



Litgrid

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**LITGRID AB**


CONDENSED INTERIM CONSOLIDATED AND THE  
COMPANY'S FINANCIAL STATEMENTS, PREPARED  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING  
STANDARDS AS ADOPTED BY THE EUROPEAN UNION  
(UNAUDITED), FOR THE PERIOD ENDED 31 DECEMBER  
2017

## CONFIRMATION OF RESPONSIBLE PERSONS

February 14, 2018 Vilnius

Following Article 24 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Vidmantas Grušas, Director of Transmission Grid Department, acting as Chief Executive Officer of LITGRID AB, Rimantas Busila, Director of Finance Department of LITGRID AB and Žydrūnas Augutis, Chief Financier-Head of Accounting Division of LITGRID AB, hereby confirm that, to the best of our knowledge, the attached LITGRID AB unaudited interim consolidated and the Company's financial statements for the year ended 31 December 2017 is prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, profit and cash flows.

Vidmantas Grušas



Director of Transmission Grid Department,  
acting as Chief Executive Officer

Rimantas Busila



Director of Finance Department

Žydrūnas Augutis



Chief Financier



Litgrid

## TABLE OF CONTENTS

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	PAGE
REVIEW OF ACTIVITY OF THE GROUP	4
CONDENSED INTERIM FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	12
STATEMENTS OF COMPREHENSIVE INCOME	13
STATEMENTS OF CHANGES IN EQUITY	15
STATEMENTS OF CASH FLOWS	16
NOTES TO THE FINANCIAL STATEMENTS	17

The condensed interim financial statements were signed on 14 February 2018.

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## REVIEW OF ACTIVITY OF AB LITGRID GROUP

### I. General Information about the Group

#### The Issuer and its contact details::

Name	LITGRID AB (hereinafter referred to as 'Litgrid' or the 'Company')
Legal form	AB (public company)
Registration date and place	16/11/2010, Register of Legal Entities of the Republic of Lithuania
Business ID	302564383
Registered office address	A. Juozapavičiaus g. 13, LT-09311, Vilnius
Telephone	+370 5 204 6171
Fax	+370 5 272 3986
E-mail	<a href="mailto:info@litgrid.eu">info@litgrid.eu</a> ; <a href="http://www.litgrid.eu">www.litgrid.eu</a>

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

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

As of 31 December 2017, Litgrid Group employed 633 people: Litgrid AB - 229, Tetas UAB - 375 and Litgrid Power Link Service UAB - 29 employees.

Litgrid AB reports information about average salaries quarterly on the website [www.litgrid.eu](http://www.litgrid.eu).

#### Litgrid's activities

Litgrid, Lithuania's electricity transmission system operator (the 'TSO'), maintains the stable operation of the national power system, manages electricity flows, and enables the competition in the open market for electricity. Litgrid is responsible for the integration of Lithuania's power system into Europe's electricity infrastructure and the common market for electricity.

#### Litgrid's strategy

The Board of Litgrid approved company's strategy for the period of 2018-2027 on 28 September 2017.

Litgrid's mission - transmitting electricity across European markets, creating value to the society.

Litgrid's vision - Europe's smartest TSO.

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

Litgrid's strategic goals and priorities for 2018-2027:

- Synchronisation with the European Continental Network;
- Development of European market;
- Innovative and sustainable system and asset management;
- Development of modern organisation;
- Creation of sustainable value for the society.

## **II. Highlights of 2017**

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

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

Meeting of the BEMIP (Baltic Energy Market Interconnection Plan) High Level Group (senior-official level) on 7 December 2017 confirmed that synchronisation of the Baltic States with the EU network constitutes a priority.

Polish and Baltic transmission system operators - PSE, Litgrid, Augstsprieguma tīkls and Elering signed the agreement on dynamic stability study on 28 December 2017.

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

Major transmission grid development projects related to synchronisation:

- Construction of a 330 kV electricity transmission line Kruonis HPSP-Alytus. 83 per cent of construction completed;
- Construction of a 330 kV electricity transmission line Lithuanian Power Plant - Vilnius. Environmental Impact Assessment Report was approved by the stakeholders and public procurement tender was announced.
- Optimization of the North-East Lithuanian power grid and preparation for synchronous work with the continental European energy system. Public procurement tender was announced.

### ***Common European market for electricity***

The Baltic TSOs (Litgrid, Augstsprieguma tīkls and Elering), based on previously made studies and continuous work, have agreed to cooperate in coordinated balancing area and launch the common Baltic balancing market from the 1st January 2018.

### ***Cross-border power links***

LitPol Link interconnection was available to the market 98% of the time throughout 2017 and NordBalt interconnection was available to the market 83% of the time. In order to increase NordBalt's availability to the market, the replacement of the underground cable joints is planned from 30 July to 9 October 2018.

### ***Electricity transmission and reliability***

#### ***Transmission***

In 2017, Litgrid's volumes of electricity transmission via high-voltage networks for national needs amounted to 9 992 million kilowatt-hours (kWh), which is 2.71 % more than in the same period of 2016. The volumes of transmission to customers of the electricity distribution operator amounted to 8 988 million kWh (+1.65 % compared to 2016), and to other customers 1 004 million kWh (+13.26 % compared to 2016).

#### ***Transmission grid reconstruction projects***

Litgrid is in charge of more than 7000 kilometres of high-voltage (330 kV and 110 kV) lines as well as 236 transformer substations and switchyards. In 2017 a number of overhead lines and towers reconstruction works as well as reconstruction of 11 transformer substations and switchyards were carried out.

### *Electricity transmission reliability*

Based on the requirements for the electricity transmission reliability and service quality approved by the National Commission for Prices and Energy Control, two indicators are used to measure the electricity transmission reliability level: ENS (Energy not supplied due to interruptions) and AIT (Average Interruption Time). The indicators set for Litgrid for 2017 are as follows: ENS 6.3 MWh and AIT 0.29 min. The actual ENS was 1.68 MWh and AIT was 0.06 min in 2017.

### *Capacity reserves*

In 2017 Litgrid organised an auction for tertiary active power reserve for 2018 and signed agreements with the providers of the reserve. The tertiary active power reserve is needed to ensure uninterrupted supply of electricity for Lithuanian households and businesses.

More information about Litgrid activities and projects can be found on the website [www.litgrid.eu](http://www.litgrid.eu)



