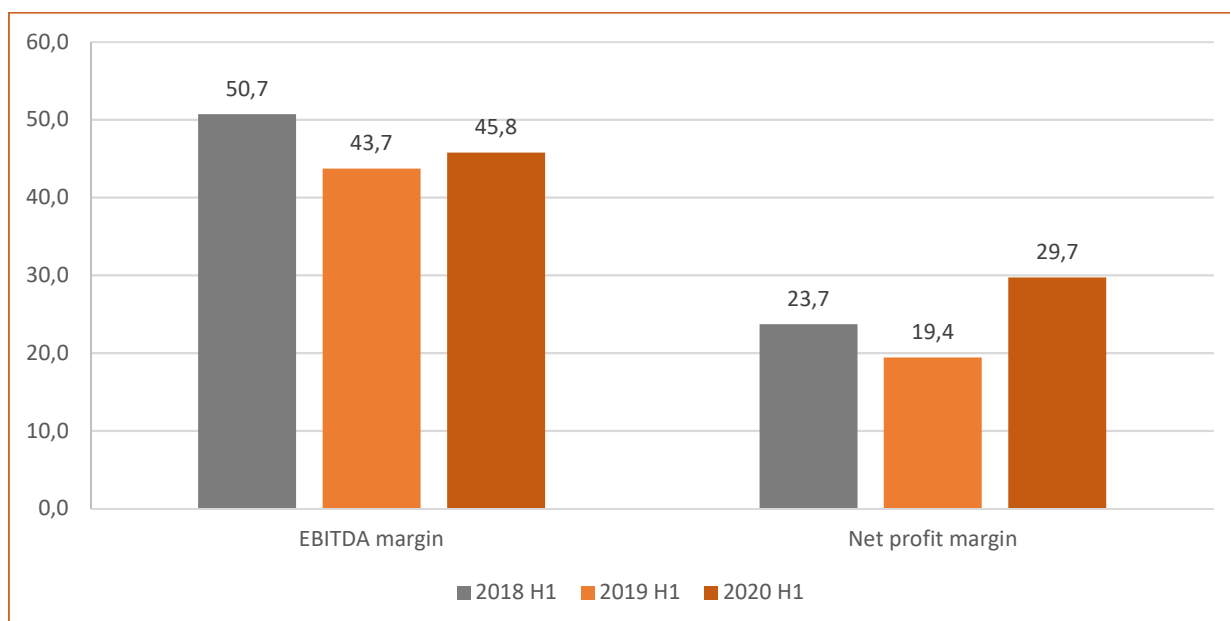
In the first half of the year 2020, the Group profit before taxes amounted to EUR 5,622 thousand (first half of the year 2019 – EUR 6,118 thousand), while earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 11,392 thousand (first half of the year 2019 - EUR 11.358 thousand).

In the first half of the year 2020, the Group earned EUR 7,390 thousand (in the first half of the year 2019 - EUR 5,043 thousand) net profit. The increase in net profit was due to the benefit of ongoing investment projects, which increased deferred income tax assets and the Company's net profit during the reporting period.

Pic. 5. Financial Results, 2018–1st half of the year 2020, EUR million.



Pic. 6. Profitability, 2018–1st half of the year 2020, %.



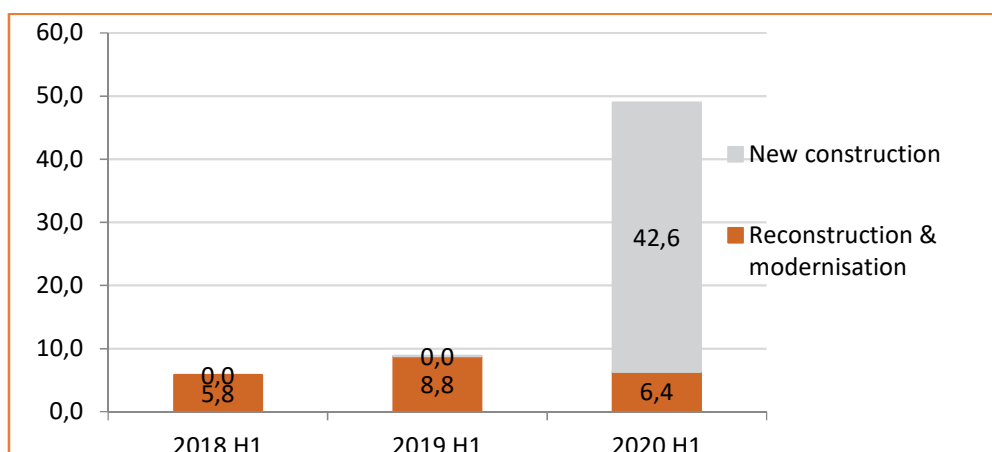
5.5. INVESTMENTS

In the first half of the year 2020, Group's investments totalled EUR 48,992 thousand (during the corresponding period in 2019 – EUR 8,816 thousand).

In the process of maintenance and development of the natural gas transmission network the Company makes consistent infrastructure investments. After the start of construction works of the GIPL project in 2020, investments in the development of the transmission system in the first half of the year 2020 amounted to EUR 42,640 thousand.

Investments in reconstruction and modernisation decreased by 28% compared to the first half of the year 2019 (EUR 8,804 thousand) and amounted to EUR 6,351 thousand.

Pic. 7. Investment Structure, 2018–1st half of the year 2020, EUR thousand.



5.6. ASSETS

On 30 June 2020, the value of assets amounted to EUR 269,660 thousand: non-current assets accounted for 86.7%, current assets – for 13.3% of the total Company's assets.

Non-current assets increased by 11.7% in the first half of the year 2020 due to the ongoing GIPL project and at the end of the period amounted to EUR 233,880 thousand. During the mentioned period, current assets decreased by 23.5% (EUR 11,003 thousand) and at the end of the period amounted to EUR 35,780 thousand. This change was mainly due to the decrease in the amount of deposited funds for guarantees and the deposit position.

