



**Litgrid AB**  
A. Juozapavičiaus g. 13  
LT-09311, Vilnius  
T +370 5 278 2777  
F +370 5 272 3986  
info@litgrid.eu

[www.litgrid.eu](http://www.litgrid.eu)

**Company code**  
302564383  
**VAT number**  
LT100005748413

## CONFIRMATION OF RESPONSIBLE PERSONS

August 24, 2017 Vilnius

Following Article 23 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Daivis Virbickas, Chief Executive Officer of LITGRID AB, Rimantas Busila, Director of Finance Department of LITGRID AB and Žydrūnas Augutis, Chief Financier-Head of Accounting Division of LITGRID AB, hereby confirm that, to the best of our knowledge, the attached LITGRID AB Consolidated and the Company's financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, for the six months period ended 30 June 2017, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, profit and cash flows; Consolidated Interim Report for the six months period ended 30 June 2017 includes a fair review of the development and performance of the business, consolidated group financial position and undertakings in relation to the description of the main risks and contingencies faced thereby.

Daivis Virbickas

Chief Executive Officer

Rimantas Busila

Director of Finance Department

Žydrūnas Augutis

Chief Financier



Litgrid

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**LITGRID AB**

CONSOLIDATED INTERIM REPORT AND CONDENSED  
INTERIM CONSOLIDATED AND THE COMPANY'S FINANCIAL  
STATEMENTS, PREPARED ACCORDING TO INTERNATIONAL  
FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE  
EUROPEAN UNION (UNAUDITED), FOR THE SIX-MONTHS  
PERIOD ENDED 30 JUNE 2017



Litgrid

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The condensed interim financial statements were signed on 24 August 2017.



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Daivis Virbickas  
Chief executive officer

Rimantas Busila  
Director of the Finance Department



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Žydrūnas Augutis  
Chief Financier



CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2017  
(All amounts in EUR thousands unless otherwise stated)

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## CONSOLIDATED INTERIM REPORT OF AB LITGRID AND ITS SUBSIDIARIES

### I. General Information about the Group

This Consolidated Interim Report has been prepared for the first half of 2017.

#### The Issuer and its contact details:

Name	LITGRID AB (hereinafter referred to as 'Litgrid' or the 'Company')
Legal form	AB (public company)
Registration date and place	16/11/2010, Register of Legal Entities of the Republic of Lithuania
Business ID	302564383
Registered office address	A. Juozapavičiaus g. 13, LT-09311, Vilnius
Telephone	+370 707 02171
Fax	+370 5 272 3986
E-mail	<a href="mailto:info@litgrid.eu">info@litgrid.eu</a> ; <a href="http://www.litgrid.eu">www.litgrid.eu</a>

#### Litgrid's activities

Litgrid, Lithuania's electricity transmission system operator (the 'TSO'), maintains the stable operation of the national power system, manages electricity flows, and enables competition in the open market for electricity. Litgrid is responsible for the integration of Lithuania's power system into Europe's electricity infrastructure and the common market for electricity. The Company has implemented the strategic NordBalt (Lithuania-Sweden) and LitPol Link (Lithuania-Poland) power link projects. In our work toward strengthening the country's energy independence, we foster a culture of responsibility, rational creativeness, and dialogue.

Litgrid's mission is to ensure the reliable transmission of electricity and to enable competition in the open electricity market.

Litgrid's vision is full integration of Lithuania's power system into Europe's electricity infrastructure and the common market for electricity, creating conditions for a competitive economy.

Litgrid's values are cooperation, respect, responsibility, professionalism, and initiative.

Litgrid's strategy is to ensure energy independence while creating value for the public.

As the backbone of the national power sector, Litgrid not only is responsible for the maintenance of the balance of the electricity used and produced in the system and the reliable transmission of electricity, but also implements strategic national electricity projects. Its vision and strategic operating guidelines are based on the long-term goals identified in the National Energy Independence Strategy. The Lithuanian TSO's most important operational areas and responsibilities include the maintenance of the country's electricity infrastructure and its integration with the Western and Northern European electricity infrastructure; development of the electricity market and participation in the creation of a common Baltic and European electricity market; and the integration of the Lithuanian and continental European electricity systems for synchronous operation.

#### Litgrid: a Company of EPSO-G Group

EPSO-G UAB, a state-controlled company (100% of its shares are owned by the Ministry of Energy), has a 96.6% shareholding in Amber Grid AB, the gas transmission system operator, and a 97.5 % shareholding in Litgrid AB, the electricity transmission system operator. EPSO-G UAB also controls 67 % of the shares in Baltpool UAB, an operator of the Lithuanian energy resources' exchange; its subsidiary Amber Grid AB controls 66 % of the shares in GET Baltic UAB, an operator of the Lithuanian natural gas exchange. The said exchange operators seek to become regional platforms for the trading in energy resources.

Objectives of EPSO-G's corporate governance are to:

- Exercise its ownership rights;
- Implement strategic management of the transmission system and its subsidiaries;
- Increase efficiency of the companies' operations;
- Ensure transparency.



## **Litgrid's operating plans and projections**

Main lines of Litgrid's activities are as follows:

### *Integration of the national power system into European networks*

Once Lithuania becomes a full and active participant of the European electricity system, European system management standards will be introduced in the electricity sector, and management of electricity flows will be based on market principles and participation in the system's frequency maintenance. The aim is the Baltic countries' synchronous operation within continental European grids.

### *Common European market for electricity*

The integration of the Lithuanian electricity market into the Baltic and Nordic electricity market, and later into the common European electricity market, will ensure transparent wholesale electricity prices, competition, and freedom of choice for all market participants as well as equitable trade in electricity with neighbouring European states. Being part of a large electricity market will enable the most effective use of networks and generation infrastructure and for ensuring the security of electricity transmission.

### *Integration of the transmission grid into Europe's electricity infrastructure*

Lithuania's electricity transmission grid is well-developed and reliably meets the needs of its customers. Since the end of 2015, the country's electricity transmission grid has been connected to Sweden and Poland via asynchronous power links (LitPol Link is a double-circuit power link) and to the electricity grids of Latvia as well as the neighbouring states in the east via 12 synchronous power links. NordBalt (with Sweden) and LitPol Link (with Poland) power links have connected, for the first time, Lithuania's power system to electricity grids of Northern and Western Europe. The electricity transmission grid operated and maintained by Litgrid enables trade in electricity between power systems and provides access to electricity markets rich in diverse energy resources. Optimal investments in the national grid ensure the integration of new electricity generators, the safe transmission of electricity, and the reliability of the system's operation.

## **Most important activities in the first half of 2017 in implementing the electric power sector projects**

### *LitPol Link cross-border power link*

Upon winning an open tender for the implementation of a monitoring programme jointly with the Nature Fund of Lithuania, in September 2016 the Lithuanian Ornithologists Society started works under the programme on monitoring the environmental impact of LitPol Link. During three years ornithologists will observe the areas that are crossed by the power link's route and in which valuable habitats or rare plant species have been found. Under the programme, the ornithologists are studying birds' accumulations near the electricity line, and will provide recommendations for increasing visibility of the wires as necessary.

LitPol Link interconnection was available to the market 99% of the time throughout the first half of 2017.

### *NordBalt cross-border power link*

Nordbalt, one of the world's longest cables of this type, has considerably increased the security of energy supply to Lithuania and other Baltic States. NordBalt interconnection was available to the market 80% of the time throughout the first half of 2017.

On 28 April 2017, an agreement on replacing all the underground sleeves connecting cables of NordBalt was announced. The agreement was concluded by and between Litgrid, the Lithuanian electricity transmission system operator, Svenska Kraftnat, the Swedish electricity transmission system operator, and ABB that had designed, manufactured and installed the cables. The replacement works are planned for 2018 after completion of tests of all the newly designed sleeves. The exact dates of start and completion of these works will be announced in Nord Pool's exchanges information system.

### *Reorientation of the electric power system to synchronous operation with grids of continental Europe*

The Law on the Integration of the Power System of the Republic of Lithuania into the European Electricity Systems set the strategic objective to re-orientate the power system of Lithuania to synchronous operation with the continental European network. Full integration of Lithuania's power system into the European electricity infrastructure and common market for electricity, with the independent system control, is one of strategic objectives of Litgrid. Its attainment requires an understanding, harmonisation, and coordination of national and international interests.

The European Commission's Joint Research Study on Synchronization Alternatives was completed in March 2017. The results of the study once again confirmed the scenario of synchronization with continental European networks through the Polish electricity system, is the most effective in terms of technical, economical and reliability aspects of electricity supply.

#### *Transmission grid development and reconstruction projects*

In the first half of 2017 Litgrid carried out works under the following transmission network development projects:

- Construction of a 110 kV electricity transmission line Kretinga-Benaičiai,
- Construction of a 330 kV electricity transmission line Kruonis HPSP-Alytus,
- Environmental Impact Assessment Report on the construction of a 330 kV electricity transmission line Lithuanian Power Plant - Vilnius; obtaining stakeholders' agreements on the report.
- Extension of 330/110/10 kV Bitėnai substation
- Optimization of the North-East Lithuanian power grid and preparation for synchronous work with the continental European energy system.

Main reconstruction projects in 2017:

- Replacing reinforced concrete pylons in the 330 kV line Jurbarkas-Bitėnai with metal ones,
- Reconstruction of a 110 kV electricity transmission line Klaipėda-Marios,
- Reconstruction of 110 kV VE-3 switchyard,
- Works of Phase 3 of the Vilnius bypass project: replacement of a 110 kV overhead line with a cable line,
- Replacement of a section of a 110 kV electricity transmission line Verkiiai-Neris between pylons 7-11 with a cable line,
- Relocating of a section of a 110 kV electricity transmission line Rašė-Suginčiai between pylons 2-4 to another route,
- Optimisation of the electricity transmission grid in North-eastern Lithuania,
- Reconstructions of transformer substations: Kaunas Hydro Electric Power Plant, Trakai, Kuršėnai, Kretinga, Zokniai, Grigiškės, Rietavas, Juodupė, Vilnius E2, Pagėgiai and Vilnius E3.

#### **Litgrid's membership of international organisations**

International visibility of and support for projects implemented by Litgrid is ensured through participation in international associations, specifically, the European Network of Transmission System Operators for Electricity (ENTSO-E).

ENTSO-E (European Network of Transmission System Operators for Electricity) represents 42 electricity transmission system operators from 35 countries across Europe. Its main functions include: resolving European-level issues concerning transmission grid management and development and the electricity market; promoting regional collaboration among TSOs; making proposals for draft legal acts of the European Commission; and preparing the Ten-Year Network Development Plan (TYNDP) and network codes. Litgrid's representatives sit on the organisation's System Operations, System Development, Market, and R&D committees as well as the related working groups. Participation in ENTSO-E activities is aimed at representing national interests and those of Litgrid in the making of European and regional decisions related to system management, the planning and implementation of projects to develop Lithuania's electricity infrastructure, electricity market connections and electricity transmission systems' integration.



Litgrid

CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2017

(All amounts in EUR thousands unless otherwise stated)

**Litgrid's subsidiaries and their activities**

As of 30 June 2017, Litgrid group of companies consisted of Litgrid AB, Tetas UAB, and Litgrid Power Link Service UAB.

Name	Tetas UAB	Litgrid Power Link Service UAB
Legal form	Private company	Private company
Registration date and place	08/12/2005, Register of Legal Entities of the Republic of Lithuania	24/02/2014, Register of Legal Entities of the Republic of Lithuania
Country of establishment	Republic of Lithuania	Republic of Lithuania
Business ID	300513148	303249180
Registered office	Senamiesčio g. 102B, LT-35116, Panevėžys	A. Juozapavičiaus g.13, LT-09311, Vilnius
Telephone	+370 45 504 670	+370 5 278 2766
Fax	+370 45 504 684	+370 5 272 3986
Type of activities	Specialised services of transformer substations' and distribution stations' installation, maintenance, repair and testing; designing energy facilities	Control and operation of the power system's links with the Polish and Swedish systems
Country of operation	Lithuania	Lithuania
Litgrid's shareholding	100 %	100 %

Other shareholdings of Litgrid Group as of 30 June 2017:

Name	LitPol Link Sp.z.o.o	Duomenų logistikos centras UAB	Nord Pool AS
Country of establishment	Republic of Poland	Republic of Lithuania	Kingdom of Norway
Registered office	ul. Wojciecha Gorskiego 9, 00-33 Warszawa, Poland	Žvejų g. 14, LT-09310 Vilnius	PO Box 121, NO-1325 Lysaker, Norway
Country of operation	Lithuania and Poland	Lithuania	Norway, Sweden, Finland, Denmark, Lithuania, Latvia, Estonia
Litgrid's shareholding	50 % of shares and voting rights attached thereto	20.36 % of shares and voting rights attached thereto	2 % of shares and voting rights and a board member on rotation basis



## Services provided by Litgrid Group

Litgrid, the electricity transmission system operator, provides the following services:

- Electricity transmission
- System services (capacity reserve)
- Trading in balancing and regulating electricity
- Public interest services (PIS)
- Maintenance and repairs of the electricity grid
- Maintenance, operation and control of HVDC links.

