



Litgrid

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 SIX-MONTHS PERIOD ENDED
30 JUNE 2019, PRESENTED TOGETHER WITH
CONSOLIDATED INTERIM REPORT

CONFIRMATION OF RESPONSIBLE PERSONS

August 7, 2019 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 interim consolidated and the Company's financial statements for the six months period ended 30 June 2019 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 and consolidated group assets, liabilities, financial position, profit and cash flows; Consolidated Interim Report for the six months period ended 30 June 2019 includes a fair review of the performance of the business, consolidated group financial position and undertakings in relation to the description of the main risks and contingencies faced thereby.

Daivis Virbickas

Chief Executive Officer

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

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The condensed interim financial statements were signed on 7 August 2019.

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

I. General information.

This consolidated report has been prepared for six months period ended 30 June 2019.

I.1. The Issuer and its contact details:

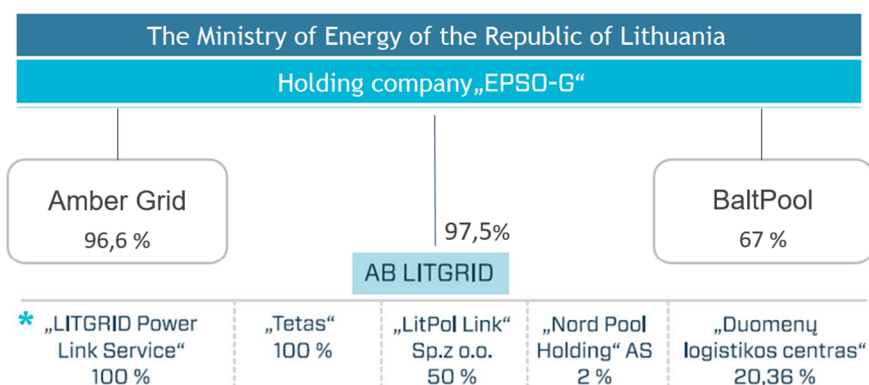
Name	LITGRID AB (hereinafter referred to as LITGRID or the "Company")
Legal form	Public limited liability company
Date and place of registration	16 November 2010, the Register of Legal Entities of the Republic of Lithuania
Company code	302564383
Registered office address	A. Juozapavičiaus Str. 13, LT-09311, Vilnius
Telephone	+370 707 02171
Fax	+370 5 272 3986
E-mail	info@litgrid.eu ; www.litgrid.eu

Activities of LITGRID

LITGRID, Lithuanian electricity transmission system operator (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 is responsible for the integration of the Lithuanian electric power system with the European electricity infrastructure and the single market for electricity. LITGRID has implemented the strategic projects on electricity cross-border links, namely, "NordBalt" (Lithuania-Sweden) and "LitPol Link" (Lithuania-Poland), and prepares to launch a new interconnection project called "Harmony Link" and expand the LitPol Link interconnection. In its work aimed at the consolidation of the country's energy independence, LITGRID fosters a culture of responsibility, rational creativity and dialogue.

As the backbone of the national electric power sector, LITGRID is not only responsible for maintaining the balance between electricity consumed and produced in the system and reliable transmission of electricity, but also implements strategic national electricity projects. Its vision and strategic operating guidelines are based on the long-term goals identified in the National Energy Independence Strategy. The 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 - part of the EPSO-G Group



* Activity suspended since August 2018.

CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2019

EPSO-G is a state-owned group of energy transmission and exchange companies. The rights and obligations of EPSO-G shareholder are implemented by the Ministry of Energy of the Republic of Lithuania. EPSO-G owns 97,5 % of shares of the transmission system operator LITGRID AB.