5.7. EQUITY AND LIABILITIES

In the first half of the year 2020, the Company's equity gradually increased at the end of the reporting period amounted to EUR 145,244 thousand.

In the first half of the year 2020, amounts payable and liabilities increased by 5.2% (EUR 6,141 thousand) and at the end of the reporting period amounted to EUR 124,416 thousand. Increase in payables and liabilities was determined by increased financial debts.

On 30 June 2020, the Company's financial debt amounted to EUR 87,007 thousand and increased by EUR 15,198 thousand during the reporting period. Ratio of financial liabilities to credit institutions to equity amounted to 59.9%.

5.8. CASH FLOWS

In the first half of the year 2020, the Company's cash flows from the main activity amounted to EUR 11,046 thousand (in the first half of the year 2019 – EUR 14,052 thousand). To purchase non-current assets, EUR 38,236 thousand was used (in the first half of the year 2019 – EUR 10,321 thousand), no dividends were paid (in the first half of the year 2019 – EUR 5,225 thousand). In the first half of the year 2020, to finance investment projects, the support in the amount of EUR 12,490 thousand was obtained from EU Structural Funds (in the first half of the year 2019 – EUR 1,553 thousand).

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

Other information is disclosed in the notes to the condensed financial statements of Amber Grid of 30 June 2020.

5.10. INFORMATION ABOUT ANY FINANCIAL ASSISTANCE

The financial assistance (support) policy is provided in the Social Responsibility Report 2019. The Company provided no other form of financial assistance during the reporting period.

5.11. INFORMATION ON DIRECTLY MATERIAL DIRECTLY AND INDIRECTLY MANAGED STAKES

On 30 June 2020, the Company controlled 100% of its subsidiary's UAB GET Baltic shares. More details on the controlled company are provided in the Company's financial statements.

6. RISKS AND THEIR MANAGEMENT

6.1. RISKS AND THEIR MANAGEMENT

Risk in the Company is understood as the possibility of unplanned events that may impact achievement of strategy and business goals both negatively and positively. The Company seeks actively manage the risk and by doing it achieve following goals:

- To increase achievement probability of the Company's operating goals and operating efficiency;
- To plan in advance and to implement actions which reduce negative impact of possible events and (or) their occurrence;
- To improve safety of employees, third parties and environment;
- To improve prevention and management of unforeseen events;
- To build the confidence within community and state in respect of the Company.

Risks management performed in accordance with the provisions of international standard COSO ERM (June 2017 edition). The Company is fully connected to the Risks Management Policy of EPSO-G group companies and applies general Risks Management Methodology of the Group. Risks Management Policy and Risks Management Methodology is approved and changed based on decision of the Company's Board and process is coordinated by EPSO-G Audit Committee which also performs Audit Committee functions for the Company.

The Board and Audit Committee of the Company periodically prioritize the risks identified in daily activity, evaluate these risks (assess probabilities and impacts), set tolerance limits of separate risks and risk monitoring indicators, establish risk management measures and control implementation of management plan.

The Company is exposed to the following risk categories:

Political: Impact of decisions of state institutions of Lithuania and neighbour countries to the Company's and (or) the Group's activity including energy reforms, tax policy, remuneration and (or) safety and (or) other related regulations, trade restrictions and political stability.

Economic: Lithuanian and international market impact on the Company's activity including situation regarding competition of subcontractors, industry development trend, changes of electricity and gas prices in the market, concentration of consumers, changes of interest, inflation, exchange rates, credit availability, GNP, etc.

Social: demographic changes such as age and education of employees and distribution of consumer wealth, changes of consumer habits or energy use impact on the Company's operation.

Technological: breakdown of equipment, innovation and technology changes in the market and cyberattacks impact on the Company's operation.

Legal: risk that the Group shall be prosecuted in accordance with legal acts due to failure to meet obligations to its employees, customers and suppliers, timing of performed works and other reasons.

Information on risks related to concentration, gas purchase price and financial risks (liquidity, credit, interest rate fluctuation) disclosed more detail in the financial statements of the Company for 2019.

6.2. INTERNAL CONTROL OF THE COMPANY

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

The Company has adopted the Manual of Accounting Procedures and Policies which defines the principles, methods and rules of accounting, financial reporting and presentation. Besides, to ensure timely preparation of the financial statements, the Company follows the internal rules which define the deadlines for the submission of accounting documents and drawing up of the financial statements.

The "four-eye" principle is followed when drawing up the financial statements. The Accounting Unit is responsible for overseeing the preparation of the financial statements and the final review thereof.

7. GOVERNANCE

7.1. INFORMATION ON COMPLIANCE WITH THE GOVERNANCE CODE

The Company complies with Corporate Governance Code for the Companies Listed on AB NASDAQ Vilnius (available on www.nasdaqbaltic.com; hereinafter referred to as the “Governance Code”). The Governance Code is applied to the extent to which it does not contradict the Article of Association of the Company. The Company has disclosed its compliance with the requirements of the Governance Code in the information published on the Company’s website at www.ambergrid.lt and in the Central Storage Facility at www.crib.lt.

7.2. SHARE CAPITAL

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

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 is equal to 178,382,514 pcs. All shareholders of Amber Grid have equal property and non-property rights conferred on by the shares of the Company. In accordance with the Company’s Articles of Association, only the General Meeting of Shareholders can adopt decision on issuing new shares and on acquisition of own shares.

To the knowledge of the Company, there are no mutual agreements between the shareholders that might result in restrictions on the transfer of securities and/or on voting rights. The Company has imposed no restrictions on voting rights.

In the first half of the year 2020, the Company did not acquire its own shares and had no transactions relating to acquisition or disposal of its own shares.

7.4. SHAREHOLDERS

In the first half of the year 2020, the Company’s shareholder structure did not change. EPSO-G UAB retained a 96.58% stake in the Company and was the sole shareholder holding more than 5% of the Company’s shares.

