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## CONFIRMATION OF RESPONSIBLE PERSONS

August 25, 2016 Vilnius

Following Article 22 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, Rimantas Busila, Director of Finance Department of LITGRID AB, acting CEO and Jūratė Vyšniauskienė, Chief Financier-Accounting Division Manager of LITGRID AB, hereby confirm that, to the best of our knowledge, the attached unaudited interim consolidated financial statements of LITGRID AB for the six months period ended 30 June 2016 is prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, profit (losses) and cash flows for the relevant period, the Consolidated Interim Report for the six months period ended 30 June 2016 includes a fair review of the development and performance of the business.

Rimantas Busila

Director of Finance Department,  
acting CEO

Jūratė Vyšniauskienė

Chief Financier



Litgrid

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**LITGRID AB**

CONDENSED CONSOLIDATED AND THE COMPANY'S  
INTERIM FINANCIAL STATEMENTS FOR A SIX-MONTH  
PERIOD ENDED 30 JUNE 2016, PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS  
ADOPTED BY THE EUROPEAN UNION (UNAUDITED)  
PRESENTED TOGETHER WITH CONSOLIDATED INTERIM  
REPORT



Litgrid


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The condensed interim financial statements was signed on 25 August 2016.

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Rimantas Bušila  
Director of the Finance Department,  
Acting CEO

  
Jūratė Vyšniauskienė  
Chief Financier



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FOR THE PERIOD ENDED ON 30 JUNE 2016  
(all amounts in EUR thousands unless stated otherwise)

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## CONSOLIDATED INTERIM REPORT OF AB LITGRID AND ITS SUBSIDIARIES

### I. General Information about the Group

The consolidated interim report has been prepared for the first 6 months of 2016.

#### 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 5 278 2777
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 operations

Litgrid, Lithuania’s electricity transmission system operator (the “TSO”), maintains stable operation of the country’s 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 order to strengthen 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.

The Company as the backbone of the national power sector is responsible for the maintenance of the balance of the electricity consumed and produced in the system and the reliable transmission of electricity and 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 operations.

#### Litgrid’s operating plans and projections

Litgrid works actively and responsibly in the following key directions:

##### *European integration of the country’s power system*

Once Lithuania becomes a full-fledged participant of the European electricity system, European system management standards will be introduced in the electricity sector, and electricity flow management based on market principles and participation in maintaining the system’s frequency will be ensured. The desired result is the Baltic countries’ synchronous operation within continental European grids.

##### *A common European electricity market*

The integration of the Lithuanian electricity market into the Baltic and Nordic electricity market, and later 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 allow for the most effective use of networks and generation infrastructure and for ensuring electricity transmission security.



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## *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 country's grid ensure the integration of new electricity generators, the safe transmission of electricity, and the reliability of the system's operations.

## **The most important activities in first half of 2016 in implementing the power sector projects**

### *LitPol Link inter-system power interconnection*

LitPol Link has been in operation since the beginning of 2016. The HVDC converter station is the main and most complex unit of the new power link. The station converts current from alternating to direct current and back to alternating current, thus enabling the transmission of electricity between asynchronous Lithuanian and Polish power systems.

EUR 109 million were invested in LitPol Link project in Lithuania. In July 2015, the European Commission approved the EUR 27 million funding for the LitPol Link project. In all, investments of EUR 31 million in LitPol Link were financed by the EU.

In June 2016 Environmental Protection Agency and other related authorities approved the LitPol Link Environmental Impact Monitoring Programme. Under this programme the environmentalists will monitor specific areas where natural habitats of rare species have been identified. The monitoring will take three years. In addition, electromagnetic field investigations will be carried out in those parts of the route where the transmission line extends near residential and public buildings.

### *NordBalt inter-system power interconnection*

NordBalt power link started regular operations in June 2016, after the period of trial operations. One of the longest submarine cables in the world NordBalt is contributing significantly to the security of supply in Lithuania as well as in the Baltic countries.

Investments in NordBalt power link on the Lithuanian side totalled EUR 223 million including EUR 65 million of EU funding. It is the biggest joint Lithuanian-Swedish investment into energy sector.

### *Power system's reorientation to synchronous operation with the continental Europe networks*

The Law on the Integration of the Power System of the Republic of Lithuania into the European Electricity Systems adopted by the Seimas (Parliament) of the Republic of Lithuania in 2012 sets 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.

Out of a number of feasibility studies on connecting the electricity systems of the Baltic countries and the continental Europe completed in the period 1998-2013, the scenario of synchronisation via infrastructure links constructed across the territories of the EU Member States was chosen in 2014. The value of this complex project, according to different scenarios, varies between EUR 435 million and EUR 1,071 million.

In 2014, connecting the electricity systems of the Baltic countries with the continental Europe for synchronous operation was listed among the projects of common interest by the European Commission, and in 2015 the European Council highlighted the importance of all dimensions of the European energy union for the energy security of the region. The following projects have been listed as the Projects of Common Interest (PCI) by the European Commission in 2015:

- the 330 kV electricity transmission line Kruonis Hydro Pumped Storage Plant - Alytus;
- the converter in Alytus (Phase 2 of the LitPol Link project). Decision on implementation of this project will be adopted upon detailed analysis of the utilisation of the Lithuanian-Polish power link in operation and its effect on the regional electricity market prices;
- the 330 kV electricity transmission line Kruonis Hydro Pumped Storage Plant - Visaginas. Investments in this project would be approved only after decisions on construction of the nuclear power plant in Lithuania are adopted;
- a new electricity transmission line from the new transformer substation to the Lithuanian-Polish border. The line is necessary for the synchronisation of the Lithuanian electricity system with the European Continental Networks.



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In 2015, a study for the setting of the route of the new electricity transmission line from the new transformer substation in the Lithuanian electricity transmission grid to the Lithuanian-Polish border was conducted. The Lithuanian-Polish border crossing point and the feasibility of the power link's construction have been discussed with PSE, the Polish electricity transmission system operator.

### *Transmission grid development and reconstruction projects*

The complex project on the synchronisation with the continental European network includes numerous technical engineering and IT solutions, and individual works have to be planned and started in the nearest future. Apart from international agreements, synchronisation requires internal network development projects; some of them will be launched this year.

Reconstruction of the transformer substation at the Ignalina Nuclear Power Plant is one of such projects. The transformer substation was put into operation in 1981. At present it is one of the largest electricity transmission hubs in East Lithuania. Due to the closure of the Ignalina NPP, it was transformed from a huge electricity producer into one of the largest electricity consumers due to nuclear fuel contained therein as well as the future nuclear fuel depositories. The reconstruction will involve a replacement of all outdated substation installations and a re-installation of the sites of connection of cross-border power lines from Latvia and Byelorussia. It is planned that the modernised substation will be fully prepared for power system's synchronisation with continental Europe networks.

The concentration of business and service centres in Vilnius, the capital of Lithuania means that the increasing electricity consumption in the city now accounts for one-third of Lithuania's total electricity demand. At present Vilnius is supplied with electricity via high-voltage lines extending from the Lithuanian Power Plant and Belarus. In order to ensure a reliable transmission of electricity to Vilnius and to prepare for the synchronisation, the Vilnius transformer substation will be reinforced and new electricity transmission lines will be built. One of such lines is the projected 330 kV transmission line from the Lithuanian Power Plant to Vilnius.

The reconstruction of the 110 kV overhead lines from Merkinė to Trakai was completed in April-June 2016.

### *Integration of Baltic and Nordic electricity markets*

With the view of creating a common Baltic and Nordic market for reserve, regulation, and balancing, Litgrid and other Baltic electricity transmission system operators have agreed on the principles and an implementation plan of the common Baltic regulation and balancing market to be implemented by the end of 2017. Since 2015, common balancing of the Baltic countries' systems (imbalance netting) is being performed. This means that the three operators have been collectively accounting for the differences between planned and actually consumed electricity in the Lithuanian, Latvian and Estonian electricity systems for a more efficient control of the regulation and balancing costs of the electricity systems. This enabled Lithuania to save EUR 1.8 million in the balancing electricity costs in the first 6 months of 2016.

At the end of June 2016 the Lithuanian, Estonian and Latvian transmission system operators Litgrid, Elering and Augstsprieguma tīkls presented for public consultations a first set of documents on the Baltic countries market in balancing electricity. The purpose of the market is to enable a stronger competition between the market participants and ensure equal rights for the balancing electricity suppliers in all the countries. Integration of the Baltic and Nordic markets for regulating and balancing energy is projected for 2018 - 2020.

In the first 6 months of 2016, the average electricity price in the Lithuanian bidding area of the Nord Pool electricity exchange was 36.2 EUR/MWh. On average, 76 % of the electricity consumed during the same period was imported.

As of 1 January 2016, the Baltic Rules for the calculation and allocation of cross-border capacities signed by the Baltic electricity transmission system operators Litgrid, Augstsprieguma tīkls and Elering have come into effect to ensure maximum market access to the cross-border power links.

In order to create equal opportunities for consumers and flexibility for service providers to actively participate in the electricity market and system control, Lithuanian, Latvian, Estonian and Finnish electricity transmission system operators initiated a Joint Baltic and Nordic project and have submitted an application for European Regional Development Fund (Interreg Baltic) funding.

### *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) and Central Europe Energy Partners (CEEP).



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ENTSO-E (European Network of Transmission System Operators for Electricity) unites 41 electricity transmission system operators from 34 countries. Its main functions are: to resolve European-level issues on transmission grid management and development and the electricity market; to promote regional collaboration among TSOs; to make proposals regarding draft legislation prepared by the European Commission; and to prepare the Ten-Year Network Development Plan (TYNDP) and network codes. Litgrid representatives are on the organisation's System Operations, System Development, Market, and R&D committees as well as in 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.

On the initiative of three Baltic electricity transmission system operators, Litgrid together with ENTSO-E organised conference "Regional integration: hub of opportunities" on 1<sup>st</sup> June. In the first regional conference on energy strategies, held in Vilnius, energy experts from around the Baltic Sea region and other European countries presented their energy strategies in search of opportunities to benefit all countries in the region. The discussions in the conference involved the top managers from Lithuanian, Latvian, Estonian, Finnish, Swedish, Polish, Danish and Swedish electricity transmission system operators, high-ranking Baltic Sea region officials, energy experts, scientists and regulators.

