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LITGRID AB

COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS, PREPARED
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION (UNAUDITED), FOR THE SIX-MONTHS
PERIOD ENDED 30 JUNE 2020, PRESENTED TOGETHER WITH INTERIM
REPORT

CONFIRMATION OF RESPONSIBLE PERSONS

August 5, 2020 Vilnius

Following the Law on Securities of the Republic of Lithuania and Rules on Information Disclosure approved by the Bank of Lithuania, we, Daivis Virbickas, Chief Executive Officer of LITGRID AB, Darius Zagorskis, Head of Finance Planning and Analysis Division, acting Director of Finance Department of LITGRID AB and Raimonda Duobuvienė, Deputy Chief Financier, acting Head of Accounting Division of LITGRID AB, hereby confirm that, to the best of our knowledge, the attached LITGRID AB unaudited condensed interim financial statements for the six months period ended 30 June 2020 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB assets, liabilities, financial position, profit and cash flows, the Interim Report for the six-month period includes a fair review of the development and performance of the business.

Daivis Virbickas
Chief Executive Officer

Darius Zagorskis
Head of Finance Planning and Analysis Division,
acting Director of Finance Department

Raimonda Duobuvienė
Deputy Chief Financier,
acting Head of Accounting Division

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The condensed interim financial statements were signed on 5 August 2020.

Daivis Virbickas
Chief Executive Officer

Darius Zagorskis
Head of Finance Planning and Analysis Division,
acting Director of Finance Department

Raimonda Duobuvienė
Deputy Chief Financier,
acting Head of Accounting Division



LITGRID AB FIRST HALF YEAR 2020 REPORT

I. GENERAL INFORMATION

This report has been prepared for six months period ended 30 June 2020.

The Issuer and its contact details:

Name	LITGRID AB (hereinafter referred to as “LITGRID” or the “Company”)
Legal form	Public limited liability company
Date and place of registration	16/11/2010, the Register of Legal Entities of the Republic of Lithuania
Company code	302564383
Registered office address	Viršuliškių skg. 99B, LT-05131, Vilnius
Address for correspondence	Viršuliškių skg.99B, LT-05131, Vilnius
Telephone	+370 707 02171
E-mail	info@litgrid.eu ; www.litgrid.eu

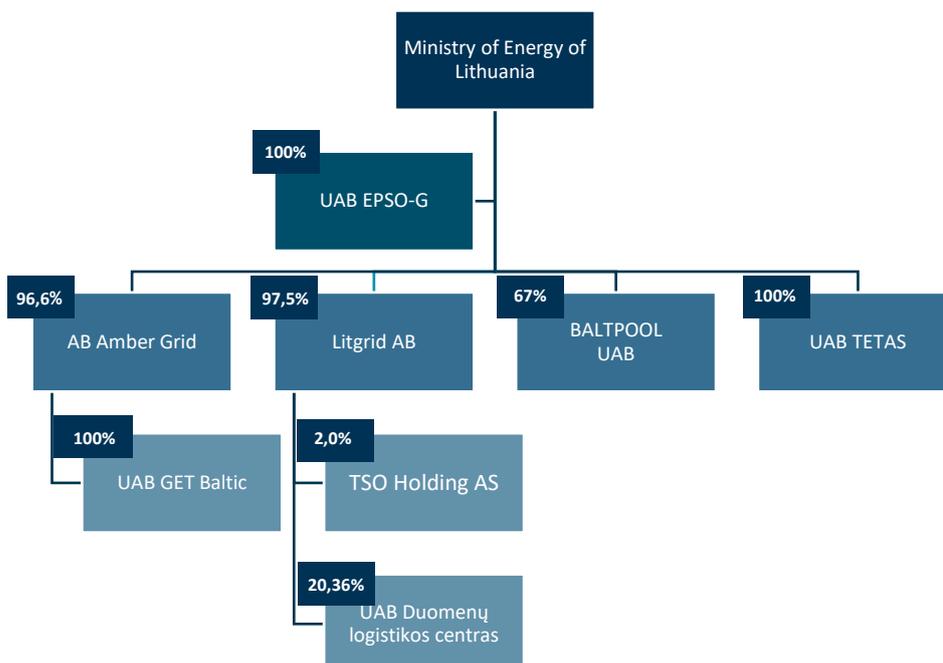
LITGRID activities

LITGRID, the Lithuanian electricity transmission system operator (the “TSO”), ensures the stable operation of the national electric power system, controls electricity flows and creates conditions for competition in the open electricity market. LITGRID has implemented the strategic projects on electricity cross-border links, namely, NordBalt (Lithuania-Sweden) and LitPol Link (Lithuania-Poland), is implementing 14 projects of strategic importance, approved by the Government of Lithuanian.

LITGRID is responsible for maintaining the balance between electricity consumed and produced in the system and reliable transmission of electricity, 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 most important activity areas and responsibilities of the Lithuanian TSO 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 single electricity market of the Baltic and European countries; and the integration of the electricity systems of Lithuania and continental Europe for synchronous operations.

LITGRID is a part of the EPSO-G Group:

EPSO-G





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EPSO-G is a state-owned group of energy transmission and exchange companies. The rights and obligations of the holding company EPSO-G shareholder are implemented by the Ministry of Energy of the Republic of Lithuania. EPSO-G UAB owns 97.5 % of shares of the transmission system operator LITGRID AB.

Changes in the group of companies of LITGRID as of June 30th, 2020:

Name	„LitPol Link“ Sp.z.o.o	UAB „Duomenų logistikos centras“	TSO Holding AS
Registration date and place	The Republic of Poland	The Republic of Lithuania	The kingdom of Norway
Address	Warszawska 165, 05-520, Konstancin-Jeziorna, Poland	Žvejų g. 14, LT-09310 Vilnius	PO Box 121, NO-1325 Lysaker, Norway
Country of establishment	Lithuania and Poland	Lithuania	Norway, Sweden, Finland, Denmark, Lithuania, Latvia, Estonia, United Kingdom, Poland, Germany, Netherlands
LITGRID shares	50% of shares and voting rights attached thereto.	20.36% of shares and voting rights attached thereto	2% of shares and voting rights and a board member on rotation basis
2020 I HY changes	The company liquidation process is in progress.	07.07.2020 sold the shares	



II. The strategy of the Company

On 20 December 2018, the Board of LITGRID approved the strategy of LITGRID for the years 2019-2028.

Constant changes in the electricity system encourage the organization to develop, increase its efficiency and meet the challenges of a rapidly changing environment. The Company aims to be innovative and progressive, having a long-term vision of becoming the Europe's Smartest Transmission System Operator (TSO).

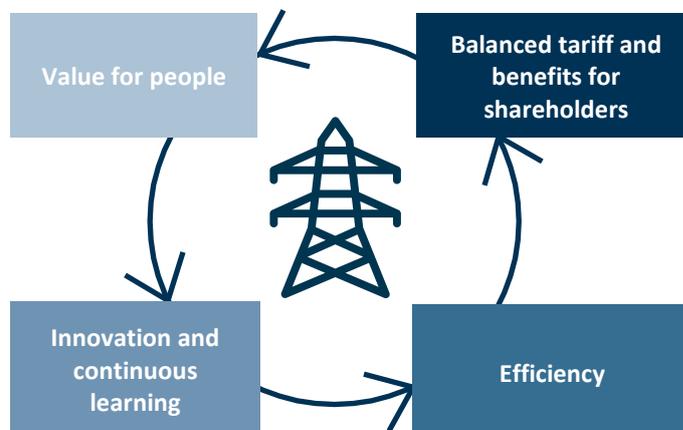
LITGRID will head towards smartest TSO by:

-  Managing frequency after 80-year break.
-  Being among top 5 TSO's in Europe integrating the largest number of renewables.
-  Being among top 10 European TSO'S using batteries to manage frequency.
-  Keeping tariff stable despite having largest investments into the grid development in the region.
-  Staying among top 5 European TSO's with the most reliable grid.
-  Being one of the most attractive employees in the market.
-  Initiating 0 tolerance for not respectful approach to people and nature.

The Company consolidates its commitments in the mission - to ensure a reliable transmission of high-quality electricity in the European market by creating value to society. In accordance with this goal, LITGRID continues intensive development of the electricity market, deepening integration into the European market and applying European standards. Existing rules are being developed in order to open up new market opportunities and services to its participants, empower new users, ensure equal conditions and complete integration of the Lithuanian electricity market into the European electricity market.

Starting from 2019 the Company uses Hoshin-Kanri approach in making 3 years activity plan, which is a popular method in Lean practice. In this way the regular corporate plans are presented in a visually attractive form and can be carried out in a very efficient way - x-matrix.

The Company implements its mission and vision through four priorities:





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These values are important in the Company:
professionalism, cooperation, progress

Values are reflected in behavior:

Professionalism

I do my job better than it is expected from me; I say what I do, and I do what I say; I deliver my promises.

Cooperation

I communicate clearly and understandably; I show my position and respect others; I help others to achieve the result.

Progress

I take the initiative and learn from mistakes; I am looking for new ideas and implementing them; I am constantly strengthening my skills and sharing them.



III. Strategic activities and priorities

Integration of the national electric power system into the European electricity infrastructure

Following a full-fledged integration of Lithuania into the European electricity system, the European system management standards will be introduced in the electricity sector ensuring management of electricity flows based on market principles and participation in maintaining the system's frequency. The aim is to achieve a synchronous operation of the system of the Baltic countries within the electricity grids of continental Europe in 2025.

The preparation of energy system for the synchronous operations with the continental Europe grid



Synchronization of the Baltic States is a strategic energy security project, which will result in the Baltic States disconnecting from the Russian-controlled IPS / UPS system and joining the continental European power grid system. The updated National Energy Independence Strategy already stipulates that the Lithuanian energy system synchronization project must be implemented by 2025.

One of the main goals of LITGRID is to implement the Synchronization Program in a timely and cost-effective way.

In September 2019, the Government of Lithuania approved the list of energy projects carried out by implementing the synchronization of the electricity system submitted by the Ministry of Energy. The list consists of 65 actions and measures and 14 projects of strategic importance, including:

- Extension of LitPol Link;
- Reconstruction of the 330 kV electricity transmission line Lietuvos Elektrinė - Vilnius;

Optimization and preparation of the North-East Lithuanian electricity transmission network for synchronous operation with the continental European grid;

- Building undersea cable Harmony Link.

In the first half of the year 2020, the pace of implementation of the synchronization project achieved during the previous year was maintained. During this half-year, one of the projects was completed, 5 purchases and more than EUR 8 million investment were made.

Ongoing projects



All construction works were successfully completed, and construction completion documents were received for the project **“Construction of the 110 kV electricity transmission line Pagėgiai - Bitėnai”**. This is the second of fourteen Synchronization projects that have been completed.

Documents authorizing construction were received and construction work was started on the project **“Extension of the Litpol Link”**. In parallel, three 600 MVA autotransformers were designed and put into production, which are planned to be delivered to the Alytus 400 kV converter substation by the end of the year.

The preparatory phase of the project **“Construction of the Harmony Link”** continues. Within the scope of this stage, the study of the route of the offshore part of the cable has been completed, using its results the concept of the special plan of infrastructure development for the planned offshore and underground parts of the cable, the study of strategic consequences for the environment has been prepared. Both spatial planning solution documents were submitted for public consultation, and the procurement of seabed survey services was initiated based on the prepared cable route alternatives. In parallel, the procurement of services for the preparation of technical specifications for cables and converters was completed, and a contract was signed with the supplier. To ensure the smooth implementation of all parts of the project, a cooperation agreement dedicated to the implementation phase of the Harmony Link project with the Polish electricity transmission system operator PSE was agreed and signed.



During the first half of the year, essential reconstruction works of the Vilnius transformer substation, which are necessary for the full connection of the new line were completed in the project “**Reconstruction of the 330 kV electricity transmission line Lietuvos Elektrinė - Vilnius**”.

Construction continues in the project “**Optimization and preparation of the North-East Lithuanian electricity transmission network for synchronous operation (...)**”. Primary equipment has been installed at Utena and Ignalina NPP TS, cabling, connection and adjustment works are underway. A controlled shunt reactor (CSR) brought from the Ignalina NPP TP was installed and commissioned at the Lithuanian Power Plant TP.

Significant progress has been made in strengthening the internal 330 kV transmission line. Concepts of the development plan and strategic consequences assessment reports for the projects “**Construction of the 330 kV electricity transmission line Vilnius - Neris**”, “**Construction of the 330 kV electricity transmission line Kruonis HPP - Bitėnai**”, “**Construction of the 330 kV electricity transmission line Darbėnai - Bitėnai**” and “**Construction of the 330 kV switchyard “Mūša”**” have been prepared; a public discussion of these documents was initiated. In parallel, in order to accelerate the implementation of new overhead line construction projects “**Construction of the 330 kV electricity transmission line Kruonis HPP-Bitėnai**” and “**Construction of the 330 kV electricity transmission line Darbėnai-Bitėnai**”, procurement of design and construction works for the reconstructed parts of these overhead lines “**Klaipėda-Darbėnai**” and “**Jurbarkas-Bitėnai**” have been commenced.