### III. Financial Information

#### Core financial ratios of the Group and the Company

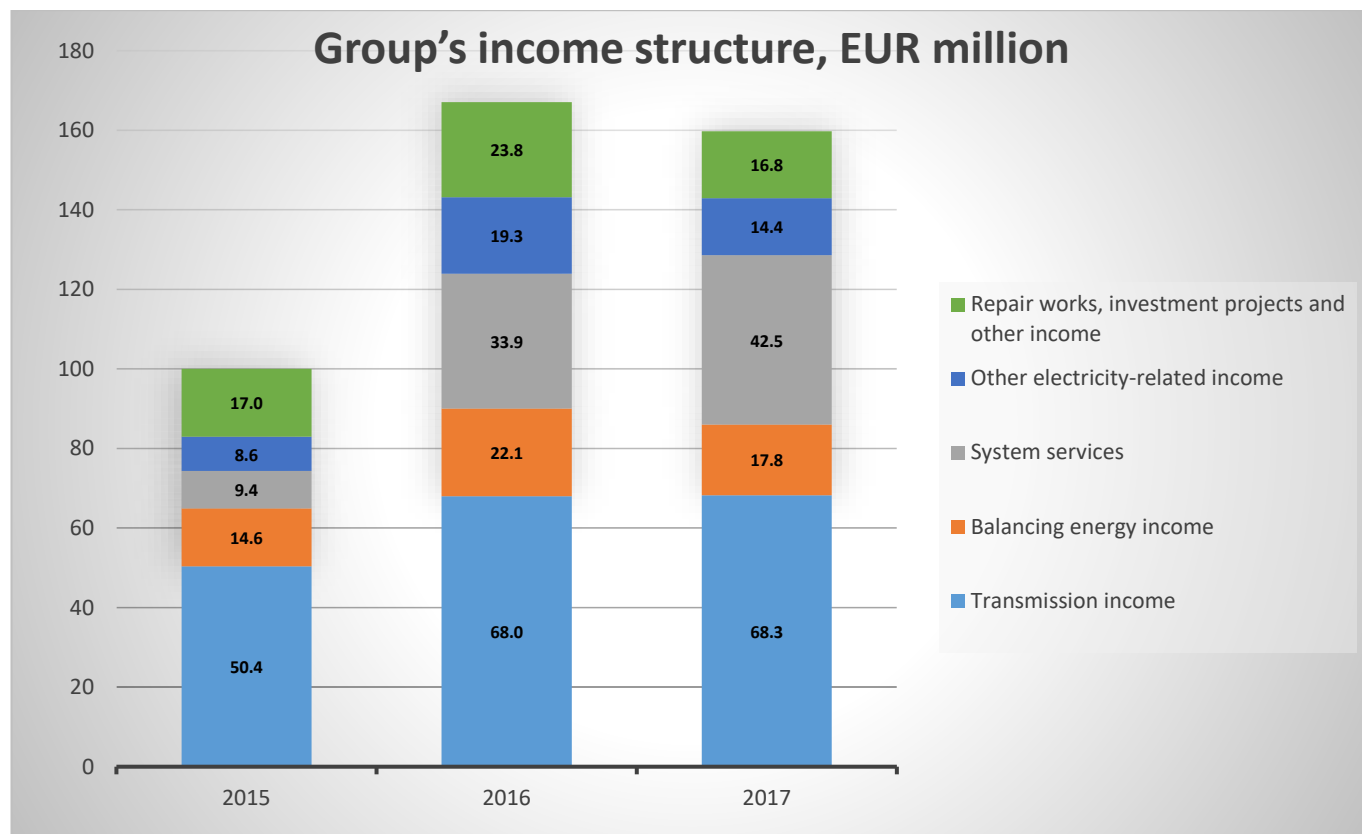
	January-December 2017		January-December 2016		January-December 2015	
	Group	Company	Group	Company	Group	Company
<b>Financial indicators (EUR'000)</b>						
Income from electricity sales	142,932	142,932	143,215	143,215	82,985	82,985
Other operating income	16,813	1,065	23,840	8,114	17,043	2,085
EBITDA*	40,285	42,537	49,302	48,094	25,857	25,972
Profit (loss) before tax	11,553	10,350	19,794	18,883	1,646	3,677
Net profit (loss)	9,355	7,873	17,857	16,828	1,300	3,370
Cash flows from operations	43,416	45,128	23,243	22,483	43,315	41,019
<b>Ratios</b>						
EBITDA margin, %	25.2	29.5	29.5	31.8	25.8	30.5
Operating profit margin, %	8.0	8.0	12.7	13.3	2.2	4.9
Return on equity, %	3.7	3.1	7.2	6.7	0.5	1.4
Return on assets, %	2.1	1.8	3.5	3.5	0.2	0.6
Shareholder's equity / Assets, %	56.1	57.1	55.1	56.2	43.6	47.9
Financial liabilities / Equity, %	61.8	60.8	65.0	64.2	84.3	83.0
Liquidity ratio	0.77	0.74	0.79	0.74	0.49	0.29
<b>TSO's operating indicators</b>						
Energy transmission volume, m kWh		9,992		9,729		9,220
Process costs in transmission network, %		2.91		2.91		1.96
ENS (Energy Not Supplied due to interruptions), MWh**		1.68		1,03		4.54
AIT (Average Interruption Time), min. **		0.06		0.04		0.22

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

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

## Income

Litgrid Group's income for the year 2017 was EUR 159.7 million, an 4.4 % decrease compared to the same period of 2016.



Income from electricity transmission increased 0.4% (to EUR 68.3 million) compared to 2016. Income from electricity transmission accounted for 43% of total revenues of the Group. The increase has resulted from larger electricity transmission volumes, while actual electricity transmission tariff was lower by 2.2% compared to 2016.

Income from balancing/regulating electricity decreased 19.4% to EUR 17.8 million. The reduction has resulted mainly from the 21.5% decrease in the balancing/regulating electricity sales volumes, which, in turn, was largely determined by lower demand from the balancing energy suppliers and the reduced need for securing the allocated capacity (i.e. the capacity traded on the electricity exchange).

Income from system services grew by 25.4% to EUR 42.5 million. The main growth driver was an 23% higher tariff (compared to 2016) for system services set by the National Commission on Energy Control and Prices.

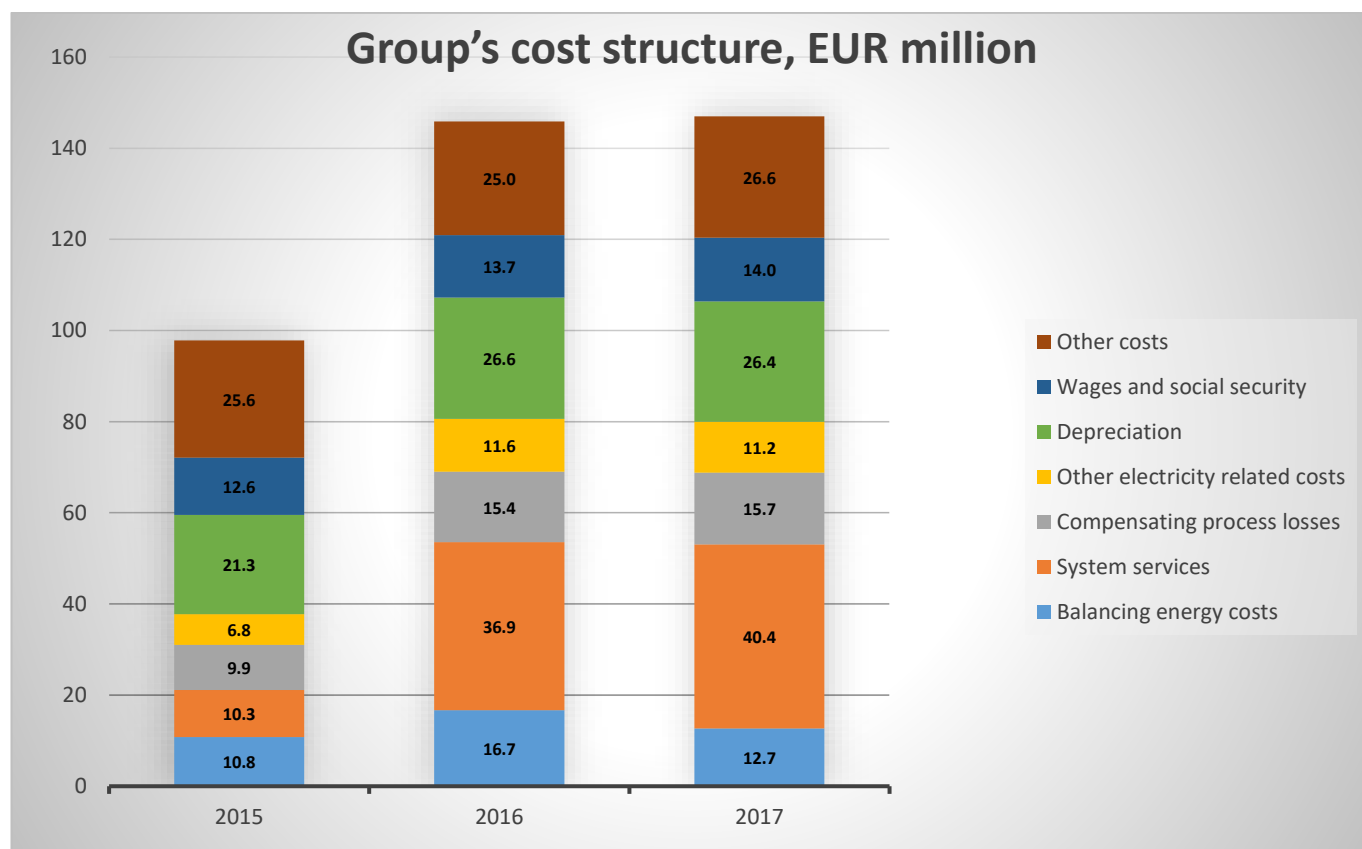
Revenues from congestion charges for Lithuanian-Polish, Lithuanian-Swedish and Lithuanian-Latvian power links decreased 10.5% compared to 2016 (to EUR 10.2 million). Congestion charges result from insufficient cross-border capacities, due to which different market prices for electricity form in the Lithuanian, Swedish, Polish and Latvian bidding areas. According to Regulation of the European Parliament and of the Council (EC) No 714/2009 of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003, revenues resulting from the allocation of interconnection are to be used for the following purposes: (a) guaranteeing the actual availability of the allocated capacity; (b) maintaining or increasing interconnection capacities through network investments, in particular in new interconnectors; (c) If the revenues cannot be efficiently used for the purposes set out in points (a) and/or (b) of the first subparagraph, they may be used, subject to approval by the regulatory authorities of the Member States concerned, up to a maximum amount