CEEP (Central Europe Energy Partners) unites 26 organisations from five Central and Eastern Europe countries. CEEP's main objective is to support integration of the energy sector of newest European Union member states in the context of common EU energy and energy security policy. Litgrid uses its participation in CEEP to contribute to the development of regional positions on the EU energy policy issues, to take part in energy and industry forums organised by partners, and to present and seek support for key projects.



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### Litgrid's subsidiaries and their operations

As at 30 June 2016, the Litgrid group of companies consisted of AB Litgrid, UAB Tetas, and UAB Litgrid Power Link Service.

Name	UAB Tetas	UAB Litgrid Power Link Service
Legal form	Private company	Private company
Registration date and place	08/12/2005, Register of Legal Entities of the Republic of Lithuania	14/02/2014, 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 transformer substations' and distribution stations' installation, maintenance, repair and testing services; designing energy facilities	Preparation for the installation, maintenance and operation of high-voltage direct current power links with the power systems of Poland and Sweden
Country of operation	Lithuania	Lithuania
Litgrid's shareholding	100 %	100 %

Other Litgrid's shareholdings as of 30 June 2016:

Name	LitPol Link Sp.z.o.o	UAB Duomenų logistikos centras	UAB Technologijų ir inovacijų centras	Nord Pool AS
Country of establishment	Republic of Poland	Republic of Lithuania	Republic of Lithuania	Kingdom of Norway
Registered office	ul. Wojciecha Gorskiego 9, 00-33 Warszawa, Poland	Žvejų g. 14, LT-09310 Vilnius	A. Juozapavičiaus g.13, LT-09311, Vilnius	PO Box 121, NO-1325 Lysaker, Norway
Country of operation	Lithuania and Poland	Lithuania	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	0.01 % of shares and voting rights attached thereto	2 % of shares and voting rights and a board member on rotation basis

### Services rendered by Litgrid Group

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





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

### *Transmission of electricity*

The electricity transmission service is the transmission of electricity over the high voltage (330 and 110 kV) electric energy equipment. 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 of the management of the high voltage electricity transmission grid and ensuring a reliable, effective, high-quality, transparent and safe electricity transmission.

### *System services*

In order to maintain reliable system operations, Litgrid purchases from energy producers the services for the capacity reserve assurance at power generation facilities, reactive capacity and voltage management, and emergency and disruption prevention and response, 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. Regulating 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.

Balancing 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 with the technical facilities to quickly change power generation and consumption routines, 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. PSO funds are funds that are paid to providers of PSO.

Litgrid provides the following PSO:

- 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*

In order to maintain high transmission grid's reliability indicators and to properly plan and carry out the operation of the grid equipment, Litgrid has updated the methodology for the formation of the emergency reserve, approved new emergency reserve lists, conducted stock-taking of the emergency reserve's equipment and spare parts, and drawn up a plan for the acquisition of the emergency reserve equipment.

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

- Maintenance and repairs of electric equipment of the grids;



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- Construction of new energy facilities and reconstruction of existing energy facilities;
- Electrical equipment designing services.

#### *Maintenance, operation and management of HVDC links*

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

Since the beginning of 2016, Litgrid Power Link Service has taken over the operation of LitPol Link. The LitPol Link operation agreement has been concluded with PSE, the Polish TSO, and the parties have agreed on the power link operation model.

The company has taken over the operation of NordBalt power link in June 2016. The power link operation model has been agreed with Svenska Kraftnät, the Swedish TSO, and contracts with external contractors required for the HVDC equipment operation have been concluded.

#### **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 consumption;
- Electricity producers.

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

#### **Employees**

As of 30 June 2016, Litgrid Group had 677 employees: Litgrid - 233 employees, Tetas - 415 employees, and Litgrid Power Link Service - 29 employees.

Litgrid's wage fund in the reporting period amounted to EUR 2,821,000.

	Number of employees as of 30 June 2016	Average monthly pay, EUR
Specialists	228	1,811
Management	5	5,639
Total	233	1,909

Litgrid Group's wage fund in the reporting period amounted to EUR 5,342,000.

	Number of employees as of 30 June 2016	Average monthly pay, EUR
Workers	246	766
Specialists	420	1,552
Management	11	4,528
Total	677	1,342

14 students had their traineeship placements in the Company during the first 6 months of 2016.



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## Remuneration policy and performance appraisal

The goal of Litgrid's remuneration policy is to contribute to the realisation of the mission and vision of an organisation with contemporary and effective management, to mobilise people to work together and motivate them to implement strategic priorities, to form and imbue the 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 an employee's position, work performance, achievement of individual annual goals, level of competencies, and sharing of organisational values. 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 emotional reward.

Performance appraisal takes place continuously at Litgrid as one of the most important tools for effective corporate management, helping to link personal and organisational goals, showing the importance of each employee's work for the attainment of common objectives, making career planning possible, and motivating employees by providing an objective basis for incentivisation.

## Training

Litgrid enables its employees to develop their competences and qualifications in the following ways:

- Organising in-house training,
- Enriching the work content with new projects,
- Offering opportunities to participate in unique, non-standard projects,
- Participating in external trainings and conferences,
- Actively participating in the activities of professional organisations.

## Collective agreement

In June 2015, Litgrid concluded an updated collective agreement with the trade union operating in the company. The agreement defines and ensures a fair remuneration policy and work-rest balance and governs the socio-economic relations between the employer and employee. It also contains provisions on support for employees at important/difficult moments in life.

## Litgrid's corporate social responsibility

In its activities Litgrid follows the principles of social responsibility, sustainable development, transparency, and advanced environmental protection. The company's operations form an integral part of the successful functioning of the country's 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.

We devote our energy and resources to ensure the country's economic growth, to support communities in which we work, to provide working conditions that motivate and encourage personal development of our employees, and to protect nature which provides us with resources. We implement strategic projects of high value and historic significance, and we understand that big tasks mean great responsibility. Maintaining and encouraging a quality dialogue with the society for whom and among whom we work is a priority in Litgrid's daily operations.

Every year Litgrid provides information to residents about the risks related to high-voltage electricity transmission lines. Information materials on safety for people living and working near the lines are disseminated, on a periodic basis, in municipalities, wards, forestries, territorial labour exchanges, regional SoDra's (State's Social Insurance Fund) offices, branches of the State Tax Inspectorate and Centre of Registers, and Litgrid's contractors. Such information includes safe distance under the lines, action to be taken if electric wires are torn or fall onto a vehicle, safe distance for fishing in water bodies under the lines etc. In the spring of 2016 Litgrid presented 5 videos on safe behaviour near electricity lines. The videos published on the internet have reached the audience of 600,000 people.

## 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



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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 reconstructing 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 document proving the 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.

In cooperation with Lithuanian Ornithological Society, Litgrid is implementing a project "Implementation of Bird Protection Measures in the High-Voltage Electricity Transmission Network". 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. Electricity transmission lines are made more visible by equipping them with bird-diverting devices in places of the most intensive bird migration. In pre-migratory white stork accumulation areas, specific protection devices are installed to protect them from the short-circuit impact. Special nesting-boxes are installed for kestrels.

By the end of the first 6-month period of 2016, the company installed 3,884 wire visibility increasing facilities, 8,796 bird protection facilities on the pylons, and 360 nesting-boxes for kestrels. According to the Lithuanian Ornithological Society, 11% of the nesting-boxes were used by kestrels for hatching, thus the population of this protected species in Lithuania has increased by at least 10%. The value of all these works carried out in the said period is EUR 281,000. This project is co-financed under the EU LIFE+ financial instrument for the environment and by the Ministry of Environment of the Republic of Lithuania.

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

Every year Litgrid prepares 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.

By agreement of the Lithuanian, Latvian and Estonian electricity transmission system operators, a regional study on the overview of generation of electricity from renewable energy sources in the Baltic countries has been launched under the leadership of Litgrid.

Three Baltic transmission system operators together with the consultants are conducting a study on the flow-based capacity calculation method application possibilities in the Baltic electricity markets. The study aims to evaluate the technical options of flow-based method application and compare their use and reliability benefits with those of current capacity calculation methods.

Lithuanian and Polish transmission system operators together with researchers and consultants perform the feasibility study of the second LitPol Link direct current converter installation. The study aims to assess the need and possibility to increase LitPol Link capacity from 500 MW to 1000 MW, as well as the impact of such increase to the electricity market.

Jointly with researchers from the Kaunas University of Technology, Litgrid conducted a study to analyse the technical means to limit the electricity flow from Astravas nuclear power plant (NPP) and to assess their impact on the power system's reliability and the market. It has been concluded that the measures would lead to a considerable decrease in the stability and reliability of the Baltic countries' power systems.

Any of the options analysed could only be implemented if all the Baltic countries agree on them unanimously. If the technical measures are applied in Lithuania only, the system's reliability will decrease, and the electricity flow from Belarus would reach Lithuania from Latvia.

The implementation of the technical flow restriction measures would require investments between EUR 20 million and EUR 198 million. All the technical options would lead to an increase in the electricity prices on the Baltic countries markets from EUR 3 to EUR 10.5 per MWh.

Another method to limit the flow of electricity from third countries is related to the market limiting only. Technical measures and investments in the technical infrastructure would not be required in such a case, just a consensus of the Baltic countries.

The most effective means to restrict the flow of electricity from the Astravas NPP is the Baltic countries' synchronisation with the continental European networks. The TSOs of the Baltic countries and Poland are ready to launch the synchronisation project's



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works immediately after a high-level political agreement on the technical specifications and the plan of synchronisation is reached by all the countries involved.

### **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 according to 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.

### **ITC competences**

Efficient information technology and communications (ITC) solutions are critically important in ensuring smooth and uninterrupted operations and have become an integral part of the electricity system's planning and management as well as equipment control and servicing.

The concentration of know-how on the automation of the power system's control at Litgrid's ITC centre has enabled a successful integration of LitPol Link and NordBalt power links' current converter control systems. The smooth linking of the control system used at Litgrid's System Control Centre with the control systems of the neighbouring Polish and Swedish systems ensures a sound control of the links and the real-time information exchange among the Lithuanian, Polish and Swedish power systems.