Agreements have been signed on the reconstruction of Alytus and Telšiai transformer substations for the installation of synchronous compensators, which will fall within the scope of the project “**Installation of new synchronous compensators**”. In the same project, the study on the preparation of technical specifications was completed and the preparation of documents for the general procurement of design and contract works was started.

Implementation of synchronization projects

Project	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expansion of the 33kV Bitėnai transformer sub-station		100%							
Construction of the power transmission line Pagėgiai-Bitėnai			100%						
Reconstruction of the 330-kV electricity transmission line Lietuvos Elektrinė - Vilnius			80%						
Extension of the Litpol Link		66%							
Optimization and preparation of the North-East Lithuanian electricity transmission network for synchronous operation with KET.		81%							
Installation of new synchronous compensators			11%						
Construction of the 330 kV electricity transmission line Vilnius - Neris			19%						
Construction of the 330-kV switchyard Darbėnai			12%						
Construction of the 330-kV switchyard Mūša			12%						
Construction of the Harmony Link			12%						
Construction of the 330-kV electricity transmission line Darbėnai - Bitėnai			12%						
Construction of the 330-kV electricity transmission line Kruonis HPP - Bitėnai			20%						
Installation of the frequency stability assessment system (FSAS) in power system			20%						
Installation of the automatic generation control (AGC) system									



Financing and governance

In order to ensure the smooth implementation of projects, an application for funding the implementation of Phase II of Synchronization projects through the Connecting Europe Facility (CEF) was successfully submitted this semester. The total amount of financed investments would be EUR 1.22 billion through four countries (Baltic States and Poland), of which EUR 474 million is allocated to Lithuania. At the same time, an additional application for frequency stability studies was submitted, the total value of which was EUR 3 million for the three Baltic States.

The transmission system operators of the Baltic States have signed the terms of the Baltic Synchronization regional co-operation, which would ensure co-ordination between the implemented electricity system synchronization initiatives in the three countries and successful preparation of all countries for isolated operation and connection to continental European networks.

One of the key criteria for the success of the synchronization program is cooperation with operators in neighboring countries.

Therefore, in close cooperation with partners in the Baltic States, LITGRID implements the following projects:

- Developed and continuously implements an automatic generation control and frequency stability monitoring system in the Baltic States.
- Carries out joint training of Baltic dispatchers.
- Together with the Polish operator, PSE, is preparing plans for the construction of a submarine cable.

Implementation of the capacity mechanism in Lithuania

The implementation of the capacity mechanism is important to achieve the goals set in the Lithuanian Energy Independence Strategy, related to the development of electricity generation from renewable energy sources, increasing local electricity generation and smooth implementation of the Lithuanian electricity system synchronization project with the continental European energy system.

Following the approval of the amendment to the Law, it is envisaged that the Capacity Assurance Mechanism will be implemented in Lithuania by organizing technologically neutral auctions. This means that not only electricity generation installations but also storage installations (such as batteries) operated by independent electricity demand aggregators will be able to participate in the auctions.

The auctions will be open not only to existing electricity generation facilities, but also to future power generation sources, which should be installed by 2025. The capacity assurance mechanism will also be open to other EU Member States whose electricity system is connected to the Lithuanian electricity system, a natural or legal person, another organization or a unit thereof operating existing capacity facilities in that Member State.

Essential provisions:

the procedure for organizing auctions of the electricity system capacity assurance mechanism is regulated;

the transmission system operator will conduct auctions for three types of capacity: advance, main and additional;

technical requirements for existing and planned capacity assuring facilities have been provided for;

procedures and requirements for submitting bids for the auction, as well as the procedure for approval and publication of the results of the capacity auction have been detailed.

Execution of the Astravets action restriction plan

In accordance with Clause 3 of the Government of the Republic of Lithuania Resolution no. 739 “On the Approval of the Action Plan for the Implementation of the Necessary Measures to Protect against Unsafe Nuclear Power Plant which is under Construction in the Republic of Belarus and Threatens the National Security, Environment and Public Health of the Republic of Lithuania” (hereinafter - the Action Plan) of September 13, 2017, LITGRID AB participates in the implementation of the Action Plan. Until the second half of the year 2020, 10 of the 11 actions specified in the Action Plan, in the implementation in which LITGRID AB participates, were or are being implemented in accordance with the approved plan. Accordingly, as early as in the



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middle of 2019, LITGRID AB initiated amendments to the Action Plan by assessing the link between the Action Plan and the updated date of synchronization of the electricity system of the Republic of Lithuania in legal acts.

Development and research activities of LITGRID

Every year, LITGRID prepares long-term development plans for the electricity system to ensure reliability of the transmission network and increase the security of electricity supply. They are submitted to the National Energy Regulatory Authority (VERT) for approval and update them annually. We publish the ten-year plans on the corporate website.

Studies

On 7th April 2020, LITGRID signed EUR 120 thousand value contract with DNV GL, which won a public tender announced in December 2019 for the services of preparing a study scenario for the development of the Lithuanian electricity system for 2020-2050. The study will assess the forecasts of electricity generation, consumption, import and export flows, the possibilities of system balancing, the need for new system services and the possibilities to secure them with local resources. The authors of the study will also assess the possibilities and benefits of the introduction of new technologies, such as energy storage, smart transmission networks, generating consumers and others, in the energy system of the future.

On 11 June 2020, the first public seminar-discussion took place remotely, during which DNV GL representatives presented the assumptions used in the study and answered questions from the audience. The seminar received a lot of attention and was attended by over 100 stakeholders and company representatives. A second public seminar-discussion is planned for the autumn, during which the preliminary results of the study will be presented. The study will be completed in mid-November 2020.

Joint study of Baltic operators with Japanese operator TEPCO Power Grid

On 25 May, Lithuanian, Latvian and Estonian electricity transmission system operators - LITGRID, Augstsprieguma tīkls and Elering signed a cooperation agreement with TEPCO Power Grid, part of the Japanese energy group.

The agreement aims to develop a cost-effective model and identify technical measures that will contribute to the goal of the National Energy Independence Strategy - by 2050 to produce 100 percent of electricity consumed in Lithuania from RES.

According to the agreement, the Japanese TEPCO Power Grid undertakes to carry out a study - to adapt the Baltic electricity transmission system model, when 100 percent of electricity is generated from RES, to analyse the possibilities of RES integration by performing frequency calculations and to offer technical solutions that would allow the integration of 100% RES into the Baltic electricity system. The study is planned to be completed by March 31, 2021.

The Baltic States will use the results of the study to develop the necessary technical measures for infrastructure development and investment planning.

Adequacy study with Kaunas Technological University

Currently, Kaunas Technological University is conducting a study “Probabilistic Method of Lithuanian Electricity System Adequacy Assessment in 2019-2030”, which updates the results of the Lithuanian Electricity sector (hereinafter - LES) adequacy calculation, taking into account the assumptions of the adequacy assessment updated in 2020 and the need related to the development of the capacity mechanism methodologies (marginal capacity, interconnection capacity, distribution capacity calculation methodologies). The study is planned to be completed by the autumn of 2020.

Development of the modern organization

Already for 3 years the Company is implementing Lean practices. The goal of it is a continuous daily improvement of everyday operations, make problem solving faster, improve decision quality communication, help people to cooperate and increase engagement. All those aspects have crucial importance in creating additional value for the society and the country.

Lean activities have been launched by involving all employees of the company with a strong focus on staff development, as the application of the methodology requires specific knowledge and expertise. Employees shall be able to modulate meetings, properly identify and register problems, solve them and understand the benefits of the actions to the company, activities and processes.

In the first half of 2020 LITGRID employees implemented 345 mini Kaizen's (small improvements of daily processes). Bigger improvements, which require teamwork, collecting historical data and later implement them (called PDCA Kaizen). In total 18 PDCA Kaizens were implemented in 6 months of 2020.



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IV. Business environment and overview of activities

Services provided by LITGRID

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

-  Transmission of electricity via the high voltage (110-400 kV) electric installations.
-  System services.
-  Trade disbalance and disbalance electricity to ensure a balance between production and consumption.
-  Public service obligations ensuring and enhancing national energy security (hereinafter referred to as „PSO“);

Transmission of electricity

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

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

System services

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

Trade in disbalancing and balancing

LITGRID secures the country's electricity production and consumption balance. Disbalance electricity is the electricity that is consumed or produced outside of established electricity consumption and production schedules. LITGRID organizes 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 transmission system operator (TSO) as electricity necessary for performing the function of balancing the country's electricity consumption and production. LITGRID organizes trading in regulating electricity by auction. The auction participants are suppliers of regulating energy and TSOs of other countries possessing technical facilities for quickly changing the electricity generation and consumption conditions and having concluded a relevant agreement with LITGRID.

Public service obligations

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



LITGRID provides the following PSO services:

-  Connection of power generation equipment that uses wind, biomass, solar energy, or hydropower to the transmission grid as well as the transmission grid's optimization, 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.

Customers of the transmission system operator

LITGRID direct customers are electricity transmission grid users and suppliers of balancing and regulating electricity.

Transmission grid users include:

-  ESO a distribution system operator and UAB Dainavos Elektra.
-  Customers whose electrical equipment is connected to the electricity transmission grid and who purchase electricity for use.
-  Electricity producers connected to the electricity transmission grid.

Disbalance and balancing energy providers - producers and suppliers.

Electricity transmission operating indicators and network reliability

Electricity transmission operating indicators in Lithuania are determined by the National Energy Regulatory Council. In accordance with the requirements approved by NERC for reliability and quality of service of electricity transmission, the indicators to determine the level of transmission reliability are used: ENS (energy not supplied) - the amount of electricity not transmitted due to interruptions, and AIT (average interruption time) - the average interruption duration in power transmission.

TSO's operating indicators	2020 HY1	2019 HYI	2018 HYI
Energy transmission volume, million kWh	4 932	5150	5 153
Costs of compensating process losses in transmission network, %	2,98	2,99	3,08
ENS (Energy Not Supplied due to interruptions), MWh **	3,09	6,77	2,17
AIT (Average Interruption Time), min.**	0,10	0,23	0,08

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

In the first 6 months of 2020 ENS and AIT indicators attributable to the operator's responsibility did not exceed the prior year results.

In the first 6 months of 2020 LITGRID transmitted 4 932 million (kWh), or 4.24 % less of electricity by high-voltage transmission networks to the needs of the country in comparison to same period in 2019. ESO clients were supplied by 4 476 million kWh or 4,44 percent less than the same period of 2019

The declining demand for energy transmission services was driven by significantly warmer weather conditions and lower electricity use by and service providers due to lockdown on business due to COVID-19.

The number of equipment managed from distance in the first half year was 892 (in 2019 the number was 860), total number of distantly operated parts - 72,11 percent.



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Electricity interconnections

Reliably functioning intersystem connections are an essential part of the system, providing an opportunity to operate together with the energy systems of other Western and Nordic countries and to develop a common European market.



LitPol Link

LitPol Link is a double-circuit transmission line from Alytus in Lithuania to Elk in Poland and the Alytus back-to-back converter. LitPol Link interconnection was available to the market 98% of the time throughout the 6 months of 2020.



NordBalt

NordBalt electricity interconnection is one of the longest sea cables in the world, the operation of which significantly increases safety of energy supply to Lithuania and the Baltic countries. In the first half of 2020, the availability of NordBalt was reaching 95%.

Reconstruction and maintenance of the grid

LITGRID operates high-voltage (400-330-110 kV) transmission lines with the length of 7221.4 km (6980.4 km overhead lines and 241 km undersea cable) and 237 transformer substations and switchyards in Lithuania.

In order to maintain stable service life of overhead lines and ensure stable operation of the equipment, in the first half of 2020, LITGRID reconstructed 46 110-330 kV substations and switchyards, 747 kilometers of overhead lines (42 percent of planned volume), cleaned 1132 ha of overhead lines, cut 34 929 trees.

LITGRID, while preserving birds from touching lines had places 72 protective reflecting equipment on the overhead lines of 110 kV Neris-VE3 I,II in between pylons Nr.138-139.

In Klaipėda 330/110 kV substation a new noise absorbing wall is being built, which will minimize the noise coming from the substation for the people who live nearby already in the end summer.