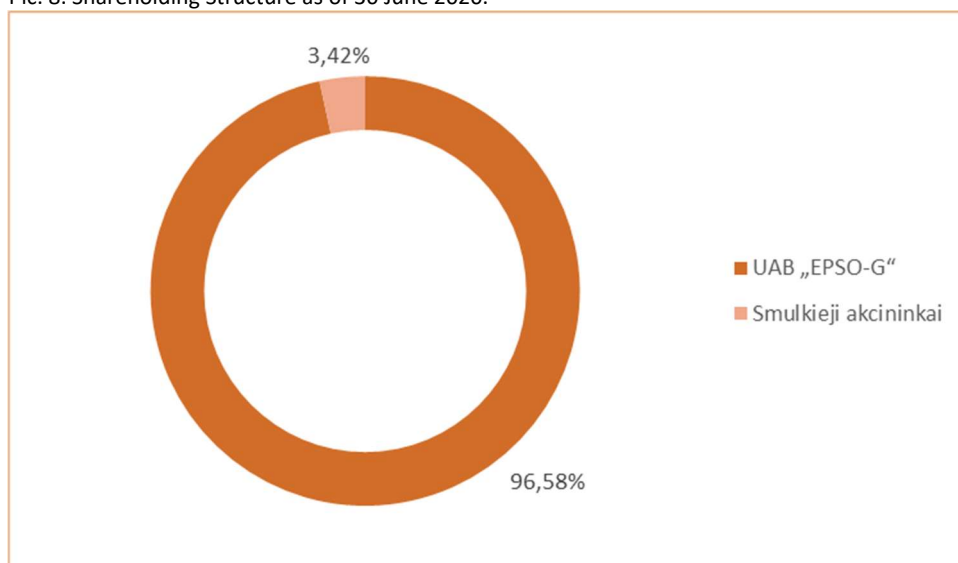
As Amber Grid shares are traded on a stock exchange, the number of shareholders is constantly changing. Taking into account the data received from the intermediary of public trading in securities, as of 30 June 2020, the shareholders of the Company were more than 2,300 natural and legal persons from Lithuania and foreign countries.

Table 3. Shareholders of the Company (30 June 2020)

Shareholder	Registered office address / legal entity code	Number of shares owned, pcs.
UAB EPSO-G	Gedimino Ave. 20 Vilnius, Lithuania/ 302826889	172,279,125
Minority shareholders		6,103,389
In total:		178,382,514

The Company's shareholding structure is provided in Picture 8 below.

Pic. 8. Shareholding Structure as of 30 June 2020.



UAB EPSO-G controls 96.58% of the Company's shares and has a casting vote in the decision-making process at the General Meeting of Shareholders.

7.5. DETAILS ON TRADING IN SECURITIES ON REGULATED MARKETS

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

Table 4. Main Details on Amber Grid Shares.

Main details on Amber Grid shares	
ISIN	LT0000128696
Ticker	AMG1L
Issue size (number of shares)	178,382,514

In the first half of the year 2020, the trading turnover in the Company's shares was EUR 322 thousand with 351,596 shares transferred under the transactions.

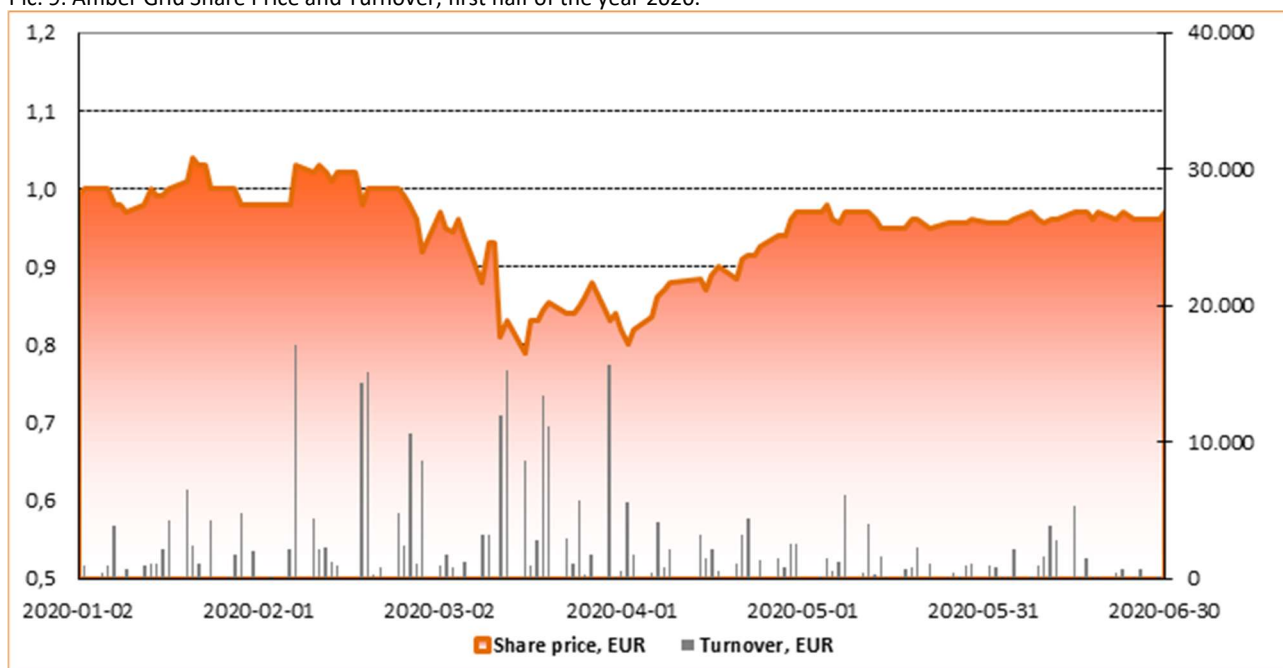
The Company's share price dynamics is presented in Table 5, and details on the price and turnover of the Company's shares (in the first half of the year 2020) are provided in Pic. 9.

Table 5. Share Price Dynamics at NASDAQ Vilnius, first half of the year 2020.