### *Transmission of electricity*

The electricity transmission service is the transmission of electricity over the high voltage (330 and 110 kV) electric installations. The transmission system operator transmits electricity from producers to customers that are connected to the transmission grid, and to distribution network operators. Electricity transmission is a regulated activity.

The main operations of the TSO consist in the management of the high voltage electricity transmission grid and ensuring a reliable, effective, high-quality, transparent and safe transmission of electricity.

### *System services*

In order to maintain reliable system operations, Litgrid purchases the services for the capacity reserve assurance at power generation facilities, reactive capacity and voltage management, and emergency and disruption prevention and response from energy generating companies, and provides customers with system (capacity reserve) services. The capacity reserve is needed when electricity production suddenly and unexpectedly falls or its consumption increases.

### *Trade in balancing and regulating electricity*

Litgrid secures the country's electricity production and consumption balance. Balancing electricity is electricity that is consumed or produced outside of established electricity consumption and production schedules. Litgrid organises trading in balancing electricity, buying and selling balancing electricity that is necessary to ensure the country's electricity production and consumption balance.

Regulating electricity is electricity that is bought and/or sold on instruction of the TSO as electricity necessary for performing the function of balancing the country's electricity consumption and production. Litgrid organises trading in regulating electricity by auction. The auction participants are suppliers of regulating energy and TSOs of other countries possessing technical facilities for quickly changing the electricity generation and consumption conditions and having concluded a relevant agreement with Litgrid.

### *Public service obligations*

Public service obligations (PSO) in the electricity sector are services that ensure and enhance the national energy security and the integration and use of electricity produced from renewable resources. The list of PSO, their providers, and procedures for the provision of PSO are approved by the Government of the Republic of Lithuania, or an institution authorised by it, having regard to the public interest in the power sector. PIS funds are funds that are paid to the PSO providers.

Litgrid provides the following PSO services:

- Preparation and implementation of strategic projects related to increasing energy security (the Lithuania-Sweden and Lithuania-Poland power links and integration of the Lithuanian power system into continental European grids);
- Connection of power generation equipment that uses wind, biomass, solar energy, or hydropower to the transmission grid as well as the transmission grid's optimisation, development, and/or renovation related to the acceptance and transmission of electricity generated by producers that use renewable energy sources;
- Balancing of electricity produced from renewable energy sources.

### *Electricity grid maintenance and repairs*

Tetas, Litgrid's subsidiary, offers the following maintenance and repair services for electricity grid equipment:

- Maintenance and repairs of electric equipment of the grids;
- Construction of new energy facilities and reconstruction of existing energy facilities;
- Electrical equipment design services.





CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2017  
(All amounts in EUR thousands unless otherwise stated)

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### *HVDC power links' maintenance, operation and control*

On 24 February 2014, Litgrid's subsidiary Tinklo priežiūros centras UAB (renamed into Litgrid Power Link Service UAB from 29 April 2016) was established as a centre of competences for high qualification and specialised engineering areas in the management and operation of high voltage direct current (HVDC) power links.

Since the beginning of 2016, Litgrid Power Link Service has taken over the operation of LitPol Link, and since June 2016 - the operation of NordBalt as well.

### **Research and development activities at Litgrid Group**

Every year Litgrid prepares the power system development and research programmes aimed at expanding and enhancing the efficiency of the transmission grid. The reconstruction of energy facilities involves the replacement of old equipment and the implementation of modern systems for relay protection, system automation, management, and data collection and transmission. Plans for the construction and reconstruction of facilities based on scientific research and studies are made for a 10-year period and updated annually.

The TSOs of the three Baltic States conducted, jointly with consultants, a feasibility study on the application of the flow-based method in the calculation of cross-border capacities in the Baltic States' electricity markets. The study assessed the technical feasibility of applying this method, comparing the benefits provided by this method and its reliability with the methods and the reliability of the current methodologies for capacity calculation. Based on the results of network security, socio-economic and third-party impact analyzes, it was found that the application of the flow-based method in the Baltic region is technically feasible, but would not be more effective than the current method.

A joint analysis of the long-term adequacy of the electricity system in the Baltic States, for the first time jointly prepared by electricity transmission system operators in Lithuania, Latvia and Estonia, confirmed that the existing double-circuit Lithuanian-Polish electricity link is sufficient for synchronization. The analysis shows that after eight years in the Baltic region there should be new reliable and flexible power plants in order to ensure the smooth operation of electric systems and reliable power supply.

A demand side response study conducted together with ESO is underway. It will help to find out the potential of electricity demand management in Lithuania. The studio is the first incentive for electricity transmission and distribution systems operators to rethink the role of the electricity user in the system and provide tools that enable it to operate.

### **Customers of the transmission system operator**

Litgrid's direct customers are electricity transmission grid users and suppliers of balancing and regulating electricity.

Transmission grid users include:

- ESO, a distribution network operator;
- Customers whose electrical equipment is connected to the electricity transmission grid and who purchase electricity for use;
- Electricity producers connected to the electricity transmission grid.

Suppliers of balancing and regulating electricity include electricity producers and suppliers.



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(All amounts in EUR thousands unless otherwise stated)

## Personnel

As of 30 June 2017, Litgrid Group employed 682 people: Litgrid AB - 239, Tetas UAB - 414, and Litgrid Power Link Service - 29 employees.

Litgrid's wage fund in the reporting period amounted to EUR 2,714,000.

	Number of employees as of 30 June 2017	Average monthly pay, EUR
Specialists	232	1,775
Management	7	6,381
Total	239	1,912

Litgrid Group's wage fund in the reporting period amounted to EUR 5,341,000.

	Number of employees as of 30 June 2017	Average monthly pay, EUR
Workers	244	776
Specialists	424	1,562
Management	14	5,361
Total	682	1,359

## Remuneration policy and performance evaluation

The goal of Litgrid's remuneration policy is to contribute to the realisation of the mission and vision of the organisation that is being managed by modern and effective methods, to mobilise people for joint work and motivate them to implement the strategic priorities, to form and establish an attitude that employees are the company's main asset, and to foster the corporate values of professionalism, cooperation, responsibility, initiative, and respect. Remuneration depends on the employee's position, performance, achievement of individual annual goals, level of competencies, and adherence to the values of organisation. The remuneration policy is based on the principle that employees who create value added for the company and who work in accordance with corporate values are entitled to higher pay. The pay package consists of financial and non-financial elements: basic pay, variable part of pay, fringe benefits, and psychological reward.

Litgrid carries out an ongoing evaluation of employees' performance as one of the most important tools for an effective corporate governance that allows linking personal and organisational goals, showing the importance of each employee's work for the attainment of common objectives, making career planning possible, motivating employees, and providing an objective basis for incentivisation.

## Training

Litgrid enables its employees to develop their competences and qualifications by:

- Organising in-house training,
- Enriching the work content with new projects,
- Offering opportunities for working in unique projects,
- Participating in external training and conferences,
- Actively participating in the work of professional organisations.



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## Collective agreement

In June 2015, Litgrid concluded an updated collective agreement with the trade union operating in the company. The agreement stipulates a fair remuneration policy, balance between working and resting times, and social and economic relations between the employer and employee. It also contains provisions on support for employees at important/difficult moments in life. The term of the collective agreement has been extended until 1 January 2018.

## Litgrid's corporate social responsibility

Litgrid adheres to the principles of social responsibility, sustainable development, transparency, and advanced environmental protection in its activities. The company's operations form an integral part of the successful functioning of the national economy, while its long-term strategic goals and the strategic electricity projects it is implementing help secure the country's energy independence.

The importance of the projects being implemented requires that the company, its employees and management apply the highest professional and ethical standards and seek to contribute to the development of the society's responsibility and involvement in the improvement of social welfare. Litgrid's social responsibility policy is focussed on the ensuring of fair and motivating working conditions, development of responsibility and civic qualities, and assisting the community in which the company carries out its activities.

Litgrid constantly reminds its contractors working on the high-voltage grid about the necessary to comply with the safety at work regulations.

## Environmental protection

Procedures for environmental impact assessment or screening are carried out for the electricity transmission lines to be constructed and their conclusions are taken into account in the preparation of technical designs. Environmental protection requirements are set in the design specifications for the construction of new or reconstruction of existing transformer substations and switchyards. In all cases, efforts are made to select such equipment which is less harmful to the environment. For example, in the reconstruction of substations, oil-consuming equipment is replaced with modern gas equipment. This both reduces the risk of pollution in case of an accident and cuts equipment operating costs. Contractors are obliged to organise works so as to eliminate or reduce any impact on the environment and to present documents evidencing appropriate management of construction waste. In service procurement process, contractors are required to have the Environmental Management Systems according to LST EN ISO 14001 in place. When accepting completed works, contractors' compliance with the requirements is checked including the waste management and the relevant documentation.

Monitoring of environmental impact of LitPol Link continues in 2017. In the spring, surveys were carried out at monitoring points for migratory goose and waterbirds. Environmental monitoring of another electricity transmission line - Telšiai - Klaipėda is continued: birds accumulations in the Minija River valley at Dovilai are observed, density of predatory birds in Mižuikiai forest (Rietavas district) was recorded.

In cooperation with Lithuanian Ornithological Society, Litgrid has launched a project 'Implementation of Bird Protection Measures in the High-Voltage Electricity Transmission Network', partly funded by European Commission and the Ministry of Environment. The objective of this project is to reduce the number of deaths of migrating birds, improve breeding conditions of kestrels in Lithuania, monitor bird death cases in the high-voltage electricity transmission network, and make recommendations for the bird protection. Visibility of electricity transmission lines is increased by equipping them with bird-diverting devices in places of most intensive bird migration. In pre-migration white stork accumulation areas, special protection devices are installed, to prevent the birds from sitting on insulators and to protect them from the short-circuit impact. Upper insulators in the strings are being replaced with ones of larger diameter which reduces the short-circuit risk. Special nesting-boxes are installed for kestrels on 110 kV towers at places indicated by the ornithologists.

## ITC competences

Efficient information technology and communications (ITC) solutions are critically important in ensuring smooth and uninterrupted operations and form an integral part of the electricity system's planning and management as well as equipment control and servicing. Know-how in the automation of the power system control, pooled at Litgrid ITC Centre, ensure the continuity of the company's IT solutions, security control, and transparency of operations. Litgrid has implemented IT recovery solutions to ensure continuity of operation of its information systems.



Litgrid

CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2017

(All amounts in EUR thousands unless otherwise stated)

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### **Main features of the internal control and the risk management system related to the preparation of consolidated financial statements**

Litgrid Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU. Litgrid's internal control process includes the control of business processes related to service provision, IT system operations, and drawing up of financial statements.

The drawing up of consolidated financial statements is governed by Litgrid's accounting policies and procedures, which ensures that accounting practices are in accordance with International Financial Reporting Standards as adopted by the EU and the laws of the Republic of Lithuania. The procedures identify potential risks associated with accounting and financial reporting and specify risk management methods and principles and the employees responsible for risk management.

## II. Financial Information

Financial results of the Group and the Company are provided in the table below.