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## II. Financial Information

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

	January - June 2016		January - June 2015		January - June 2014	
	Group	Company	Group	Company	Group	Company
<b>Financial indicators (EUR'000)</b>						
Sales income related to electricity	73,756	73,756	39,776	39,776	52,625	52,625
Other operating income	10,932	5,193	8,532	1,393	5,963	848
EBITDA*	24,514	24,522	14,270	14,176	18,565	18,960
Profit (loss) before tax	9,621	9,837	2,818	2,837	(2,667)	(2,090)
Net profit (loss)	8,670	8,882	2,366	2,409	(2,651)	(2,073)
Cash flows from operations	10,200	9801	11,887	11,085	15,324	15,727
<b>Ratios</b>						
EBITDA margin, %	28.9	31.1	29.5	34.4	31.7	35.5
Operating profit margin, %	12.3	13.3	6.4	7.6	-4.3	-3.7
Return on equity, %	7.1	7.1	1.9	2.0	-1.3	-1.0
Return on assets, %	3.5	3.6	0.8	0.8	-0.7	-0.6
Shareholder's equity / Assets, %	49.8	50.5	38.9	41.3	54.4	56.7
Financial liabilities / Equity, %	83.1	81.8	80.9	75.4	22.2	21.5
Liquidity ratio	0.77	0.76	0.54	0.36	1.25	1.38
<b>TSO operating indicators</b>						
Energy transmission volume, m kWh		4,784		4,553		4,541
Process costs in transmission network, %		2.90		1.98		1.90
ENS (Energy Not Supplied due to interruptions), MWh**		1.03		0.45		1.55
AIT (Average Interruption Time), min. **		0.04		0.02		0.08

\* 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.

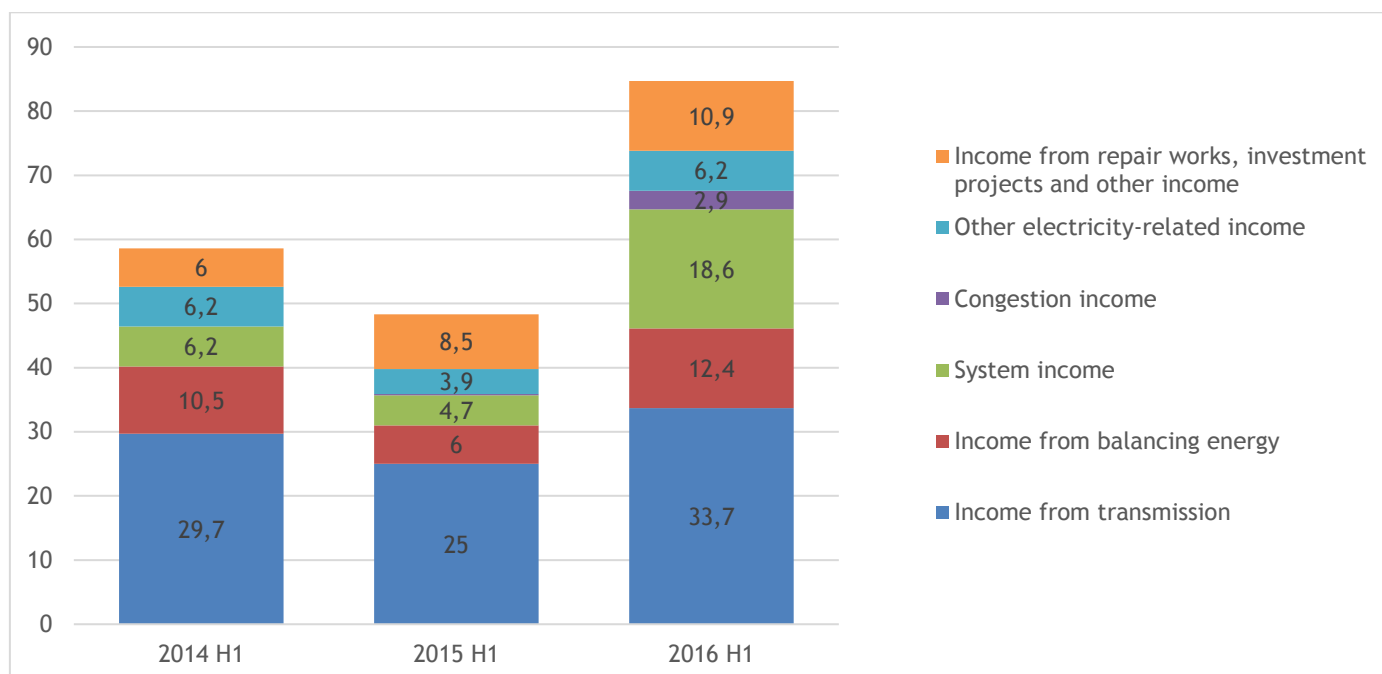


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## Income

In the first 6 months of 2016, Litgrid's volumes of electricity transmission via high-voltage networks for national needs amounted to 4,784 million kilowatt-hours (kWh), which is 5.1 % more than in the same period of 2015. The volumes of transmission to customers of the distribution operator amounted to 4,391 million kWh (+6 % compared to 2015), to other customers 393 million kWh (- 4.3 % compared to 2015).



## Group's income structure, EUR million

Litgrid Group's income for the first 6 months of 2016 was EUR 84.7 million, a 75 % increase compared to the same period of 2015.

Income from electricity transmission increased 35% (to EUR 33.7 million) with the same period of 2015. Income from electricity transmission accounted for 40 % of total revenues of the Group. The increase has resulted from larger electricity transmission volumes and a 28 % higher tariff rate set for the transmission service by the National Commission on Prices and Energy Control.

Income from balancing/regulating electricity more than doubled, reaching EUR 12.4 million. The increase has largely resulted from the nearly doubled volumes of balancing/regulating electricity sold, which, in its turn, was largely determined by securing the allocated capacity (i. e. the capacity traded on the electricity exchange) of the new power links with Sweden and Poland.

Income from system services has grown four-fold (to EUR 18.6 million). The main growth driver was the tariff for system services increased by the National Commission on Prices and Energy Control 3.8 times from 1 January 2016.

Upon putting the Lithuanian-Polish and the Lithuanian-Swedish power links into operation, in the first 6 months of 2016 Litgrid's revenues from congestion charges was EUR 7.5 million (2015: EUR 225,000). 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 2.9 million as income, i. e. part of the congestion revenues that was used for ensuring the



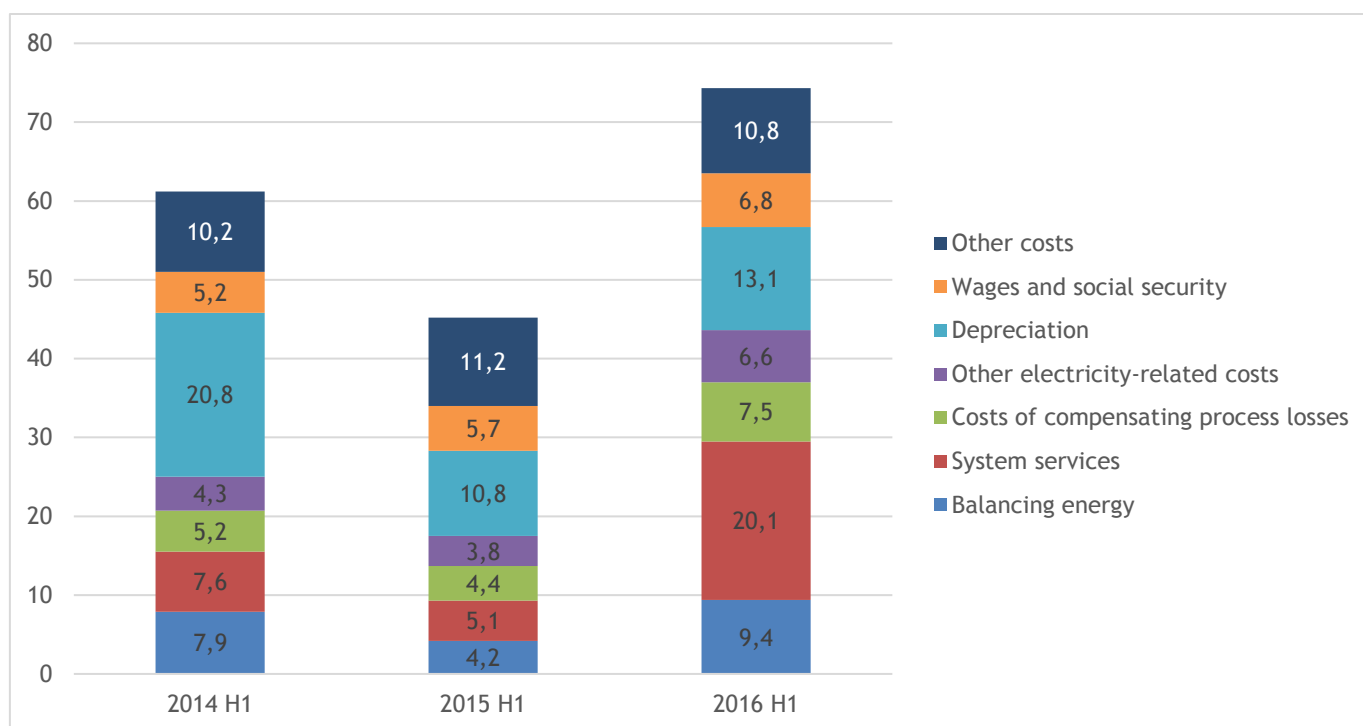
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allocated capacity of the power links. The remaining revenues are carried in the “Future Period Income” line of the Statement of Financial Position.

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 1.0 million; PSO income - EUR 2.9 million; reactive energy income - EUR 0.8 million; connection of new customers - EUR 1.5 million. Other operating income consists mainly of the income from services provided by Tetas, a subsidiary of Litgrid.

## Costs



### Litgrid Group's cost structure, EUR million

The Group's costs for the first 6 months of 2016 totalled EUR 74.3 million, which is 64 % more compared to the same period of 2015.

Costs of purchase of electricity and related services account for the majority of the Group's costs: EUR 43.6 million or 29 %. These costs increased 2.5 times compared with 2015. Balancing (regulating) electricity costs increased 2.2 times (to EUR 9.4 million), system service costs increased almost 4-fold to EUR 20.1 million, costs of compensating process losses in the transmission grid increased 72% to EUR 7.5 million. Transit (ITC) costs were EUR 0.8 million, PIS provision costs EUR 2.9 million, and costs of ensuring the allocated capacity of the Swedish and Polish links EUR 2.9 million.

Due to putting assets into operation at the end of 2015, depreciation and amortisation costs increased 22 % or EUR 2.3 million (to EUR 13.1 million) compared to the period of the first 6 months of 2015. Other operating costs increased by 4% (to EUR 17.6 million) compared to the same period.