Opening price, 02-01-2020	Highest price per share, 07-02-2020	Lowest price per share 12-03-2020	Weighted average price per share	Closing price, 30-06-2020
EUR 0.98	EUR 1.06	EUR 0.75	EUR 0.916	EUR 0.97

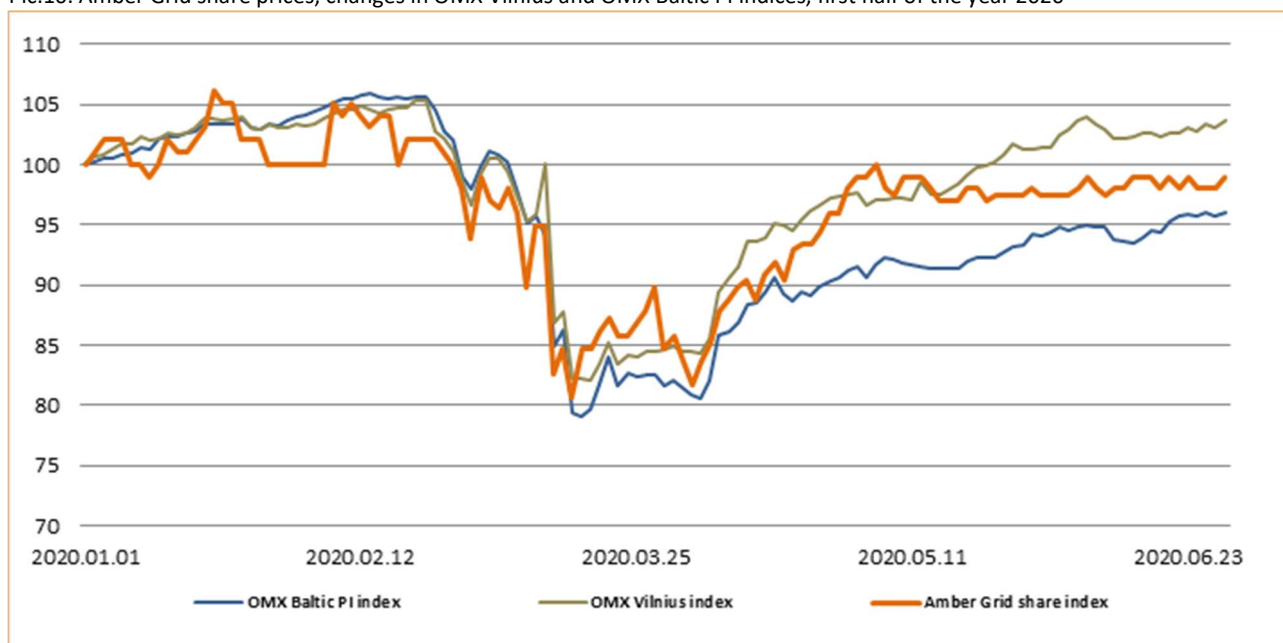
As at 30 June 2020, Amber Grid's stock capitalisation amounted to EUR 173.03 million.

Pic. 9. Amber Grid Share Price and Turnover, first half of the year 2020.



In the first half of the year 2020, the benchmark price indices OMX Baltic PI and OMXV for securities traded on the Nasdaq Baltic market, reflecting changes in the share prices of companies listed on the Baltic States and Vilnius Stock Exchanges, decreased by 4.04% and increased by 3.59%, respectively. During the same period, the Company's share price decreased by 1.02%. Changes in the Company's share price OMX Vilnius and OMX Baltic PI indices (January-June 2020) are shown in Pic. 10.

Pic.10. Amber Grid share prices, changes in OMX Vilnius and OMX Baltic PI indices, first half of the year 2020



7.6. DIVIDENDS

Following the decision of the market regulator of 2019 to set a significantly lower allowable income level for the company for 2020 due to exceeding the return on investment in previous years and at the same time increasing the need for investments in the construction of the GIPL gas pipeline with Poland, The company's shareholders' meeting held on 20 April 2020 approved the proposal of the Management Board of Amber Grid not to distribute the earned profit.

7.7. AGREEMENT WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

On 30 April 2018, 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 shareholders of the Company, excluding the majority shareholder UAB EPSO-G.

Details of AB SEB Bank	
Company code	112021238
Registered office address	Gedimino Ave. 12, Vilnius, Lithuania
Phone	+370 5 268 2800 or 1518
Email	info@seb.lt
Website	www.seb.lt

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 legislation of the Republic of Lithuania. The powers of the General Meeting of Shareholders, the rights of shareholders and the exercise of such rights are defined in the Law on Companies and the Articles of Association of the Company, which are available on the Company's website: www.ambergrid.lt/en/about-us/investors-relations/bylaws.

The current Articles of Association were amended by the decision of the Extraordinary General Meeting of Shareholders of 23 December 2019. The General Meeting of Shareholders of Amber Grid AB adopted the decision to amend the Articles of Association of the Company, stipulating that the Board shall elect the Board's lawyer and shall be accountable for its activities by submitting an annual report to the General Meeting of Shareholders. The amended Articles of Association have been registered in the Register of Legal Entities and are valid from 17 June 2020.

The Articles of Association provide for the following management bodies:

- General Meeting of Shareholders;
- The Board;
- The head of the Company – Director-General.

On 7 April 2020, the Management Board of the Company elected the Director-General. On 20 April 2020, the General Meeting of Shareholders elected the Management Board for a 4-year term.

Information about the members of the Management Board and the Director-General of Amber Grid is presented in Table 6 below.

Table 6. Information about the Members of the Management Board and the Director-General

Position	Full name	Start of term of office	End of term of office	Participation in the issuer's capital	
				Share of authorised capital held, %	Share of voting rights held, %
Chairperson of the Board	Nemunas Biknius*	April 2016	April 2020	0.001505	0.001505
Board Member, acting Chairperson of the Board	Algirdas Juozaponis	September 2018	April 2020	–	–
Independent Board Member	Nerijus Datkūnas	April 2016	April 2020	–	–
Board Member	Rimvydas Štilinis	April 2016	April 2020	–	–
Independent Board Member	Sigitas Žutautas	September 2018	April 2020	–	–
Chairperson of the Board	Algirdas Juozaponis	April 2020	April 2024		
Board Member	Rimvydas Štilinis	April 2020	April 2024		
Board Member	Renata Damanskytė-Rekašienė	April 2020	April 2024		
Independent Board Member	Sigitas Žutautas	April 2020	April 2024		
Independent Board Member	Ignas Degutis	April 2020	April 2024		
Director-General, acting Director-General	Nemunas Biknius	October 2019	–	0.001505	0.001505

In the first half of the year 2020, 13 Management Board meetings were held.