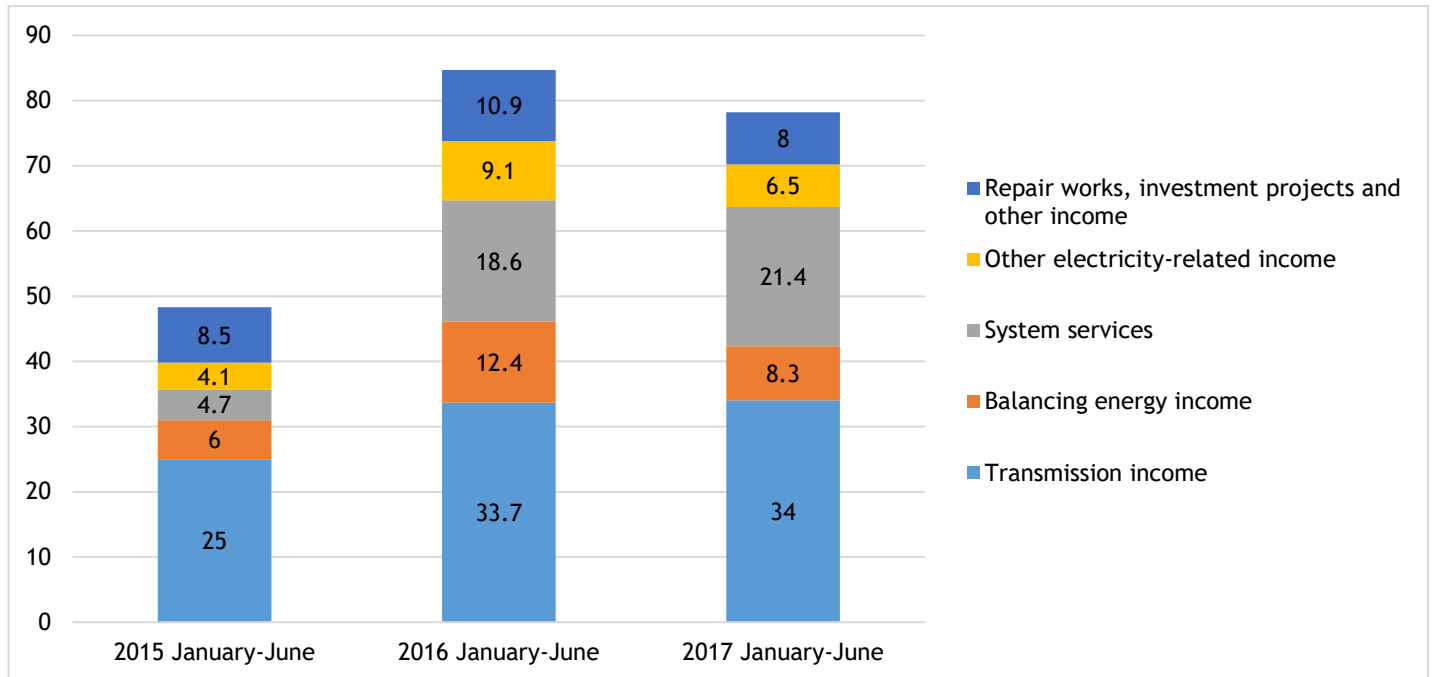
	January-June 2017		January-June 2016		January-June 2015	
	Group	Company	Group	Company	Group	Company
<b>Financial indicators (EUR'000)</b>						
Income from electricity sales	70,141	70,141	73,756	73,756	39,776	39,776
Other operating income	7,967	660	10,932	5,193	8,532	1,393
EBITDA*	20,410	21,723	24,484	24,492	13,440	13,354
Profit (loss) before tax	6,616	8,117	9,621	9,837	2,818	2,837
Net profit (loss)	5,202	6,751	8,638	8,882	2,366	2,409
Cash flows from operations	21,010	22,726	5,586	5,187	11,887	11,085
<b>Ratios</b>						
EBITDA margin, %	26.1	30.7	28.9	31.0	27.8	32.4
Operating profit margin, %	9.1	12.1	12.3	13.3	6.4	7.6
Return on equity, %	5.9	6.0	3.1	4.0	-33.1	-33.5
Return on assets, %	3.1	3.1	1.4	1.8	-15.7	-16.7
Shareholder's equity / Assets, %	54.2	55.4	49.8	50.5	38.9	41.3
Financial liabilities / Equity, %	68.3	66.3	83.1	81.8	80.9	75.4
Liquidity ratio	0.67	0.64	0.77	0.76	0.54	0.36
<b>TSO's operating indicators</b>						
Energy transmission volume, m kWh		4,939		4,784		4,553
Process costs in transmission network, %		2.82		2.89		1.98
ENS (Energy Not Supplied due to interruptions), MWh**		1.19		1.03		0.45
AIT (Average Interruption Time), min. **		0.05		0.04		0.02

\* EBITDA = operating profit + depreciation and amortisation + non-current asset and investment impairment + non-current asset write-off costs;

\*\* Only due to the operator's fault or due to undetermined causes.

## Income

In the first half of 2017, Litgrid's volumes of electricity transmission via high-voltage networks for national needs amounted to 4,939 million kilowatt-hours (kWh), which is 3.2 % more than in the same period of 2016. The volumes of transmission to customers of the distribution operator amounted to 4,470 million kWh (+1.8 % compared to 2016), and to other customers 469 million kWh (+19.1 % compared to 2016).



Group's income structure, EUR million

Litgrid Group's income for first half of 2017 was EUR 78.1 million, an 7.8% increase compared to the same period of 2016. Income from electricity transmission increased 0.9% (to EUR 34 million) compared to 2016. Income from electricity transmission accounted for 43 % of total revenues of the Group. The increase has resulted from larger electricity transmission volumes.

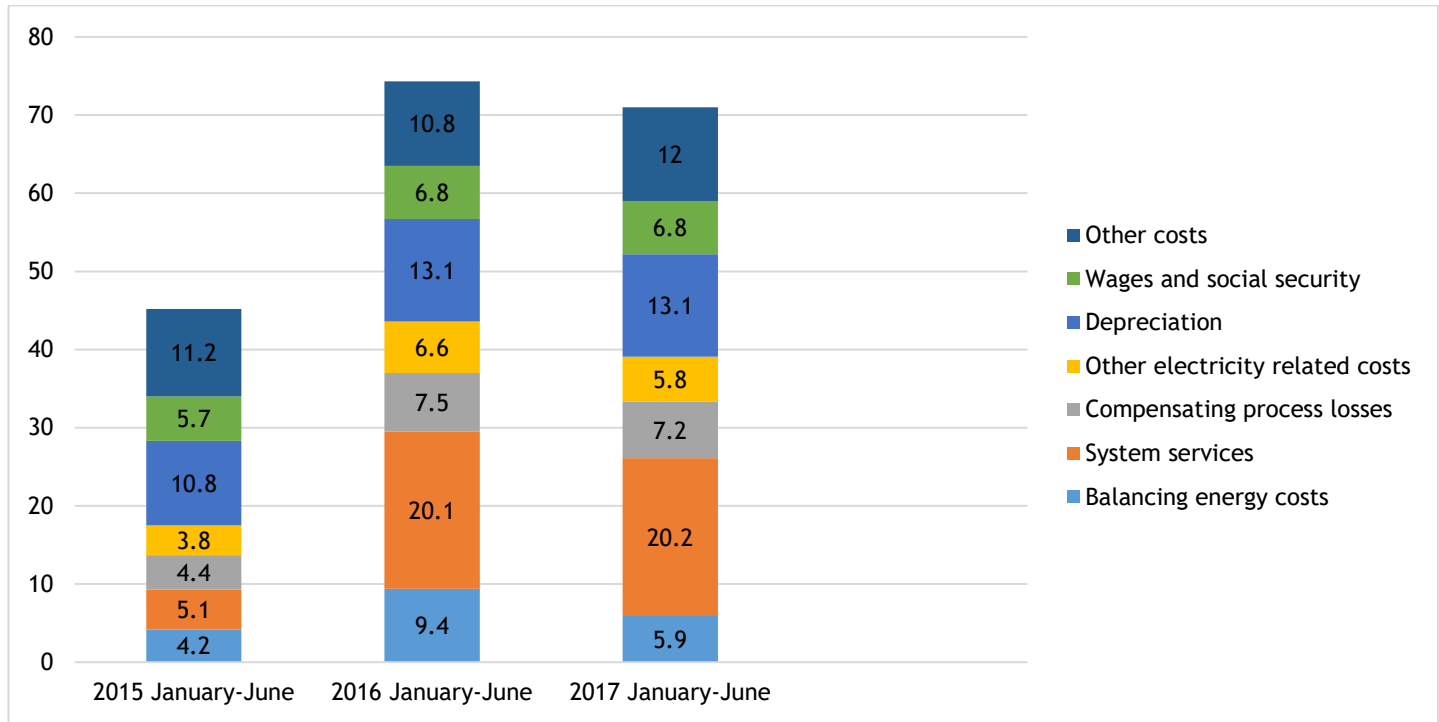
Income from balancing/regulating electricity decreased 33.2% to EUR 8.3 million. The reduction has resulted mainly from the 32% decrease in the balancing/regulating electricity sales volumes, which, in turn, was largely determined by lower demand from the balancing energy suppliers and the reduced need for securing the allocated capacity (i.e. the capacity traded on the electricity exchange) of the power links with Sweden and Poland.

Income from system services has grown 15.3% to EUR 21.4 million. The main growth driver was an 11% higher tariff for system services set by the National Commission on Energy Control and Prices from 1 January 2017.

Revenues from congestion charges for Lithuanian-Polish, Lithuanian-Swedish and Lithuanian-Latvian power links in first half of 2017 decreased 38% compared to 2016 (to EUR 4.7 million). Congestion charges result from insufficient cross-border capacities, due to which different market prices for electricity form in the Lithuanian, Swedish, Polish and Latvian bidding areas. According to Regulation of the European Parliament and of the Council (EC) No 714/2009 of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003, revenues resulting from the allocation of interconnection are to be used for the following purposes: (a) guaranteeing the actual availability of the allocated capacity; (b) maintaining or increasing interconnection capacities through network investments, in particular in new interconnectors; (c) If the revenues cannot be efficiently used for the purposes set out in points (a) and/or (b) of the first subparagraph, they may be used, subject to approval by the regulatory authorities of the Member States concerned, up to a maximum amount to be decided by those regulatory authorities, as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs and/or fixing net work tariffs. Litgrid has recognised, in accordance with the Regulation, EUR 0.6 million as income for first half of 2017, i. e. part of the congestion revenues that were used for ensuring the allocated capacity of the power links and EUR 5.6 million of revenues (including received for the previous periods) were used for the financing of 330 kV overhead line Kruonio HAE-Alytus. The remaining revenues are carried in the 'Future Period Income' line of the Statement of Financial Position.

Other income related to transmission operations include: the ITC transit income (Inter-Transmission Operator Compensation Mechanism, i.e. payment for electricity imported from or exported to countries other than the EU) - EUR 0.9 million; Public service obligation income - EUR 4.1 million; reactive energy income - EUR 0.7 million; connection of new customers - EUR 0.1 million. Other income from repair works, investment projects etc. consists mainly of the income from services provided by Tetas UAB, a subsidiary of Litgrid.

### Costs



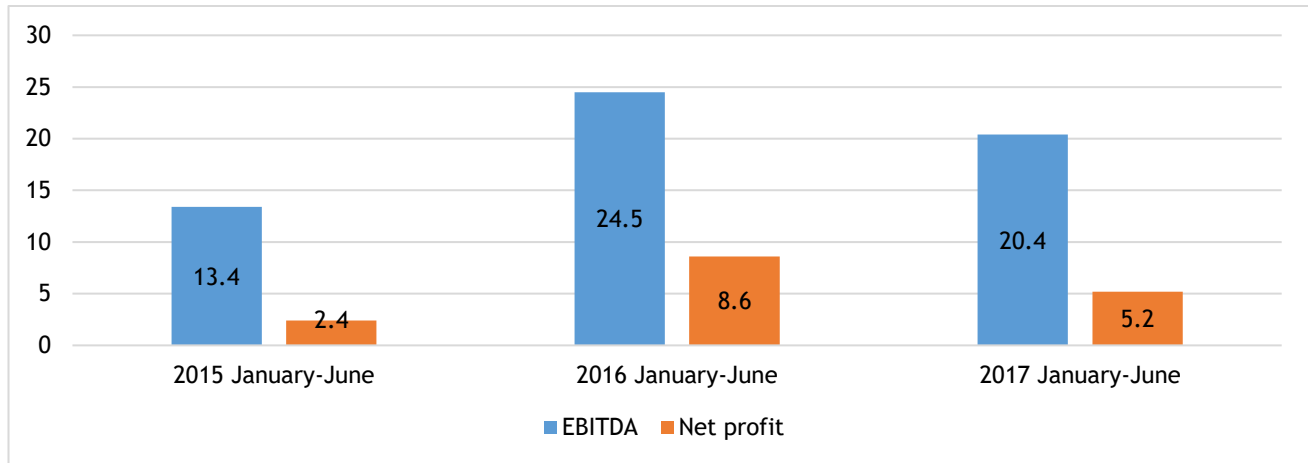
Litgrid Group's cost structure, EUR million

The Group's costs in first half of 2017 totalled EUR 71 million, which is 4.5% less compared to the same period of 2016.