## REVIEW OF ACTIVITY OF THE GROUP

to be decided by those regulatory authorities, as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs and/or fixing net work tariffs. Litgrid has recognised, in accordance with the Regulation, EUR 1.4 million as income for 2017, i. e. part of the congestion revenues that were used for ensuring the allocated capacity of the power links and spent EUR 10.2 million of the congestion revenues (incl. incomes of past periods) for financing of construction of a 330 kV electricity transmission line Kruonis HPSP-Alytus. The remaining revenues are carried in the 'Future Period Income' line of the Statement of Financial Position.

Other income related to transmission operations include: the ITC transit income (Inter-Transmission Operator Compensation Mechanism, i.e. payment for electricity imported from or exported to countries other than the EU) - EUR 2.2 million; Public service obligation income - EUR 8.5 million; reactive energy income - EUR 1.5 million; connection of new customers - EUR 0.7 million. Other income from repair works, investment projects etc. consists mainly of the income from services provided by Tetas UAB, a subsidiary of Litgrid.

### Costs

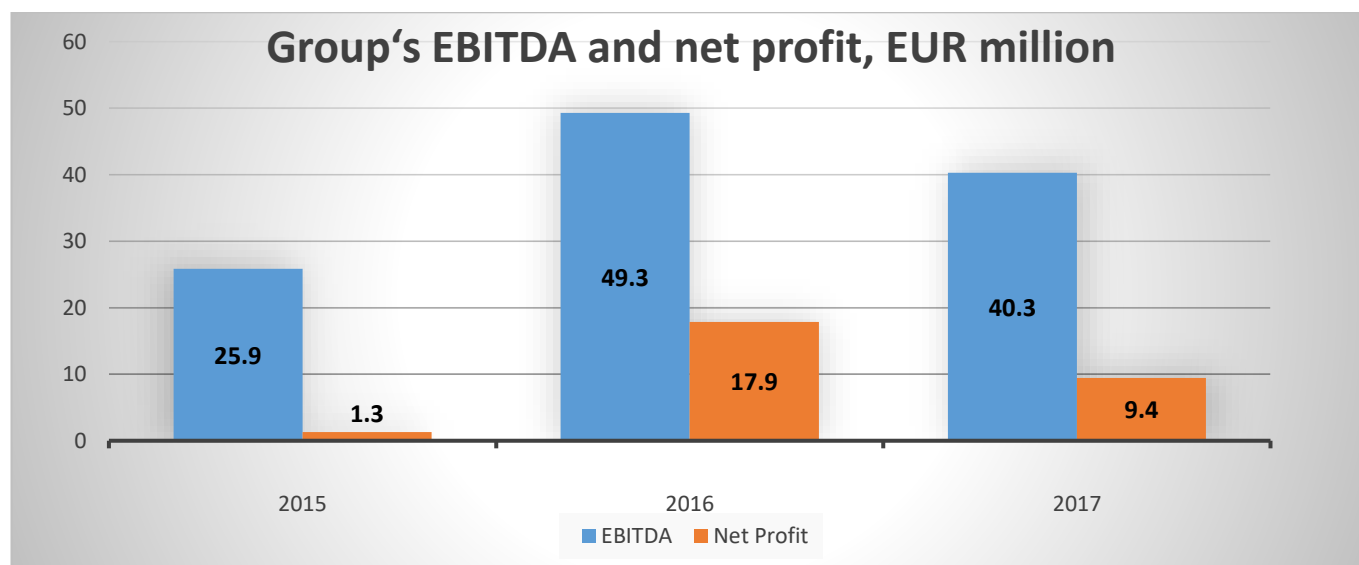


The Group's costs totalled EUR 147 million in 2017, which is 0.8% more compared to the same period of 2016.

Costs of purchase of electricity and related services account for the majority of the Group's costs: EUR 80.0 million or 54% of total costs, 0.7% decrease compared to the same period of 2016. Balancing (regulating) electricity costs shrunk 23.8% (to EUR 12.7 million). The system service costs increased 9.5% to EUR 40.4 million. Costs of compensating for process losses in the transmission grid increased 1.7% to EUR 15.7 million. Transit (ITC) costs were EUR 1.4 million, public obligation services provision costs EUR 8.4 million, and costs of ensuring the allocated capacity of the Swedish and Polish links EUR 1.4 million.

Depreciation and amortisation costs were EUR 26.4 million, a 1% decrease compared to 2016. Other operating costs increased by 5.2% (to EUR 40.7 million) compared to 2016.