The LITGRID AB Group consists of the following companies:

Name	„Tetas“	„LITGRID Power Link Service“
Legal form	Private company	Private company
Registration date and place	08/12/2005, Register of Legal Entities of the Republic of Lithuania	24/02/2014, Register of Legal Entities of the Republic of Lithuania
Country of establishment	Republic of Lithuania	Republic of Lithuania
Company code	300513148	303249180
Registered office address	Senamiesčio str. 102B, LT-35116, Panevėžys	A. Juozapavičiaus str.13, LT-09311, Vilnius
Telephone	+370 640 38334	+370 707 020947
Type of activities	Specialized services of transformer substations' and distribution stations', overhead electricity lines' design, reconstruction, repair and maintenance.	By the decision of the sole shareholder, company activities have been suspended since August 1, 2018. From this date, the control and operation of the power system's links with Polish and Swedish systems have been organized by LITGRID. Procedures to liquidate the company taken.
Country of operations	Lithuania	Lithuania
LITGRID shares	100%	100%

Other shares held by LITGRID Group as of 30 June 2019:

Name	„LitPol Link“ Sp.z.o.o	UAB „Duomenų logistikos centras“	„Nord Pool“ AS
Country of establishment	Republic of Poland	Republic of Lithuania	Kingdom of Norway
Registered office address	Warszawska 165, 05-520, Konstancin-Jeziorna, Poland	Žvejų st. 14, LT-09310 Vilnius	PO Box 121, NO-1325 Lysaker, Norway
Country of operations	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 (procedures to liquidate the company taken, after the reporting period).	20.36% of shares and voting rights attached thereto	2% of shares and voting rights and a board member on rotation basis

1.2. The strategy of LITGRID AB

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 Europe's Smartest Transmission System Operator (TSO).



Vision:

Europe's smartest TSO.

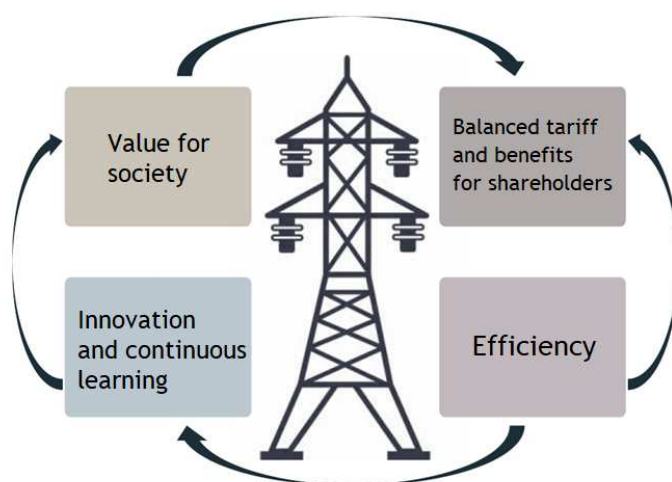
The company consolidates its commitments in the mission - to ensure reliable transmission of high-quality electricity in the European market by creating value for the society. In accordance with this goal LITGRID continues intensive development of the electricity market, deepening integration into the 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.



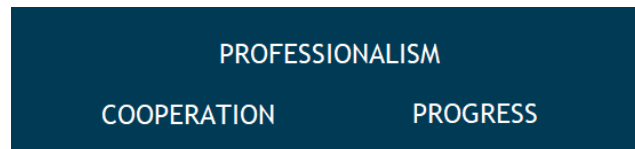
Mission:

To ensure a reliable transmission of high-quality electricity in the European market by creating value to society.




The following are the strategic goals and priorities for 2019-2028 for LITGRID:



The following values are observed in the Company:



Values are reflected in behaviour of personnel:

-  **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.