Costs of purchase of electricity and related services account for the majority of the Group's costs: EUR 39.1 million or 55% of total costs, 10.4% decrease compared to the same period of 2016. Balancing (regulating) electricity costs shrunk 37.6% (to EUR 5.9 million). The system service costs increased 0.8 % to EUR 20.2 million. Costs of compensating for process losses in the transmission grid decreased 4.6% to EUR 7.2 million. Transit (ITC) costs were EUR 1.1 million, public obligation services provision costs EUR 2.1 million, and costs of ensuring the allocated capacity of the Swedish and Polish links EUR 0.6 million.

Depreciation and amortisation costs were EUR 13.1 million, almost the same amount as in 2016. Other operating costs increased by 6.6% (to EUR 18.8 million) compared to the same period of 2016.

**Profit**

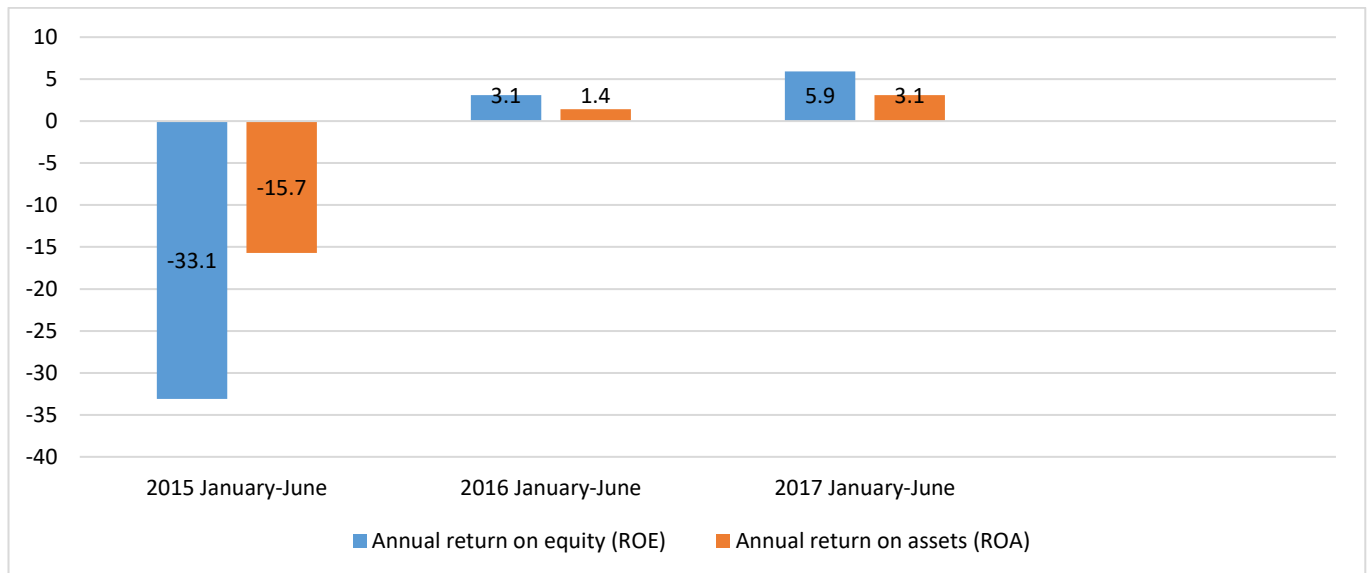


Litgrid Group’s EBITDA and net profit, EUR million.

The Group’s EBITDA for first half of 2017 amounted to EUR 20.4 million. Compared to the same period of 2016, the EBITDA decreased by EUR 4.1 million, or 16.6%; the EBITDA margin decreased to 26.1% (2016: 28.9 %). The net profit of the Group in six months of 2017 was EUR 5.2 million (2016: EUR 8.6 million).

The Group’s operating profit for first half of 2017 consists of: profit of the transmission segment EUR 5.3 million (2016: EUR 9.2 million profit), profit of the system services segment EUR 0.9 million (2016: EUR 1.6 million loss), profit in the balancing (regulating) electricity segment EUR 2.3 million (2016: 2.9 million profit), and loss on other activities EUR 1.4 million (2016: EUR 0.1 million loss).

**Return indicators**



Litgrid Group’s return indicators, %

There has been an increase in the annual ROE and ROA ratios for first half of 2017 compared to the same period of 2016: from 3.1% to 5.9% and from 1.4% to 3.1%, respectively.





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## Balance sheet and cash flows

As of 30 June 2017, assets of the Group amounted to EUR 446.1 million. Non-current assets accounted for 88.4% of total assets of the Group. Shareholders' equity accounted for 54.2% of total assets.

As of 30 April 2017, the Group's financial liabilities to credit institutions were EUR 165.2 million (- EUR 0.3 million over first half of 2017). The ratio between financial liabilities and equity was 68.3%. Long-term financial debts payable within one year accounted for 32% of all financial debts. Cash and cash equivalents totalled EUR 0.5 million and unused overdraft was EUR 12.9 million.

The Group's net cash flows from operations in first half of 2017 amounted to EUR 21 million, while payments for non-current tangible and intangible assets were EUR 8.7 million; EUR 1.8 million were received as subsidies.

The Group's net cash flows (excluding cash flows from financial activities) in first half of 2017 totalled EUR 18.9 million.

## Investments in non-current assets

In first half of 2017, investments of Litgrid (works performed and assets acquired irrespective of terms of payment) amounted to EUR 10.5 million, with 50% of them earmarked for the implementation of strategic energy projects and 50% for the reconstruction and development of national electricity transmission grid.

## TSO performance indicators

Based on the requirements for the electricity transmission reliability and service quality approved by the National Commission for Prices and Energy Control, two indicators are used to measure the electricity transmission reliability level: ENS (Energy not Supplied due to interruptions) and AIT (Average Interruption Time). The indicators set for Litgrid for 2017 are as follows: ENS 6.3 MWh and AIT 0.29 min. In first half of 2017, ENS was 1.19 MWh and AIT was 0.05 min.

## References and explanations about information in the consolidated financial statements

Detailed explanations about financial information are provided in the Explanatory Notes to the financial statements for the first half of 2017.

## Dividend policy

The Government of the Republic of Lithuania, which indirectly (through EPSO-G UAB) controls 97.5% of Litgrid shares, has established the principles for the allocation of dividends for shares owned by the State in its Resolution No. 20 of 14 January 1997 (revised text: Resolution No. 786 of 11 August 2016). The general meeting of shareholders of Litgrid held on 25 April 2017 declared payable dividend of EUR 18.2 million, or EUR 0.036 per share.

## Risks and risk management

### Political, regulatory and compliance risks

The electric power sector is a vitally important part of the economy that exerts a significant influence over political and economic interests. The structure and management of the electric power sector and the operation of the companies in the sector are governed by the Law on Electricity of the Republic of Lithuania and the relevant regulations. Any amendments to national or European Union energy legislation can have an impact on both results of Litgrid Group and reliability of the system. In order to reduce the impact of the risk on the performance results, the Company's representatives actively participate in discussions, inform about decisions that have to be taken and / or submit proposals to institutions that draft legal acts. The company also responds effectively to any issues regarding the Company's activities raised by the public, regulatory authorities or other stakeholders.

Prices for electricity are regulated, with the price ceilings set by the National Commission for Energy Control and Prices. The operating results of Litgrid are directly dependent on these decisions. These decisions by the regulator directly affect not only Litgrid's performance results but also funds that the Company allocates to cover the operating costs, investments that maintain the reliability of the transmission grid, as well as opportunities for financing strategic projects from the Company's own or borrowed funds. In order to reduce the impact of regulatory risks on performance results, the Company actively cooperates



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with the Commission and participates in discussions on projected amendments to legal acts, with its argumentation based on the impact of the decisions and long-term strategic objectives of the Company.

To reduce the compliance risk, i. e. the probability that the Company will be in breach of the requirements set for the regulated activities, the Company's legal team carefully supervises the decision-making process, drafting of internal legal acts, and setting of contractual obligations.

### **Operating risk**

One of the main functions and responsibilities of the Company's operations is ensuring the reliability of electricity transmission and preventing disruptions of energy supply. Main operational risks that could affect the reliability of the transmission are caused by external environmental factors: natural disasters, disruptions in the operations of main contractors, criminal acts of third parties, as well as internal factors such as information systems' failures. The Company has implemented solutions which meet the requirements of physical and information technology security set for enterprises that have strategic or important role for national security, and modern information systems.

Emergency response plans that ensure business continuity are prepared and kept up to date. In order to avoid potential delays in grid reconstruction and development projects, Litgrid has a project management system in place. Up-to-date and highly selective requirements for qualifications of contractors ensure that they are able to implement complex projects.

The company focuses on the attraction and retention of highly-qualified employees that are able to implement ambitious operational and strategic plans. For that purpose, educational and substitutability plans are being developed and the remuneration and motivation policies have been updated.

### **Financial risk**

Companies in the Litgrid Group encounter financial risks in their operations including credit risk, liquidity risk and market risk (currency exchange risk and interest rate risk). In managing this risk, the Group's companies seek to minimise the effects of factors that can have an adverse impact on financial results of the Group. The Company has a significant concentration of credit risk. The Company requires its customers/third parties to provide adequate securities to ensure the execution of contracts (measures are applied according to the customer's/third party's risk rating).

### **Technological risk**

Lithuania's energy system has 15 interconnections with the neighbouring energy systems. The available means for the power and energy balance control are limited, and the power and energy balance control process is complex.

Litgrid Power Link Service UAB, a subsidiary of Litgrid employing highly qualified specialists was formed to ensure a reliable operation of the new high-voltage direct current power links. The employed of the company have acquired their specialist skills and knowledge on the operation and repairs of the power links at training courses provided by the links' equipment manufacturers as well as by participating in the testing of the relevant equipment, systems and links and the analyses of the causes of disconnection of the links during the trial operation.

More than one half of the high-voltage electricity transmission grid equipment is older than 45 years. Faults and failures of the most important process equipment can have a negative impact on Litgrid's operations and financial results. In order to avoid disruptions in the power supply, Litgrid monitors the condition of the transmission network, develops monitoring plans and plans new investments in the network in due time. Investments in equipment and materials has a direct impact on financial results. The Company ranks investments in the network based on objective criteria and applying a specific evaluation methodology with the aim to optimise investments and ensure an even investment process.

### **Environmental risks**

Companies of the Group comply with the environmental regulations on appropriate labelling, use and storage of hazardous materials and ensures that equipment operated by the companies meets the established requirements. At facilities that pose an increased risk to the environment due to pollutants or waste, work is organised according to the conditions set out in the Integrated Pollution Prevention and Control Permits issued by regional environmental protection departments.

### III. Information on Share Capital and Shareholders

Litgrid has not acquired its own shares, nor has made any acquisitions or disposals of own shares during the reporting period. Subsidiaries of the Company have not acquired shares of the Company.

Since 22 December 2010, Litgrid's shares are on the Baltic Secondary List at the NASDAQ OMX Vilnius exchange, ISIN code LT0000128415.

Litgrid's authorised capital is EUR 146,256,100.2, divided into 504,331,380 ordinary registered shares of EUR 0.29 par value per share. The number of shares to which voting rights are attached: 504,331,380.

As of 19 April 2017, the company had 5,598 (five thousand five hundred twenty eight) shareholders. 97.5% of Litgrid shares are owned by EPSO-G (A. Juozapavičiaus 13, LT-09310 Vilnius, business ID 302826889), 100% of which are owned by the Ministry of Energy.