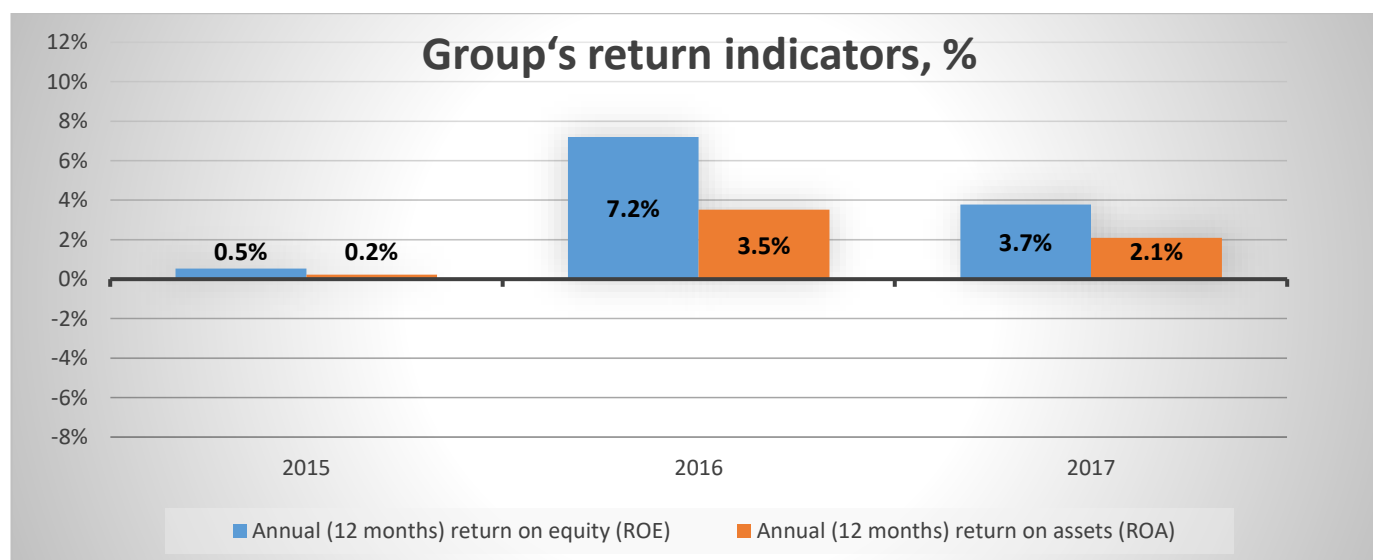
## Profit



The Group's EBITDA for 2017 amounted to EUR 40.3 million. Compared to 2016, the EBITDA decreased by EUR 9 million, or 18.3%; the EBITDA margin decreased to 25.2% (it was 29.5% in 2016). The Group's net profit for 2017 was EUR 9.4 million compared to EUR 17.9 in 2016.

The Group's operating profit for 2017 consists of: profit of the transmission segment EUR 8.9 million (EUR 18.5 million profit in 2016), profit of the system services segment of EUR 1.7 million (EUR 3.4 million loss in 2016), profit of the balancing (regulating) electricity segment EUR 4.8 million (EUR 5.1 million profit in 2016), loss from other activities EUR 2.7 million (EUR 1 million profit in 2016).

## Return indicators



In 2017, there was an decrease in the annual ROE and ROA ratios compared to 2016: from 7.2% to 3.7% and from 3.5% to 2.1%, respectively.

**Balance sheet and cash flows**

As of 31 December 2017, assets of the Group amounted to EUR 439.2 million. Non-current assets accounted for 87.7% of total assets of the Group. Shareholders' equity accounted for 56.1% of total assets.

As of 31 December 2017, the Group's financial liabilities to credit institutions were EUR 152.4 million (- EUR 13.1 million over 2017). The ratio between financial liabilities and equity was 61.8%. Financial debts payable within one year accounted for 28.3% of all financial debts. Cash and cash equivalents totalled EUR 0.7 million and unused overdraft was EUR 10.9 million.

The Group's net cash flows from main operations amounted to EUR 43.4 million in the year 2017, while payments for non-current tangible and intangible assets were EUR 26.2 million. EUR 8.1 million were received as subsidies.

The Group's net cash flows (excluding cash flows from financial activities) totalled EUR 34.2 million in the year 2017.

**Investments in non-current assets**

Investments of Litgrid (works performed and assets acquired irrespective of terms of payment) amounted to EUR 26.7 million in 2017, with 56% of them earmarked for the implementation of strategic energy projects and 44% for the reconstruction and development of national electricity transmission grid.

**Dividend policy**

The Board of LITGRID AB decided on 18 August 2017 to apply the dividend policy of EPSO-G group (approved by the Board of EPSO-G on 14 July 2017).

The general meeting of shareholders of LITGRID AB held on 25 April 2017 declared payable dividend of EUR 18.2 million, or EUR 0.036 per share.

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

		Group		Company	
	Notes	31-12-2017	31-12-2016	31-12-2017	31-12-2016
ASSETS					
Non-current assets					
Intangible assets	3	3,650	1,491	3,647	1,486
Property, plant and equipment	3	378,126	398,433	375,751	397,542
Prepayments for property, plant, equipment		277	727	277	727
Investments in subsidiaries	4	-	-	571	4,089
Deferred income tax assets		280	66	-	-
Loans granted	5	-	-	1,203	-
Available-for-sale financial assets		2,693	2,693	2,693	2,693
Total non-current assets		385,026	403,410	384,142	406,537
Current assets					
Inventories		1,019	3,910	99	125
Prepayments		483	274	412	122
Trade receivables		22,001	19,041	16,662	14,552
Other amounts receivable		21,239	24,916	20,645	24,593
Prepaid income tax		12	3	-	-
Other financial assets	6	8,736	10,012	8,736	10,012
Cash and cash equivalents		696	798	434	608
Total current assets		54,186	58,954	46,988	50,012
TOTAL ASSETS		439,212	462,364	431,130	456,549
EQUITY AND LIABILITIES					
Equity					
Authorised share capital		146,256	146,256	146,256	146,256
Share premium		8,579	8,579	8,579	8,579
Revaluation reserve		5,380	5,608	4,999	5,533
Reserve of changes in fair value of financial assets		655	655	655	655
Legal reserve		14,790	14,726	14,626	14,626
Other reserves		62,767	62,747	62,767	62,747
Retained earnings (deficit)		7,941	16,234	8,406	18,175
Total equity		246,368	254,805	246,288	256,571
Liabilities					
Non-current liabilities					
Grants		22	38	22	38
Non-current borrowings	7	108,353	116,435	108,353	116,435
Finance lease liabilities	8	820	-	-	-
Deferred income tax liability		6,115	8,216	6,115	8,216
Deferred revenue		6,564	7,966	6,564	7,966
Other non-current amounts payable and liabilities		764	152	694	81
Total non-current liabilities		122,638	132,807	121,748	132,736
Current liabilities					
Current portion of non-current borrowings	7	8,082	8,082	8,082	8,082
Current borrowings	7	34,656	40,986	33,311	40,171
Current portion of finance lease liabilities	8	443	-	-	-
Trade payables		15,020	13,857	11,513	8,376
Advance amounts received		328	869	328	869
Income tax liability		1,694	1,360	1,694	1,360
Other current amounts payable and liabilities		9,983	9,598	8,166	8,384
Total current liabilities		70,206	74,752	63,094	67,242
Total liabilities		192,844	207,559	184,842	199,978
TOTAL EQUITY AND LIABILITIES		439,212	462,364	431,130	456,549