Attendance at the Management Board meetings held in the first half of the year 2020 and key decisions made:

- Present
- Absent

No	Meeting date	Nemunas Biknius	Algirdas Juozaponis	Rimvydas Štilinis	Nerijus Datkūnas	Sigitas Žutautas
1.	14 January		●	●	●	●
2.	20 January		●	●	●	●
3.	13 February		●	●	●	●
4.	20 February		●	●	●	●

5.	24 March		●	●	●	●
6.	27 March		●	●	●	●
7.	7 April		●	●	●	●
8.	14 April		●	●	●	●
		Ignas Degutis	Algirdas Juozaponis	Rimvydas Štilinis	Renata Damanskytė-Rekašienė	Sigitas Žutautas
9.	28 April	●	●	●	●	●
10.	19 May	●	●	●	●	●
11.	4 June	●	●	●	●	●
12.	9 June	●	●	●	●	●
13.	25 June	●	●	●	●	●

The Management Board decisions adopted in the first half of the year 2020:

January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
14/01 The strategy for 2017-2022 and the action plan for 2020-2022 of Amber Grid AB were approved. 20/01 Decided on wholesale odorant, investment project “Installation of Solar Power Modules in Vilnius and Panevėžys Sites and Jauniūnai KS Territories”, assessed digitization	13/02 Decided on setting of goals of the Director-General for 2020. 20/02 Joined the accounting policy of the EPSO-G group of companies, the dividend policy of the EPSO-G group of companies, the interest management policy of the members, managers and	24/03 The plan of risk management measures was completed, the risk management methodology was changed, the decision on the amendment of the terms and conditions of the EPSO-G UAB group account agreement and AB Amber Grid's participation in EASEE-gas (European	07/04 The company's Director-General was elected. 14/04 A position on voting was formulated for UAB GET Baltic NVAS. Decision on change of the terms of the credit agreement was made. The amount of the variable remuneration	19/05 Decisions were made on: the setting of transmission prices in 2021, the software transmission system operator and system users for efficient gas flow management and interactive information exchange to ensure the approval of the essential transaction terms of the installation agreement, EPSO-G group selection policy changed,	04/06 A decision was made to conclude a loan agreement with the European Investment Bank and to approve the essential terms of this transaction, as well as a decision to convene an extraordinary general meeting of shareholders.

progress, decided on implementation of goals of the Director-General for 2019 and setting of goals for 2020 as well as on implementation of internal audit recommendations.	employees of the collegial bodies of the EPSO-G group of companies, a decision was made on the organisational structure and determination of executive remuneration ranges, a list of risks and a plan of risk management measures were approved, a self-assessment session of the Management Board was held.	<p>Association for the Streamlining of Energy Exchange-gas) was made, the report on the implementation of the company's strategy for 2017-2022 for 2019 was approved.</p> <p>27/03</p> <p>The company's annual report for 2019 and a set of financial statements and a profit distribution project were approved.</p> <p>A decision was made to convene an ordinary general meeting of shareholders of the company.</p>	<p>component for 2019 was approved.</p> <p>28/04</p> <p>The Chairman of the Board and a lawyer of the Board were elected, and the independence of the members of the Board was assessed.</p>	EPSO-G UAB group compliance management policy application applied, internal audit recommendations assessed.	<p>09/06</p> <p>The company's 10-year (2019 - 2028) network development plan was approved, a decision was made to coordinate the action plan for changing the organizational culture and increasing involvement. The list of projects controlled by the Board was approved</p> <p>25/06</p> <p>Decision on change of organizational structure, decision on mutual lending and amendment of borrowing agreement with EPSO-G UAB.</p>
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During the reporting period, payments to the to the members of the Management Board of the Company amounted to EUR 18.9 thousand. Remuneration to the members of the Management Board and the Director-General is paid in accordance with the remuneration policy of the head and members of the Board of Amber Grid AB approved by the General Meeting of Shareholders on 20/04/2020.

Table 7. Information on payments (Eur) to the members of management bodies

Full name of the member	2020, 1st half	2019, 1st half
Nerijus Datkūnas	5133	4575
Sigitas Žutautas	10500	5175
Ignas Degutis	3313	-

Total remuneration of the Company's General Manager during the reporting period amounted to EUR 60.6 thousand.

In accordance with the Articles of Association of the Company, the functions of an Audit Committee of Amber Grid are performed by the Audit Committee of the parent company UAB EPSO-G.

The Articles of Association stipulate that they can be amended by decision of the General Meeting of Shareholders adopted by a 2/3 majority vote of those present at the meeting.

The Company has no branches or representative offices.

7.9. INFORMATION ON TRANSACTIONS, SIGNIFICANT AGREEMENTS AND HARMFUL TRANSACTIONS OF RELATED PARTIES

As of 30 June 2019, the Company had entered into the following significant agreements, which give the contractors the right to terminate the transactions concluded with the Company following the change of control of the Company: Loan agreement with Swedbank AB of 30 December 2014; Loan agreement with Nordic Investment Bank of 19 August 2015; Loan agreement with the Lithuanian branch of OP Corporate Bank plc. of 18 May 2018. The terms of these agreements are considered bilateral confidential information of the parties to the agreements, and their disclosure could cause harm to the Company.

As at 30 June 2019, the Company had not entered into any other significant agreements that would enter into force, change or terminate upon the change of control of the Company.

During the reporting period, no harmful transactions (inconsistent with the Company's objectives, existing normal market conditions, violating the interests of shareholders or other groups of persons, etc.) and transactions concluded in the event of a conflict of interest between the Company's managers controlling shareholders or other related parties and/or other responsibilities were entered into by the Company.