V. Financial information

The main financial indicators of the Company

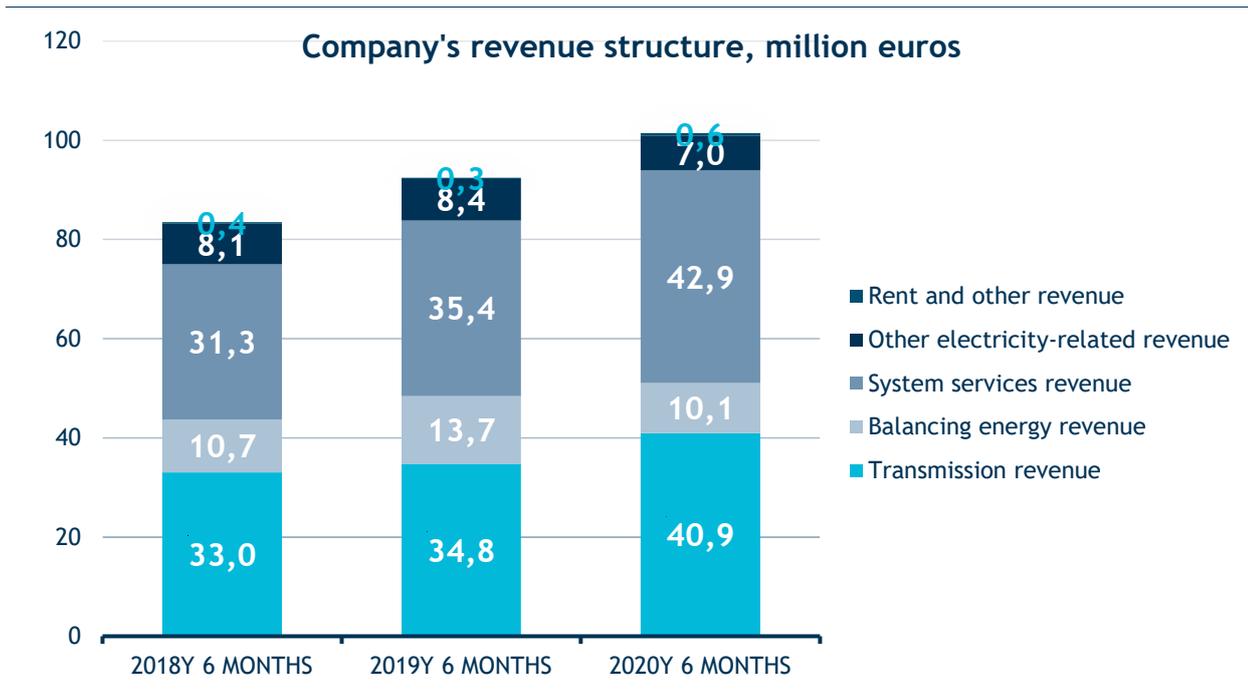
	2020	2019	2018
	January - June	January - June	January - June
Financial indicators, EUR '000			
Revenue from electricity sales	100 897	92 197	83 159
Other operating income	557	277	368
EBITDA*	26 153	13 337	17 278
Profit (loss) before tax	15 667	3 258	3 912
Net profit (loss)	13 642	2 788	3 469
Cash flow from operations	19 775	20 039	12 218
Ratios			
EBITDA margin %	25,8	14,4	20,7
Operating profit margin, %	15,0	3,9	5,3
Return on equity, annual %	7,4	-17,7	1,8
Return on assets, annual %	4,0	-10,0	1,0
Shareholder's equity / Assets, %	52,5	54,2	58,0
Financial liabilities / Equity, %	42,2	51,6	55,7
Liquidity ratio	0,60	0,54	0,69

*EBITDA = Operating profit + Depreciation and amortization + Impairment expenses of assets + Write-off expenses of assets



Revenue

Revenue earned by the LITGRID in the first half of 2020 amounted to EUR 101.5 million, a 9.7% increase compared to same period of 2019.



Revenue from electricity transmission increased by 18% up to EUR 40.9 million compared to 2019. Revenue from electricity transmission accounted for 40.4% of the Company's total revenue. Income growth was driven by 23.0% higher average actual electricity transmission price, while the amount of transmitted electricity decreased by 4.2% at 4 932 million kWh due to higher average temperature of winter compared to multiannual average and due to influence of Covid-19 pandemic.

Due to lower average sale price, revenue from disbalancing and balancing electricity decreased by 26% down to EUR 10.1 million.

Revenue from system services grew by 21% to EUR 42.9 million. The main growth driver was the tariff for system services which had been increased 28% by the National Commission on Energy Control and Prices from 1 January 2020, but the volume of system services decreased by 4.6%.

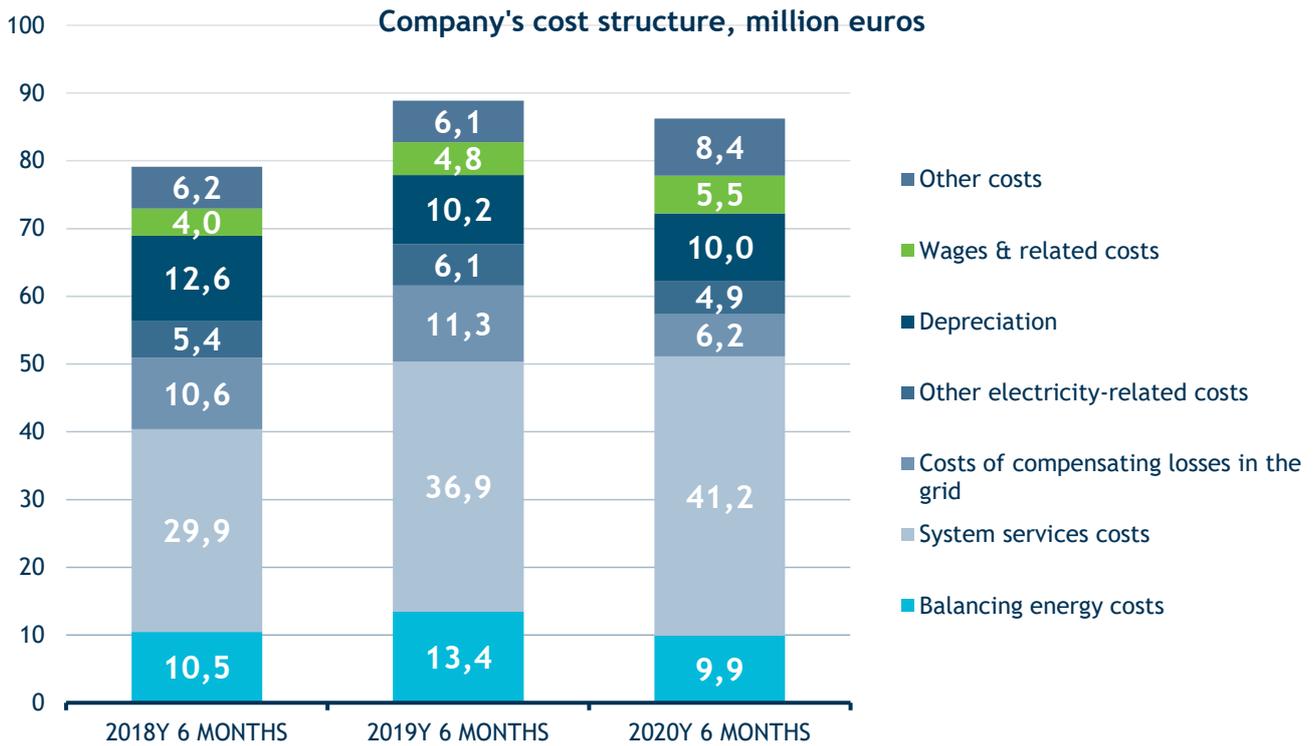
Other revenue related to transmission activity consists of: fee for electricity imported from or exported to countries other than the EU and inter-EU transit compensation revenue from ITC fund (ITC income - income resulting from participation in the European Inter-Transmission Operator Compensation Mechanism) - EUR 1.4 million; Public service obligations income - EUR 4.1 million; reactive energy income - EUR 0.8 million; connection of new producers/customers and equipment replacement - EUR 0.1 million.

Other income increased twice to EUR 0.6 million due to calculated higher of penalties.



Expenses

The Company's operating expenses totalled EUR 86.2 million in the first half of 2020, 3% lower compared to 2019.

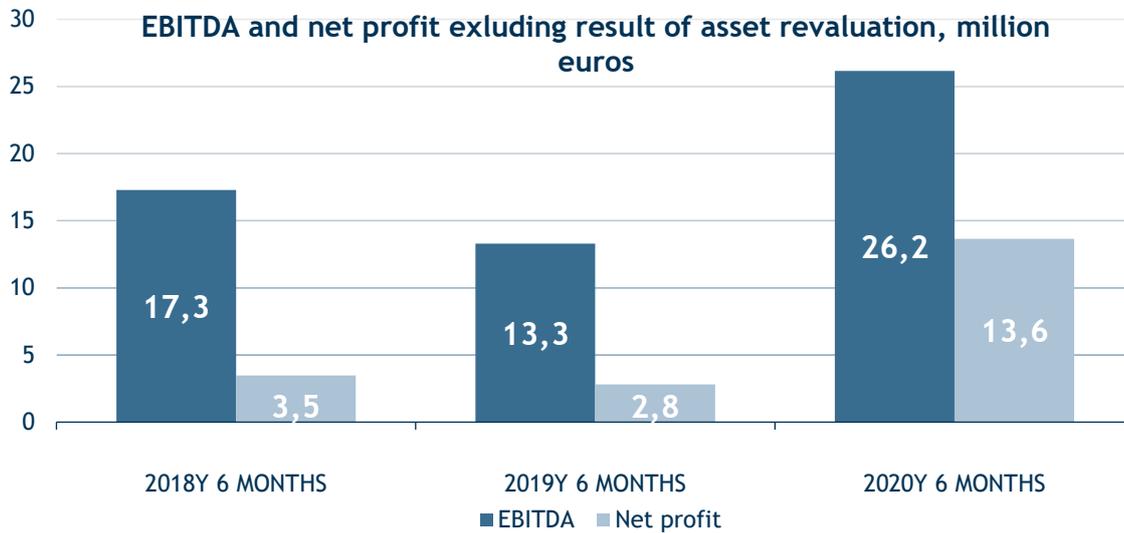


Costs of purchase of electricity and related services accounted for a major share of the Company's operating expenses: EUR 62.3 million or 72% of total expenses. These costs decreased by 8% compared to 2019. Disbalancing and balancing electricity costs decreased by 26% to EUR 9.9 million. The system service costs increased by 12% to EUR 41.2 million. Due to lower purchase price, costs for electricity purchase for compensating technological losses in the transmission grid decreased by 45% to EUR 6.2 million. Transit (ITC) costs were EUR 0.3 million, public service obligation costs EUR 4.1 million.

Depreciation and amortisation expenses decreased by 2% to EUR 10 million compared to 2019. Other expenses increased from EUR 11 million to EUR 14 million (by 27%, 44% of them were costs of network repair and maintenance).

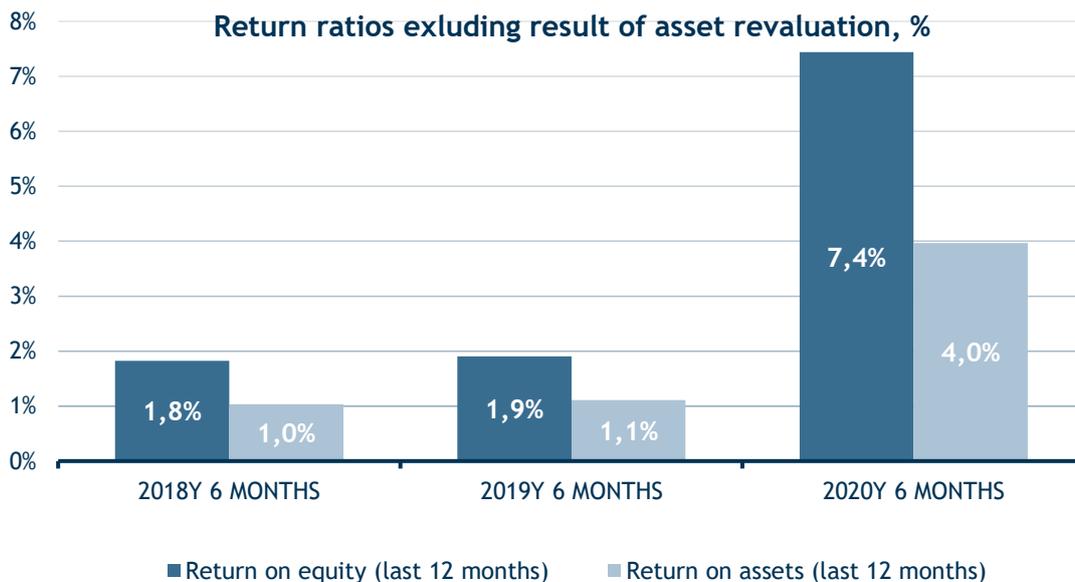


Profit and return ratios



The EBITDA in the first half of 2020 amounted to EUR 26.2 million. Compared to 2019, the EBITDA increased by EUR 12.9 million or 97%; the EBITDA margin increased to 25.8% (in 2019 - 14.4%). The Company's net profit in the first half of 2020 was EUR 13.6 million (in 2019 - EUR 2.8 million).