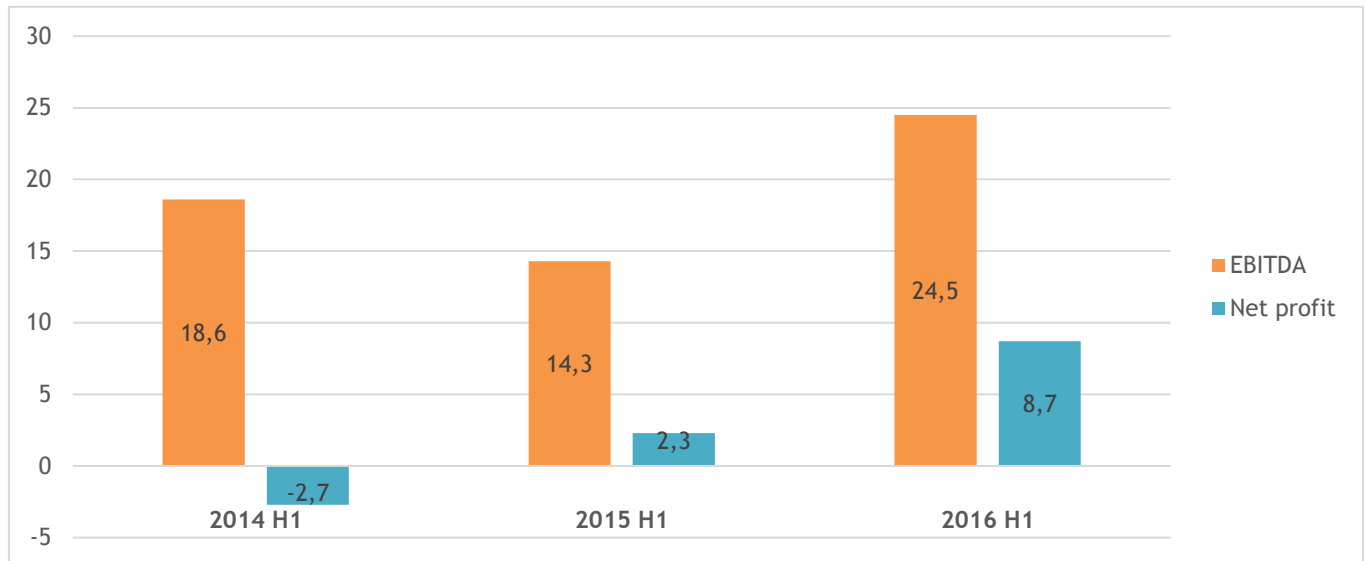




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## Profit

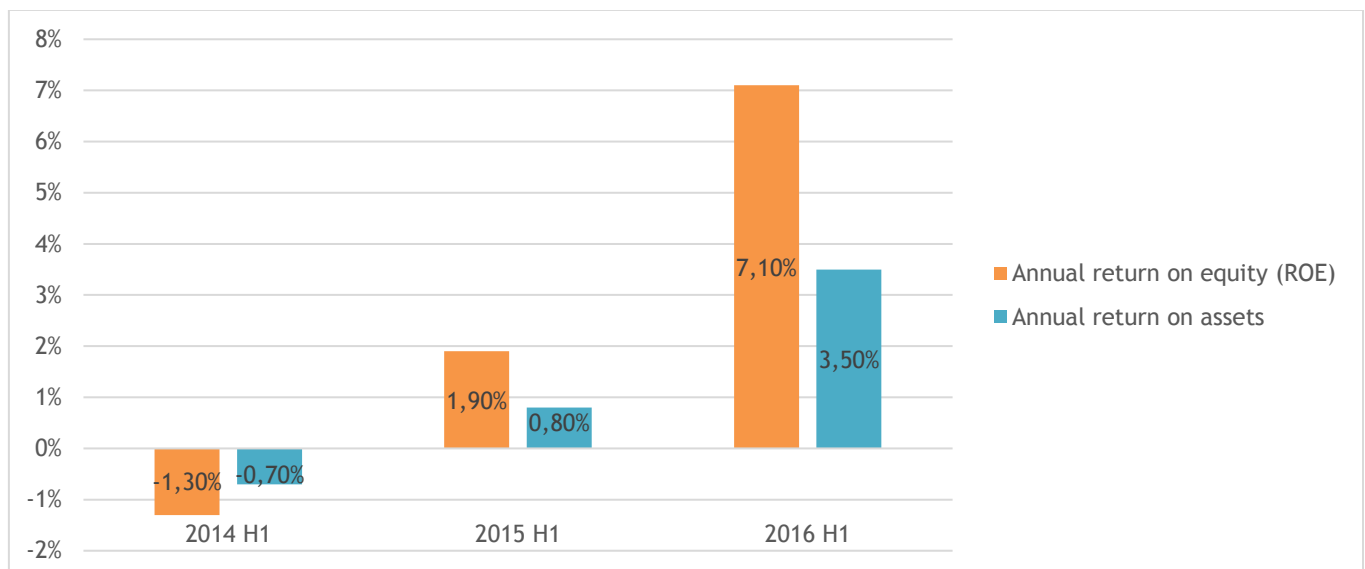


### Litgrid Group's EBITDA and net profit, EUR million

The Group's EBITDA for the first 6 months of 2016 amounted to EUR 24.5 million. Compared to the same period of 2015, the EBITDA increased by EUR 10.2 million, or 72 %; the EBITDA margin decreased to 28.9 % (H1 of 2015: 29.5 %). The increase in the EBITDA and net profit was mainly determined by the growth in the transmission service volumes and revenues from the cross-border congestion charges.

The Group's net profit for the first 6 months of 2016 was EUR 8.7 million (first 6 months of 2015: EUR 2.3 million).

The Group's operating profit for the first 6 months of 2016 consists of: profit of the transmission segment EUR 8.9 million (same period of 2015: EUR 1 million profit), loss in the system services segment EUR 1.5 million (same period of 2015: EUR 0.5 million loss), profit in the balancing (regulating) electricity segment EUR 3 million (same period of 2015: 2.6 million profit). As in 2015, results of other activities have not had a significant impact on profit.



### Litgrid Group's return indicators, %



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There has been an increase in the annual ROE and ROA ratios for the first 6 months of 2016 compared to the same period of 2015: from 1.9 % to 7.1 % and from 0.8 % to 3.5 %, respectively.

## Balance sheet and cash flows

As of 30 June 2016, assets of the Group amounted to EUR 493.6 million. Non-current assets accounted for 82.5 % of total assets of the Group. Shareholders' equity accounted for 49.8 % of total assets.

As of 30 June 2016, the Group's financial liabilities to credit institutions were EUR 204.3 million (+ EUR 0.9 million over the 6-month period). The ratio between financial liabilities and equity was 83.1 %. Long-term financial debts payable after one year accounted for 24 % of all financial debts. Cash and cash equivalents amounted to EUR 3.1 million, unused overdraft limit was EUR 40.2 mln.

The Group's net cash flows from operations in the first 6 months of 2016 amounted to EUR 10.2 million, while payments for non-current tangible and intangible assets were EUR 44.4 million; subsidies received amounted to EUR 41 million.

The Group's net cash flows (excluding cash flows from financial activities) in the first 6 months of 2016 totalled EUR 6.9 million.

## Investments in non-current assets

In the first 6 months of 2016, investments of Litgrid (works performed and assets acquired irrespective of terms of payment) amounted to EUR 26.2 million. 60 % of these investments were earmarked for the implementation of strategic energy projects and 40% 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 Energy Control and Prices, 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 2016 are as follows: ENS 6.3 MWh and AIT 0.29 min. In the period of the first 6 months of 2016, ENS was 1.03 MWh and AIT was 0.04 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 six months of 2016.

## Dividend policy

The Government of the Republic of Lithuania, which indirectly through UAB EPSO-G 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. 359 of 4 April 2012). On 26 April 2016 Ordinary general meeting of Litgrid shareholders, it was decided to pay out dividends of EUR 4.6 mln or EUR 0,0091 per share.

## Risks and risk management

### Political, regulatory and compliance risks

The power sector is a vitally important part of the economy with considerable influence over political and economic interests. The structure and management of the power sector and the operation of the companies in the energy 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 the results of Litgrid Group. 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 questions posed by public or control authorities regarding the Company's activities.

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 performance results but also funds that the Company allocates to cover the operating costs, investments that maintain a reliability of the transmission grid, as well as opportunities to finance strategic projects from the Company's own or borrowed



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funds. In order to reduce the impact of regulatory risks on performance results, the Company actively cooperates 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, internal legislation drafting, 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 of 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 complex strategic plans. For that purpose, educational and substitutability plans are being developed and the remuneration and motivation policy has been updated.

### **Financial risk**

Companies in the Litgrid Group encounter financial risk 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 customers / third party's risk level).

### **Technological risk**

Lithuania's energy system has 15 interconnections with the neighbouring energy systems. The available means for power and energy balance control are limited, whereas 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 considering objective criteria and applying a specific evaluation methodology so that the investment process is optimised.

### **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.



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### III. Information about Share Capital and Shareholders

Litgrid has not acquired any of its 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 either.

Since 22 December 2010, Litgrid's shares are included 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 2016, the company had 5,545 (five thousand five hundred and forty five) shareholders. 97.50% 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. On 28 September 2012, to fulfil the provisions of the European Union's Third Energy Package, Litgrid as the transmission system operator was separated from the other companies in the power sector.