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

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

	Notes	Group		Company	
		2017	2016	2017	2016
<b>Continuing operations</b>					
<b>Revenue</b>					
Revenue from electricity transmission and related services		142,932	143,215	142,932	143,215
Other income		16,813	23,840	1,065	8,114
<b>Total revenue</b>	9	<b>159,745</b>	<b>167,055</b>	<b>143,997</b>	<b>151,329</b>
<b>Expenses</b>					
Expenses of electricity transmission and related services		(80,013)	(80,615)	(80,013)	(80,615)
Depreciation and amortisation	3	(26,361)	(26,616)	(26,055)	(26,394)
Wages and salaries and related expenses		(13,993)	(13,680)	(7,295)	(7,286)
Repair and maintenance expenses		(4,305)	(4,219)	(6,437)	(6,357)
Telecommunications and IT maintenance expenses		(1,563)	(3,098)	(1,419)	(2,951)
Expenses of property, plant and equipment write-off		(1,212)	(912)	(1,209)	(911)
Revaluation of property, plant and equipment		(71)	-	-	-
Impairment of inventories and amounts receivable		79	(90)	103	(90)
Impairment of property, plant and equipment	3	-	(502)	-	(502)
Impairment of investments	4	-	-	(3,915)	-
Other expenses		(19,599)	(16,142)	(6,296)	(6,027)
<b>Total expenses</b>		<b>(147,038)</b>	<b>(145,874)</b>	<b>(132,536)</b>	<b>(131,133)</b>
<b>Operating profit/(loss)</b>		<b>12,707</b>	<b>21,181</b>	<b>11,461</b>	<b>20,196</b>
<b>Financing activities</b>					
Finance income		221	106	226	201
Finance costs		(1,375)	(1,525)	(1,337)	(1,514)
<b>Total finance costs</b>		<b>(1,154)</b>	<b>(1,419)</b>	<b>(1,111)</b>	<b>(1,313)</b>
Share of profit/(loss) of associates and joint ventures		-	32	-	-
<b>Profit/(loss) before income tax</b>		<b>11,553</b>	<b>19,794</b>	<b>10,350</b>	<b>18,883</b>
<b>Income tax</b>					
Current year income tax expenses		(4,578)	(4,274)	(4,578)	(4,258)
Deferred income tax (expenses)/income		2,380	2,208	2,101	2,203
<b>Total income tax</b>	10	<b>(2,198)</b>	<b>(2,066)</b>	<b>(2,477)</b>	<b>(2,055)</b>
<b>Profit/(loss) for the year from continuing operations</b>		<b>9,355</b>	<b>17,728</b>	<b>7,873</b>	<b>16,828</b>
<b>Discontinued operations</b>					
Profit for the year from operations being discontinued		-	97	-	-
Profit for the year from discontinued operations		-	32	-	-
<b>Profit (loss) for the year</b>		<b>9,355</b>	<b>17,857</b>	<b>7,873</b>	<b>16,828</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>					
Revaluation of property, plant and equipment		428	-	-	-
Change in fair value of financial assets		-	420	-	420
Effect of deferred income tax		(64)	(63)	-	(63)
<b>Total other comprehensive income that will not be reclassified to profit or loss</b>		<b>364</b>	<b>357</b>	<b>-</b>	<b>357</b>
<b>Total comprehensive income (loss) for the year</b>		<b>9,719</b>	<b>18,214</b>	<b>7,873</b>	<b>17,185</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Parent		9,355	17,847	7,873	16,828
Non-controlling interest		-	10	-	-
		<b>9,355</b>	<b>17,857</b>	<b>7,873</b>	<b>16,828</b>
<b>Total comprehensive income(loss) attributable to:</b>					
Owners of the Parent		9,719	18,204	7,873	17,185
Non-controlling interest		-	10	-	-
		<b>9,719</b>	<b>18,214</b>	<b>7,873</b>	<b>17,185</b>
<b>Basic and diluted earnings (deficit) per share (in EUR)</b>	13	<b>0.019</b>	<b>0.035</b>	<b>0.016</b>	<b>0.033</b>

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

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

	<b>Group</b>		<b>Company</b>	
	<b>01-10 - 31-12-2017</b>	<b>01-10 - 31-12-2016</b>	<b>01-10 - 31-12-2017</b>	<b>01-10 - 31-12-2016</b>
<b>Continuing operations</b>				
<b>Revenue</b>				
Revenue from electricity transmission and related services	37,176	35,233	37,176	35,233
Other income	5,467	8,680	177	2,591
<b>Total revenue</b>	<b>42,643</b>	<b>43,913</b>	<b>37,353</b>	<b>37,824</b>
<b>Expenses</b>				
Expenses of electricity transmission and related services	(20,531)	(19,226)	(20,531)	(19,226)
Depreciation and amortisation	(6,607)	(6,845)	(6,478)	(6,788)
Wages and salaries and related expenses	(4,014)	(3,638)	(2,151)	(1,884)
Repair and maintenance expenses	(1,224)	(1,007)	(1,626)	(1,485)
Telecommunications and IT maintenance expenses	(439)	(1,024)	(401)	(985)
Expenses of property, plant and equipment write-off	(722)	(123)	(719)	(122)
Revaluation of property, plant and equipment	(71)	-	-	-
Impairment of inventories and amounts receivable	(83)	(121)	(60)	(120)
Impairment of property, plant and equipment	-	(68)	-	(68)
Impairment of investments	-	-	-	-
Other expenses	(6,353)	(5,720)	(2,213)	(2,039)
<b>Total expenses</b>	<b>(40,044)</b>	<b>(37,772)</b>	<b>(34,179)</b>	<b>(32,717)</b>
<b>Operating profit/(loss)</b>	<b>2,599</b>	<b>6,141</b>	<b>3,174</b>	<b>5,107</b>
<b>Financing activities</b>				
Finance income	53	7	8	7
Finance costs	(342)	(275)	(330)	(272)
<b>Total finance costs</b>	<b>(289)</b>	<b>(268)</b>	<b>(322)</b>	<b>(265)</b>
Share of profit/(loss) of associates and joint ventures	-	26	-	-
<b>Profit/(loss) before income tax</b>	<b>2,310</b>	<b>5,899</b>	<b>2,852</b>	<b>4,842</b>
<b>Income tax</b>				
Current year income tax expenses	(1,404)	(2,123)	(1,419)	(2,110)
Deferred income tax (expenses)/income	1,132	1,616	812	1,582
<b>Total income tax</b>	<b>(272)</b>	<b>(507)</b>	<b>(607)</b>	<b>(528)</b>
<b>Profit/(loss) for the year from continuing operations</b>	<b>2,038</b>	<b>5,392</b>	<b>2,245</b>	<b>4,314</b>
<b>Discontinued operations</b>				
Profit for the year from operations being discontinued	-	97	-	-
Profit for the year from discontinued operations	-	-	-	-
<b>Profit (loss) for the year</b>	<b>2,038</b>	<b>5,489</b>	<b>2,245</b>	<b>4,314</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>				
Revaluation of property, plant and equipment	428	-	-	-
Change in fair value of financial assets	-	420	-	420
Effect of deferred income tax	(64)	(63)	-	(63)
<b>Total other comprehensive income that will not be reclassified to profit or loss</b>	<b>364</b>	<b>357</b>	<b>-</b>	<b>357</b>
<b>Total comprehensive income (loss) for the year</b>	<b>2,402</b>	<b>5,846</b>	<b>2,245</b>	<b>4,671</b>
<b>Profit/(loss) attributable to:</b>				
Owners of the Parent	2,038	5,489	2,245	4,314
Non-controlling interest	-	-	-	-
	<b>2,038</b>	<b>5,489</b>	<b>2,245</b>	<b>4,314</b>
<b>Total comprehensive income(loss) attributable to:</b>				
Owners of the Parent	2,402	5,846	2,245	4,671
Non-controlling interest	-	-	-	-
	<b>2,402</b>	<b>5,846</b>	<b>2,245</b>	<b>4,671</b>
<b>Basic and diluted earnings (deficit) per share (in EUR)</b>	<b>0.004</b>	<b>0.011</b>	<b>0.004</b>	<b>0.009</b>

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



## STATEMENTS OF CHANGES IN EQUITY

(All amounts in EUR thousands unless otherwise stated)