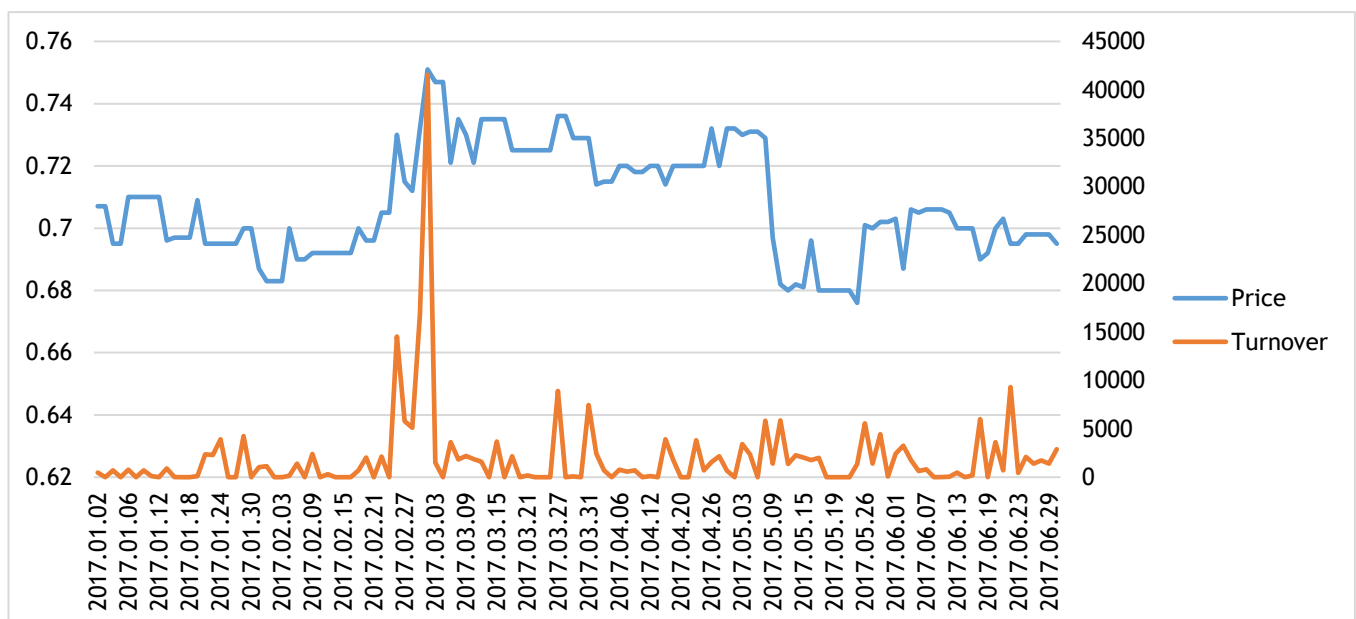
Services of accounting for Litgrid's securities and the related services from 1 February 2016 to 31 January 2019 are provided by Swedbank AB.

Securities of the Company's subsidiaries are not traded on any securities exchange.

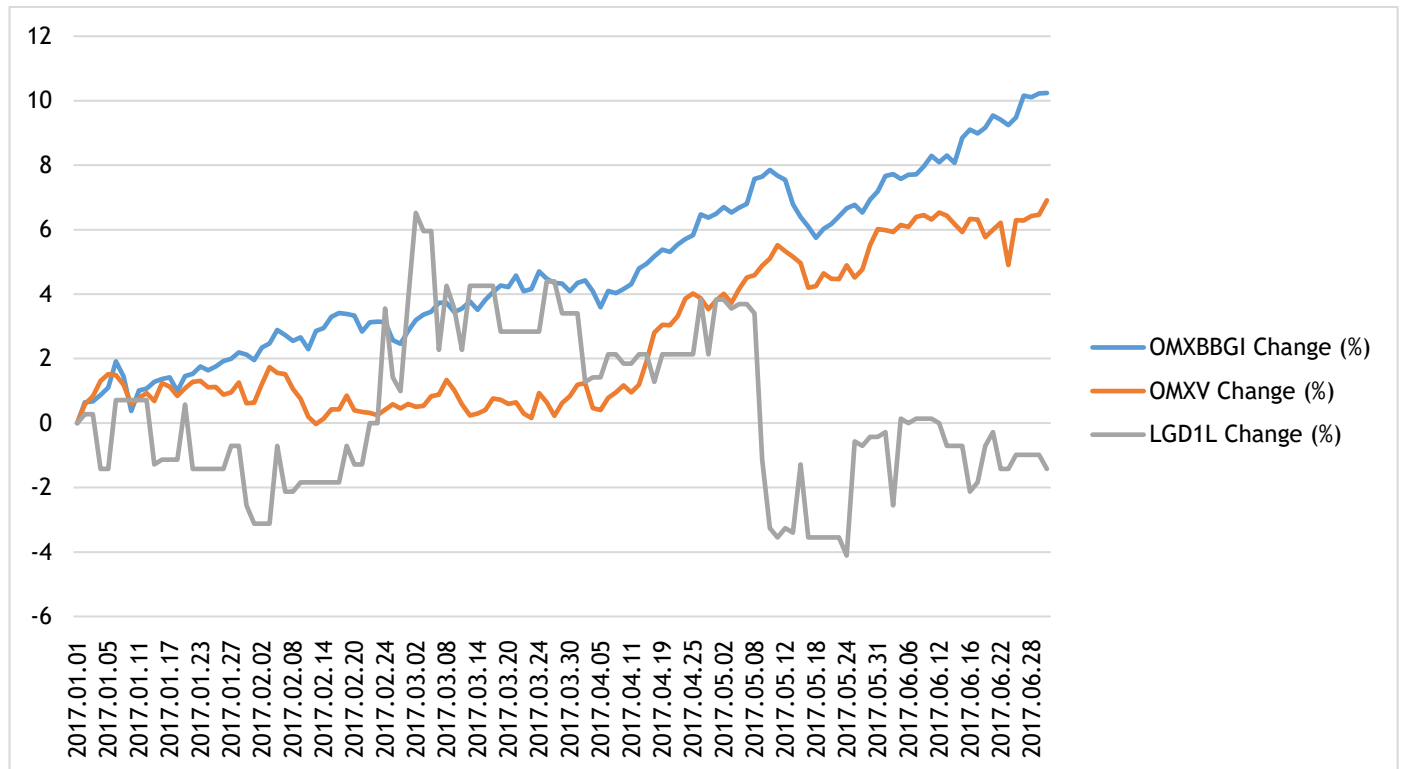
#### Trading in Litgrid securities in regulated markets:

Indicator	2015	2016	2017
Opening price, EUR	0.698	0.708	0,700
Highest price, EUR	0.740	0.745	0,751
Lowest price, EUR	0.550	0.676	0,676
Closing price, EUR	0.708	0.705	0,704
Turnover, pcs	656,613	788,916	367 481
Turnover, EUR m	0.45	0.56	0,26 EUR
Capitalisation, EUR m	357.07	355.55	355,05 EUR

#### Turnover and price of Litgrid shares, EUR:



**Comparison of the price of Litgrid shares (LGD1L) with the OMX Baltic Benchmark GI (OMXBBGI) and OMX Vilnius (OMXV) indexes during the reporting period:**



### Articles of Association

The Articles of Association of Litgrid AB may be amended according to the procedure prescribed by the Republic of Lithuania Law on Companies. Adoption of an amendment requires a two-third majority vote of the shareholders participating in a general meeting of shareholders.

The Articles of Association of Litgrid AB were registered on 16 May 2016.

### The General Meeting of Shareholders

The general meeting of shareholders is the supreme management body of the Company.

The remit of the general meeting of shareholders and the procedures for its convention and decision-adoption are prescribed by the laws, other legal acts and the Articles of Association.

### The Board

The Board consists of five members and is elected for a four-year term of office. The term of the Board starts after the end of the general meeting of shareholders at which the Board was elected and ends on the date of the ordinary general meeting of shareholders held in the last year of the Board's term.

Where the Board or a Board Member is recalled, resigns or ceases to perform its duties for any other reason, a new Board/Board Member is elected for the remainder of the Board's term. The structure of the Board must be as follows: two members - representatives of top management of the parent company (EPSO-G), two members - representatives of top management of Litgrid, and one independent member.



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The Board elects the Chairperson from among its members.

The Board works in accordance with the laws and other legal acts, the Articles of Association, decisions of the general meeting of shareholders and Work Regulations of the Board.

The Board is a collegiate management body of the Company. The remit of the Board and the procedures for adoption of decisions and electing and recalling of its members are prescribed by the laws, other legal acts and the Articles of Association. The Board reports to the general meeting of shareholders.

*Areas of activities of the Board*

The Board considers and approves the Company's strategy, a three-year operating plan of the Company, a ten-year transmission grid development plan, the budget of the Company, the procedure for granting support and charity, and other documents governing strategic operations of the Company. The Board takes decisions on the Company's undertaking of new types of activities or ceasing to carry out certain activities to the extent that this does not contradict the purpose of the Company's operations. It also takes decisions on the issue of bonds, restructuring of the Company, transfer of the Company's shares to other persons, and financial transactions exceeding EUR 3 million in value. The Board also decides other matters as stated in the Articles of Association.

*Areas of activities of the Chief Executive Officer*

The Managing Director is the single-handed management body of the Company. The Managing Director organises and directs the Company's activities, acts on behalf of the Company, and concludes transactions at his/her sole discretion. The remit of the Managing Director as well as the procedure for his election and recall is prescribed by laws, other legal acts and the Articles of Association.

**Members of the Board, the Managing Director and the Chief Financial Officer of Litgrid:**

Position	Name	Start date	End date	Number of the issuer's shares held
<b>Board</b>				
<b>Chairperson of the Board</b>	Rimvydas Štilinis	2016 07 29		-
<b>Member of the Board</b>	Daivis Virbickas	2013 09 10		-
<b>Member of the Board</b>	Vidmantas Grušas	2013 09 10		-
<b>Member of the Board</b>	Nemunas Biknius	2016 07 29		-
<b>Member of the Board</b>	Domas Sidaravičius	2016 07 29		-
<b>Managing Director</b>	Daivis Virbickas	2013 09 10		-
<b>Chief Financier</b>	Žydrūnas Augutis	2017 06 05		-
<b>Chief Financier</b>	Jūratė Vyšniauskienė	2015 10 19	2017 02 09	-
<b>Acting Chief financier</b>	Raimonda Duobuvienė	2017 02 10	2017 06 04	-

**Members of the Board of Litgrid**

**Rimvydas Štilinis, Chairperson of the Board**

Born in 1978. Mr Rimvydas Štilinis holds a Master's Degree in Electrical Engineering from Kaunas University of Technology (KTU). In 2002-2014 he worked for Lietuvos energija UAB: in 2008-2014 as the Head of the Nuclear Energy Department, the Construction and Infrastructure Department, and the Centre for Infrastructure Competences. In 2014-2015 he worked as the CEO of VAE SPB UAB. Mr R. Štilinis is Director for Infrastructure at EPSO-G, the parent company of Litgrid controlling 97.8 % of its shares, and Member of the Board of Amber Grid, Lithuania's gas transmission network operator.

**Daivis Virbickas, Member of the Board**

Born in 1978. Responsible for strategic management and the power system control. He has experience of many years in the development and management of long-term strategies for power transmission system development, analysis of electricity



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markets, and corporate governance. Until 2013: Director of Commerce at Alpiq Energija Lietuva representing Alpiq AG, a Swiss holding company, in the Baltic States. Until 2011: Technical Director at Litgrid.

Mr Virbickas holds a Master's Degree in Energy Systems Management from Kaunas University of Technology (KTU) (graduated in 2002), a Bachelor's Degree in Business Management from KTU and the Corporate Governance Certificate (2008) from Baltic Management Institute and IMD Business School (Switzerland).

**Vidmantas Grušas**, Member of the Board

Born in 1962. Responsible for the management of electricity transmission grid. He has vast experience in the operation of high voltage electricity transmission grid equipment, development of grid facilities and dispatch control of the power system.

Mr Grušas holds a diploma in Managing Energy Business (2009) from Scandinavian International Management Institute in Denmark. In 1985 he graduated from Riga University of Technology (former Riga Polytechnic Institute) with the Energy Engineering qualifications.

**Nemunas Biknius**, Member of the Board.

Born in 1978. Mr Nemunas Biknius holds a Master's Degree in Energy and Thermal Engineering from Vilnius Gediminas Technical University. He has worked in the Ministry of the Economy and the Ministry of Energy, was the Member of the Board and the Director of Service and Development Division of Lietuvos dujos AB. Mr N. Biknius is the Chairman of the Board of Amber Grid, Lithuania's gas transmission network operator, Member of the Board of Baltpool energy resources exchange, and Director for Strategy and Development at EPSO-G.

**Domas Sidaravičius**, Independent Member of the Board.

Born in 1975. Mr D. Sidaravičius holds a Bachelor's Degree in Business Administration and Management and a Master's Degree in International Trade at Vilnius University. He has many years' experience of work in financial, insurance and business risk management areas. Member of the Board and CEO of ERGO Invest SIA (Latvia) since March 2016.

Gross payment for first half of 2017 to those Members of the Board who receive remuneration for their work in the Board based on the shareholders' decision of 29 July 2016 totalled EUR 14,350.

Information about major related party transactions and their amounts, type of relations between the related parties and other information required for the understanding of the Company's financial position is provided in the Explanatory Notes to the Financial Statements, Note 9.

## Transparency

The Company complies with all the main provisions of Sections IV-VIII of the Transparency Guidelines except that:

- the Company does not publish information on salaries of members of management and employees;
- the Company does not have the practice of publishing the average monthly pay by corporate divisions.