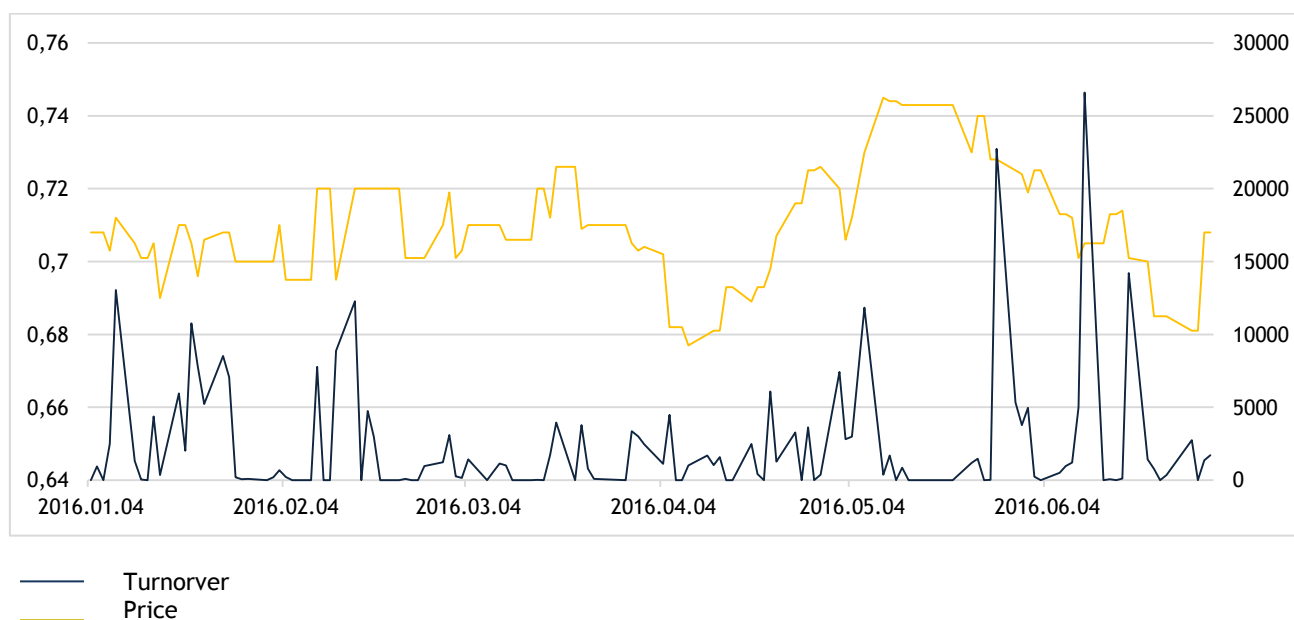
Services of accounting for Litgrid's securities and the related services from 1 February 2016 to 31 January 2019 are provided by Swedbank AB.

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

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

Indicator	2014	2015	2016
Opening price, EUR	0,593	0,698	0,708
Highest price, EUR	0,750	0,740	0,745
Lowest price, EUR	0,582	0,550	0,677
Closing price, EUR	0,664	0,708	0,687
Turnover, pcs	1 176 548	656 613	514 125
Turnover, EUR m	0,80	0,45	0,36
Capitalisation, EUR m	334,88	357,07	346,48

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

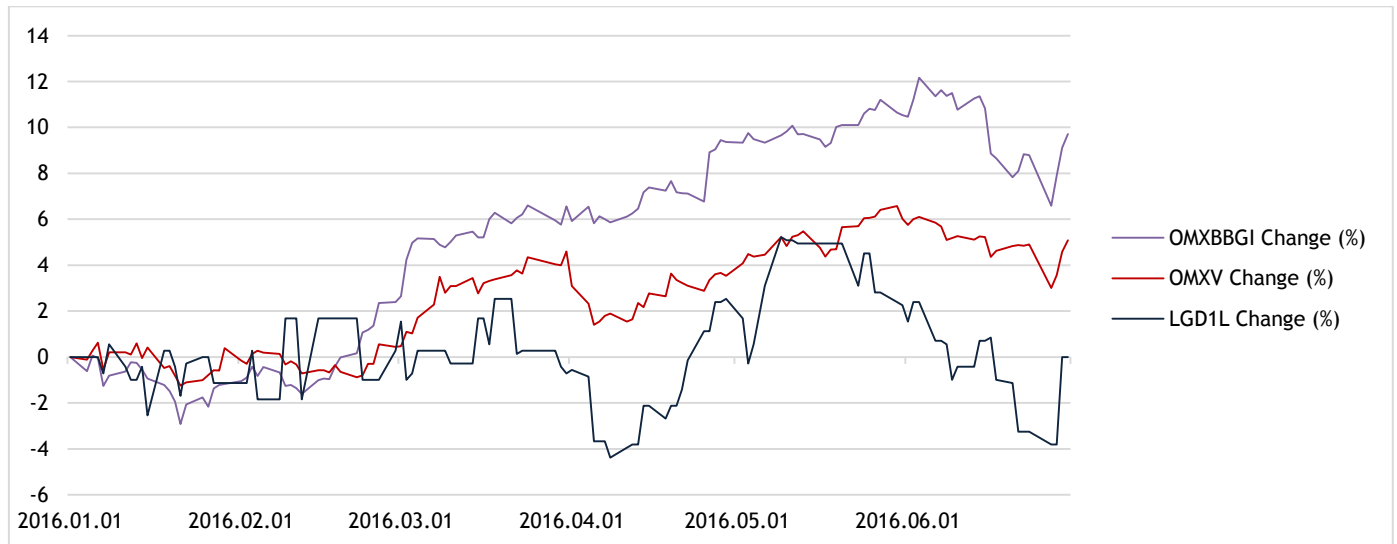




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### Comparison of the price of Litgrid shares (LGD1L) with the OMX Baltic Benchmark GI (OMXBBGI) and OMX Vilnius (OMXV) indexes during the reporting period:



### Articles of Association

The Articles of Association of Litgrid 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.

On 26 April 2016 the general meeting of shareholders of Litgrid approved a new version of the Articles of Association of the Company. It was registered in 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.

If 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.

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.



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### Areas of activities of the Board

The Board considers and approves the Company's strategy, a three-year action plan of the Company, a ten-year plan for the development of the Company's transmission grid, 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 on other matters as stated in the Articles of Association.

### Areas of activities of the Chief Executive Officer

The Chief Executive Officer (CEO) is the single-handed management body of the Company. The CEO organises and directs the Company's activities, acts on behalf of the Company, and concludes transactions at his/her sole discretion. The scope of competence of the CEO, as well as the procedure for his/her election and recall, is prescribed by laws, other legal acts and the Articles of Association.

### Members of the Supervisory Board, the Audit Committee and the Board, CEO, and Chief Financial Officer of Litgrid:

Position	Name and surname	Start date	End date	Number of the issuer's shares held
<b>Supervisory Board</b>				
Chairperson	Aleksandras Spruogis	2013 04 24	2016 04 26	-
Member	Audrius Misevičius	2013 04 24	2016 04 26	-
Independent member	Mindaugas Vaičiulis	2014 04 07	2015 04 24	-
Member	Rolandas Zukas	2015 04 24	2016 04 26	-
<b>Audit Committee</b>				
Member	Aušra Pranckaitytė	2014 02 24	2016 04 26	-
Member	Rima Kvietkauskaitė	2014 02 24	2016 04 26	-
Member	Ana Tursienė	2014 02 24	2016 04 26	-
<b>Board</b>				
Member	Daivis Virbickas	2013 09 10		-
Member	Vidmantas Grušas	2013 09 10		-
Member	Rimvydas Štilinis	2016 07 29		-
Member	Nemunas Biknius	2016 07 29		-
Member	Domas Sidaravičius	2016 07 29		-
Member	Karolis Sankovski	2013 09 10	2016 07 29	-
Member	Rimantas Busila	2013 09 10	2016 07 29	1421
Member	Rolandas Masilevičius	2013 12 18	2016 05 09	-
CEO	Daivis Virbickas	2013 09 10		-
				-
Chief Financier	Jūratė Vyšniauskienė	2015 10 19		-
				-



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## Members of the Board of Litgrid

### **Daivis Virbickas**, Member of the Board (Chairman of the Board until 29 July 2016)

Born in 1978. Responsible for strategic management and the power system control. Has experience of many years in the development and management of long-term strategies for power transmission system development, analysis of electricity 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 management of electricity transmission grid. Has experience of many years 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. He also graduated from Riga University of Technology with the Energy Engineering qualifications in 1985.

### **Karolis Sankovskis**, Member of the Board (until 29 July 2016)

Born in 1985. Responsible for strategic electricity grid projects. Has comprehensive experience working at power companies and with strategic international interconnector projects.

Mr Sankovskis holds a Master's Degree in Environmental Science from Aix-Marseille University (graduated in 2008) and Bachelor's Degree in Law from Mykolas Romeris University (2007).

### **Rimantas Busila**, Member of the Board (until 29 July 2016)

Born in 1958. Responsible for financial management. Experienced in financial, investment and securities management.

Mr Busila graduated from Vilnius Gediminas Technical University in 1981 with the qualifications of an Engineer-Economist. In 1993 Mr Busila completed advanced training at the Paris stock exchange (Basics of capital markets functioning. Financial instruments trading), in 1996 studied in American Association of Lawyers and Commercial Law Centre (Stock market legal regulation), in 1998 - at the U.S. Securities and Exchange Commission (Financial regulation and supervision).

### **Rimvydas Štilinis**, Member of the Board (from 29 July 2016)

Born in 1978. Mr Rimvydas Štilinis holds a Master's Degree in Electrical Engineering from Kaunas University of Technology (KTU). In 2002-2014 worked with 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 worked as the CEO of VAE SPB UAB. Mr R. Štilinis is the Director for Infrastructure at EPSO-G, the parent company of Litgrid controlling 97.5 % of its shares, and the Member of the Board of Amber Grid, Lithuania's gas transmission network operator.

### **Nemunas Biknius**, Member of the Board (from 29 July 2016)

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 (from 29 July 2016)

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. Has many years' experience of work in financial, insurance and business risk management areas. Member of the Board and CEO of ERGO Invest SIA since March 2016.

No payments were made to the CEO of the Company or the Members of the Board for their work on the Board. No payments were made to the members of the Audit Committee for the work in the Committee during the first 6 months of 2016.