The main reasons for the increase of the Company's EBITDA is EUR 6.2 million higher revenue of electricity transmission, EUR 5 million lower costs of technological losses in the transmission grid, EUR 1.7 million positive balance of system services revenue and costs - in the first half of 2019 the balance was negative EUR 1.5 million and the growth of EBITDA was reduced by EUR 1.5 million of higher operating expenses.



In the first half of 2020 annual (last 12 months) ROE and ROA (excluding the revaluation of the Company's tangible fixed assets) ratios increased compared to 2019 from 1.9% to 7.4% and from 1.1% to 4.0% respectively.



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Balance sheet and cash flow

As of 30 June 2020 the Company's assets amounted to EUR 392.8 million. The Company's non-current assets amounted to 92% of the Company's total assets. Shareholders' equity accounted for 53% of the total assets of the Company.

As of 30 June 2020, the Company's financial liabilities to credit institutions amounted to EUR 87 million (a decrease of EUR 7.1 million compared to 31st December 2019). Financial liabilities to equity ratio was 42%. Financial debts repayable within one year accounted for 16% of the total financial debts. Cash and cash equivalents totalled EUR 0.9 million. Accumulated congestion income balance as of 30 June 2020 amounted to EUR 54.9 million of which EUR 34.7 million were connected (used) to the Group cash pooling account.

The Company's net cash flows from operating activities in the first half of 2020 amounted to EUR 19.8 million, while payments for non-current tangible and intangible assets were EUR 21.3 million; EUR 4.5 million were received as subsidies and EUR 16.5 million as congestion income for the financing of fixed assets investments, EUR 1 million of them was used.

The Company's net cash flow in the first half of 2020 (excluding cash flows from financial activities) totalled EUR 12.8 million.

Investments in non-current assets

The investments of Company in the first quarter of 2020 (works performed and assets acquired irrespective of terms of payment) amounted to EUR 17.6 million, of which 52% were earmarked for the implementation of electricity projects of strategic and high national importance, and 48% for the reconstruction and development of the electricity transmission grid.



VI. Information about personnel

As of 30th June 2020 LITGRID, had 305 employees.

The wage fund of LITGRID AB for the reporting period amounted to EUR 5 466 thousand.

	2020 HYI		2019 HYI	
	Number of employees	Average monthly wage, EUR	Number of employees	Average monthly wage, EUR
Chief Executive Officer	1	12 317	1	12 634
Top-level managers	6	8 551	6	8 489
Medium-level managers	39	4 415	38	4 178
Experts-specialists	259	2 674	231	2 492
Total	305	3 054	276	2 904

A successful team of employees helps the Company to successfully achieve the set goals. It consists of 305 specialists, of whom 95 percent have a higher education, 75 percent of employees are men, 25 percent - women, the average age of employees is 42 years. Three quarters of the members of the LITGRID team are experienced engineers, on whose activities the smooth operation of the transmission system operator depends. The average length of service in the energy system is 10.4 years.

From the end of 2019, Litgrid headquarters moved to a new office distinguished for a minimalist Scandinavian style, elements of the green office and *activity-based workplaces*.

Covid-19

LITGRID took steps to ensure the health and safety of workers even before the quarantine was announced in the country. By the decision of the Emergency Operations Committee, all staff missions and events were cancelled, teleworking was introduced from home, employees unable to work from home were provided with protective equipment and a maximally safe working environment, and disinfection of the premises is being carried out regularly. Employee safety and health is a priority for the company.

Remuneration and fringe benefits

The LITGRID remuneration system is a set of financial and non-financial remuneration elements. The elements of the remuneration package are a fixed part of the remuneration (i.e. a monthly salary), a variable part of the remuneration (an annual bonus depending on the performance of the company and the employee), lump sums, fringe benefits and emotional reward.

Litgrid remuneration system is based on the company's position structure (position map), which consists of positions divided into levels according to the nature of work, required competence, complexity / complexity of problem and issue solving, level of responsibility and remuneration ranges for each position level.

The key principles of remuneration management are internal justice and external competitiveness. The package of fringe benefits applicable to LITGRID employees is focused on the following directions:

- Ensuring employee working conditions and well-being.



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- Focus on the employee's personal events, family and social activities.
- Investment in employee development

LITGRID is proud to provide employees with an emotional reward that consists of:

- The company's meaningful operations, sense of stability and security.
- Professional team and efficiency-enhancing work environment.
- Value-based organizational culture.
- Interesting, challenging work content, international projects and unique experiences.
- Recognition and growth.

Professional development and improvement

An innovative organization cannot be imagined without the highest level of professionals, thanks to which LITGRID can be called a center of excellence. The company seeks to create conditions for employees to learn and improve, expand their knowledge and horizons and participate in the implementation of LITGRID strategic goals as effectively as possible. All employees are given the opportunity to acquire or update the knowledge and skills required to perform direct work. Both each employee personally and the organization takes care of the development of competencies that are important for the activities of the employee and the organization, and the education system includes not only formal training, but also other forms of development and learning.

Performance management

Employee performance management is one of the most important ways of LITGRID management and effective leadership, which helps to achieve the goals of the organization and create clear, positive relationships between managers and employees, allowing to plan employee development and career, as well as increase motivation.

Selection and introduction of staff

LITGRID pays great attention to the professional selection of employees and smooth start of their work. The company constantly invites both experienced experts in their fields and specialists who want to improve and grow. The most important thing is that the candidates have the right value base, because for LITGRID it is very important not only what has been done, but also how it was done - professionally, collaboratively, progressively.

LITGRID welcomes and motivates trainees who want to gain knowledge and learn from professionals in their field.

Equal opportunities

By implementing the requirements of the Labour Code of the Republic of Lithuania in the field of equal opportunities and non-discrimination, on December 30, 2019 LITGRID approved the Description of the Equal Opportunities Procedure and the Equal Opportunities Implementation Plan for 2020-2021.

In its activities, LITGRID follows the principles of non-discrimination in all areas:

- Objective, non-stereotypical criteria are established during staff search, selection and dismissal procedures.
- Creating a working environment and equal working conditions for all employees. The aim is to create an open, flexible and inclusive work environment, hoping that this will help all LITGRID employees to successfully reconcile work and family responsibilities. Employee sports and volunteering initiatives are encouraged and contributed to. The ideas of each employee are listened to and encouraged to implement.
- The principles of fairness and gender equality are followed in the formulation and implementation of remuneration policy.

With the adoption of measures to implement equal opportunities, LITGRID is committed to responding quickly and effectively to everyday manifestations of undesirable behavior and to ensuring a level playing field for all employees and



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job applicants. The aim is for equal opportunities to exist not only in documents, but also for the LITGRID community to be modern, caring, tolerant and open.

Trade union

LITGRID recognizes the right of employees to voluntarily unite into trade unions or associations, as well as the right to negotiate with the employer, and supports a constructive social dialogue.

For closer cooperation and partnership, meetings between trade union representatives and Company management are held periodically to discuss issues of relevance for both sides.

Remuneration policy for collegial body members and management

At the EPSO-G UAB Group, the remuneration principles applied in respect of management body members are established according to the Guidelines on the establishment of remuneration for the activity at the bodies of the group companies as approved by the decision of the sole shareholder EPSO-G UAB. Based on the decisions passed at the General Meeting of the Company's Shareholders held on 29 July 2016, the maximum amount of the annual remuneration budget allocated for the payment of services as the Company's Board members was established. The hourly and maximum monthly pay as well as the terms of the agreements with the Board members regarding their activity at the Board were approved.

The extraordinary general meeting of shareholders of LITGRID AB held on 17 December 2019 adopted decisions regarding the Board's annual remuneration budget.

Remuneration of LITGRID Board members for 6 months of 2020, EUR

Rimvydas Štilinis	-
Nemunas Biknius	-
Domas Sidaravičius	4 200
Šarūnas Nedzinskas	1 167
Algirdas Juozaponis	-
Artūras Vilimas	3 697
Jūratė Marcinkonienė	-

No other bonuses, tantiems or other benefits were paid to the members of the Board.

The fixed and variable remuneration components of the Company's CEO are established by the Company's Board, and those of the top-level managers are established by the Company's CEO in accordance with the Company's remuneration policy approved by the Company's Board. A variable remuneration component is paid to the CEO and management once a year after the approval of the implementation of objectives set for the Company's CEO given by the Company's Board.

Information about Remuneration policy, Employees performance evaluation, wages and Company and CEO goals are regularly published on the corporate website

Line of Trust

We encourage our employees, customers, business partners and other concerned parties to report the breaches of legal acts. The Company has a trust line, where is the possibility to make round-the-clock call by the indicated phone. Number and e-mail address published in the Company's website and intranet.

Ethics Committee

The Ethics Committee has been established in the Company, the Code of Ethics and Conduct (published on the Company's website, www.litgrid.eu) is upheld, the values of which are in principle respected not only within the Company but also in cooperation with third parties.



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VII. Governance

Information on the share capital and the shareholders and their rights

Since 22 December 2010, LITGRID's shares are traded on the Secondary List on the NASDAQ OMX Vilnius exchange, ISIN code of securities: LT0000128415.

LITGRID has not acquired own shares. During the reporting period, LITGRID neither acquired nor disposed of its own shares. The authorized capital of LITGRID amounts to EUR 146,256,100.2, and it is divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each.

EPSO-G UAB (Gedimino pr. 20, LT-01103 Vilnius, company reg. Nr. 302826889), a company wholly owned by the Ministry of Energy of the Republic of Lithuania, controls 97.5% of LITGRID's shares. EPSO-G UAB possesses a decisive vote in making decisions at the General Meeting of Shareholders.

The Company has not received any information on mutual agreements between the shareholders due to which restrictions on transfer of securities and/or voting rights may be imposed. There are no restrictions regarding voting rights at the Company.

SEB Bankas AB is the provider of accounting and related services for LITGRID's securities for the period from 8 September 2017 until 7 September 2020.

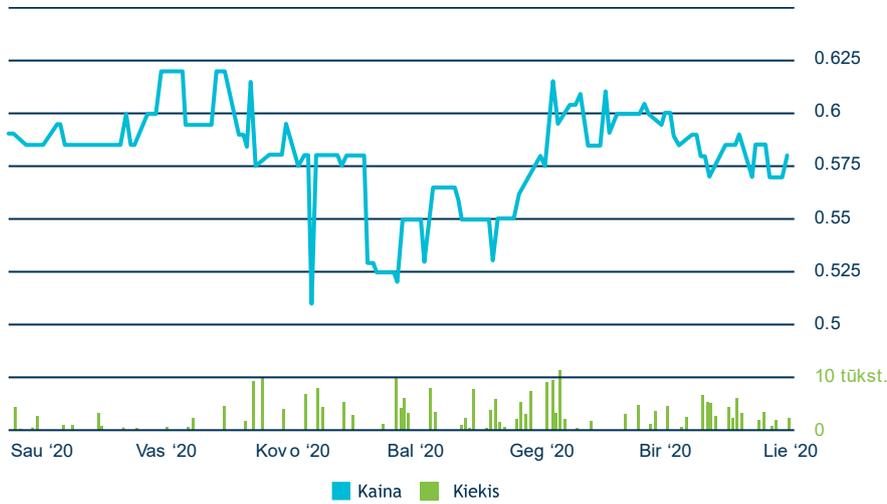
Securities of the subsidiaries of the Company are not traded on securities exchanges.

Data on trading in LITGRID's securities on the regulated markets:

Indicator	2018 HYI	2019 HYI	2020 HYI
Opening price EUR	0.702	0.64	0.59
Highest price EUR	0.71	0.705	0.63
Lowest price EUR	0.625	0.575	0.49
Closing price EUR	0,63	0,58	0.57
Turnover, units	383 524	187 620	382 472
Turnover EUR million	0.26	0.12	0.22
Capitalization EUR million	317.73	292.51	287.47



Turnover and prices of LITGRID's shares, in EUR, during the reporting period:



The comparison of the price of LITGRID's shares (LGD1L) with the OMX Baltic Benchmark GI (OMXBBGI) and OMX Vilnius (OMXV) indexes during the reporting period



INDEKSAS / AKCIJA	ATIDARYMO VERTĖ	UŽDARYMO VERTĖ	POK. %
OMX Baltic Benchmark GI	1036,11	993,55	-7
LGD1L - LITGRID	0,6	0,57	-5



Dividends

On 18 August 2017, the Board of LITGRID passed a decision regarding the application of the EPSO-G UAB Group dividend policy, which was approved by the Board of EPSO-G UAB on 14 July 2017, at LITGRID AB in its entirety.

February 7th the board of EPSO-G renewed the dividend policy. The changes are related to the changes in the corporate structure, namely the cancellation of Supervisory board and taking into account the recent changes the law. Other essential parts of the policy remain not changed.