Group	Attributable to owners of the Group								Non-controlling interest	Total
	Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Interim amount		
<b>Balance at 1 January 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>6,228</b>	<b>298</b>	<b>14,606</b>	<b>62,747</b>	<b>2,476</b>	<b>241,190</b>	<b>133</b>	<b>241,323</b>
Comprehensive income/(expenses) for the period	-	-	-	357	-	-	17,847	18,204	10	18,214
Depreciation of revaluation reserve and amounts written off	-	-	(620)	-	-	-	620	-	-	-
Transfer to reserves	-	-	-	-	120	-	(120)	-	-	-
Dividends	-	-	-	-	-	-	(4,589)	(4,589)	-	(4,589)
Change in interest in the subsidiary	-	-	-	-	-	-	-	-	(143)	(143)
<b>Balance at 31 December 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>5,608</b>	<b>655</b>	<b>14,726</b>	<b>62,747</b>	<b>16,234</b>	<b>254,805</b>	<b>-</b>	<b>254,805</b>
<b>Balance at 1 January 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,608</b>	<b>655</b>	<b>14,726</b>	<b>62,747</b>	<b>16,234</b>	<b>254,805</b>	<b>-</b>	<b>254,805</b>
Comprehensive income/(expenses) for the period	-	-	364	-	-	-	9,355	9,719	-	9,719
Depreciation of revaluation reserve and amounts written off	-	-	(592)	-	-	-	592	-	-	-
Transfer to reserves	-	-	-	-	64	20	(84)	-	-	-
Dividends	11	-	-	-	-	-	(18,156)	(18,156)	-	(18,156)
<b>Balance at 31 December 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,380</b>	<b>655</b>	<b>14,790</b>	<b>62,767</b>	<b>7,941</b>	<b>246,368</b>	<b>-</b>	<b>246,368</b>

Company	Attributable to owners of the Group							Total
	Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	
<b>Balance at 1 January 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>6,138</b>	<b>298</b>	<b>14,606</b>	<b>62,747</b>	<b>5,351</b>	<b>243,975</b>
Comprehensive income/(expenses) for the period	-	-	-	357	-	-	16,828	17,185
Depreciation of revaluation reserve and amounts written off	-	-	(605)	-	-	-	605	-
Transfer to reserves	-	-	-	-	20	-	(20)	-
Dividends	-	-	-	-	-	-	(4,589)	(4,589)
<b>Balance at 31 December 2016</b>	<b>146,256</b>	<b>8,579</b>	<b>5,533</b>	<b>655</b>	<b>14,626</b>	<b>62,747</b>	<b>18,175</b>	<b>256,571</b>
<b>Balance at 1 January 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>5,533</b>	<b>655</b>	<b>14,626</b>	<b>62,747</b>	<b>18,175</b>	<b>256,571</b>
Comprehensive income/(expenses) for the period	-	-	-	-	-	-	7,873	7,873
Depreciation of revaluation reserve and amounts written off	-	-	(534)	-	-	-	534	-
Transfer to reserves	-	-	-	-	-	20	(20)	-
Dividends	11	-	-	-	-	-	(18,156)	(18,156)
<b>Balance at 31 December 2017</b>	<b>146,256</b>	<b>8,579</b>	<b>4,999</b>	<b>655</b>	<b>14,626</b>	<b>62,767</b>	<b>8,406</b>	<b>246,288</b>

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

# STATEMENTS OF CASH FLOWS

(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
Profit/(loss) for the year	9,355	17,857	7,873	16,828
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	26,361	26,616	26,055	26,394
Impairment of investments	-	-	3,915	-
Revaluation of property, plant and equipment	71	-	-	-
(Reversal of)/impairment charge on assets	(815)	592	(839)	592
Write-off of bad debt	737	-	737	-
Share of profit of associates and joint ventures	-	(32)	-	-
Income tax expenses	2,198	2,066	2,477	2,055
(Gain)/loss on disposal/write-off of property, plant and equipment	1,212	912	1,209	911
<b>Elimination of results of financing and investing activities:</b>				
Interest income	-	-	(5)	-
Interest expenses	1,365	1,482	1,327	1,471
Dividends income	(134)	(59)	(134)	(91)
Other finance (income)/costs	(77)	(101)	(77)	(67)
<b>Changes in working capital:</b>				
(Increase) decrease in trade receivables and other amounts receivable	2,204	(5,791)	3,373	(5,787)
(Increase) decrease in inventories, prepayments and other current assets	2,845	(2,183)	(101)	355
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received	1,273	(9,961)	2,473	(12,029)
Changes in other financial assets	1,276	(6,686)	1,276	(6,686)
Income tax (paid)	(4,455)	(1,469)	(4,431)	(1,463)
<b>Net cash generated from operating activities</b>	<b>43,416</b>	<b>23,243</b>	<b>45,128</b>	<b>22,483</b>
<b>Net cash used in operating activities of the discontinued operations</b>	<b>-</b>	<b>4,623</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
(Purchase) of property, plant and equipment and intangible assets	(26,214)	(55,657)	(26,066)	(55,423)
Grants received	8,133	68,592	8,133	68,592
Loans granted	-	-	(1,600)	-
Congestion revenue received	8,691	7,966	8,691	7,966
Disposal of subsidiaries (associates)	-	-	-	388
Interest received	-	4	-	4
Dividends received	134	59	134	91
<b>Net cash generated from (used in) investing activities</b>	<b>(9,256)</b>	<b>20,964</b>	<b>(10,708)</b>	<b>21,618</b>
<b>Net cash generated from (used in) investing activities of the discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	40,000	-	40,000
Repayments of borrowings	(8,082)	(48,083)	(8,082)	(48,083)
Overdraft	(6,330)	(29,852)	(6,860)	(29,671)
Finance lease payments	(160)	-	-	-
Interest paid	(1,528)	(1,639)	(1,490)	(1,628)
Dividends paid	(18,212)	(4,594)	(18,212)	(4,594)
Other cash flows from financing activities	50	-	50	-
<b>Net cash generated from (used in) financing activities</b>	<b>(34,262)</b>	<b>(44,168)</b>	<b>(34,594)</b>	<b>(43,976)</b>
<b>Net cash generated from (used in) financing activities of the discontinued operations</b>	<b>-</b>	<b>(4,655)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(102)</b>	<b>7</b>	<b>(174)</b>	<b>125</b>
Cash and cash equivalents at the beginning of the period	798	791	608	483
<b>Cash and cash equivalents at the end of the period</b>	<b>696</b>	<b>798</b>	<b>434</b>	<b>608</b>

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

## NOTES TO THE 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: A. Juozapavičiaus g. 13, LT-09311, Vilnius, Lithuania. The Company was established as a result of the unbundling of Lietuvos Energija AB operations and was registered with the Register of Legal Entities on 16 November 2010, entity’s code is 302564383.

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

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

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

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

As at 31 December 2017 the share capital of the Company amounted to EUR 146,256,100.20. It was divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. The Company has not acquired any own shares.

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

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

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

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

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

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

On 27 January 2017, the Company’s Board gave its consent to the arrangement of sale of all 20.36% shares held under the title of ownership by Litgrid AB in Duomenų Logistikos Centras UAB, together with the shares held in Duomenų Logistikos Centras UAB by Lietuvos Energija UAB. On 7 August 2017 shareholders of UAB Duomenų Logistikos Centras, the Company and Lietuvos energija, UAB, signed a share sale - purchase agreement with Telia Lietuva. The sale process of UAB Duomenų Logistikos Centras should be finalised, supposed by the beginning of 2018 on obtaining authorisation from the Competition Council. The transaction value will not be announced until that time.

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

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in EUR thousands unless otherwise stated)

As at 31 December 2017, the Group had 633 employees (31 December 2016: 685), and the Company had 229 employees (31 December 2016: 235).

### 2 Summary of principal accounting policies

These condensed interim Consolidated and the Company's financial statements, for the period ended 31 December 2017 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union, including International Accounting Standard (hereinafter - IAS) 34 „Interim Financial Reporting“. In all material respects, the same accounting principles have been followed as in the preparation of financial statements for 2016.