**Notices of material events published by Litgrid in the period between 1 January and 9 August 2017:**

Date	Notice
2017 02 23	D. Virbickas: Our goal is sustainable results. Publication of interim unaudited financial results for 12 months of 2016
2017 03 07	Strategy of EPSO-G Group: strategic projects, regional development and efficiency
2017 04 03	Convention of a general meeting of shareholders of Litgrid AB
2017 04 05	EPSO-G Supervisory Council's feedback to the general meeting of shareholders of Litgrid AB
2017 04 19	Invitation: 'Inspiring Works and Goals: Litgrid AB's Operating Report to the Public'. 27 April, 10.00 at ISM University and online
2017 04 21	CORRECTION: Convention of a general meeting of shareholders of Litgrid AB A mistake in the record date of the general meeting of shareholders was corrected
2017 04 25	Decisions adopted at the general meeting of shareholders of Litgrid on 25 April 2017
2017 04 25	Consolidated Annual Report and Financial Report of Litgrid AB and Its Subsidiaries for 2016
2017 04 25	Litgrid's dividend payment procedure for 2016
2017 04 27	Litgrid AB presents its results for 2016 in an event under the title 'Inspiring Works and Goals'. Report by Litgrid AB's Managing Director DAVIS Virbickas in the event presenting the Annual Operating Report
2017 05 02	Litgrid AB Strategy and Corporate Social Responsibility Report
2017 05 09	Convention of an extraordinary general meeting of shareholders of Litgrid AB
2017 05 16	Litgrid sold shares of Technologijų ir inovacijų centras to Lietuvos energija
2017 05 25	Litgrid Group's results point to steady growth in Q1
2017 06 01	Decisions adopted at Extraordinary General Meeting of Litgrid shareholders, 31 May 2017
2017 06 14	Litgrid's results for 2017 Q1: sustainable growth and value for society
2017 07 14	Regarding the management board decision of the parent company
2017 08 07	Lietuvos Energija and Litgrid Signed a Duomenų Logistikos Centras Sale Agreement with Telia Lietuva
2017 08 09	An internal check at Litgrid initiated due to the conclusions presented by the Public Procurement Office

Detailed information on all material events published in 2017 is provided on the website of the Vilnius Securities Exchange [http://www.nasdaqomxbaltic.com/market/?pg=news&issuer=LGD&start\\_d=1&start\\_m=1&start\\_y=1996](http://www.nasdaqomxbaltic.com/market/?pg=news&issuer=LGD&start_d=1&start_m=1&start_y=1996) and the website of Litgrid <http://www.litgrid.eu/index.php/apie-litgrid/investuotojams/esminiai-ivykiai-/478>.

STATEMENTS OF FINANCIAL POSITION  
(All amounts in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		30-06-2017	31-12-2016	30-06-2017	31-12-2016
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	3	3,708	1,491	3,704	1,486
Property, plant and equipment	3	386,613	398,433	385,568	397,542
Prepayments for property, plant, equipment		1,129	727	1,129	727
Investments in subsidiaries	4	-	-	4,089	4,089
Deferred income tax assets		25	66	-	-
Available-for-sale financial assets		2,693	2,693	2,693	2,693
<b>Total non-current assets</b>		<b>394,168</b>	<b>403,410</b>	<b>397,183</b>	<b>406,537</b>
<b>Current assets</b>					
Inventories		2,834	3,910	183	125
Prepayments		728	274	439	122
Trade receivables		16,320	19,041	13,839	14,552
Other amounts receivable		23,383	24,916	22,591	24,593
Prepaid income tax		4	3	-	-
Other financial assets	5	8,125	10,012	8,125	10,012
Cash and cash equivalents		502	798	274	608
<b>Total current assets</b>		<b>51,896</b>	<b>58,954</b>	<b>45,451</b>	<b>50,012</b>
<b>TOTAL ASSETS</b>		<b>446,064</b>	<b>462,364</b>	<b>442,634</b>	<b>456,549</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Authorised share capital		146,256	146,256	146,256	146,256
Share premium		8,579	8,579	8,579	8,579
Revaluation reserve		5,356	5,608	5,286	5,533
Reserve of changes in fair value of financial assets		655	655	655	655
Legal reserve		14,790	14,726	14,626	14,626
Other reserves		62,767	62,747	62,767	62,747
Retained earnings (deficit)		3,448	16,234	6,997	18,175
<b>Total equity</b>		<b>241,851</b>	<b>254,805</b>	<b>245,166</b>	<b>256,571</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants		38	38	38	38
Non-current borrowings	6	112,394	116,435	112,394	116,435
Finance lease liabilities		150	-	-	-
Deferred income tax liability		7,205	8,216	7,205	8,216
Deferred revenue		6,381	7,966	6,381	7,966
Other non-current amounts payable and liabilities		152	152	81	81
<b>Total non-current liabilities</b>		<b>126,320</b>	<b>132,807</b>	<b>126,099</b>	<b>132,736</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	6	8,082	8,082	8,082	8,082
Current borrowings	6	44,727	40,986	42,180	40,171
Current portion of finance lease liabilities		33	-	-	-
Trade payables		13,929	13,857	11,056	8,376
Advance amounts received		676	869	676	869
Income tax liability		1,486	1,360	1,481	1,360
Other current amounts payable and liabilities		8,960	9,598	7,894	8,384
<b>Total current liabilities</b>		<b>77,893</b>	<b>74,752</b>	<b>71,369</b>	<b>67,242</b>
<b>Total liabilities</b>		<b>204,213</b>	<b>207,559</b>	<b>197,468</b>	<b>199,978</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>446,064</b>	<b>462,364</b>	<b>442,634</b>	<b>456,549</b>

The accompanying notes are an integral part of this condensed interim financial statements.



STATEMENTS OF COMPREHENSIVE INCOME  
(All amounts in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		30-06-2017	30-06-2016	30-06-2017	30-06-2016
<b>Continuing operations</b>					
<b>Revenue</b>					
Revenue from electricity transmission and related services		70,141	73,756	70,141	73,756
Other income		7,967	10,932	660	5,193
<b>Total revenue</b>	7	<b>78,108</b>	<b>84,688</b>	<b>70,801</b>	<b>78,949</b>
<b>Expenses</b>					
Expenses of electricity transmission and related services		(39,080)	(43,605)	(39,080)	(43,605)
Depreciation and amortisation	3	(13,129)	(13,105)	(13,012)	(12,996)
Wages and salaries and related expenses		(6,768)	(6,777)	(3,512)	(3,716)
Repair and maintenance expenses		(2,131)	(1,991)	(3,133)	(2,974)
Telecommunications and IT maintenance expenses		(743)	(1,577)	(671)	(1,506)
Expenses of property, plant and equipment write-off		(243)	(592)	(243)	(592)
Impairment of inventories and amounts receivable		107	31	109	30
Impairment of property, plant and equipment	3	-	(434)	-	(434)
Other expenses		(8,976)	(6,255)	(2,682)	(2,656)
<b>Total expenses</b>		<b>(70,963)</b>	<b>(74,305)</b>	<b>(62,224)</b>	<b>(68,449)</b>
<b>Operating profit/(loss)</b>		<b>7,145</b>	<b>10,383</b>	<b>8,577</b>	<b>10,500</b>
<b>Financing activities</b>					
Finance income		162	87	212	182
Finance costs		(691)	(850)	(672)	(845)
<b>Total finance costs</b>		<b>(529)</b>	<b>(763)</b>	<b>(460)</b>	<b>(663)</b>
Share of profit/(loss) of associates and joint ventures		-	1	-	-
<b>Profit/(loss) before income tax</b>		<b>6,616</b>	<b>9,621</b>	<b>8,117</b>	<b>9,837</b>
<b>Income tax</b>					
Current year income tax expenses		(2,385)	(1,423)	(2,377)	(1,422)
Deferred income tax (expenses)/income		971	440	1,011	467
<b>Total income tax</b>	8	<b>(1,414)</b>	<b>(983)</b>	<b>(1,366)</b>	<b>(955)</b>
<b>Profit/(loss) for the period from continuing operations</b>		<b>5,202</b>	<b>8,638</b>	<b>6,751</b>	<b>8,882</b>
<b>Discontinued operations</b>					
Profit (loss) for the period from discontinued operations		-	32	-	-
<b>Profit (loss) for the period</b>		<b>5,202</b>	<b>8,670</b>	<b>6,751</b>	<b>8,882</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>					
<b>Total comprehensive income (loss) for the period</b>		<b>5,202</b>	<b>8,670</b>	<b>6,751</b>	<b>8,882</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Parent		5,202	8,660	6,751	8,882
Non-controlling interest		-	10	-	-
		<b>5,202</b>	<b>8,670</b>	<b>6,751</b>	<b>8,882</b>
<b>Total comprehensive income(loss) attributable to:</b>					
Owners of the Parent		5,202	8,660	6,751	8,882
Non-controlling interest		-	10	-	-
		<b>5,202</b>	<b>8,670</b>	<b>6,751</b>	<b>8,882</b>
<b>Basic and diluted earnings (deficit) per share (in EUR)</b>	11	<b>0.010</b>	<b>0.017</b>	<b>0.013</b>	<b>0.018</b>

The accompanying notes are an integral part of this condensed interim financial statements.

STATEMENTS OF COMPREHENSIVE INCOME  
(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	01-04 - 30-06-2017	01-04 - 30-06-2016	01-04 - 30-06-2017	01-04 - 30-06-2016
<b>Continuing operations</b>				
<b>Revenue</b>				
Revenue from electricity transmission and related services	31,882	37,903	31,882	37,903
Other income	4,469	8,254	298	4,765
<b>Total revenue</b>	<b>36,351</b>	<b>46,157</b>	<b>32,180</b>	<b>42,668</b>
<b>Expenses</b>				
Expenses of electricity transmission and related services	(18,897)	(23,477)	(18,897)	(23,477)
Depreciation and amortisation	(6,514)	(6,653)	(6,454)	(6,598)
Wages and salaries and related expenses	(3,491)	(3,788)	(1,756)	(2,074)
Repair and maintenance expenses	(1,168)	(1,132)	(1,744)	(1,746)
Telecommunications and IT maintenance expenses	(381)	(809)	(345)	(776)
Expenses of property, plant and equipment write-off	(143)	(315)	(143)	(315)
Impairment of inventories and amounts receivable	103	37	103	34
Impairment of property, plant and equipment	-	-	-	-
Other expenses	(4,793)	(3,617)	(1,407)	(1,382)
<b>Total expenses</b>	<b>(35,284)</b>	<b>(39,754)</b>	<b>(30,643)</b>	<b>(36,334)</b>
<b>Operating profit/(loss)</b>	<b>1,067</b>	<b>6,403</b>	<b>1,537</b>	<b>6,334</b>
<b>Financing activities</b>				
Finance income	146	71	196	103
Finance costs	(362)	(417)	(356)	(414)
<b>Total finance costs</b>	<b>(216)</b>	<b>(346)</b>	<b>(160)</b>	<b>(311)</b>
Share of profit/(loss) of associates and joint ventures	-	(6)	-	-
<b>Profit/(loss) before income tax</b>	<b>851</b>	<b>6,051</b>	<b>1,377</b>	<b>6,023</b>
<b>Income tax</b>				
Current year income tax expenses	(803)	(179)	(797)	(181)
Deferred income tax (expenses)/income	638	(205)	637	(176)
<b>Total income tax</b>	<b>(165)</b>	<b>(384)</b>	<b>(160)</b>	<b>(357)</b>
<b>Profit/(loss) for the period from continuing operations</b>	<b>686</b>	<b>5,667</b>	<b>1,217</b>	<b>5,666</b>
<b>Discontinued operations</b>				
Profit (loss) for the period from discontinued operations	-	-	-	-
<b>Profit (loss) for the period</b>	<b>686</b>	<b>5,667</b>	<b>1,217</b>	<b>5,666</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>	-	-	-	-
<b>Total comprehensive income (loss) for the period</b>	<b>686</b>	<b>5,667</b>	<b>1,217</b>	<b>5,666</b>
<b>Profit/(loss) attributable to:</b>				
Owners of the Parent	686	5,667	1,217	5,666
Non-controlling interest	-	-	-	-
	<b>686</b>	<b>5,667</b>	<b>1,217</b>	<b>5,666</b>
<b>Total comprehensive income(loss) attributable to:</b>				
Owners of the Parent	686	5,667	1,217	5,666
Non-controlling interest	-	-	-	-
	<b>686</b>	<b>5,667</b>	<b>1,217</b>	<b>5,666</b>
<b>Basic and diluted earnings (deficit) per share (in EUR)</b>	<b>0.001</b>	<b>0.011</b>	<b>0.002</b>	<b>0.011</b>

The accompanying notes are an integral part of this condensed interim financial statements.