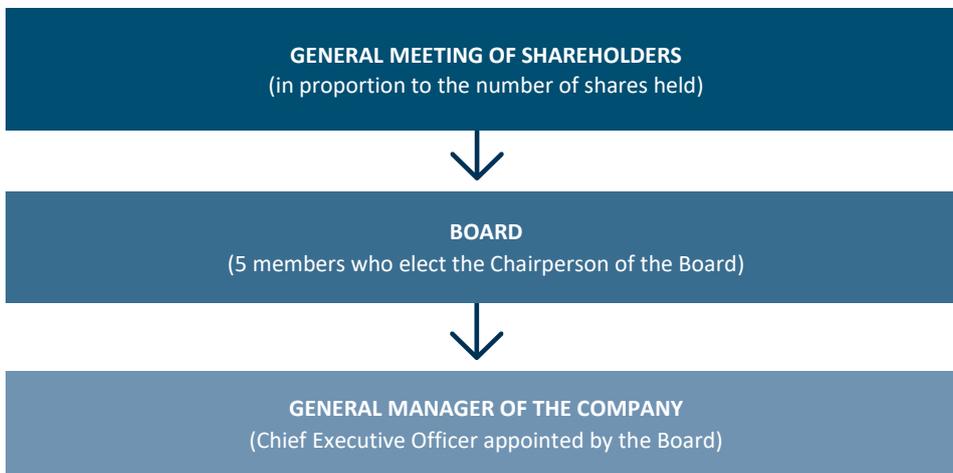
Based on the EPSO-G UAB dividend policy the amount of dividends payable was directly linked with the effective use of the company's equity, i.e. the higher benefits created by the Company for the shareholder are, the larger portion of profit can be allocated by the Company for a further development or implementation of other significant projects.

On 20 April 2020, the ordinary General Meeting of Shareholders of LITGRID was held, during which it was decided to pay out dividends amounting to EUR 0.0081 per share.

The Company's management bodies

The system of the Company's management bodies (Figure 1) is defined in the Articles of Association and it consists of the following bodies: the General Meeting of Shareholders, the Board and the CEO (a single-person management body).

The Company's Articles of Association stipulate that since the Company is part of the group of companies and the Supervisory Board of the parent company carries out the review of the functioning of the internal control system and risk management at the group level, the Company's General Meeting of Shareholders and the Board may take into consideration proposals and comments of the Supervisory Board of the parent company that are presented on the issues relating to the competence of the respective management body of the Company. The Audit Committee formed at the parent company functions as the Audit Committee of the entire group and also carries out the functions of the Company's Audit Committee.



Corporate governance principles

The main corporate governance principles are established by the Civil Code of the Republic of Lithuania, the Law on Companies and the Company's Articles of Association. The following matters shall fall within the competence of the Company's General Meeting of Shareholders: amendment of the Company's Articles of Association and the authorised share capital, conversion of shares, election of the Board and the auditor, approval of the annual financial statements, appropriation of profit, adoption of decisions on the most significant transactions and other matters. The following matters shall fall within the competence of the Company's Board: establishment of the Company's organizational structure, election of the CEO, approval of the operational strategy, budget, investments, adoption of decisions on the conclusion of significant transactions and other important management issues. The CEO is a single-person management body of the Company. The CEO organizes the Company's business activities and conducts the Company's transactions. A detailed description of the competences of the Company's management bodies is presented in the Company's Articles of Association.

The Company complies with the Corporate Governance Code.



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The Articles of Association

The Articles of Association of LITGRID shall be amended in the manner prescribed by the Republic of Lithuania Law on Companies. During the reporting period no amendments to the Articles of association were made.

The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company. The competence of the General Meeting of Shareholders, the rights of shareholders and their implementation are laid down in the Law on Companies of the Republic of Lithuania and the Statutes of the Company.

The scope of competence of the General Meeting of Shareholders, the procedure of its convocation and decision-making are established by laws, other legal acts and the Articles of Association.

The Company's Board

The Board consists of five members and is elected for a four-year term of office. The term of office 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 of office.

Where the Board or its member is recalled, resigns or for any other reason ceases to perform its duties before the expiry of the term of office, a new Board/Board member is elected for the remainder of the Board's term of office. In accordance with the new version of the Articles of Association, when electing new board members, it is ensured that there are not less than 2 (two) independent members, establishing their independence by taking into account the criteria set forth in the Governance Code and the Policy on the Managing Interests of Collegiate Bodies, Management and Employees of the Group of Companies and the requirements of other applicable legal acts; it is ensured that at least 3 (three) members of the Board are unrelated to the employment relationship with the Company and, if possible, the Company's employees are not appointed to the Board.

The Chairperson of the Board is elected from the members of the Board.

The Board works in accordance with laws, other legal acts, the Articles of Association, decisions of the General Meeting of Shareholders and the Board's Rules of Procedure.

The Board is a collegial management body of the Company. The scope of competence of the Board, the procedure of decision-making, election and removal of its members are established by laws, other legal acts and the Articles of Association. The Board is accountable to the General Meeting of Shareholders.

Areas of activities of the Board

The Board considers and approves the Company's strategy, a three-year operational plan of the Company, a ten-year transmission grid development plan, the budget of the Company, the procedure for granting support and charity, and other documents governing strategic operations of the Company. The Board decides 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 objective of the Company's operations. It also makes decisions on the issue of bonds, transfer of the Company's shares to other entities, and financial transactions exceeding EUR 3 million in value. The Board also decides other matters within its scope of competence as stated in the Articles of Association.

Areas of activities of the CEO

The CEO acts as a single-person management body of the Company. The CEO organizes and directs operations of the Company, acts on its behalf, and has the right to conclude transactions single-handedly. The scope of competence of the CEO, the procedure of his/her election and removal are established by laws, other legal acts and the Articles of Association.



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The Board of LITGRID AB

As at 30 June 2020: LITGRID's Board members, the CEO and the Chief Financial officer:

Position	Name	Start date	End date	Number of the issuer's shares held
Chairperson of the Board	Rimvydas Štilinis	2016 07 29		-
Board member	Nemunas Biknius	2016 07 29	2020 04 20	-
Independent board member	Domas Sidaravičius	2016 07 29		-
Independent board member	Šarūnas Nedzinskas	2018 09 07	2020 04 20	-
Board member	Algirdas Juozaponis	2018 09 07		-
Independent board member	Artūras Vilimas	2020 04 20		
Board member	Jūratė Marcinkonienė	2020 04 20		
CEO	Daivis Virbickas	2013 09 10		-
CFO	Vytautas Tauras	2019 03 01		76 shares



The CVs of the Board members and the Company's CEO (information is also available on the website at www.litgrid.eu):



Rimvydas Štilinis
Chairperson of the board

Born in 1978.

Rimvydas Štilinis holds master's degree of electrical engineering from Kaunas University of Technology.

He worked at Lietuvos energija UAB from 2002 to 2014. From 2008 to 2014, he served as Director of Nuclear energy, Construction and Infrastructure department and Head of General Infrastructure Competence Centre. Currently he is Director for Infrastructure of EPSO-G, the company that owns 97.5% of LITGRID shares and Member of the Board of Amber Grid, the Lithuanian natural gas transmission system operator.

On 24 May 2018, was appointed as an Independent Member of the Board of the State Enterprise Ignalina Nuclear Power Plant, and on 5 July, he was elected as a Chairman of the Board.

R. Štilinis holds no LITGRID shares.



Jūratė Marcinkonienė
Board member

UAB „EPSO-G“, temporarily replacing the director of Strategy and development

Other occupation:
UAB „GET Baltic“, Board member

Education:
Vilniaus universitetas, BA of business management (1998 m.)

J. Marcinkonienė holds no LITGRID shares.



Algirdas Juozaponis
Board member

Algirdas worked as Economist and Senior Economist at Rytų skirtosieji tinklai AB from 2005 to 2008, Product Manager at Energijos tiekimas UAB from 2010 to 2011, Managing Director from 2011 to 2015 and Board Member from 2012 to 2013 at Energijos tiekimas UAB, Board Member at GETON Energy SIA (Latvia) and GETON Energy OÜ (Estonia) from 2013 to 2015, since 2015 has been working as Director of Finance and Board Member from 2016 to 2018 at EPSO-G UAB. During 2014-2015, he served as Member of the Council at National Association of Lithuanian electricity.

A. Juozaponis holds Bachelor degree since 2005 and Master degree since 2007 from Vilnius University (Banking program).

A. Juozaponis holds no LITGRID shares.



Domas Sidaravičius
Independent board member

Born in 1975.

D. Sidaravičius holds a bachelor degree of business administration and management and a master degree of international trade from Vilnius University. D. Sidaravičius has a long-term experience of financial and insurance services, business risk management. Since March 2016 to November 2019, Mr. Sidaravičius has been Member of the Board and CEO of ERGO Invest SIA. Currently, he holds the position of CFO of Galio Group UAB.

D. Sidaravičius holds no LITGRID shares.



Artūras Vilimas
Independent board member

Experience:

- VĮ Ignalinos atominė elektrinė (Independent Board member);
- RB Rail AS CEO of Lithuanian Subsidiary.
- LitPol Link Sp. z o.o. CEO
- AB Lietuvos Energija Director of Strategic projects
- AB YIT Kausta Real Estate director

Educations:

- Kauno Technologijos Universitetas, BA of engineering (1994m);
- ISM Executive MBA, Projects Management (2008m);
- ISM Executive MBA, Marketing strategy(2009m);
- Nord Pool Academy, training (The Physical and Financial European Power Markets, Nord Pool Academy), Oslo, Norway (2015m).

A. Vilimas holds no LITGRID shares.

Daivis Virbickas
Chief Executive Officer

Born in 1978.

Daivis Virbickas holds Master of Science, Power System Control and Management from Kaunas University of Technology. Since 2013, he serves as Managing Director at LITGRID. During 2011-2013, he worked as Business Director at Switzerland holding Alpiq AG. He served as Chief Technology Officer at LITGRID AB from 2010 to 2011, Director of System Management and Control department at Lietuvos energija AB from 2000 to 2009. He was a Board Member from 2013 to 2018 and served as Chairman of the Board from 2016 to 2018 at LITGRID AB.

Since 2002, he is actively involved in the activities of ENTSO-E organization (served as member of System Operations Committee and System Development Committee), member of Expert group at European Commission.

D. Virbickas holds no LITGRID shares.





Governance and control

The requirements for the governance of the Company are set forth by the Lithuanian Government's resolutions on the governance of state-owned or state-controlled companies, insofar as they apply to the EPSO-G group companies, and the Governance Code, insofar as the Company's Articles of Association do not state otherwise.

In accordance with the integrated planning and monitoring policy of the EPSO-G group companies, which was approved at the meeting of the Board of the Company No 12 held on 19 May 2017 and which is directly applied at the Company in its entirety, the Company is preparing the strategy of the Company for a period of 5-10 years. The period of the strategy must coincide with the period of the parent company's strategy. The prepared strategy of the Company currently covers the period of 10 years up to 2027. The implementation of the strategic objectives set out in the strategy of the Company is ensured by the Company's performance, control, and risk management systems. The strategy of the Company is approved, and its implementation is controlled by the Board. The Board of the Company prepares (updates) and approves the operational plan for a period of 3 years before the end of the current year. A monthly strategy implementation supervision system is introduced at the Company and is linked with the Company's administrative staff remuneration system. The composition of the Company's Board is disclosed on the Company's website.

The Company's activities of the transmission system operator are regulated by the national regulatory authority, i.e. the National Commission for Energy Control and Prices. Within its competence, the Commission performs the functions of the state regulation in the electricity sector in the Republic of Lithuania, by ensuring, inter alia, the supervision of and control over the performance of regulated activities in the energy sector, as well as the proper implementation of the rights and duties of electricity undertakings and consumers.

The strategy and operational plan of the Company are implemented by and the activities of the Company's administrative staff are organised by the Company's CEO. The Company's administrative management consists of the CEO, Finance Department Director, System Department Director, Transmission Network Department Director, Strategic Infrastructure Department Director, Strategy Department Director, and ITC and Administration Department Director. The composition of the Company's management is disclosed on the Company's website.

Corporate governance accommodates the principles of good governance practice and the policies on the governance of state-controlled companies. The Board of the Company approves the following policies, the implementation of which is to be ensured by the administrative staff of the Company: corruption prevention, remuneration, remuneration for activities in the management bodies of the group companies, assessment of employees' performance, project management, integrated planning and monitoring, corporate governance, accounting, support, dividends, transport, technological property, transparency and communication, protection of sensitive information, management of interests of collegial management bodies, management and employees, treasury management and financial risks, risk management, social responsibility and other policies, the content of which is disclosed on the Company's website.

The internal control systems of the Company are supported by the organisational structure, management culture and implemented good governance practices, as well as process management that is currently being implemented. It should be noted that the supervisory functions are carried out by the Supervisory Board of EPSO-G UAB, meanwhile recommendations, proposals and conclusions on matters that are key to the Company's activities are provided by the Remuneration and Appointment Committee and the Audit Committee. The internal control system is initiated by the Company's Board and implemented by the administrative staff, assisted by the Audit Committee of EPSO-G UAB, the external independent audit, and divisions supporting the principal activity. The procedures and policies effective at the Company ensure the reliability of accounting and financial reporting, the compliance of the Company's activities to legal acts, operational efficiency, and achievement of operational objectives.