8. REMUNERATION POLICY

Amber Grid is subject to the common EPSO-G Group Remuneration Policy which applies to all employees of the Company. Remuneration policy is approved and amended by decision of the Company's Board taking into consideration recommendations brought forward by the EPSO-G Remuneration and Appointment Committee. The EPSO-G Remuneration and Appointment Committee periodically assessed the provisions of the remuneration policy, its efficiency, implementation and application.

The purpose of the Amber Grid Remuneration policy is to effectively, clearly and transparently manage remuneration costs and at the same time create motivational incentives to employees to contribute to the implementation of the Company's mission, vision, values and objectives.

Remuneration of all employees is composed of two constituents – fixed and variable. The fixed constituent depends on the level of responsibility of the occupied position which is established on the basis of the methodology applicable in international practice. The variable constituent is paid when individual goals set during the annual performance assessment are attained, and the Company reports to the shareholders and the board for the achievement of annual goals.

The Company's Remuneration policy is publicly announced on the website www.ambergrid.it (heading *About Us* section *Management*).

Average monthly pay of the Company's employees by group is presented in Table 8.

Table 8. Average Monthly Pay by Employee Group

Position group	Group		Company	
	Number of employees (end of period)	Average monthly pay	Number of employees (end of period)	Average monthly pay
Director-General	2	8,331	1	9,719
Executives	5	6,878	4	6,836
Medium level managers	30	3,980	29	3,991
Expert specialists	184	2,200	180	2,194
Workers	104	1,298	104	1,298
Average	325	2,131	318	2,095
Wages guarantee fund, EUR thou		4,562		4,402

Information on the Company's fixed and variable pay is presented in Table 9.

Table 9. The Company's average fixed, and variable pay by Employee Group

Position group	Average number of employees in full-time units	Average accounted monthly earnings (constant share), EUR	Paid variable share of remuneration accounted as variable monthly share remuneration for the year, EUR
Director-General	1	9,338	382

Executives	4	5,774	1,062
Medium level managers	28	3,700	291
Expert specialists	188	2,032	162
Workers	122	1,133	166
Total	343	1,911	184

Policy of remuneration to collegial members and management

Principles of remuneration to management bodies in EPSO-G Group is laid down in the Guidelines on Remuneration for Performance in Company Bodies of the Group approved by the decision of the sole shareholder of UAB EPSO-G. The decisions adopted at the General Meeting of Shareholders of the Company on 7 September 2018 approved the hourly and maximum monthly remuneration of the members of the Management Board, as well as approved the terms of agreements with the members of the Management Board. Pursuant to the decision of the General Meeting of Shareholders of 7 September 2018, the members of the Management Board have an hourly remuneration of EUR 50 (fifty) (excluding taxes) for their activities on the Management Board, not exceeding the maximum monthly remuneration of EUR 1,000 (one thousand), and if such a member of the Management Board were elected Chairman of the Board, the maximum amount of remuneration would be EUR 1,300 (one thousand three hundred) (before taxes) (in accordance with the tax reform, this decision was adjusted on 23 April 2019 by indicating the amount with a coefficient). The members of the Management Board, who are also employees of the company holding a controlling stake in the company, UAB EPSO-G, are not remunerated by the company for their activities on the Board.

Fixed and variable pay to the Company's head is set by the Company's Board, pay to the executives – by the Head of the Company in accordance with the remuneration policy approved by the Company's Board. Variable constituent to the Head and the management is paid out once a year after the Board of the Company approves the attainment of the objectives set to the Company's Head.

9. SOCIAL RESPONSIBILITY, ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

PRINCIPLES AND PRIORITIES OF RESPONSIBLE ACTIVITIES

Carrying out its activity in a responsible manner Amber Grid consistently sticks to the principle that was used to reach the result are important. For this reason, referring to accumulated good experience of the country and international organisations, the Company aims at improving its business practice, implement modern human resource management, applies technology that is friendly to natural resources, and uses materials and processes that preserve human health. In planning its activities Amber Grid takes into account economic and social expectations of interest holders, ensure transparent governance, develops ethical relations in the market, implements corruption prevention measures and contributes to creating good business climate in the country. The Company aims at keeping the status of a reliable social partner by contributing to resolving the relevant social issues faced by the society.

The Company's Social Responsibility Policy is based on the Company's vision, mission, values, as well as on the activities and objectives adopted in the five-year strategy – the development of regional activity and the implementation of strategic projects efficient operations, as well as the formation of a creative and progressive organisation.

Socially responsible activities in the market: efficient and transparent business – open and fair cooperation with interest holders helping to implement socially responsible business provisions, safe and reliable natural gas transmission to system users, fight against corruption and bribery, competitiveness-proofing and fairly paid taxes;

Social responsibility in the field of environmental protection – efficient use of natural resources in activities, participation in ecological preventive programmes for landscape and biodiversity, promotion of environmentally friendly attitude among employees, contractors, suppliers and society;

Social responsibility in relations with employees – responsibility towards employees, taking care of employees' health, safety and equal rights, application of advanced performance management and reward systems, creating conditions for employees' personal and professional development and development of their general competencies;

Social responsibility in public relations – development of various social initiatives, volunteering and other projects for local communities and at the national level, cooperation with scientific institutions.

In order to evaluate the Company's socially responsible activities in the field of organizational management, a survey is conducted once a year. Based on the obtained results, the importance of the measures taken is assessed and the level of maturity is determined, and a specific action plan for social responsibility for the next year is prepared, which helps to effectively achieve the set goals.