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

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

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

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

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

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

Group	Intangible assets	Property, plant, and equipment
<b>Net book amount at 31 December 2015</b>	<b>876</b>	<b>409,148</b>
Additions	1,232	90,791
Disposals	-	(8)
Write-offs	-	(1,175)
Impairment	-	(502)
Transfer from inventories	-	1,011
Reclassification	(146)	146
Transfer from grants not received	-	(2,404)
Set-off of grants with non-current assets	-	(72,424)
Depreciation and amortization charge	(471)	(26,150)
<b>Net book amount at 31 December 2016</b>	<b>1,491</b>	<b>398,433</b>
<b>Net book amount at 31 December 2016</b>	<b>1,491</b>	<b>398,433</b>
Additions	619	28,136
Revaluation	-	357
Write-offs	-	(1,266)
Transfer to inventories	-	(43)
Transfer to assets held for sale	-	(14)
Reclassification	2,295	(2,295)
Set-off receivable grants with non-current assets	-	(1,281)
Set-off of grants with non-current assets	-	(18,296)
Depreciation and amortization charge	(755)	(25,605)
<b>Net book amount at 31 December 2017</b>	<b>3,650</b>	<b>378,126</b>

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

Company	Intangible assets	Property, plant, and equipment
<b>Net book amount at 31 December 2015</b>	<b>870</b>	<b>408,262</b>
Additions	1,230	90,559
Write-offs	-	(1,174)
Impairment	-	(502)
Transfer from inventories	-	1,011
Reclassification	(146)	146
Transfer from grants not received	-	(2,404)
Set-off of grants with non-current assets	-	(72,424)
Depreciation and amortization charge	(468)	(25,932)
<b>Net book amount at 31 December 2016</b>	<b>1,486</b>	<b>397,542</b>
<b>Net book amount at 31 December 2016</b>	<b>1,486</b>	<b>397,542</b>
Additions	619	26,689
Write-offs	-	(1,263)
Transfer to inventories	-	(43)
Reclassification	2,295	(2,295)
Set-off receivable grants with non-current assets	-	(1,281)
Set-off of grants with non-current assets	-	(18,296)
Depreciation and amortization charge	(753)	(25,302)
<b>Net book amount at 31 December 2017</b>	<b>3,647</b>	<b>375,751</b>

Property, plant, and equipment value are carried at the asset acquisition cost less grants received or receivable. Grants comprise of EU structural funds, connection fees of new consumers (producers) for connection their to electricity transmission network (applicable for fees received until 1 July 2009), PSO funds and congestion income funds. If the value of the Property, plant, and equipment was not reduced by the grants, the book value of these assets as of 31 December 2017 would be higher by Eur 297,649 thousand. Information about the Property, plant, and equipment the value of which has been reduced by the grants received/receivable is presented below:

<b>Net book amount at 31 December 2016</b>	<b>285,745</b>
Additions	19,577
Depreciation charge	7,673
<b>Net book amount at 31 December 2017</b>	<b>297,649</b>

#### 4 Investments in subsidiaries

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

Subsidiaries	Investment cost	Impairment	Carrying amount	Ownership interest, %
<b>31 December 2017</b>				
TETAS UAB	4,754	(4,357)	397	100
Litgrid Power Link Service UAB	174	-	174	100
<b>Total</b>	<b>4,928</b>	<b>(4,357)</b>	<b>571</b>	
<b>31 December 2016</b>				
TETAS UAB	4,356	(441)	3,915	100
Litgrid Power Link Service UAB	174	-	174	100
<b>Total</b>	<b>4,530</b>	<b>(441)</b>	<b>4,089</b>	

The recoverable value of investment portfolio (100 %) to UAB „Tetas“ shares as at 31 December 2017 was calculated due to market changes, resulted UAB „Tetas“ activity, and additional impairment amounted to Eur 3,915 thousand was accounted. The recoverable value was calculated based on the discounted cash flow method, used forecasted financial results, applied after taxes discount rate (WACC) equal to 9%.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in EUR thousands unless otherwise stated)

### 5 Loans granted

On 25<sup>th</sup> October 2017 LITGRID AB and UAB TETAS entered into loan agreement. By loan agreement LITGRID AB has granted to UAB TETAS the loan equal to EUR 1,6 mln. for balancing main activity cash flows. Loan is fixed interests bearing (rate is 2.09 %) and maturity term was set on 25<sup>th</sup> October 2020.

Following to Company's, the ultimate shareholder's decision, part of the loan (Eur 397 477) was capitalised and on 29<sup>th</sup> December 2017 authorised share capital was increased. All shares were paid in money after mutual setting was performed. At 31<sup>st</sup> December 2017 the residual value of the loan after capitalisation was equal to Eur 1 202 523.

### 6 Other financial assets

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

In the item Other financial assets Group and Company accounted funds deposited for guarantees and deposits, congestion income funds and shareholding in UAB Duomenų logistikos centras. As at 31 December 2017 Other financial assets was amounted to EUR 8,736 thousand (as at 31 December 2016 - EUR 10,012 thousand). Other financial assets includes shareholding in Duomenų Logistikos Centras UAB amounting to EUR 752 thousand.

### 7 Borrowings

Borrowings of the Group/Company were as follows:

	Group		Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
<b>Non-current borrowings</b>				
Borrowings from banks	108,353	116,435	108,353	116,435
<b>Current borrowings</b>				
Current portion of non-current borrowings	8,082	8,082	8,082	8,082
Overdraft	34,656	40,986	33,311	40,171
<b>Total borrowings</b>	<b>151,091</b>	<b>165,503</b>	<b>149,746</b>	<b>164,688</b>

Maturity of non-current borrowings:

	Group		Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Between 1 and 2 years	14,225	8,082	14,225	8,082
From 2 to 5 years	42,676	42,676	42,676	42,676
After 5 years	51,452	65,677	51,452	65,677
<b>Total</b>	<b>108,353</b>	<b>116,435</b>	<b>108,353</b>	<b>116,435</b>

As at 31 December 2017, the weighted average interest rate on the Group's and the Company's borrowings was 0.87% (31 December 2016: 0.95%).

As at 31 December 2017, the Group's unwithdrawn balance of loans and overdrafts amounted to EUR 10,944 thousand (31 December 2016: EUR 36,014 thousand), the Company's - EUR 9,689 thousand (31 December 2016: EUR 34,829 thousand).

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

## 8 Finance lease liabilities

The Group's future minimum finance lease payments were as follows:

Group	31-12-2017	
	Minimum lease payments	Present value of minimum lease payments
<i>Finance lease payments:</i>		
Not later than 1 year	462	443
Later than 1 year and not later than 5 years	849	820
<b>Minimum finance lease payments</b>	<b>1,311</b>	<b>1,263</b>
Less: future finance charges	(48)	-
<b>Present value of minimum finance lease payments</b>	<b>1,263</b>	<b>1,263</b>

The fair value of the finance lease liabilities approximated their carrying amount.

## 9 Segment information

The Group has distinguished the following 5 segments:

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

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

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

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

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

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

- development and implementation of strategic projects for the improvement of energy security, installing interconnections between the electricity transmission systems abroad and (or) connecting the electricity transmission systems in the Republic of Lithuania with the electricity transmission systems in foreign countries (interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to continental Europe networks);
- connection of power generation facilities that use the renewable energy resources to transmission networks; optimisation, development and/or reconstruction of transmission networks ensuring the development of power generation that uses the renewable energy resources;
- balancing of electricity generated using the renewable energy resources.