The Minister of Energy of the Republic of Lithuania by Order No 1-212 of 7 September 2015 approved the Corporate Governance Guidelines for the State-Owned Group of Energy Companies (hereinafter "the Guidelines"). The Guidelines establish uniform principles of corporate governance to be applied to the entire EPSO-G group of companies and prescribe the purpose of the group of companies, its operational objectives, corporate governance organization model, governance structure, as well as the system for accountability, supervision and control of operations. These Corporate Governance Guidelines are intended to support and further improve the procedures and policies of good governance practice applied at the Company.

Information on transactions with related parties

Related-party transactions are disclosed in the notes to the financial statements as of 31 December 2019.

All the Company's transactions with related parties were executed under market conditions (in accordance with the arm's length principle), including the transactions provided for in Article 37(2) of the Law on Companies.



VIII. Risk management

Risk is the possibility of unplanned events that may affect the achievement of the strategy and business objectives, both negatively and positively. Risk may have one or more consequences. No organization is protected from risk; therefore, it is necessary to take a proactive (take action to manage risk before risk occurs) and integrated approach to the risk management in order to achieve the objectives set.

The Company has implemented a system for risk management that comprises the identification of risks, their analysis, assessment and determination of control measures, preparation of the risk management action plan and implementation of measures stipulated in the plan, monitoring and supervision of the risk management process. Risk identification, analysis and assessment are carried out regularly on a quarterly basis, and a comprehensive risk assessment is usually performed once a year (in the context of the strategy update and operational planning process) when preparing a new risk management plan. There is also ongoing monitoring of the implementation of the measures planned to manage risks.



IX. Significant events of the reporting period

In executing its duties in accordance with the applicable legislation regulating the securities market, the Company publishes information on significant events and other regulated information on the EU-wide basis. This information is available on the website of the Company (www.litgrid.eu) and the website of NASDAQ Vilnius stock exchange (www.nasdaqbaltic.com).

Significant events of the first half of 2020

January

On 1 January 2020, the electricity and natural gas transmission prices approved by the National Energy Regulatory Council (NERC) entered into force. Since 1 January 2020, the approved average price of LITGRID electricity transmission service grew by nearly 24% reaching 0.814 ct/kWh. This growth was mainly due to the fact that in 2019 LITGRID allowable income was reduced by the determined amount of excess return on investment for previous periods.

Since 1 January 2020, the price of LITGRID system services grew by nearly 28%, reaching 0.785 ct/kWh. The key reasons for this price change were the costs required to ensure the isolated operation of the electricity system throughout the year, as well as the costs actually incurred by Litgrid in the previous period, but not included in the price of the previous period.

February

On 17 February 2020, LITGRID signed a contract with the Italian consulting and engineering company CESI for the provision of procurement documents of synchronous compensators. Under this contract, CESI will develop a technical specification for synchronous compensators, i.e., requirements for this equipment, as well as the bid evaluation methodology. The value of the contract with the company developing the technical specification is 273 thousand EUR, and 205 thousand EUR in this amount are funded by the EU Connecting Europe Facility.

Their installation is planned under the requirements for interconnection with the continental Europe networks issued for Lithuania and other Baltic countries by ENTSO-E (the European Network of Transmission System Operators for Electricity) in May in 2019.

March

On 4 March 2020, the new LITGRID electricity system management and data security center was officially opened in Vilnius, which will ensure a stable and secure operation of the national energy system and management of energy transmission flows, as well as a higher level of physical and cyber security.

Since 16 March 2020, following the declaration of a state of emergency in Lithuania due to the threat of the spread of coronavirus (COVID-19), EPSO-G group have had the following business continuity and preventive measures introduced: employees responsible for monitoring the situation and providing information to the Company management have been appointed; units and employees performing critical functions and administering the main systems have been identified, additional organizational measures in system control centers have been used, technical and replacement measures in case of the virus spread have been planned. The Group companies have reviewed their emergency management plans and have developed additional documents and implementation measures: lists of critical activities, lists of measures required to ensure the continuity of these activities, lists of resources and responsible persons, as well as other documents and measures.

April

On 1 April 2020, the Baltic electricity transmission system operators, Lithuanian LITGRID, Estonian Elering and Latvian AST, agreed on a regional co-operation model that would help the three Baltic States to work together and to jointly implement important synchronization projects with Western European electricity networks faster, more efficiently and at lower cost. The document on the regional co-operation terms provides that the Baltic operators will jointly develop, implement and test isolated operation plans, train the staff of the electricity transmission system operators of all the three countries to work together, develop an emergency plan of connecting the Baltic electricity transmission system to the continental European system, and conduct studies of determining the requirements for ensuring a stable operation the Baltic electricity transmission system. The Frequency Stability Assessment System (FSAS) and the Baltic Control Unit will be simultaneously developed, and a regional test of isolated operation will be performed to help testing the readiness of the three Baltic States to independently manage the system frequency.



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On 6 April 2020, LITGRID signed a contract with the contractor Tetras, that would make Alytus and Telšiai substations ready for the installation of synchronous compensators. The investments in these works amount to 2.96 million Eur. The investments into the reconstruction of Telšiai transformer substation amount to 1.456 million EUR without VAT, and to Alytus one - 1.496 million Eur without VAT. These works are partly financed by European Union funds. These funds will be used to install circuit breakers, disconnectors and other primary equipment, to relocate part of the existing transformer infrastructure and prepare a location for connecting synchronous compensators to the transmission network. The construction works are to be completed in September 2022.

On 16 April 2020, Litgrid completed the reconstruction of Parovėja switchyard and it has been put into operation at full capacity. During the implementation of the project “Reconstruction of 110 kV switchyard of 110-35-10 kV Parovėja Transformer Substation,” the contractor who was awarded the contract under the public procurement procedure performed design works and upgraded the switchyard equipment. The reconstruction ensures the power transmission reliability in the region and reduces the operating costs. The works under the public procurement contract signed in 2017 were performed by AB Energetikos Tinklų Institutas. The project value amounted to approximately 1.313 million Eur without VAT and was partly financed by the EU.

On 20 April 2020, at the annual general meetings, the shareholders elected the boards of LITGRID for a new four-year term.

Two independent members have been elected to the five-member Litgrid Board: Domas Sidaravičius, the Finance Director of UAB GALIO GROUP, Artūras Vilimas, the Electrical Engineering and Applied Electronics Specialist, and three representatives of the holding parent company EPSO-G: Jūratė Marcinkonienė, the Head of Regulation and Planning, Algirdas Juozaponis, the Finance Director and Rimvydas Štilinis, the Infrastructure Director, who was elected the Chairman of the Board during the first meeting of the new term.

On 21 April 2020, LITGRID signed a contract to modernize the 330 kilovolt (kV) electricity transmission network in south-eastern Lithuania, from the power plant in Elektrėnai to Alytus. 14.85 million EUR (excluding VAT) will be invested in the network upgrade. The decision to award the contract to the contractor was approved on 20 April by the Ordinary General Meeting of Shareholders of Litgrid. During the reconstruction, 207 overhead line supports and cables will be replaced, and a lightning protection and fiber optic cable will be installed. The works will be performed in three stages, and their completion is scheduled in September 2023. The reconstruction of the overhead lines will contribute to ensuring a reliable and stable operation of the electricity system’s transmission network, the uninterrupted electricity supply to consumers in Elektrėnai, Kaišiadorys district, Prienai district, and Alytus district municipalities.

On 28 April 2020, the Lithuanian, Latvian and Estonian electricity transmission system operators: LITGRID, AS Augstsprieguma Tīkls and AS Elering, signed a memorandum and agreed that in 2025, when the countries interconnect with the Western European electricity networks, they will jointly control the energy system frequency through the Baltic Power and Frequency Control Unit. The memorandum also formalized the parties’ intention to create a common market for power reserves

On 28 April 2020, the Lithuanian, Latvian and Estonian electricity transmission system operators: LITGRID, AS Augstsprieguma Tīkls and AS Elering, signed a memorandum and agreed that in 2025, they will jointly control the energy system frequency through the Baltic Power and Frequency Control Unit. The memorandum also formalized the parties’ intention to create a common market for power reserves, which will encourage competition between electricity generators providing reserve services.

May

On 26 May 2020, Lithuanian and Polish electricity transmission network operators LITGRID and PSE S.A. signed the Implementation Phase Cooperation Agreement in the Harmony Link Interconnector Project. Under this agreement, the electricity transmission system operators of both countries undertake to contribute in equal parts to the installation of the Harmony Link submarine interconnector. It is planned that this interconnector will be already built in 2025. The value of the project will reach approximately 680 million Euros. Litgrid will be responsible for procuring the HVDC cable works, selecting the contractor, and signing and the implementation of the bilateral works contract. The Polish operator PSE will be responsible for procuring HVDC converter stations in Lithuania and Poland, selecting the contractor, and signing and the implementation of the bilateral works contract. The design solutions and technical parameters of the Harmony Link interconnector will be approved by Litgrid and PSE by mutual agreement. Each country will pay 100% of the cost of installing the onshore cable on its territory and the full costs of installing the converter station there, while the costs of installing the offshore cable will be shared 50%/50%.

On 26 May 2020, the transmission system operators in Lithuania, Latvia, Estonia and Poland submitted a joint application for funding the project of synchronization of the Baltic States’ electricity networks with the European electricity networks in the amount of 1.2 billion EUR. This will be the largest financial package for synchronization and the first time an application has been submitted by all four countries.



Litgrid

INTERIM REPORT

June

On 9 June 2020, LITGRID launched a feasibility study of acoustic attenuation measures for the equipment of LitPol Link converter station and the transformer substation in Alytus district. The study is developed by UAB DGE Baltic Soil and Environment. It is to be completed at the beginning of September 2020. This study will help answer questions on additional measures that will most effectively solve the issue of noise emitted by the strategic Lithuanian facility operating in Alytus, the LitPol Link interconnection converter station and the transformer substation. The study analyzes the sound emission causes in detail, as well as the sound propagation towards settlements, surveys the population, assesses the equipment operating modes, evaluates the meteorological conditions, and analyzes the equipment impact on the living environment.

On 30 June 2020, during the Extraordinary General Meeting, the shareholders of Litgrid approved the sale of one-fifth of the company's shares in the Data Logistics Center (DLC) company to the infrastructure investment fund managed by Quaero Capital of Switzerland. Under to the share purchase agreement signed in June, Litgrid intends to sell 20.36% shares, and the remaining 79.64% shares are sold by Ignitis Group. The total value of the transaction is 10.1 million EUR. DLC shares are sold in order for Ignitis Group and Litgrid to concentrate on the core company business.

On 30 June 2020, LITGRID updated and submitted a ten-year electricity transmission network development plan to NERC for assessment. It provides that most of the investment over the next decade will go to the project of synchronization with the continental Europe. Under the current assessment, 1.3 billion EUR may be needed for the development of the electricity transmission network in 2020-2029. A bit more than half of the planned investments will be allocated for the implementation of strategic national projects. The other half (about 45%) of the planned investments is intended for the efficient network development and systematic renewal, physical and information security, development of information systems, as well as research and innovation.

In preparation for the synchronization with the continental Europe, the construction of the Harmony Link offshore electricity interconnector with Poland will be completed, the transmission network of North-Eastern Lithuania will be optimized, and three autotransformers will be installed at Alytus transformer substation. Approximately 520 km of electricity transmission lines will be installed and reconstructed, and two new 330 kV switchyards will be installed. In addition to the network development for the purpose of interconnection with Europe, Litgrid plans to build another 72 km of new lines to ensure the electricity network reliability. Reconstruction of 87 transformer substations is also planned.

LITGRID forecasts that despite the short-term decline in electricity consumption caused by the COVID-19 pandemic, electricity consumption will grow by an average of 2% per year over the next decade and will reach 14.7 TWh in 2029 (last year it was 12.16 TWh).

In the electricity development plan for the next ten years, LITGRID focuses on the assessment of the network's adaptability to the integration of renewable energy sources and the implementation of energy accumulation technologies.



Litgrid

INTERIM REPORT

X. Key events after the reporting period date

On 7 July 2020, the DLC share sale transaction took place. The ownership of the DLC shares was transferred to the infrastructure asset management fund managed by „Quaero Capital” following the decision of the Commission for Coordination of Protection of Objects of Importance to Ensuring National Security regarding the compliance of the transaction with national security.