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





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**Notices of material events published by Litgrid from 1 January 2016 until 22 August 2016:**

Date	Notice
2016 01 08	Convocation of an extraordinary general meeting of Litgrid shareholders
2016 01 28	Resolutions adopted at the Extraordinary General Meeting of Litgrid Shareholders, 28 January 2016
2016 02 05	Regarding the sale of UAB Baltpool shares
2016 02 26	Litgrid Group financial results for 12 months of 2015 announced
2016 04 04	Convocation of Ordinary General Meeting of Litgrid Shareholders
2016 04 26	Decisions adopted at the Ordinary General Meeting of Litgrid Shareholders, 26 April 2016
2016 04 26	Consolidated Annual Report of Litgrid and its Subsidiaries for 2015
2016 04 27	Litgrid CEO Daivis Virbickas presentation in company's annual report event
2016 05 09	Procedure for the Payment of Litgrid Dividend for 2015
2016 05 09	Information about a notice of resignation
2016 05 16	Amended Articles of Association for Litgrid AB Have Been Registered
2016 05 27	Litgrid Group starts the year with growing income and net profit
2016 07 08	Convocation of Extraordinary General Meeting of Litgrid Shareholders
2016 07 29	Decisions adopted at Extraordinary General Meeting of Litgrid Shareholders, 29 July 2016

Detailed information on all material events published in 2016 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/about-us/for-investors/announcements/611>.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016  
(All amounts in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		30-06-2016 (unaudited)	31-12-2015 (audited)	30-06-2016 (unaudited)	31-12-2015 (audited)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	3	1,268	876	1,263	870
Property, plant and equipment	3	401,699	409,643	400,782	408,757
Prepayments for property, plant and equipment		1,084	56,298	1,084	56,298
Investments in subsidiaries	4	-	-	4,089	4,089
Investments in associates and jointly controlled entities	4	721	720	752	752
Deferred income tax assets		36	63	-	-
Available-for-sale financial assets		2,273	2,273	2,273	2,273
<b>Total non-current assets</b>		<b>407,081</b>	<b>469,873</b>	<b>410,243</b>	<b>473,039</b>
<b>Current assets</b>					
Inventories		2,919	2,518	1,198	1,157
Prepayments		704	240	528	203
Trade receivables		17,547	12,918	15,619	8,720
Other accounts receivable	5	55,728	20,277	55,739	22,318
Prepaid income tax		398	1,457	383	1,435
Other financial assets		6,125	2,574	6,125	2,574
Cash and cash equivalents		3,094	791	3,045	483
<b>Total current assets</b>		<b>86,515</b>	<b>40,775</b>	<b>82,637</b>	<b>36,890</b>
Assets of disposal group classified as held for sale		-	43,726	-	325
<b>TOTAL ASSETS</b>		<b>493,596</b>	<b>554,374</b>	<b>492,880</b>	<b>510,254</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	6	146,256	146,256	146,256	146,256
Share premium		8,579	8,579	8,579	8,579
Revaluation reserve		5,914	6,228	5,834	6,138
Reserve of changes in fair value of financial assets		298	298	298	298
Legal reserve		14,726	14,606	14,626	14,606
Other reserves		62,747	62,747	62,747	62,747
Retained earnings (loss)		7,257	2,897	10,349	5,772
<b>Equity attributable to the shareholders of the parent company</b>		<b>245,777</b>	<b>241,611</b>	<b>248,689</b>	<b>244,396</b>
Non-controlling interest		-	133	-	-
<b>Total equity</b>		<b>245,777</b>	<b>241,744</b>	<b>248,689</b>	<b>244,396</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants received in advance		-	3,870	-	3,870
Non-current loans	7	120,476	124,518	120,476	124,518
Deferred income tax liabilities		9,963	10,430	9,963	10,430
Deferred income		4,614	-	4,614	-
Other non-current accounts payable and liabilities		163	203	111	151
<b>Total non-current liabilities</b>		<b>135,216</b>	<b>139,021</b>	<b>135,164</b>	<b>138,969</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	7	48,082	8,082	48,082	8,082
Current loans	7	35,771	70,838	34,828	69,842
Trade payables		13,632	28,068	12,405	25,301
Advances received		1,102	2,014	1,102	2,014
Income tax payable		-	4	-	-
Other accounts payable		14,016	23,160	12,610	21,650
<b>Total current liabilities</b>		<b>112,603</b>	<b>132,166</b>	<b>109,027</b>	<b>126,889</b>
<b>Total liabilities</b>		<b>247,819</b>	<b>271,187</b>	<b>244,191</b>	<b>265,858</b>
Liabilities of disposal group classified as held for sale		-	41,443	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>493,596</b>	<b>554,374</b>	<b>492,880</b>	<b>510,254</b>

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



Litgrid

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	30-06-2016 (unaudited)	30-06-2015 (unaudited)	30-06-2016 (unaudited)	30-06-2015 (unaudited)
<b>Continuing operations</b>				
<b>Revenue</b>				
Sales of transmission and related services	73,756	39,776	73,756	39,776
Other revenue	10,932	8,532	5,193	1,393
<b>Total revenue</b>	<b>84,688</b>	<b>48,308</b>	<b>78,949</b>	<b>41,169</b>
<b>Expenses</b>				
Cost of transmission and related services	(43,605)	(17,546)	(43,605)	(17,546)
Depreciation and amortisation	(13,105)	(10,764)	(12,996)	(10,627)
Wages and salaries and related expenses	(6,777)	(5,682)	(3,716)	(2,933)
Repair and maintenance expenses	(1,991)	(2,128)	(2,974)	(3,044)
Telecommunications and IT systems expenses	(1,577)	(1,895)	(1,506)	(1,838)
Write-off of property, plant and equipment	(592)	(418)	(592)	(409)
Impairment charge of assets	31	847	30	839
Impairment charge of property, plant and equipment	(434)	-	(434)	-
Other expenses	(6,255)	(7,634)	(2,656)	(2,471)
<b>Total expenses</b>	<b>(74,305)</b>	<b>(45,220)</b>	<b>(68,449)</b>	<b>(38,029)</b>
<b>Operating profit (loss)</b>	<b>10,383</b>	<b>3,088</b>	<b>10,500</b>	<b>3,140</b>
<b>Financial operations</b>				
Finance income	87	260	182	255
Finance expenses	(850)	(578)	(845)	(558)
<b>Total finance income</b>	<b>(763)</b>	<b>(318)</b>	<b>(663)</b>	<b>(303)</b>
Share of profit/(loss) of associates and jointly controlled entities	1	48	-	-
<b>Profit (loss) before income tax</b>	<b>9,621</b>	<b>2,818</b>	<b>9,837</b>	<b>2,837</b>
<b>Income tax</b>				
Current year income tax (expense)	(1,423)	(851)	(1,422)	(836)
Deferred tax income (expense)	440	379	467	408
<b>Total income tax</b>	<b>(983)</b>	<b>(472)</b>	<b>(955)</b>	<b>(428)</b>
<b>Net profit (loss) for the period from continuing operations</b>	<b>8,638</b>	<b>2,346</b>	<b>8,882</b>	<b>2,409</b>
<b>Profit (loss) for the period from discontinued operations</b>	<b>32</b>	<b>20</b>	<b>-</b>	<b>-</b>
<b>Net profit (loss) for the period</b>	<b>8,670</b>	<b>2,366</b>	<b>8,882</b>	<b>2,409</b>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) for the period</b>	<b>8,670</b>	<b>2,366</b>	<b>8,882</b>	<b>2,409</b>
<b>Net profit (loss) attributable to:</b>				
Owners of the Parent Company	8,660	2,359	8,882	2,409
Non-controlling interest	10	7	-	-
<b>Total comprehensive income (loss) attributable to:</b>	<b>8,670</b>	<b>2,366</b>	<b>8,882</b>	<b>2,409</b>
<b>Owners of the Parent Company</b>				
Owners of the Parent Company	8,660	2,359	8,882	2,409
Non-controlling interest	10	7	-	-
<b>Basic and diluted earnings (deficit) per share (in EUR)</b>	<b>0.017</b>	<b>0.005</b>	<b>0.018</b>	<b>0.005</b>

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



Litgrid

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR A THREE-MONTH PERIOD ENDED 30 JUNE 2016  
(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	2016 II Q <small>(unaudited)</small>	2015 II Q <small>(unaudited)</small>	2016 II Q <small>(unaudited)</small>	2015 II Q <small>(unaudited)</small>
<b>Continuing operations</b>				
<b>Revenue</b>				
Sales of transmission and related services	35,648	18,795	35,648	18,795
Other revenue	8,254	4,472	4,765	847
<b>Total revenue</b>	<b>43,902</b>	<b>23,267</b>	<b>40,413</b>	<b>19,642</b>
<b>Expenses</b>				
Cost of transmission and related services	(23,477)	(8,230)	(23,477)	(8,230)
Depreciation and amortisation	(6,653)	(5,435)	(6,598)	(5,367)
Wages and salaries and related expenses	(3,788)	(2,941)	(2,074)	(1,454)
Repair and maintenance expenses	(1,132)	(1,153)	(1,746)	(1,701)
Telecommunications and IT systems expenses	(809)	(837)	(776)	(825)
Write-off of property, plant and equipment	(315)	(412)	(315)	(403)
Impairment charge of assets	37	1	34	-
Impairment charge of property, plant and equipment	-	-	-	-
Other expenses	(3,617)	(3,832)	(1,382)	(1,341)
<b>Total expenses</b>	<b>(39,754)</b>	<b>(22,839)</b>	<b>(36,334)</b>	<b>(19,321)</b>
<b>Operating profit (loss)</b>	<b>4,148</b>	<b>428</b>	<b>4,079</b>	<b>321</b>
<b>Financial operations</b>				
Finance income	71	157	103	152
Finance expenses	(417)	(225)	(414)	(215)
<b>Total finance income</b>	<b>(346)</b>	<b>(68)</b>	<b>(311)</b>	<b>(63)</b>
Share of profit/(loss) of associates and jointly controlled entities	(6)	12	-	-
<b>Profit (loss) before income tax</b>	<b>3,796</b>	<b>372</b>	<b>3,768</b>	<b>258</b>
<b>Income tax</b>				
Current year income tax (expense)	(179)	(274)	(181)	(259)
Deferred tax income (expense)	133	217	162	242
<b>Total income tax</b>	<b>(46)</b>	<b>(57)</b>	<b>(19)</b>	<b>(17)</b>
<b>Net profit (loss) for the period from continuing operations</b>	<b>3,750</b>	<b>315</b>	<b>3,749</b>	<b>241</b>
<b>Profit (loss) for the period from discontinued operations</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>-</b>
<b>Net profit (loss) for the period</b>	<b>3,750</b>	<b>370</b>	<b>3,749</b>	<b>241</b>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) for the period</b>	<b>3,750</b>	<b>370</b>	<b>3,749</b>	<b>241</b>
<b>Net profit (loss) attributable to:</b>				
Owners of the Parent Company	3,750	351	3,749	241
Non-controlling interest	-	19	-	-
<b>Total comprehensive income (loss) attributable to:</b>	<b>3,750</b>	<b>370</b>	<b>3,749</b>	<b>241</b>
<b>to:</b>				
Owners of the Parent Company	3,750	351	3,749	241
Non-controlling interest	-	19	-	-
<b>Basic and diluted earnings (deficit) per share (in EUR)</b>	<b>0.007</b>	<b>0.001</b>	<b>0.007</b>	<b>0.000</b>