**STATEMENTS OF CHANGES IN EQUITY**  
(All amounts in EUR thousands unless otherwise stated)

Group	Attributable to owners of the Group									Total
	Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Interim amount	Non-controlling interest	
<b>Balance at 1 January 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>6,228</b>	<b>298</b>	<b>14,606</b>	<b>62,747</b>	<b>2,476</b>	<b>241,190</b>	<b>133</b>	<b>241,323</b>
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	8,660	8,660	10	8,670
Depreciation of revaluation reserve and amounts written off	-	-	(314)	-	-	-	314	-	-	-
Transfer to reserves	-	-	-	-	120	-	(120)	-	-	-
Dividends	-	-	-	-	-	-	(4,589)	(4,589)	-	(4,589)
Change in interest in the subsidiary	-	-	-	-	-	-	95	95	(143)	(48)
<b>Balance at 30 June 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>5,914</b>	<b>298</b>	<b>14,726</b>	<b>62,747</b>	<b>6,836</b>	<b>245,356</b>	<b>-</b>	<b>245,356</b>
<b>Balance at 1 January 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,608</b>	<b>655</b>	<b>14,726</b>	<b>62,747</b>	<b>16,234</b>	<b>254,805</b>	<b>-</b>	<b>254,805</b>
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	5,202	5,202	-	5,202
Depreciation of revaluation reserve and amounts written off	-	-	(252)	-	-	-	252	-	-	-
Transfer to reserves	-	-	-	-	64	20	(84)	-	-	-
Dividends	10	-	-	-	-	-	(18,156)	(18,156)	-	(18,156)
<b>Balance at 30 June 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,356</b>	<b>655</b>	<b>14,790</b>	<b>62,767</b>	<b>3,448</b>	<b>241,851</b>	<b>-</b>	<b>241,851</b>
<b>Company</b>										
	Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Total		
<b>Balance at 1 January 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>6,138</b>	<b>298</b>	<b>14,606</b>	<b>62,747</b>	<b>5,351</b>	<b>243,975</b>		
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	8,882	8,882		
Depreciation of revaluation reserve and amounts written off	-	-	(304)	-	-	-	304	-		
Transfer to reserves	-	-	-	-	20	-	(20)	-		
Dividends	-	-	-	-	-	-	(4,589)	(4,589)		
<b>Balance at 30 June 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>5,834</b>	<b>298</b>	<b>14,626</b>	<b>62,747</b>	<b>9,928</b>	<b>248,268</b>		
<b>Balance at 1 January 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,533</b>	<b>655</b>	<b>14,626</b>	<b>62,747</b>	<b>18,175</b>	<b>256,571</b>		
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	6,751	6,751		
Depreciation of revaluation reserve and amounts written off	-	-	(247)	-	-	-	247	-		
Transfer to reserves	-	-	-	-	-	20	(20)	-		
Dividends	10	-	-	-	-	-	(18,156)	(18,156)		
<b>Balance at 30 June 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,286</b>	<b>655</b>	<b>14,626</b>	<b>62,767</b>	<b>6,997</b>	<b>245,166</b>		

The accompanying notes are an integral part of this condensed interim financial statements.



Litgrid

## STATEMENTS OF CASH FLOWS

(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
<b>Cash flows from operating activities</b>				
Profit/(loss) for the year	5,202	8,670	6,751	8,882
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	13,128	13,105	13,012	12,996
Impairment of property, plant and equipment	-	434	-	434
(Reversal of)/impairment charge on assets	(595)	(29)	(597)	(30)
Write-off of bad debt	488	-	488	-
Share of profit of associates and joint ventures	-	(1)	-	-
Income tax expenses	1,414	983	1,366	955
(Gain)/loss on disposal/write-off of property, plant and equipment	243	592	243	592
Adjustments for other non-cash items	(647)	-	(647)	-
<b>Elimination of results of financing and investing activities:</b>				
Interest expenses	687	833	668	828
Dividends income	(134)	(59)	(184)	(91)
Other finance (income)/costs	(24)	(11)	(24)	(74)
<b>Changes in working capital:</b>				
(Increase) decrease in trade receivables and other amounts receivable	4,495	(8,131)	2,807	(10,346)
(Increase) decrease in inventories, prepayments and other current assets	653	(1,110)	(344)	(328)
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received	(3,513)	(5,756)	(443)	(4,702)
Changes in other financial assets	1,887	(3,551)	1,887	(3,551)
Income tax (paid)	(2,274)	(383)	(2,257)	(378)
<b>Net cash generated from operating activities</b>	<b>21,010</b>	<b>5,586</b>	<b>22,726</b>	<b>5,187</b>
<b>Net cash used in operating activities of the discontinued operations</b>	<b>-</b>	<b>4,623</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
(Purchase) of property, plant and equipment and intangible assets	(8,741)	(44,400)	(8,827)	(44,253)
Congestion revenue received	4,747	4,614	4,747	4,614
Grants received	1,776	41,016	1,776	41,016
Dividends received	134	59	134	91
Disposal of subsidiaries (associates)	-	-	-	388
<b>Net cash generated from (used in) investing activities</b>	<b>(2,084)</b>	<b>1,289</b>	<b>(2,170)</b>	<b>1,856</b>
<b>Net cash generated from (used in) investing activities of the discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Repayments of borrowings	-	40,000	-	40,000
Finance lease payments	(4,041)	(4,042)	(4,041)	(4,042)
Finance lease payments	(45)	-	-	-
Overdraft	3,741	(35,068)	2,009	(35,014)
Interest paid	(772)	(838)	(753)	(833)
Dividends paid	(18,105)	(4,592)	(18,105)	(4,592)
<b>Net cash generated from (used in) financing activities</b>	<b>(19,222)</b>	<b>(4,540)</b>	<b>(20,890)</b>	<b>(4,481)</b>
<b>Net cash generated from (used in) financing activities of the discontinued operations</b>	<b>-</b>	<b>(4,655)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(296)</b>	<b>2,303</b>	<b>(334)</b>	<b>2,562</b>
Cash and cash equivalents at the beginning of the period	798	791	608	483
<b>Cash and cash equivalents at the end of the period</b>	<b>502</b>	<b>3,094</b>	<b>274</b>	<b>3,045</b>

The accompanying notes are an integral part of this condensed interim financial statements.

## 1 General information

Litgrid AB (hereinafter “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is: A. Juozapavičiaus g. 13, LT-09311, Vilnius, Lithuania. The Company was established as a result of the unbundling of Lietuvos Energija AB operations and was registered with the Register of Legal Entities on 16 November 2010, entity’s code is 302564383.

Litgrid is an operator of electricity transmission system, operating electricity transmissions in the territory of Lithuania and ensuring the stability of operation of the whole electric power system. In addition, the Company is also responsible for the integration of the Lithuanian power system into the European electricity infrastructure and common electricity market.

On 27 August 2013, the National Commission for Energy Control and Prices (hereinafter - „NCC“) issued in respect of the Company an open - ended License for the engagement in activity of Transmission electric power.

The Company was involved in the implementation of the projects for cross-border strategic power links NordBalt (Lithuania-Sweden) and LitPol Link (Lithuania-Poland).

The principal objectives of the Company’s activities include ensuring the stability and reliability of the electric power system in the territory of Lithuania within its areas of competence, creation of objective and non-discriminatory conditions for the use of the transmission networks, management, use and disposal of electricity transmission system assets and its appurtenances.

As at 30 June 2017 the share capital of the Company amounted to EUR 146,256,100.20. It was divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. **The Company has not acquired any own shares.**

As at 30 June 2017 and 31 December 2016, the Company’s shareholders structure was as follows:

Company’s shareholders	Number of shares held	Number of shares held (%)
UAB EPSO-G	491,736,153	97.5
Other shareholders	12,595,227	2.5
<b>Total:</b>	<b>504,331,380</b>	<b>100</b>

The ultimate controlling shareholder of EPSO-G UAB (company code 302826889, address A. Juozapavičiaus g. 13, Vilnius, Lithuania) is the Ministry of Energy of the Republic of Lithuania.

The shares of the Company are listed on the additional trading list of NASDAQ OMX Vilnius Stock Exchange, issue ISIN code LT0000128415.

As at 30 June 2017 and 31 December 2016 the Group included Litgrid, its directly controlled subsidiaries, associates and joint ventures, listed below:

Company	Address of the company’s registered office	Shareholding as at 30 June 2017	Shareholding as at 31 December 2016	Profile of activities
Tetas UAB	Senamiesčio g. 102B, Panevėžys, Lithuania	100%	100%	Transformer substation and distribution station design, reconstruction, repair and maintenance services
Litgrid Power Link Service UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100%	100%	Management and operation of electricity interconnection facilities
Duomenų Logistikos Centras UAB	Žvejų g. 14, Vilnius, Lithuania	20%	20%	IT services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Implementation and co-ordination of joint assignments in relation to operation of current interconnection Lithuania-Poland, planned development of the network and other fields of co-operation.

On 27 January 2017, the Company’s Board gave its consent to the arrangement of sale of all 20.36% shares held under the title of ownership by Litgrid AB in Duomenų Logistikos Centras UAB, together with the shares held in Duomenų Logistikos Centras UAB by Lietuvos Energija UAB. As indicated in the Note No 13 Events after the end of the reporting period, on 7 August 2017 shareholders of UAB Duomenų Logistikos Centras, the Company and Lietuvos energija, UAB, signed a share sale - purchase agreement with Telia Lietuva. The sale process of UAB Duomenų Logistikos Centras should be finalised, supposed by the beginning of 2018 on obtaining authorisation from the Competition Council.

Company’s investment in associated entity was accounted in the item Other financial assets of Statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS**  
(All amounts in EUR thousands unless otherwise stated)

As at 30 June 2017, the Group had 682 employees (31 December 2016: 685), and the Company had 239 employees (31 December 2016: 235).

**2 Summary of principal accounting policies**

These condensed interim Consolidated and the Company's financial statements, for the six months period ended 30 June 2017 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, including International Accounting Standard (hereinafter - IAS) 34 „Interim Financial Reporting“. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2016.

The presentation currency is euro. These financial statements are presented in thousands of euro, unless otherwise stated.

In order to better understand the data presented in this condensed interim financial statements, this financial statements should be read in conjunction with the Consolidated and the Company's financial statements for the year 2016, prepared according to International Financial Reporting Standards as adopted by the European Union.

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss, and available-for-sale financial assets which are carried at fair value.

The financial year of the Company and other Group companies coincides with the calendar year.

These financial statements for the period ended 30 June 2017 are not audited. Financial statements for the year ended 31 December 2016 are audited by the external auditor UAB PricewaterhouseCoopers.

**3 Intangible assets and property, plant, and equipment**

Group	Intangible assets	Property, plant, and equipment
<b>Net book amount at 31 December 2015</b>	<b>876</b>	<b>409,148</b>
Additions	564	80,891
Disposals	-	(8)
Write-offs	-	(630)
Impairment	-	(434)
Reclassification	43	(43)
Transfer from grants not received	-	(13,520)
Set-off of grants with non-current assets	-	(61,310)
Depreciation and amortization charge	(215)	(12,890)
<b>Net book amount at 30 June 2016</b>	<b>1,268</b>	<b>401,204</b>
<b>Net book amount at 31 December 2016</b>	<b>1,491</b>	<b>398,433</b>
Additions	171	11,023
Write-offs	-	(257)
Transfer to inventories	-	(16)
Reclassification	2,292	(2,292)
Set-off of grants with non-current assets	-	(7,396)
Depreciation and amortization charge	(246)	(12,882)
<b>Net book amount at 30 June 2017</b>	<b>3,708</b>	<b>386,613</b>

NOTES TO THE FINANCIAL STATEMENTS  
(All amounts in EUR thousands unless otherwise stated)

Company	Intangible assets	Property, plant, and equipment
<b>Net book amount at 31 December 2015</b>	<b>870</b>	<b>408,262</b>
Additions	564	80,744
Write-offs	-	(630)
Impairment	-	(434)
Reclassification	43	(43)
Transfer from grants not received	-	(13,520)
Set-off of grants with non-current assets	-	(61,310)
Depreciation and amortization charge	(214)	(12,782)
<b>Net book amount at 30 June 2016</b>	<b>1,263</b>	<b>400,287</b>
<b>Net book amount at 31 December 2016</b>	<b>1,486</b>	<b>397,542</b>
Additions	171	10,754
Write-offs	-	(257)
Transfer to inventories	-	(16)
Reclassification	2,292	(2,292)
Set-off of grants with non-current assets	-	(7,396)
Depreciation and amortization charge	(245)	(12,767)
<b>Net book amount at 30 June 2017</b>	<b>3,704</b>	<b>385,568</b>

Property, plant, and equipment value are carried at the asset acquisition cost less grants received or receivable. Grants comprise of EU structural funds, connection fees of new consumers (producers) for connection their to electricity transmission network (applicable for fees received until 1 July 2009), PSO funds and congestion income funds. If the value of the Property, plant, and equipment was not reduced by the grants, the book value of these assets as of 30 June 2017 would be higher by Eur 289,340 thousand. Information about the Property, plant, and equipment the value of which has been reduced by the grants received/receivable is presented below:

<b>Net book amount at 31 December 2016</b>	<b>285,745</b>
Additions	7,396
Depreciation charge	3,801
<b>Net book amount at 30 June 2017</b>	<b>289,340</b>

#### 4 Investments in subsidiaries

As at 30 June 2017 and 31 December 2016 the Company's investments comprised as following:

Subsidiaries	Investment cost	Impairment	Carrying amount	Ownership interest, %
TETAS UAB	4,356	(441)	3,915	100
Litgrid Power Link Service UAB	174	-	174	100
<b>Total</b>	<b>4,530</b>	<b>(441)</b>	<b>4,089</b>	

#### 5 Other financial assets

On 15 May 2017 AB Litgrid and Lietuvos energija, UAB have signed a share sale - purchase agreement Under this agreement AB Litgrid has transferred to UAB Lietuvos energija the ownership of 1000 units of ordinary registered non-material shares of UAB Technologiju ir inovaciju centras. This constitutes to 0.004 % of all UAB Technologiju ir inovaciju centras shares. Shares were sold for EUR 847.