Litgrid

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in EUR thousands unless otherwise stated)

	Notes	30-06-2020	31-12-2019
ASSETS			
Non-current assets			
Intangible assets	4	4,606	4,857
Property, plant and equipment	5	324,057	322,579
Right-of-use assets	6	4,911	5,004
Deferred income tax assets		10,959	8,255
Loans granted	7	-	1,000
Financial assets at fair value through other comprehensive income		1,089	1,984
Long-term share of unused funds balance of congestion management revenue	11	15,904	8,185
Total non-current assets		361,526	351,864
Current assets			
Inventories		37	36
Prepayments		934	527
Trade receivables	8	20,083	16,764
Other amounts receivable		124	111
Loans granted	7	2,203	1,203
Short-term share of unused funds balance of congestion management revenue	11	4,463	4,463
Other financial assets		2,530	2,371
Cash and cash equivalents		898	30
Total current assets		31,272	25,505
TOTAL ASSETS		392,798	377,369
EQUITY AND LIABILITIES			
Equity			
Authorised share capital		146,256	146,256
Share premium		8,579	8,579
Reserve for changes in fair value of financial assets		-	52
Legal reserve		14,626	14,626
Other reserves		23,144	23,099
Retained earnings (deficit)		13,642	4,130
Total equity		206,247	196,742
Liabilities			
Non-current liabilities			
Non-current borrowings	9	72,790	79,903
Lease liabilities	10	4,686	4,771
Congestion management revenue	11	50,836	34,672
Other non-current amounts payable and liabilities		6,310	6,310
Total non-current liabilities		134,622	125,656
Current liabilities			
Current portion of non-current borrowings	9	14,225	14,225
Current portion of lease liabilities	10	275	270
Trade payables		20,783	25,596
Share of congestion management revenue of the current year	11	4,463	4,463
Advance amounts received		2,320	2,338
Income tax liability		3,205	426
Other current amounts payable and liabilities		6,658	7,653
Total current liabilities		51,929	54,971
Total liabilities		186,551	180,627
TOTAL EQUITY AND LIABILITIES		392,798	377,369

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



Litgrid

CONDENSED INTEREM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in EUR thousands unless otherwise stated)

	Notes	30-06-2020	30-06-2019 (restated)
Revenue			
Revenue from electricity transmission and related services	13	100,897	92,197
Other income		557	277
Total revenue	12	101,454	92,474
Expenses			
Expenses of electricity transmission and related services		(62,297)	(67,696)
Depreciation and amortisation	4,5,6	(9,966)	(10,249)
Wages and salaries and related expenses		(5,531)	(4,837)
Repair and maintenance expenses		(4,576)	(3,181)
Telecommunications and IT maintenance expenses		(784)	(791)
Property, plant and equipment write-off expenses		(196)	(79)
Impairment of accounts receivables		-	592
Impairment of investments		(765)	-
Other expenses		(2,113)	(2,632)
Total expenses		(86,228)	(88,873)
Operating profit (loss)		15,226	3,601
Financing activities			
Finance income		932	200
Finance costs		(491)	(543)
Total finance costs		441	(343)
Profit (loss) before income tax		15,667	3,258
Income tax			
Current year income tax expenses		(4,720)	(1,968)
Deferred income tax income (expenses)		2,695	1,498
Total income tax		(2,025)	(470)
Net profit (loss)		13,642	2,788
Other comprehensive income (expenses) that will not be reclassified to profit or loss			
Change in fair value of financial assets		(61)	-
Effect of deferred income tax		9	-
Other comprehensive income that will not be reclassified to profit or loss		(52)	-
Total other comprehensive income (expenses)		13,590	2,788
Basic and diluted earnings/(deficit) per share (in EUR)		0.027	0.006



Litgrid

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in EUR thousands unless otherwise stated)

	Notes	01-04- 30-06-2020	01-04- 30-06-2019 (restated)
Revenue			
Revenue from electricity transmission and related services		47,709	44,743
Other income		367	84
Total revenue		48,076	44,827
Expenses			
Expenses of electricity transmission and related services		(31,366)	(34,584)
Depreciation and amortisation		(4,965)	(5,081)
Wages and salaries and related expenses		(2,730)	(2,490)
Repair and maintenance expenses		(2,551)	(2,202)
Telecommunications and IT maintenance expenses		(429)	(378)
Property, plant and equipment write-off expenses		(183)	(64)
Impairment of accounts receivables		-	592
Impairment of investments		(765)	-
Other expenses		(734)	(1,342)
Total expenses		(43,723)	(45,549)
Operating profit (loss)		4,353	(722)
Financing activities			
Finance income		913	187
Finance costs		(236)	(261)
Total finance costs		677	(74)
Profit (loss) before income tax		5,030	(796)
Income tax			
Current year income tax expenses		(1,821)	(733)
Deferred income tax income (expenses)		1,322	992
Total income tax		(499)	259
Net profit (loss)		4,531	(537)
Other comprehensive income (expenses) that will not be reclassified to profit or loss			
Change in fair value of financial assets		(61)	-
Effect of deferred income tax		9	-
Other comprehensive income that will not be reclassified to profit or loss		(52)	-
Total other comprehensive income (expenses)		4,479	(537)
Basic and diluted earnings/(deficit) per share (in EUR)		0.009	-0.001

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



Litgrid

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(All amounts in EUR thousands unless otherwise stated)

	Share capital	Share premium	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2019	146,256	8,579	655	14,626	63,309	(37,588)	195,837
Comprehensive income (expenses) for the year	-	-	-	-	-	2,788	2,788
Transferred to retained earnings	-	-	-	-	(40,210)	40,210	-
Dividends	-	-	-	-	-	(2,622)	(2,622)
Balance at 30 June 2019	146,256	8,579	655	14,626	23,099	2,788	196,003
Balance at 1 January 2020	146,256	8,579	52	14,626	23,099	4,130	196,742
Comprehensive income (expenses) for the year	-	-	(52)	-	-	13,642	13,590
Transfer to reserves	-	-	-	-	45	(45)	-
Dividends	-	-	-	-	-	(4,085)	(4,085)
Balance at 30 June 2020	146,256	8,579	-	14,626	23,144	13,642	206,247

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



Litgrid

CONDENSED INTERIM STATEMENT OF CASH FLOWS
(All amounts in EUR thousands unless otherwise stated)

	30-06-2020	30-06-2019 (restated)
Cash flows from operating activities		
Profit (loss) for the year	13,642	2,788
Adjustments for non-cash items and other adjustments:		
Depreciation and amortisation expenses	9,966	10,249
Impairment of financial assets	765	-
(Reversal of) / impairment of assets	-	(3,412)
Written-off bad debts	-	2,820
Income tax expenses	2,025	470
(Gain) loss on disposal/write-off of property, plant and equipment	196	79
Elimination of results of financing and investing activities:		
Interest income	(24)	(23)
Interest expenses	473	541
Dividend income	(895)	(174)
Other finance costs (income)	5	(1)
Changes in working capital:		
(Increase) decrease in trade receivables and other amounts receivable	(2,930)	1,466
(Increase) decrease in inventories, prepayments and other current assets	(351)	(339)
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received	(1,066)	6,466
Changes in other financial assets	(90)	-
Income tax (paid)	(1,941)	(891)
Net cash flows from operating activities	19,775	20,039
Cash flows from investing activities		
(Purchase) of property, plant and equipment and intangible assets	(21,256)	(12,991)
Grants received	4,519	1,702
Revenue generated from congestion management	16,531	10,857
Decrease (increase) in congestion management revenue balance	(7,719)	2,813
Interest received	24	24
Dividends received	895	174
Net cash flows from investing activities	(7,006)	2,579
Cash flows from financing activities		
Repayments of borrowings	(7,113)	(7,112)
Borrowings from related parties	-	(12,517)
Lease payments	(172)	(168)
Interest paid	(532)	(571)
Dividends paid	(4,084)	(2,617)
Net cash flows from financing activities	(11,901)	(22,985)
Increase (decrease) in cash and cash equivalents	868	(367)
Cash and cash equivalents at the beginning of the period	30	397
Cash and cash equivalents at the end of the period	898	30

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



Litgrid

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

1. General information

LITGRID AB (hereinafter “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is: Viršuliškių skg. 99B, LT-05131, Vilnius, Lithuania. The Company was established as a result of the unbundling of Lietuvos Energija AB operations. The Company was registered with the Register of Legal Entities on 16 November 2010. The Company’s code is 302564383.

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

On 27 August 2013, the National Energy Regulatory Council Prices granted a licence to the Company to engage in electricity transmission activities for indefinite term.

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

As at 30 June 2020, the Company’s authorised share capital amounted to EUR 146,256,100.20 and it was divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each. All shares are fully paid.

As at 30 June 2020 and 31 December 2019, 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
Total:	504,331,380	100.0

The ultimate controlling shareholder of EPSO-G UAB (company code 302826889, address Gedimino Ave. 20, Vilnius, Lithuania) is the Ministry of Energy of the Republic of Lithuania.

As from 22 December 2010, the shares of the Company are listed on the additional trading list of NASDAQ OMX Vilnius Stock Exchange, issue ISIN code LT0000128415.

The Company had no subsidiaries as of 30 June 2020. In 2019, the Company sold its shares in subsidiary UAB TETAS, and the subsidiary UAB Litgrid Power Link Service was liquidated.

As at 30 June 2020 and 31 December 2019 Company’s investments in associates and joint ventures comprised of the following:

Company	Address of the company’s registered office	Shareholding as at 31 March 2020	Shareholding as at 31 December 2019	Profile of activities
Duomenų logistikos centras UAB	Žvejų Str. 14, Vilnius, Lithuania	20 %	20 %	Provision of IT services
LitPol Link Sp.z.o.o	Warszawska 165, 05-520, Konstancin-Jeziorna, Poland	50 %	50 %	In the process of liquidation

On 19 June 2019, Polish and Lithuanian transmission system operators PSE and LITGRID, the sole shareholders of LitPol Link, each holding 50 percent of the company, decided to liquidate the company. As at 30 June 2020 and 31 December 2019, the acquisition cost of the investment to LitPol Link Sp.z.o.o. was EUR 295 thousand, which was 100 % recognized for impairment.

As described in Note 17 Events after the reporting period, on 7 July 2020 The company together with Ignitis grupė, UAB has executed closing of a transaction under a share sale-purchase agreement regarding the sale of shares of UAB Duomenų logistikos centras. Following the agreement, LITGRID sold 20.36 percent and Ignitis Grupė, UAB - 79.64 percent DLC shares. On 30 June 2020 Company’s investment in this entity was accounted in the item Other financial assets of Statement of financial position.

As at 30 June 2020, the Company had 305 employees (31 December 2019: 290).



Litgrid

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

2. Accounting principles

2.1. Basic of preparation

These condensed interim Company's financial statements, for the period ended 30 June 2020 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union and applicable to interim financial statements (IAS 34 „Interim Financial Reporting“).

In order to better understand the data presented in this condensed interim financial statements, this financial statements should be read in conjunction with the audited Consolidated and the Company's financial statements for the year 2019, prepared according to International Financial Reporting Standards as adopted by the European Union.

These condensed interim financial statements is a stand-alone Company's condensed interim financial information, as at 30 June 2020 the Company had no subsidiaries.

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

The financial year of the Company coincides with the calendar year.

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

These financial statements for the six-months period ended 30 June 2020 are not audited. Financial statements for the year ended 31 December 2019 are audited by the external auditor UAB Deloitte Lietuva.

2.2. Adjustment of comparative figures

Due to the changed accounting of land lease in the Company, the comparative figures of the comprehensive income and cash flow statements for 2019 have been adjusted. In the statement of comprehensive income, depreciation and amortization expenses increased by EUR 41 thousand, other expenses decreased by EUR 55 thousand, finance costs increased by EUR 32 thousand, net profit decreased by EUR 18 thousand. In the cash flow statement, depreciation and amortization expenses increased by EUR 41 thousand, interest expenses increased by EUR 32 thousand, payment of lease liabilities increased by EUR 55 thousand. The cash flow statement also reclassified the comparative figures for congestion management revenue for 2019: Changes in other financial assets increased by EUR 9 914 thousand, Decrease (increase) in congestion management revenue balance increased by EUR 2 813 thousand, Congestion income connected (temporarily used) to the Group account (cash pool) decreased by EUR 12 727 thousand (Article removed).

3. The impact of COVID-19 on key accounting estimates and assumptions

The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the accounting policies applied, the reported amounts of assets, liabilities, income and expenses and the disclosures of contingencies. Actual results may differ from those estimates. Significant management's judgements regarding the application of accounting policies and the main sources for estimation uncertainties used in the preparation of these interim condensed financial statements are consistent with those as was used in preparing the annual financial statements for the year ended 31 December 2019, except for those accounting estimates for which the uncertainty has increased as a result of the COVID 19 pandemic:

Business continuity

Considering the state-level emergency in Lithuania due to the spread threat of the new coronavirus (COVID-19), new business continuity and preventive measures are being reviewed and planned by LITGRID AB: responsible personnel for monitoring the situation and providing information to the Company's management has been appointed; units and personnel performing critical functions and administering the key systems have been identified; additional organizational measures at system control centres are being applied; technical and replacement measures in case of the virus spread have been planned. The Company is also in the process of reviewing emergency management plans, the preparation of additional documentation and implementing measures - lists of critical activities, lists of resources needed to keep those activities going, lists of resources and persons in charge, as well as other documents and measures. At the reporting date, the impact of the COVID-19 pandemic on the Company's operations cannot yet be reliably assessed, however, considering that the Company is a regulated company, the only one in Lithuania providing electricity transmission services, there is no threat to the Company's business continuity.

