Press release

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Vilnius

**Litgrid's results for the first half of the year: synchronisation readiness tested, electricity transmission reliability increased**

**Litgrid, Lithuanian electricity transmission system operator, has implemented its seventh project to prepare for synchronisation with the continental European grid, reserved transmission network capacity for renewable energy developers after the introduction of the new rules, and increased the reliability of electricity transmission to consumers. The company's revenues and profits were higher than in the same period last year.**

"In the first half of the year, we took one of the most important steps towards Lithuania's energy independence. On 22 April, we successfully completed the isolated operation test, the first time our electricity system was operated completely independently. This is the seventh synchronisation readiness project implemented by Litgrid, and we can confidently say that we are ready to operate in synchronous area with other European countries if necessary. We are continuing with other projects to make the implementation of synchronisation safer and more cost-effective. In the first half of the year, we started the construction of the synchronous condenser facilities in Telšiai and Alytus, we have brought the power transformers for the synchronous condensers to Lithuania, and the synchronous condensers themselves will be arriving in Lithuania very soon. In June, we switched on the reconstructed 88 km sections of the 330 kV Grobinė-Klaipėda and Jurbarkas-Bitėnai transmission lines, completing the first stages of the construction of the Western Lithuania lines. We have started the reconstruction of two important switchyards - Darbėnai and Kruonis HPP", says Rokas Masiulis, Litgrid CEO.

Following the approval by the National Energy Regulatory Council (NERC) in March of Litgrid's new description of the procedure for the use of electricity transmission networks, Litgrid has approved 35 applications from developers for the installation of almost 3 GW of new solar, wind and storage capacity.

In the first half of the year, Litgrid continued to focus on innovation. The company is testing virtual and physical sensors for dynamic line rating technology and continues to test a 1 MW experimental grid-connected battery with businesses.

Compared to the first half of last year, the amount of electricity transmitted decreased by 11%: in January-June 2023, the amount of electricity transmitted for the country's needs amounted to 4.718 TWh, compared to 5.306 TWh in the same period in 2022.

**Reliability indicators AIT and ENS**

Compared to the first half of 2022, Litgrid has achieved better network reliability indicators. In the first 6 months of 2023, the AIT (Average Interruption Time) was 0.313 minutes (1.155 minutes in the first half of 2022) and the ENS (Energy Not Supplied) was 8.997 MWh (36.111 MWh in the first half of 2022). Reliability indicators are calculated for all reasons (including force majeure and external effects). The National Energy Regulatory Council has set the AIT for the whole year at 0.934 minutes and the ENS at 27.251 MWh.

The overall availability of the interconnectors with Sweden (NordBalt) and Poland (LitPol Link) in the first half of the year was 99.88% and 97.46% respectively.

**Financial results**

In the first half of 2023, Litgrid's revenues amounted to EUR 166.9 million. It was 14.9% higher compared to the same period last year. Transmission revenues increased 2.7 times to EUR 102.9 million, although the average effective price of electricity transmission to consumers decreased by 4.6% in the first half of 2023, due to the use of congestion management revenues of EUR 71.2 million to reduce the transmission tariff. The increase in transmission revenues is due to temporary regulatory deviations (when approving the 2023 price cap for transmission service, the recoverable costs of the regulated activity included significantly higher electricity costs for technological losses in the transmission network due to higher electricity prices), which will be considered when setting the tariff for subsequent years. Revenue from ancillary services decreased by 62% to EUR 13.8 million. The main reason for the decrease was the 56% lower component of the purchase of auxiliary services to the transmission service price set by NERC. The revenues from imbalance and balancing electricity decreased by 15.6% to EUR 44.7 million, but the system balancing service provided by Litgrid is always zero-marginal, i.e., an increase or decrease in revenues has no impact on the result, they only cover the costs actually incurred.

In the first half of 2022, Litgrid's revenues amounted to EUR 145.2 million. It was 29.2% higher compared to the same period last year. Revenue from transmission and system services declined mainly due to lower prices set by the regulator, but the overall increase in revenue was driven by a 2.8-fold increase in imbalance and balancing electricity revenue due to higher electricity market prices. The increase in revenues did not affect profitability, as these revenues cover the 2.9 times increase in imbalance and balancing electricity costs due to price increases.

The company's earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the first half of 2023 was EUR 35.1 million. Adjusted EBITDA (after adjustments for temporary regulatory deviations from the levels approved by NERC) amounted to EUR 20.4 million, compared to adjusted EBITDA of EUR 18.6 million for the first half of 2022. Adjusted EBITDA was boosted by EUR 1.4 million higher revenues from non-regulated activities and EUR 0.4 million higher compensated capital expenditure. Net profit for the first half of 2023 amounted to EUR 23 million, compared to a loss of EUR 9.2 million for the same period in 2022. In 2022, the loss was mainly due to a 3-fold increase in the cost of compensating for technological losses in the transmission network to EUR 34.7 million due to the increase in electricity prices.

The increase in net profit was mainly due to higher transmission revenues and lower costs of compensating for technological losses in the transmission network due to lower electricity prices. The negative impact was due to a higher margin between auxiliary service revenues and costs and higher operating costs. Adjusted net profit for 2023 was EUR 10.5 million, compared to an adjusted net profit of EUR 6.5 million for the first half of 2022.

Litgrid's investments in the first half of 2023 amounted to EUR 59.3 million, of which 64% was allocated to the implementation of strategic and nationally important electricity projects, and 36% was allocated to the reconstruction and development of the transmission network and operational support. In the first half of 2022, investments amounted to EUR 10.5 million.

In the first half of the year, congestion management revenue amounted to €35.5 million, a 44% decrease compared to the same period last year. The congestion management revenue received is not accounted for as revenue and does not directly contribute to Litgrid's operating result, as its use is regulated by the Regulation of the European Parliament and of the Council No. 2019/943 and the methodology approved by the Agency for the Cooperation of Energy Regulators of the European Union (ACER). Congestion management revenues are mainly used to part-finance the company's investments to increase the capacity of interconnectors.

**About Litgrid:**

Litgrid AB, Lithuanian electricity transmission system operator, supports stable functioning of the country’s energy system, controls electricity flows and creates conditions to compete in the open electricity market. In Lithuania, the company owns more than 7 thousand km of overhead lines, over 200 transformer substations and 17 inter-system lines connecting to other countries, constantly maintaining them to ensure appropriate electricity transmission for all residents, institutions and other organisations in the country.

Since 22 December 2010, AB Litgrid has been listed in NASDAQ OMX Vilnius stock exchange secondary list. 97.5% of AB Litgrid is owned by UAB EPSO-G which is 100% owned by the Ministry of Energy of the Republic of Lithuania.