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



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CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(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 2015 (audited)</b>	146,064	8,579	6,840	-	14,609	171,355	(107,931)	239,516	57	239,573
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	2,359	2,359	7	2,366
Depreciation of revaluation reserve and amounts written off	-	-	(293)	-	-	-	293	-	-	-
Transfer to retained earnings	-	-	-	-	(3)	(108,608)	108,611	-	-	-
Conversion of authorised share capital to the euro	192	-	-	-	-	-	-	192	-	192
Change in interest in the subsidiary	-	-	-	-	-	-	-	-	19	19
<b>Balance at 30 June 2015 (unaudited)</b>	146,256	8,579	6,547	-	14,606	62,747	3,332	242,067	83	242,150
<b>Balance at 1 January 2016 (audited)</b>	146,256	8,579	6,228	298	14,606	62,747	2,897	241,611	133	241,744
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	8,660	8,660	10	8,670
Depreciation of revaluation reserve and amounts written off	-	-	(314)	-	-	-	314	-	-	-
Transfers to reserves	-	-	-	-	120	-	(120)	-	-	-
Dividends	-	-	-	-	-	-	(4,589)	(4,589)	-	(4,589)
Disposal of subsidiary	-	-	-	-	-	-	95	95	(143)	(48)
<b>Balance at 30 June 2016 (unaudited)</b>	146,256	8,579	5,914	298	14,726	62,747	7,257	245,777	-	245,777

Company	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		
<b>Balance at 1 January 2015 (audited)</b>	146,064	8,579	6,739	-	14,606	171,355	(107,036)	240,307	
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	2,409	2,409	
Depreciation of revaluation reserve and amounts written off	-	-	(287)	-	-	-	287	-	
Conversion of authorised share capital to the euro	192	-	-	-	-	-	-	192	
Transfer to retained earnings	-	-	-	-	-	(108,608)	108,608	-	
<b>Balance at 30 June 2015 (unaudited)</b>	146,256	8,579	6,452	-	14,606	62,747	4,268	242,908	
<b>Balance at 1 January 2016 (audited)</b>	146,256	8,579	6,138	298	14,606	62,747	5,772	244,396	
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	8,882	8,882	
Depreciation of revaluation reserve and amounts written off	-	-	(304)	-	-	-	304	-	
Transfers to reserves	-	-	-	-	20	-	(20)	-	
Dividends	-	-	-	-	-	-	(4,589)	(4,589)	
<b>Balance at 30 June 2016 (unaudited)</b>	146,256	8,579	5,834	298	14,626	62,747	10,349	248,689	

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



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CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	30-06-2016 (unaudited)	30-06-2015 (unaudited)	30-06-2016 (unaudited)	30-06-2015 (unaudited)
<b>Cash flows from operating activities</b>				
Profit/(loss) for the year	8,670	2,366	8,882	2,409
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	3 13,105	10,766	12,996	10,627
Revaluation of property, plant and equipment	434	-	434	-
(Reversal of)/impairment of trade receivables	(29)	(839)	(30)	(839)
Share of profit of associates and joint ventures	(1)	(48)	-	-
Income tax expenses	983	472	955	428
(Gain)/loss on disposal/write-off of property, plant and equipment	592	418	592	409
<b>Elimination of results of financing and investing activities:</b>				
Interest income	-	(15)	-	(15)
Interest expenses	833	302	828	298
Dividends income	(59)	(122)	(91)	(122)
Other finance (income)/costs	(11)	139	(,74)	142
<b>Changes in working capital:</b>				
(Increase) decrease in trade receivables and other amounts receivable	(8,131)	9,398	(10,346)	4,772
(Increase) decrease in inventories, prepayments and other current assets	(1,110)	(597)	(328)	(531)
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received	(1,142)	(9,493)	(88)	(5,633)
Changes in other financial assets	(3,551)	(446)	(3,551)	(446)
Income tax (paid)	(383)	(414)	(378)	(414)
<b>Net cash generated from operating activities</b>	<b>10,200</b>	<b>11,887</b>	<b>9,801</b>	<b>11,085</b>
<b>Net cash used in operating activities of the discontinued operations</b>	<b>4,623</b>	<b>(2,970)</b>	-	-
<b>Cash flows from investing activities</b>				
(Purchase) of property, plant and equipment and intangible assets	(44,400)	(135,873)	(44,253)	(135,833)
Grants received	41,016	20,792	41,016	20,792
Disposal (acquisition) of subsidiaries (associates)	-	-	388	(39)
Proceeds from redemption of held-to-maturity investments	-	15,929	-	15,929
Interest received	-	92	-	92
Dividends received	59	122	91	122
<b>Net cash used in investing activities</b>	<b>(3,325)</b>	<b>(98,938)</b>	<b>(2,758)</b>	<b>(98,937)</b>
<b>Net cash used in investing activities of the discontinued operations</b>	-	-	-	-
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	40,000	65,500	40,000	65,500
Repayments of borrowings	(4,042)	(1,100)	(4,042)	(1,100)
Overdraft	(35,068)	(726)	(35,014)	-
Interest paid	(838)	(256)	(833)	(236)
Dividends paid	(4,592)	(4)	(4,592)	(4)
<b>Net cash generated from financing activities</b>	<b>(4,540)</b>	<b>63,414</b>	<b>(4,481)</b>	<b>64,160</b>
<b>Net cash generated from financing activities of the discontinued operations</b>	<b>(4,655)</b>	<b>2,911</b>	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,303</b>	<b>(23,696)</b>	<b>2,562</b>	<b>(23,692)</b>
Cash and cash equivalents at the beginning of the period	791	25,293	483	25,003
<b>Cash and cash equivalents at the end of the period</b>	<b>3,094</b>	<b>1,597</b>	<b>3,045</b>	<b>1,311</b>

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



Litgrid

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(All amounts in EUR thousands unless otherwise stated)

**1. General information**

Litgrid AB is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is: A. Juozapavičiaus str. 13, LT-09311, Vilnius, Lithuania. Litgrid AB (hereinafter Litgrid or “the Company”) is a limited liability profit-making entity established as a result of spin-off of Lietuvos Energija AB operations based the decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB dated 28 October 2010 which was passed to approve the spin-off of Lietuvos Energija AB. The Company was registered with the Register of Legal Entities on 16 November 2010. The Company’s code is 302564383; VAT payer’s code is LT100005748413.

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, Company is responsible for the integration of Lithuania’s electricity 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.

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.

On 30 June 2016 the Company’s share capital was Eur 146,256,100.20. It consists of 504,331,380 ordinary shares with a nominal value of Eur 0.29 per share.

As at 30 June 2016 and 31 December 2015, 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 UAB EPSO-G (company code 302826889, address A. Juozapavičiaus g. 13, Vilnius) 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 the date of these financial statements the Group included Litgrid and its directly controlled subsidiaries listed below:

Company	Address of the company’s registered office	Shareholding as at 30 June 2016	Shareholding as at 31 December 2015	Profile of activities
UAB Tetas	Senamiesčio str. 102B, Panevėžys, Lithuania	100%	100%	Transformer substation and distribution station design, reconstruction, repair and maintenance services
UAB Litgrid Power Link Service	A. Juozapavičiaus str. 13, Vilnius, Lithuania	100%	100%	Management and operation of electricity interconnection facilities

The structure of the Group’s investments in the associates and the jointly controlled entity as at 30 June 2016 and 31 December 2015 was as follows:

Company	Address of the company’s registered office	The Group’s shareholding as at 30 June 2016	The Group’s shareholding as at 31 December 2015	Profile of activities
UAB Duomenų Logistikos Centras	Žvejų str. 14, Vilnius, Lithuania	20%	20%	IT services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Coordination and implementation of common tasks, related to the control of Lithuanian-Polish interconnection, planned development of the grid and other areas of cooperation

As at 30 June 2016, the Group had 677 employees (31 December 2015: 659), as at 30 June 2016, the Company had 233 employees (31 December 2015: 235).



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(All amounts in EUR thousands unless otherwise stated)

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## 2. Summary of principal accounting policies

The principal accounting policies adopted in the preparation of the Company's and the Group's condensed interim financial information for the six-month period ending 30 June 2016 is:

### 2.1 Basis of preparation

The Company's and the Group's condensed interim financial statements for the six-month period ending 30 June 2016 have been prepared in accordance with the 34<sup>th</sup> International Accounting Standard (hereinafter - IAS) "Interim Financial Reporting".

The condensed interim 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 2015, prepared according to International Financial Reporting Standards as adopted by the European Union.

This condensed interim financial statements has 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 losses, 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.

The accounting principles applied in preparing the condensed interim financial statements are the same as those applied in preparing the financial statements for 2015 (except Revenues from congestion charges which are disclosed in Note 2.4).

### 2.2 Principles of consolidation

Subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it can or has the right to receive a variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

The consolidated financial statements of the Group include Litgrid and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting periods, using uniform accounting policies.

Subsidiaries are consolidated from the date from which effective direct or indirect control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains and losses on transactions among the Group companies are eliminated.

### 2.3 Grants

#### Asset-related grants

The Government and the European Union grants received in the form of property, plant and equipment or intended for the purchase of property, plant and equipment are considered as asset-related grants. Grants are recorded as a deduction of value of the respective asset and subsequently recognized as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

Public service obligations (hereinafter "PSO") funds allocated to the Company for the development and implementation of strategic plans are recognized as asset-related grants. They are also recorded as a deduction of value of related assets and subsequently recognized as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

Grants received in advance in relation to acquisition of non-current assets are stated as non-current liabilities until the moment of acquisition of such assets.

Accrued grants receivable are recorded in other amounts receivable when the agreement whereby the European Commission commits to finance strategic projects provides evidence confirming that the financing will be received.

### 2.4 Congestion income

Congestion income arise due to insufficient capacity of power transmission lines and different market prices for electricity in Lithuania, Sweden, Poland and Latvia. 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, any revenues resulting from the allocation of interconnection shall be used for the (a) guaranteeing the actual availability of the allocated capacity; (b) maintaining or increasing interconnection capacities through network investments, in particular in new inter-connectors; (c) where the revenues cannot be efficiently used for the purposes set out in points (a) and/or (b) above, 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 network tariffs.





The congestion revenue received by the company is recognized as: a) income in the income statement when used for guaranteeing the actual availability of the allocated capacity; b) grants, when used for investment guaranteeing the capacity of interconnectors; c) income in the income statement, if the regulatory authority will reduce transmission tariff. The remaining unused income is recorded in the deferred income line in the statement of financial position.