In the item Other financial assets Group and Company accounted funds deposited for guarantees and deposits, congestion income funds and shareholding in UAB Duomenų logistikos centras. As at 30 June 2017 Other financial assets was amounted to EUR 8,125 thousand (as at 31 December 2016 - EUR 10,012 thousand). Other financial assets includes shareholding in Duomenų Logistikos Centras UAB amounting to EUR 752 thousand.

## 6 Borrowings

Borrowings of the Group/Company were as follows:

	Group		Company	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
<b>Non-current borrowings</b>				
Borrowings from banks	112,394	116,435	112,394	116,435
<b>Current borrowings</b>				
Current portion of non-current borrowings	8,082	8,082	8,082	8,082
Overdraft	44,727	40,986	42,180	40,171
<b>Total borrowings</b>	<b>165,203</b>	<b>165,503</b>	<b>162,656</b>	<b>164,688</b>

Maturity of non-current borrowings:

	Group		Company	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Between 1 and 2 years	11,154	8,082	11,154	8,082
From 2 to 5 years	42,676	42,676	42,676	42,676
After 5 years	58,564	65,677	58,564	65,677
<b>Total</b>	<b>112,394</b>	<b>116,435</b>	<b>112,394</b>	<b>116,435</b>

As at 30 June 2017, the weighted average interest rate on the Group's and the Company's borrowings was 0.86% (31 December 2016: 0.95%).

As at 30 June 2017, the Group's unwithdrawn balance of loans and overdrafts amounted to EUR 12,873 thousand (31 December 2016: EUR 36,014 thousand), the Company's - EUR 12,820 thousand (31 December 2016: EUR 34,829 thousand).

Under the credit agreements signed with foreign banks the Company is committed to comply with the net debt to EBITDA ratio and not to exceed interest coverage ratio. The Company as at 30 June 2017 and as at 31 December 2016 complied with these requirements.

## 7 Segment information

The Group has distinguished the following 5 segments:

- electricity transmission;
- trade in balancing/regulating electricity;
- provision of system (capacity reserve) services;
- provision of services under PSO (public service obligation) scheme;
- repair and maintenance activities.

The Company's segments coincide with the electricity transmission, trade in balancing/regulating electricity, provision of system (capacity reserve) services and provision of services under PSO (public service obligation) scheme segments distinguished within the Group. Segments of the Group and the Company are not aggregated.

The electricity transmission segment is engaged in transmitting electricity over high voltage (330-110 kV) networks from producers to users or suppliers not in excess of the limit established in the contract. The main objective of these activities is to ensure a reliable, effective, high quality, transparent and safe electricity transmission to distributions networks, large network users from power stations and neighbouring energy systems.

Trade in balancing/regulating electricity is a service ensuring the balancing of electricity generation/import and demand/export levels.

Provision of system (capacity reserve) services. In order to ensure a reliable work of the system, the Company purchases from electricity producers the service of ensuring capacity reserve for power generation facilities, reaction power and voltage control, breakdown and disorder prevention and its liquidation and provides capacity reserve services to users. The capacity reserve is required in case of unexpected fall in electricity generation volumes or increase in electricity consumption.

The Company's/Group's services provided under PSO scheme comprise as follows:

- development and implementation of strategic projects for the improvement of energy security, installing interconnections between the electricity transmission systems abroad and (or) connecting the electricity transmission systems in the Republic of Lithuania with the electricity transmission systems in foreign countries (interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to continental Europe networks);



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- connection of power generation facilities that use the renewable energy resources to transmission networks; optimisation, development and/or reconstruction of transmission networks ensuring the development of power generation that uses the renewable energy resources;
- balancing of electricity generated using the renewable energy resources.

Repair and maintenance services are carried out by the Company's subsidiaries TETAS UAB and Litgrid Power Link Service UAB. The core line of business of Tetas UAB is provision of medium-voltage transformer substation and distribution station reconstruction, repair and maintenance services. The purpose of Litgrid Power Link Service UAB is a centre of competence of high qualification and specific engineering fields, and operation and management of HVDC (High Voltage Direct Current) links.

The Group's information on segments for the period ended 30 June 2017 is presented in the table below:

2017	Operating segments					Total
	Electricity transmission	Trade in balancing/regulating electricity	Provision of system services	Provision of services under PSO scheme	Repair and maintenance activities	
Revenue	36,978	8,306	21,406	4,111	9,371	80,172
Inter-segment revenue					(2,064)	(2,064)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>36,978</b>	<b>8,306</b>	<b>21,406</b>	<b>4,111</b>	<b>7,307</b>	<b>78,108</b>
<b>Operating profit/(loss)</b>	<b>5,350</b>	<b>2,261</b>	<b>943</b>	<b>23</b>	<b>(1,432)</b>	<b>7,145</b>
Finance income/(cost), net*	x	x	x	x	x	(529)
Profit/(loss) before income tax	x	x	x	x	x	6,616
Income tax*	x	x	x	x	x	(1,414)
<b>Profit/(loss) for the year</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>5,202</b>
Depreciation and amortisation expenses	12,852	40	120	-	117	13,129
Write-offs of property, plant and equipment	243	-	-	-	-	243

\* Income tax and finance income and costs are not allocated between the Company's operating segments and are attributed to electricity transmission operations.

The Group's information on segments for the period ended 30 June 2016 is presented in the table below:

2016	Operating segments					Total
	Electricity transmission	Trade in balancing/regulating electricity	Provision of system services	Provision of services under PSO scheme	Repair and maintenance activities	
Revenue	45,048	12,436	18,558	2,909	7,866	86,817
Inter-segment revenue	-	-	-	-	(2,129)	(2,129)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>45,048</b>	<b>12,436</b>	<b>18,558</b>	<b>2,909</b>	<b>5,737</b>	<b>84,688</b>
<b>Operating profit/(loss)</b>	<b>9,195</b>	<b>2,943</b>	<b>(1,639)</b>	<b>1</b>	<b>(117)</b>	<b>10,383</b>
Finance income/(cost), net*	x	x	x	x	x	(763)
Share of result of associates and joint ventures*	x	x	x	x	x	1
Profit/(loss) before income tax	x	x	x	x	x	9,621
Income tax*	x	x	x	x	x	(983)
Discontinued operations	x	x	x	x	x	32
<b>Profit/(loss) for the year</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>8,670</b>
Depreciation and amortisation expenses	12,906	23	68	-	108	13,105
Write-offs of property, plant and equipment	592	-	-	-	-	592

\* Income tax and finance income and costs are not allocated between the Company's operating segments and are attributed to electricity transmission operations.

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 96% of total revenue.

## 8 Income tax

Income tax expenses for the period comprise current and deferred tax.

Profit for 2017 is taxable at a rate of 15 percent in accordance with Lithuanian regulatory legislation on taxation (2016: 15 percent).

## 9 Related-party transactions

The Company's/Group's related parties in 2017 and 2016 were as follows:

- EPSO-G (the parent company of the Company). 100% of EPSO-G share capital is owned by the Ministry of Energy of the Republic of Lithuania;
- Subsidiaries of the Company;
- Associates and joint ventures of the Company;
- Amber Grid AB (common shareholders);
- Baltpool UAB (common shareholders);
- Management.

Transactions with related parties are carried out in accordance with market conditions and the tariffs approved under legislation or in accordance with the requirements of the Law on Public Procurement.

### *Sales of goods and services*

	Group		Company	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
The Group's parent company (EPSO-G UAB)	-	388	-	388
EPSO-G UAB group companies	2,459	11,594	2,459	11,594
The Company's subsidiaries	-	-	88	58
	<b>2,459</b>	<b>11,982</b>	<b>2,547</b>	<b>12,040</b>

### *Purchases of goods and services*

	Group		Company	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
The Group's parent company (EPSO-G UAB)	43	-	38	-
EPSO-G UAB group companies	158	(652)	158	(652)
The Company's subsidiaries	-	-	2,012	2,095
	<b>201</b>	<b>(652)</b>	<b>2,208</b>	<b>1,443</b>

### *Amounts receivable from related parties*

	Group		Company	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
EPSO-G UAB group companies	3,237	4,871	3,237	4,871
The Company's subsidiaries	-	-	62	332
	<b>3,237</b>	<b>4,871</b>	<b>3,299</b>	<b>5,203</b>

### *Amounts payable to related parties*

	Group		Company	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
The Group's parent company (EPSO-G UAB)	18	15	17	14
The Company's subsidiaries	-	-	645	345
	<b>18</b>	<b>15</b>	<b>662</b>	<b>359</b>

### *Payments to the key management personnel*

	Group		Company	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Employment-related payments	411	408	268	292
Whereof: termination benefits	25	33	-	33
Number of the key management personnel (average annual)	12	12	7	7

During the six months of the years 2017 and 2016 the Management of the Group and the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

Key management personnel consists of the Group's heads of administration and department directors.



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## 10 Dividends

During the Ordinary General Meeting of Shareholders of LITGRID AB held on 25 April 2017, the decision was made in relation to the payment of dividends in the amount of EUR 18,155,930. Dividends per share amounted to EUR 0.036.

## 11 Basic and diluted earnings per share

Basic earnings per share are calculated dividing the Group net profit for the period by the weighted average number of ordinary shares during the reportable period. The Group has no financial instruments, that can be potentially converted into ordinary shares and therefore diluted earnings per share are the same as basic earnings per share. Basic and diluted earnings are provided below:

	<u>30-06-2017</u>	<u>30-06-2016</u>
Net profit (loss) attributable to the Company's shareholders (EUR thousands)	5,202	8,660
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings (deficit) per share (in EUR)	<u>0.010</u>	<u>0.017</u>

## 12 Contingent liabilities

### Legal proceedings

#### Regulatory disputes

The Company has brought a lawsuit requesting to annul the decision of the National Control Commission for Energy and Price (hereinafter - NCC) under which an economic sanction of EUR 100 thousand was imposed on the Company for violations relating to the regulated activity that were allegedly made during the regulatory period of 2011-2013. Vilnius Regional Administrative Court by decision as of 29 June 2017 rejected Company's appeal and stayed enforced NCC decision to impose the Company penalty amounting to EUR 100 thousand and to obligate the Company to correct reports of regulatory expenses for the period of 2011-2013.

#### Other disputes

On 26 May 2017, A.Žilinskis ir Ko UAB filed a claim against the Company to award payment to contractor for additionally performed construction works. The claim amount is equal to EUR 157,833.77. The contractor requests to award from the Company the above indicated amount for additional construction works, procedural interest and litigation expenses.

Following to evidence provided by contractor in the claim and arguments provided by the Company, resolution of the claim is unclear.

## 13 Events after the end of the reporting period

On 7 August 2017 shareholders of UAB Duomenų Logistikos Centras, the Company and Lietuvos energija, UAB, signed a share sale - purchase agreement with Telia Lietuva. The sale process of UAB Duomenų Logistikos Centras should be finalised, supposed by the beginning of 2018 on obtaining authorisation from the Competition Council.

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