Amber Grid defines its responsibility and bases its activities on the following documents:

Descriptions of the company's internal policies and procedures:

- Collective Agreement;
- Description of Ethical Employment and Working Conditions Policy;
- Description of Environmental Protection and Safety and Health at Work Policy;

- Description of Equal Opportunities Policy;

Documents applied in the companies of EPSO-G Group:

- Description of Corporate Governance Policy. Its purpose is to ensure good governance in the EPSO-G group by establishing uniform corporate governance principles within the group and the interaction between the parent company and other companies in the group;
- Description of Social Responsibility Policy. Its purpose is to improve business practices, implement modern human resource management, apply technologies that conserve natural resources, materials and processes that are not harmful to human health, based on the accumulated good experience of national and international organisations;
- Description of Transparency and Communication Policy. Its purpose is to help communicate more effectively with each other and with external stakeholders: the public, the shareholder, market regulators, etc.;
- Description of Corruption Prevention Policy. It aims to set out in the EPSO-G Group the basic principles and requirements for the prevention of corruption and the guidelines for ensuring compliance with them, which provide the preconditions and conditions for the implementation of the highest standards of transparent business conduct;
- Description of Remuneration Policy. Its purpose is to manage wage costs properly and to create incentives so that the level of remuneration depends directly on the achievement of the goals set for the company and each employee;
- Description of Accounting Policy. It aims to ensure that stakeholders can assess the performance and prospects of group companies and make appropriate economic decisions;
- Description of Dividend Policy. Its purpose is to set clear guidelines for the expected return on equity and return to investment for existing and potential shareholders, while ensuring sustainable long-term growth of corporate value, timely implementation of strategic projects of national importance, thus consistently strengthening confidence in the entire transmission and exchange group;
- Description of Interest Management Policy. Its purpose is to set up a common interest management system within the EPSO-G group, in line with good practice, to ensure that decisions are taken objectively and impartially in the group's companies, as well as to create an anti-corruption environment and increase confidence in the group's activities;
- Description of Policy for the Protection of Sensitive Information. Its purpose is to establish a common framework for the identification, use and protection of confidential and commercial (manufacturing) information, to help the members and staff of the EPSO-G group's management bodies to protect the confidential information entrusted to them from improper and harmful disclosure;
- Description of Policy for the Development and Exploitation of Technology Assets. Its purpose is to consistently implement the principles of management and development of electricity and natural gas infrastructure and advanced technologies based on cost-benefit analysis, to manage and develop energy transmission infrastructure in a socially responsible manner, taking into account the requirements of occupational safety and environmental protection;
- Description of Support Policy to ensure that the support provided is public and does not call into question the relevance and transparency of the award process;
- Description of Risk Management Policy. Its purpose is to implement a uniform risk management system within the EPSO-G group of companies in accordance with the COSO ERM standards applicable in international practice, which define the principles and responsibilities for identifying, assessing and managing risks;
- Description of Employee Performance Assessment Policy the purpose of which is to create a consistent system for assessing employees' individual goals, which helps to effectively manage wage costs, as well as to create motivational incentives for employees who perform their duties properly and exceed expectations;
- Other.

RESPONSIBILITY AND TRANSPARENCY

The Company has zero tolerance to any form of corruption, inappropriate acceptance of benefit, its provision, offering, promise or demand by abusing the occupied position.

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

- ✓ All CEOs of the Company are directly responsible for the implementation of anti-corruption measures and they set an example for their employees;
- ✓ Proportional, risk-based anti-corruption procedures are applied;
- ✓ Regular assessment of corruption-related risks is carried out, as well as planning and adaptation of anti-corruption measures, monitoring of anti-corruption performance and, if necessary, implementation of more effective measures.

9.1. ENVIRONMENTAL PROTECTION AND SAFETY OF EMPLOYEES

Amber Grid principles and commitments related to environmental protection and safety and health at work are established in the Environmental Protection and Safety and Health at Work Policy.

The provisions of the policy form the basis for as efficiently as possible reducing any impact of the Company's operation on the environment at ensuring safety and health of employees at work. Principles of prevention, safety, environmental sustainability must be followed by all stakeholders and their groups involved in the activities of Amber Grid.

Management system

The company has implemented an environmental and occupational safety and health management system that meets the requirements of the international standards ISO 14001 and OHSAS 18001. The system has been integrated into the Company's planning, organisation and governance processes. The management of environmental protection and occupational safety and health established by the standards helps to ensure continuous reduction of the impact of activities on the environment, occupational safety and health and implementation of requirements established by international and Lithuanian legislation, regulations and other normative documents.

Considering social and economic situation and the Company's financial and technical possibilities, management of the Company is committed to assure continuous improvement of management processes of environmental protection and employees safety and health, increase efficiency of environmental protection and employees safety and health, and manage in accordance with standards applied to management process.

The environmental protection and occupational safety and health management system implemented in the company operates in the repetitive process "planning-implementation-inspection-analysis". Employees at all levels are involved in the process in accordance with clearly defined responsibilities for certain parts of the coordination of the management process and its implementation. Taking into account the changing economic, social and natural environment conditions, changing and external and internal factors affecting the Company's operations, the system processes are constantly monitored, reviewed and periodically adjusted. The management of the influencing factors is directly related to the goals and objectives set for the implementation of the principles of the Company's environmental protection and occupational safety and health policy.

The company is constantly investing in new equipment, production process technologies, information management and other tools to improve the environment and working conditions. Taking into account the identified environmental aspects and occupational risk factors arising from the Company's activities, only reliable and quality-compliant measures to reduce the environmental impact and ensure the safety and health of employees are applied.

The identification of occupational risk factors and their significance is assessed in accordance with generally accepted risk management methodologies and applicable international, Lithuanian and internal legislation of the Company, as well as changes in continuous improvement indicators, the Company's obligations to stakeholders, duration, frequency, hazard and consequences of the impact, and etc.

Ensuring social cooperation and partnership on environmental issues and occupational safety and health, all employees of the Company are constantly informed and educated.

PUBLIC RELATIONS: SPONSORSHIP

By its decision of 22 August 2017, the Board of Amber Grid approved the Company's Sponsorship Procedure drawn up according to strategic goals of the Company's operational strategy goals for 2017-2022 and EPSO-G Group Sponsorship policy and with the aim to ensure relevance, publicity and transparency of the process of sponsorship.