Impairment of property, plant and equipment

Management has reviewed the key assumptions used to determine the fair value of property, plant and equipment. Management estimates that the COVID-19 pandemic will not have a material impact on the Company's property, plant and equipment as the assets are measured using the discounted cash flow method and the Company's operations are regulated and possible short-term changes in services and income are assessed and compensated in the following years.



Litgrid

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

Other accounting estimates

Management estimates that the COVID-19 pandemic does not currently affect trade and other receivables, as the main clients are large companies, which are often also regulated and / or listed as risk-free companies (about 80% of trade receivables are receivables from AB "Energijos skirstymo operatorius"). The Company has concluded a credit insurance contract for receivables under transmission and imbalance agreements. In addition, imbalance market participants have provided flat-rate bank guarantees or paid their deposits. At the time of reporting, settlements/collecting of payments were on usual terms, there were no delays due to COVID-19.

In the opinion of the management, there is no risk for the repayment of the loans granted to UAB TETAS, as UAB TETAS is a company of the EPSO-G UAB group.

The COVID-19 pandemic does not affect the repayment of loans received by the Company, as the cash flows generated by the Company are more than sufficient to ensure the fulfillment of financial obligations.

Short-term borrowing is guaranteed to the extent of EPSO-G.

Due to the effects of the pandemic, the Company's revenue may decline in 2020 as a result of reduced electricity consumption. However, restrictions should not significantly affect the volumes of power transmission services during the quarantine. In addition, in the long term, the price regulation mechanism provides for loss of revenue during the calendar year to be offset in future periods.

The Company operates in one of the most strategic and secure sectors of the state. The services provided by the Company are indispensable and operate on the regulated monopoly principle.



Litgrid

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

4. Intangible assets

	Intangible assets
Net book amount at 31 December 2018	6,529
Additions	55
Amortization charge	(618)
Net book amount at 30 June 2019	5,966
Net book amount at 31 December 2019	4,857
Additions	315
Amortization charge	(566)
Net book amount at 30 June 2020	4,606

5. Property, plant and equipment

	Property, plant and equipment
Net book amount at 31 December 2018	307,047
Additions	14,917
Prepayments for PP&E	1,336
Write-offs	(95)
Transfer from inventories	4
Set-off of grants with non-current assets	(4,492)
Depreciation charge	(9,477)
Net book amount at 30 June 2019	309,240
Net book amount at 31 December 2019	322,579
Additions	15,723
Prepayments for PP&E	545
Write-offs	(224)
Transfer to inventories	(29)
Set-off of grants with non-current assets	(5,289)
Depreciation charge	(9,248)
Net book amount at 30 June 2020	324,057

Property, plant and equipment is stated at acquisition cost reduced by the amount of grants received/receivable for the purpose of acquiring the related assets. Grants include the EU structural funds, the funds of connecting new consumers (producers) to electricity transmission network (based on the accounting policy applicable until 1 July 2009). PSO funds allocated to the Company for the development and implementation of strategic projects and the portion of congestion management revenue for financing investments are accounted for as asset-related grants.

Had the value of property, plant and equipment not been reduced by the amount of grants, the carrying amount would be higher by EUR 302,023 thousand as at 30 June 2020 (EUR 297,211 thousand as at 30 June 2019). Below is information about property, plant and equipment, the value of which was reduced by the amount of grants received/receivable:

	30-06-2020	30-06-2019
Opening balance	300,876	296,763
Additions	5,289	4,492
Depreciation charge	(4,142)	(4,031)
Write-offs	-	(13)
Closing balance	302,023	297,211



Litgrid

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

6. Right-of-use assets

	Right-of-use assets
Initial value of recognised assets at 1 January 2019	5,312
Amortisation	(154)
Net book amount at 30 June 2019	5,158
Net book amount at 31 December 2019	5,004
Additions	59
Amortisation	(152)
Net book amount at 30 June 2020	4,911

7. Loans granted

The company has granted two loans to UAB TETAS. The loan granted on 25 October 2017, amounted to EUR 1,203 thousand (annual interest rate - 2.09 %, loan repayment term 25 October 2020). The loan granted on 25 June 2018, amounted to EUR 1 million (annual interest rate - 2.2 %, loan repayment term 25 June 2021).

The amount of loans granted to TETAS UAB as of 30 June 2020 and 31 December 2019 was EUR 2,203 thousand.

8. Trade receivables

	30-06-2020	31-12-2019
Receivables from transmission of electricity	18,487	15,679
Other trade receivables	1,859	1,348
Less: impairment allowance for trade receivables	(263)	(263)
Carrying amount	20,083	16,764

9. Borrowings

Borrowings of the Company were as follows:

	30-06-2020	31-12-2019
Non-current borrowings		
Borrowings from banks	72,790	79,903
Current borrowings		
Current portion of non-current borrowings	14,225	14,225
Total	87,015	94,128

Maturity of non-current borrowings:

	30-06-2020	31-12-2019
Between 1 and 2 years	14,225	14,225
From 2 to 5 years	33,493	37,535
After 5 years	25,072	28,143
Total	72,790	79,903

As at 30 June 2020 and 31 December 2019 the weighted average interest rate on the Company's borrowings was 1 %.

As at 30 June 2020 and 31 December 2019 the Company had no unused loans and overdrafts.



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10. Lease liabilities

Lease liabilities and their movement were as follows:

	Lease liabilities
Recognition of lease liabilities under IFRS 16	5,312
Lease payments (Principal and Interest)	(136)
Net book amount at 30 June 2019	5,176
Net book amount at 31 December 2019	5,041
Lease agreements have been concluded	59
Lease payments (Principal and Interest)	(139)
Net book amount at 30 June 2020	4,961

11. Congestion management revenue

	30-06-2020	31-12-2019
Opening balance of congestion management revenue	39,135	15,754
Congestion management revenue received during the period	17,465	27,366
Reclassified to property, plant and equipment	(740)	(3,787)
Congestion management revenue recognised as income during the period	(561)	(198)
Closing balance of congestion management revenue	55,299	39,135

Long-term share of unused balance on congestion management revenue as of 30 June 2020 amounted to EUR 15,604 thousand EUR (as of 31 December 2019 - EUR 8,185 thousand), short-term - EUR 4,463 thousand (as at 31 December 2019 - EUR 4,463 thousand). The difference between the balance of congestion revenue in current liabilities and assets is due to the temporary use of funds to finance the Company's operations.

12. Information by segments

The Company is engaged in electricity transmission and related services activities and operates as one segment. All non-current assets of the Company are located in Lithuania, where the Company carries out its activity. During the six months of 2020, the Company earned 94 percent of its revenue from Lithuanian clients (during the six months of 2019: - 92 percent).

13. Revenue from electricity transmission and related services

	30-06-2020	30-06-2019
Electricity transmission services	40,944	34,775
Trade in balancing/regulating electricity	10,122	13,650
System services	42,864	35,381
Other sales of electricity and related services	2,137	3,262
Services under PSO scheme	4,131	4,789
Income from connection of new producers/customers and equipment replacement	71	280
Congestion revenue	562	27
Income from the administration of guarantees of origin	66	33
Total	100,897	92,197

Revenues from electricity transmission and system services increased by 9% compared to the six-month period of 2019. Revenue growth was driven by higher average actual prices for electricity transmission and system services.



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14. Related-party transactions

The Company's related parties were as follows:

- EPSO-G (the parent company). 100% of EPSO-G share capital is owned by the Ministry of Energy of the Republic of Lithuania;
- Epso-G UAB Group companies:
 - Amber Grid AB (common shareholders);
 - Tetas UAB (common shareholders);
 - Baltpool UAB (common shareholders).
- Ignitis grupė UAB companies
- Other state-controlled companies:
 - VĮ Ignalinos atominė elektrinė;
 - Other state-controlled companies or those under significant influence.
- Management.

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

The Company's transactions with related parties between January and June of 2020 and balances arising from these transactions as at 30 June 2020 were as follows:

Related parties	Receivables and accrued income	Amounts payable and accrued charges	Loans granted	Purchase	Sales	Finance income
<u>EPSO-G UAB group companies</u>						
EPSO-G UAB	-	32	-	76	-	-
TETAS UAB	222	1,452	2,203	3,806	125	24
BALTPPOOL UAB	508	246	-	203	2,620	-
<u>State-controlled companies</u>						
Energijos skirstymo operatorius AB	14,309	1,494	-	362	75,788	-
Ignitis gamyba AB	912	8,810	-	40,953	2,676	-
Duomenų logistikos centras UAB	25	1	-	5	111	-
Ignitis grupės paslaugų centras UAB	26	-	-	-	129	-
Ignitis UAB	2	1,067	-	1,280	2,247	-
Vilniaus kogeneracinė jėgainė UAB	-	35	-	-	-	-
Kauno kogeneracinė jėgainė UAB	11	82	-	78	170	-
Energetikos paslaugų ir rangos organizacija UAB	-	254	-	676	-	-
Transporto valdymas UAB	-	18	-	90	-	-
Ignalinos atominė elektrinė VĮ	104	16	-	93	538	-
Lietuvos geležinkelių infrastruktūra AB	47	-	-	-	246	-
	16,166	13,507	2,203	47,622	84,650	24



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The Company's transactions with related parties between January and June of 2019 and balances arising from these transactions as at 30 June 2019 were as follows:

Related parties	Receivables and accrued income	Amounts payable and accrued charges	Loans granted	Purchase	Sales	Finance income
<u>EPSO-G UAB group companies</u>						
EPSO-G UAB	-	-	-	60	-	-
TETAS UAB	335	867	2,203	1,673	23	23
BALTPPOOL UAB	661	-	-	-	2,468	-
<u>State-controlled companies</u>						
Ignitis UAB	3	245	-	564	193	-
Energijos skirstymo operatorius AB	12,976	3,570	-	959	61,476	-
Ignitis gamyba AB	450	7,465	-	36,081	3,444	-
Energijos tiekimas UAB	-	216	-	1,065	1,991	-
Ignitis grupės paslaugų centras UAB	53	-	-	-	132	-
Duomenų logistikos centras UAB	26	36	-	89	131	81
Energetikos paslaugų ir rangos organizacija UAB	-	145	-	528	-	-
Transporto valdymas UAB	-	18	-	93	-	-
NT Valdos UAB	-	-	-	9	-	-
Kauno kogeneracinė jėgainė UAB	-	609	-	-	-	-
Vilniaus kogeneracinė jėgainė UAB	-	40	-	-	35	-
Lietuvos geležinkeliai AB	91	32	-	91	450	-
Ignalinos atominė elektrinė VĮ	40	-	-	-	228	-
	14,635	13,243	2,203	41,212	70,571	104

Payments to the key management personnel

	30-06-2020	30-06-2019
Employment-related payments	382	377
Whereof: termination benefits	-	-
Number of the key management personnel (average annual)	7	7

During the first six months of 2020 and 2019 the Management of the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

Key management personnel consists of the Company's head of administration and department directors.

15. Dividends

During the Ordinary General Meeting of Shareholders of LITGRID AB held on 20 April 2020, the decision was made in relation to the payment of dividends in the amount of EUR 4,085,084. Dividends per share amounted to EUR 0.0081.



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16. Basic and diluted earnings per share

During the first six months of 2020 and 2019, the Company's basic and diluted earnings per share were as follows:

	30-06-2020	30-06-2019
Net profit (loss) attributable to the Company's shareholders (EUR thousands)	13,642	2,788
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings (deficit) per share (in EUR)	<u>0.027</u>	<u>0.006</u>

17. Events after the reporting period

On 7th July 2020 Company together with Ignitis grupė, UAB has executed closing of a transaction under a share sale-purchase agreement concluded with QEIF II Development Holding Sàrl, a subsidiary of Quaero European Infrastructure Fund II, managed by Quaero Capital, regarding the sale of shares of its subsidiary UAB Duomenų logistikos centras. Following the agreement, the Company sold 20.36% of shares, whereas Ignitis grupė, UAB - 79.64% of shares of UAB Duomenų logistikos centras. The title to shares of UAB Duomenų logistikos centras to QEIF II Development Holding Sàrl was transferred following the decision of Coordination Commission for the Protection of Objects of National Security of the Republic of Lithuania on compliance of the transaction with national security interests, and the adoption of decision on consent for the sale of the UAB Duomenų logistikos centras shares by extraordinary General Meeting of Shareholders of Litgrid. After selling its shares, the Company in 7 June 2020 received Eur 1 652 thousand.