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

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in EUR thousands unless otherwise stated)

The Group's information on segments for the period ended 31 December 2017 is presented in the table below:

2017	Operating segments					Total
	Electricity transmission	Trade in balancing/regulating electricity	Provision of system services	Provision of services under PSO scheme	Repair and maintenance activities	
Revenue	75,201	17,779	42,530	8,487	20,089	164,086
Inter-segment revenue	-	-	-	-	(4,341)	(4,341)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>75,201</b>	<b>17,779</b>	<b>42,530</b>	<b>8,487</b>	<b>15,748</b>	<b>159,745</b>
<b>Operating profit/(loss)</b>	<b>8,867</b>	<b>4,769</b>	<b>1,741</b>	<b>(1)</b>	<b>(2,669)</b>	<b>12,707</b>
Finance income/(cost), net*	x	x	x	x	x	(1,154)
<b>Profit/(loss) before income tax</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>11,553</b>
Income tax*	x	x	x	x	x	(2,198)
<b>Profit/(loss) for the year</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>9,355</b>
Depreciation and amortisation expenses	25,798	64	193	-	306	26,361
Write-offs of property, plant and equipment	1,209	-	-	-	3	1,212

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

The Group's information on segments for the period ended 31 December 2016 is presented in the table below:

2016	Operating segments					Total
	Electricity transmission	Trade in balancing/regulating electricity	Provision of system services	Provision of services under PSO scheme	Repair and maintenance activities	
Revenue	88,236	22,065	33,923	7,105	19,937	171,266
Inter-segment revenue	-	-	-	-	(4,211)	(4,211)
<b>Revenue after elimination of intercompany revenue within the Group</b>	<b>88,236</b>	<b>22,065</b>	<b>33,923</b>	<b>7,105</b>	<b>15,726</b>	<b>167,055</b>
<b>Operating profit/(loss)</b>	<b>18,522</b>	<b>5,084</b>	<b>(3,409)</b>	<b>(2)</b>	<b>986</b>	<b>21,181</b>
Finance income/(cost), net*	x	x	x	x	x	(1,419)
Share of result of associates and joint ventures*	x	x	x	x	x	32
<b>Profit/(loss) before income tax</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>19,794</b>
Income tax*	x	x	x	x	x	(2,066)
<b>Discontinued operations</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>129</b>
<b>Profit/(loss) for the year</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>17,857</b>
Depreciation and amortisation expenses	26,077	79	238	-	222	26,616
Write-offs of property, plant and equipment	911	-	-	-	1	912

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

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 95% of total revenue.

### 10 Income tax

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

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

### 11 Related-party transactions

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

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



## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in EUR thousands unless otherwise stated)

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

The Group's transactions conducted with related parties in 2017 and balances arising from these transactions as at 31 December 2017 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales	Finance income
The Group's parent company (EPSO-G UAB)	-	-	89	-	-
EPSO-G UAB group companies	-	646	168	5,274	51
	<u>-</u>	<u>646</u>	<u>257</u>	<u>5,274</u>	<u>51</u>

The Company's transactions conducted with related parties in 2017 and balances arising from these transactions as at 31 December 2017 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales	Finance income	Loans granted
The Group's parent company (EPSO-G UAB)	-	-	81	-	-	-
EPSO-G UAB group companies	-	646	168	5,274	51	-
The Company's subsidiaries	466	14	4,128	137	5	1,203
	<u>466</u>	<u>660</u>	<u>4,377</u>	<u>5,411</u>	<u>56</u>	<u>1,203</u>

The Group's transactions conducted with related parties in 2016 and balances arising from these transactions as at 31 December 2016 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales
The Group's parent company (EPSO-G UAB)	15	-	17	388
EPSO-G UAB group companies	-	4,871	(652)	24,001
Group's associates and joint ventures	38	85	361	1,218
	<u>53</u>	<u>4,956</u>	<u>(274)</u>	<u>25,607</u>

The Company's transactions conducted with related parties in 2016 and balances arising from these transactions as at 31 December 2016 were as follows:

Related parties	Trade payables	Trade receivables	Purchases	Sales
The Group's parent company (EPSO-G UAB)	14	-	15	388
EPSO-G UAB group companies	-	4,871	(652)	24,001
The Company's subsidiaries	345	332	4,576	113
Group's associates and joint ventures	38	85	361	1,218
	<u>397</u>	<u>5,288</u>	<u>4,300</u>	<u>25,720</u>

### Payments to the key management personnel

	Group		Company	
	2017	2016	2017	2016
Employment-related payments	826	813	537	556
Whereof: termination benefits	31	43	-	33
Number of the key management personnel (average annual)	13	12	7	7

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

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

## 12 Dividends

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

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in EUR thousands unless otherwise stated)

### 13 Basic and diluted earnings per share

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

	31-12-2017	31-12-2016
Net profit (loss) attributable to the Company's shareholders (EUR thousands)	9,355	17,847
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings (deficit) per share (in EUR)	<u>0.019</u>	<u>0.035</u>

### 14 Contingent liabilities

#### Legal proceedings

#### Regulatory disputes

At the meeting of 26 March 2015, the National Commission for Energy Control and Prices ("the Commission") has imposed a fine of EUR 100,000 on LITGRID AB for breaches of regulatory activities in the regulatory period of 2011 to 2013. The Company has objected the decision by the Commission imposing a fine at Vilnius Regional Administrative Court. The court of first instance has rejected the appeal filed by the Company. On 1 September 2017, LITGRID has transferred a fine of EUR 100,000 to the account of the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania.

On 27 September 2017, the Commission further received reports on regulatory costs for the period of 2011 to 2013 (as adjusted in view of the inspection results approved by the resolution of the Commission No. 03-815 dated 26 September 2014 and reports of actual costs for the period of 2011 to 2013).

#### Other disputes

On 3 September 2017, the Company has filed a complaint with Vilnius Regional Administrative Court, challenging the administrative acts of both the Office of Public Procurement (VPT) and the Lithuanian Business Support Agency (LVPA) concerning procurement of construction of 110 kV power transmission line Kretinga - Benaičiai VE by the Company in the period of 2014 to 2015; the said procurement is co-funded by the EU investment. As the expiry date of implementation of the contract drew closer, VPT, acting on commission by LVPA, has conducted an assessment, and on 3 August 2017 has submitted an assessment report; the report found that LITGRID has inadequately estimated the abnormally low price offered by the successful supplier, and has thereby breached the principles of rational use of funding, transparency and equal treatment. Accordingly, after the report was filed, on 24 August 2017, LVPA delivered a decision finding LITGRID in breach in the field of public procurement and imposing a financial penalty of 25% eligible project funding, i.e. EUR 486,927.25 (resulting in reduction of EU funding by EUR 243,463.62). The Company has refused the finding by VPT and the decision by LVPA, and has challenged the fine at court, seeking both their suspension and reversal. Although the court has accepted the complaint, it has refused imposing assurance and has refused suspending the administrative acts pertaining to the Company. Both LVPA and VPT have objected Company's complaint. On 18 January 2018, Vilnius Regional Administrative Court has rejected the complaint. Drafting of the appeal is now in progress.

On 29 April 2015, Achema AB lodged a claim against LITGRID AB and Tetas UAB seeking reimbursement of damages (jointly and severally) to the value of EUR 2,326,964.40 for the power disruption, which caused damage to Achema AB internal network on 29 April 2013. On 17 February 2017, a ruling was delivered on waiver of the claim with respect to lost income of EUR 1,759,864.34. Vilnius county court on 9 March 2017 accepted the request by Achema AB and appointed a forensic examination. A forensic report produced on 22 September 2017 was challenged by the Company. The Company has also filed a motion seeking an additional forensic examination. Negative outcome of the court proceedings could lead to negative financial impact of EUR 567,100.

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