Directions of sponsorship

The provisions of the said procedure state that the Company may affect the quality of life of communities or their environment by implementing the development provided for in the strategy and projects of economic importance to the state, therefore, it is entitled to provide sponsorship from its profits for the needs of the local regions and/or communities in which these projects take place, as well as for education, culture, sports, social services, health care or other areas of community welfare. The Company may also provide sponsorship to individuals studying programs related to its direct activities. Amber Grid encourages the voluntary, unpaid involvement of employees in activities that are important to society or the local community and may provide sponsorship accordingly.

In providing sponsorship, the Company follows the following principles: compliance with business objectives, transparency and impartiality, equality, confidentiality and harmonization of publicity.

Sponsorship shall not be granted to finance political parties or political campaigns, to cover debt obligations incurred by political campaign participants during or related to political campaigns, charitable and sponsorship funds established by politicians or persons close to politicians, legal entities that have improperly implemented or violated any sponsorship contract with a company within the EPSO-G group (or with another donor, and this is known), as well as activities promoting or related to gambling, alcohol, smoking or other intoxicants, and other activities that have or may have a negative impact on society.

The share of profit allocated for the Company's sponsorship is determined annually at the Ordinary General Meeting of Shareholders, forming a reserve for this amount based on the profit achieved during the reporting year and the projects implemented. The share of profit allocated for sponsorship may not exceed 1% of the net profit of the reporting financial year, in any case not exceeding EUR 50 thousand. The regulations of the sponsorship procedure are published on the Company's website <https://www.ambergrid.lt/en/about-us/ab-amber-grid-social-responsibility-policy/sponsorship-policy>.

SOCIAL INITIATIVES

Project on Culture of dialogue and Cooperation

In preparation for the start of construction of the GIPL gas connection between Lithuania and Poland, Amber Grid organized special meetings with the communities in whose territories the construction of the pipeline will take place. During the first half of the year 2020, Amber Grid held 25 meetings for local communities with celebrities who create, think and encourage others to live consciously. Residents of Širvintos, Vilnius, Elektrėnai, Kaišiadorys, Prienai, Birštonas, Alytus, Lazdijai and Marijampolė districts participated in the meetings dedicated to fostering a culture of dialogue in the communities around which Amber Grid operates and where the international gas pipeline connection will be built. Since 2018, about 6,000 people from 9 municipalities and 22 elderships have had the opportunity to talk live with such famous people as actor Giedrius Savickas, performers Gabrielius Liaudanskas-Svaras, Justė Arlauskaitė Jazzu, Marijonas Mikutavičius, Saulius Urbonavičius Samas, Rafailas Karpis, doctor Dainius Pūras, creator Haroldas Mackevičius. During the meetings, an open conversation with the audience led to a dialogue not only about the project, but also about simple things – relationships, meaningful activities and values.

Social responsibility project “Culture of Dialogue and Development of Cooperation in Implementing the GIPL Project” of Amber Grid was launched in the autumn of 2018. The project aims to inform residents about the importance and progress of the GIPL project in their neighbourhood, educate the public, form a credible, transparent, socially responsible company image, foster a culture of responsibility, rational creativity and dialogue, and build long-term relationships with the community. The continuation of the project for communities is scheduled for autumn 2020.

Campaign of Pinwheels of Favourable Wind

The company’s employees participated in the “Campaign of Pinwheels of Favourable Wind”, inviting to spread the clouds and send a favourable wind to children with oncological diseases. This is a great example that if you have a great idea and believe in it, you can do a lot: by sacrificing your free time, create a joyous product that will later become necessary medicines, medical or nursing tools for children to help fulfill the dreams of sick children.

Computers for children from socially vulnerable families

After the announcement of quarantine in Lithuania, not all Lithuanian children had the opportunity to learn qualitatively at a distance. The company, in cooperation with the public organization “Save the Children”, handed over 110 obsolete but in good condition computers to the children of socially vulnerable families free of charge. The computers were prepared for use by the association Infobalt, and they were distributed to families all over Lithuania by the employees of “Save the Children”.

10. MATERIAL EVENTS IN THE REPORTING PERIOD

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

Main events of the reporting period announced in the first half of the year 2020:

Date	Main events in the reporting period
06-02-2020	Consolidated operating results of Amber Grid Group for 2019
20-02-2020	Regarding the dividend policy of Amber Grid AB
28-02-2020	Regarding the judgment of the court
24-03-2020	Regarding the opinion of the Audit Committee
27-03-2020	Notice on convening the Ordinary General Meeting of Shareholders of Amber Grid AB
31-03-2020	Regarding amendment of a mutual lending and borrowing agreement
07-04-2020	Correction: Notice on convening the Ordinary General Meeting of Shareholders of Amber Grid AB
07-04-2020	The Management Board of Amber Grid elected Nemunas Biknius the Director-General of the company
20-04-2020	Regarding the decisions adopted by the Ordinary General Meeting of Shareholders of Amber Grid AB
20-04-2020	Annual information of Amber Grid for 2019
28-04-2020	Regarding the election of the Chairman of the Management Board
06-05-2020	Consolidated operating results of Amber Grid AB Group for the first quarter of the year 2020
07-05-2020	Regarding the revenue ceiling of the natural gas transmission system operator for 2021
20-05-2020	Regarding the prices of new natural gas transmission services
22-05-2020	Regarding the judgment of the court
28-05-2020	New prices for natural gas transmission services were set
05-06-2020	Notice on convening the Extraordinary General Meeting of Shareholders of Amber Grid AB
23-06-2020	Regarding the opinion of the Audit Committee
29-06-2020	Regarding the decision adopted by the Extraordinary General Meeting of Shareholders of Amber Grid AB
29-06-2020	Regarding the amendment of the mutual lending and borrowing agreement concluded on 27 February 2019 with EPSO-G UAB
Events after the reporting period	
01-07-2020	Notice of the signing of a long-term financing agreement with the European Investment Bank
15-07-2020	Regarding the opinion of the Audit Committee

All public reports that are to be published according to the law are made available 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 in accordance with the procedure established in the Law on Securities on the Central Storage Facility at www.crib.lt and on the Company's website www.ambergrid.lt. 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.