### 3. Intangible assets and property, plant, and equipment

Group	Intangible assets	Property, plant, and equipment
<b>Net book amount at 31 December 2014</b>	<b>944</b>	<b>364,401</b>
Additions	28	52,228
Write-offs	-	(454)
Transfer to inventories	-	(3)
Offsetting grants with non-current assets	-	(3,155)
Depreciation and amortization charge	(196)	(10,578)
<b>Net book amount at 30 June 2015</b>	<b>776</b>	<b>402,439</b>
<b>Net book amount at 31 December 2015</b>	<b>876</b>	<b>409,643</b>
Additions*	564	80,891
Disposals	-	(8)
Write-offs	-	(630)
Impairment	-	(434)
Reclassification	43	(43)
Offsetting grants not received with non-current assets (Note 5)	-	(13,520)
Offsetting 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>401,699</b>
<b>Company</b>	<b>Intangible assets</b>	<b>Property, plant, and equipment</b>
<b>Net book amount at 31 December 2014</b>	<b>915</b>	<b>363,431</b>
Additions	25	52,192
Write-offs	-	(445)
Offsetting grants with non-current assets	-	(3,155)
Depreciation and amortization charge	(184)	(10,443)
<b>Net book amount at 30 June 2015</b>	<b>756</b>	<b>401,580</b>
<b>Net book amount at 31 December 2015</b>	<b>870</b>	<b>408,757</b>
Additions*	564	80,744
Write-offs	-	(630)
Impairment	-	(434)
Reclassification	43	(43)
Offsetting grants not received with non-current assets (Note 5)	-	(13,520)
Offsetting 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>400,782</b>

\* As of 31 December 2015, EUR 55 million of the property, plant and equipment acquisitions were carried in Prepayments for property, plant and equipment.

Property, plant, and equipment value are carried at the asset acquisition cost less grants received or receivable for the acquisition of the asset and less income from the connection of new users. If the value of the Property, plant, and equipment was not reduced by the grants and the income from new users' connection, the book value of these assets as of 30 June 2016 would be higher by Eur 289,088 thousand. Information about the Property, plant, and equipment the value of which has been reduced by the grants received/receivable and by the income from new users' connection is presented below:

<b>Net book amount at 31 December 2015</b>	<b>217,633</b>
Additions	74,831
Depreciation charge	(3,349)
Write-offs	(27)
<b>Net book amount at 30 June 2016</b>	<b>289,088</b>



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#### 4. Investments in subsidiaries (of the Company) and investments in associates and jointly controlled entities (of the Company and the Group)

##### Investments in subsidiaries in the Company's financial statements

As at 30 June 2016 and 31 December 2015 the Company's investments comprised as following:

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

Pursuant to the decision passed during the extraordinary general meeting of the shareholders of Litgrid held on 28 January 2016, the Company and EPSO-G signed the agreement on the purchase and sale of shares on 5 February 2016. Under this agreement the Company transferred to EPSO-G 478,800 ordinary registered intangible shares of Baltpool representing 67% of the total share capital of Baltpool. The agreement stipulates that the right of ownership is transferred to EPSO-G from 1 March 2016. Shares of Baltpool were sold for the market share price established by the independent property value amounting to EUR 387,828.

##### Investments in associates and jointly controlled entities in the Company's and the Group's financial statements

Movement in the account of investments in associates and jointly controlled entities is given in the table below:

	Group		Company	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
Opening balance	720	1,088	752	1,047
Impairment of investments	-	(343)	-	(295)
Share of profit (loss) of associates and jointly controlled entities	1	(25)	-	-
Closing balance	<u>721</u>	<u>720</u>	<u>752</u>	<u>752</u>

#### 5. Other accounts receivable

Other receivables as of 30 June 2016 consist mainly of grants receivables - EUR 16,425 thousand and grants not received - EUR 29,985 thousand (31 December 2015 - EUR 16,465 thousand), by the amount of these grants is reduced the value of property, plant, and equipment (Note 3).

#### 6. Share capital

On 30 June 2016 the Company's share capital was Eur 146,256,100.20. It consists of 504,331,380 ordinary shares with a nominal value of Eur 0.29 per share.

#### 7. Loans

Loans of the Group/Company were as follows:

	Group		Company	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
<b>Non-current borrowings</b>				
Bank loans	120,476	124,518	120,476	124,518
<b>Current borrowings</b>				
Current portion of non-current borrowings	48,082	8,082	48,082	8,082
Overdraft	35,771	70,838	34,828	69,842
Total	<u>204,329</u>	<u>203,438</u>	<u>203,386</u>	<u>202,442</u>

Terms of repayment of non-current borrowings

	Group		Company	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
Between 1 and 2 years	8,082	8,082	8,082	8,082
From 2 to 5 years	39,604	36,533	39,604	36,533
After 5 years	72,790	79,903	72,790	79,903
Total	<u>120,476</u>	<u>124,518</u>	<u>120,476</u>	<u>124,518</u>



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## 8. 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 presented by 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);
- 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 and Litgrid Power Link Service. Tetas services include reconstruction, repair and technical maintenance of medium voltage transformer substations and distribution stations. Litgrid Power Link Service was established as a centre for high qualification and specialised engineering competences in the area of management and operation of high voltage direct current links (HVDC).

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
<b>Profit/(loss) before income tax</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>9,621</b>
Income tax*	x	x	x	x	x	(983)
Discontinued operations	x	x	x	x	x	32
<b>Profit/(loss) for the period</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, share of result of associates and jointly controlled entities and financing income and expenses are not allocated between the Company's operating segments.



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The Group's information on segments for the period ended 30 June 2015 is presented in the table below:

2015	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	28,409	6,014	4,667	2,079	9,766	50,935
Inter-segment revenue	-	-	-	-	(2,627)	(2,627)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>28,409</b>	<b>6,014</b>	<b>4,667</b>	<b>2,079</b>	<b>7,139</b>	<b>48,308</b>
<b>Operating profit/(loss)</b>	<b>957</b>	<b>2,639</b>	<b>(457)</b>	<b>-</b>	<b>(51)</b>	<b>3,088</b>
Finance income/(cost), net*	x	x	x	x	x	(318)
Share of result of associates and joint ventures*	x	x	x	x	x	48
<b>Profit/(loss) before income tax</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>2,818</b>
Income tax*	x	x	x	x	x	(472)
<b>Discontinued operations</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>20</b>
<b>Profit/(loss) for the period</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>2,366</b>
Depreciation and amortisation expenses	10,625	-	-	-	137	10,762
Write-offs of property, plant and equipment	409	-	-	-	9	418

\* Income tax, share of result of associates and jointly controlled entities and financing income and expenses are not allocated between the Company's operating segments.

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 87% of total revenue.

In 2016 and 2015, the Group's and the Company's revenue by geographical location of customers:

	Group		Company	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Lithuania	73,781	46,594	68,042	39,455
Norway	2,967	225	2,967	225
Sweden	6,097	60	6,097	60
Latvia	511	222	511	222
Estonia	770	986	770	986
Poland	308	-	308	-
Greece	172	-	172	-
Belgium	24	-	24	-
Austria	58	-	58	-
Russia	-	221	-	221
<b>Total:</b>	<b>84,688</b>	<b>48,308</b>	<b>78,949</b>	<b>41,169</b>

## 9. Related-party transactions

The Company's/Group's related parties in 2016 and 2015 were as follows:

- EPSO-G (the parent 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 jointly controlled entities of the Company;
- AB Amber Grid (the same shareholders);
- UAB Baltpool (the same shareholders);
- Management members.

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	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
UAB EPSO-G	388	10	388	10
UAB Tetas	-	-	3	7
UAB Litgrid Power Link Service	-	-	55	86
UAB Baltpool	11,594	11,080	11,594	11,080
Group's associates and jointly controlled entities	717	784	717	784
	<b>12,699</b>	<b>11,874</b>	<b>12,757</b>	<b>11,967</b>



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2016  
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Purchases of goods and services

	Group		Company	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
UAB Tetas	-	-	1,517	2,096
UAB Litgrid Power Link Service	-	-	578	472
UAB Baltpool	(652)	7,787	(652)	7,787
Group's associates and jointly controlled entities	153	208	153	208
	<u>(499)</u>	<u>7,995</u>	<u>1,596</u>	<u>10,563</u>

Amounts receivable from related parties

	Group		Company	
	30-06-2016	2015-12-31	30-06-2016	2015-12-31
UAB EPSO-G	-	2	-	2
UAB Litgrid Power Link Service	-	-	10	13
UAB Baltpool	4,785	2,028	4,785	2,028
Group's associates and jointly controlled entities	146	143	146	143
	<u>4,931</u>	<u>2,173</u>	<u>4,941</u>	<u>2,186</u>

Amounts payable to related parties

	Group		Company	
	30-06-2016	2015-12-31	30-06-2016	2015-12-31
UAB Tetas	-	-	653	154
UAB Litgrid Power Link Service	-	-	269	38
UAB Baltpool	-	149	-	149
Group's associates and jointly controlled entities	21	94	21	94
	<u>21</u>	<u>243</u>	<u>943</u>	<u>435</u>

*Payments to the key management personnel*

	Group		Company	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Employment-related payments, whereof:	359	339	236	227
- Termination benefits	33	15	33	15
Average number of the key management personnel	12	12	6	6

The management comprises the heads of administration and chief financiers of the holding group companies, the members of the Management Board of the company, department directors of the subsidiaries.

**10. Dividends**

During the Ordinary General Meeting of Shareholders of Litgrid held on 26 April 2016, the decision was made in relation to the payment of dividends in the amount of EUR 4,589,416. Dividends per share amounted to EUR 0.0091.

**11. Basic and diluted earnings per share**

In 2016 and 2015, basic and diluted earnings per share of the Group were as follows:

	30-06-2016	30-06-2015
Net profit (loss) attributable to the Company's shareholders (thousand EUR)	8,660	2,359
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings per share (in EUR)	<u>0.017</u>	<u>0.005</u>

**12. Subsequent events**

The extraordinary meeting of shareholders of Litgrid held on 29 July 2016 elected an audit firm PriceWaterhouseCoopers UAB for conducting an audit of financial statements of the Company for 2016, recalled the Board of Litgrid and elected the new Board. Two employees of EPSO-G, the parent company, two employees of the Company and one independent member were elected as the Board Members.

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