1.3. Value for the society

Synchronisation with Continental European network

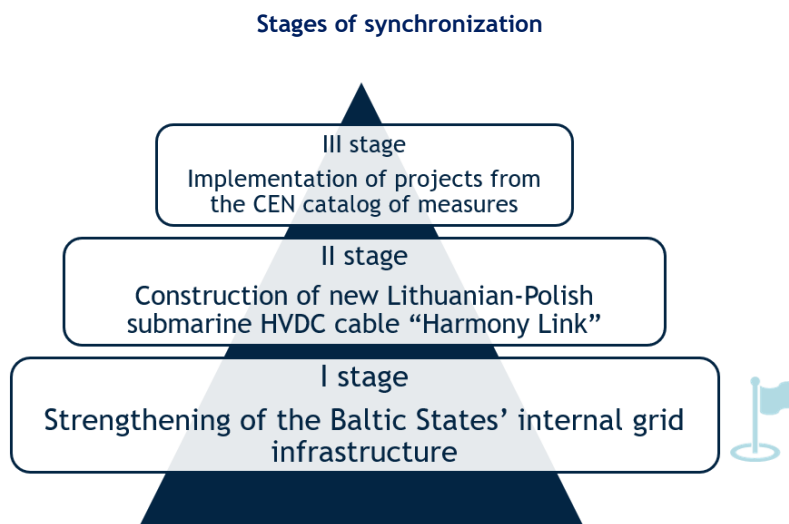
LITGRID implements strategic energy projects, the success of which depends on the energy and geopolitical perspective of Lithuania and the Baltic region and on the competitiveness of business.

Integration into European power systems - synchronization of the Baltic States with Continental Europe networks is an important priority, as the historical belonging to the IPS / UPS system (synchronous mode) and the technological features of system management also imply the remaining dependence political, social and economic for the energy system.

Achieving the strategic goal of 2025 for the electricity system to work synchronously with Continental Europe networks in 2017 Significant agreements were signed between Lithuanian, Latvian, Estonian, Polish transmission system operators and ENTSO-E on the development of dynamic Baltic Frequency Stability Studies, and the Synchronization Project (as a General Project) was included in the List of Projects of Common Interest approved by the European Commission.

In June 2018, Lithuania, together with Latvia, Estonia and Poland, and the European Commission signed a political agreement on the synchronization of electricity networks of the three Baltic States with the continental Europe through Poland until 2025. This high-level political agreement paved the way for the continued work needed for synchronization to consolidate the energy independence of the Baltic States from the Russian-controlled grid.

Following a full-fledged integration of Lithuanian grid into the European electricity system, 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 synchronous operation of the system of the Baltic countries within the electricity grids of continental Europe. At the moment the first stage has started and preparation for other stages as well. The stages are based on the timeline of identification of the investments or actions required, not timeline of investment implementation.



In Lithuania, the following projects are implemented for the synchronisation:

1. Construction of new 330 kV transmission line Vilnius - Neris.
2. Installation of new 400/330 kV autotransformers in Alytus.
3. Construction of new 330 kV (LT) switchyard of Mūša.
4. 330 kV overhead transmission line Klaipėda - Bitėnai reconstruction.
5. 330 kV overhead transmission line Bitėnai - Jurbarkas reconstruction.
6. Construction of new 330 kV transmission line Kruonis HAE - Jurbarkas.
7. 330 kV transmission line Lietuvos Elektrine - Vilnius reconstruction.
8. Optimization of the electricity transmission grid in the Northern Lithuania and preparation for synchronous operation with the energy system of continental Europe.

On Baltic level LITGRID is actively involved in such projects:

1. Voltage and inertia control measures in the Baltic countries.
2. Automatic Generation Management and Frequency Stability Monitoring System in the Baltic States.
3. System Development Studies.

On European level the activities were as follows:

On 21 December 2018, Lithuanian and Polish electricity transmission system operators agreed on the implementation of the new maritime interconnection project. The management of LITGRID and PSE signed an agreement committing to launching the preparatory phase of the project of construction of new Polish-Lithuanian submarine high-voltage direct current cable. Lithuanian and Polish representatives decided to name the new maritime interconnection as "Harmony Link".

During the preparatory phase of the project, actions will be taken on the basis of which investment decisions will be made, the procurement procedure will be announced to purchase the cable laying works and other preparatory works will be carried out. The investment decision should be made in 2020.

Integration into the European electricity market and measures to secure the market from not safe electricity flow

The electricity transmission system operator LITGRID ensures integration of the Lithuanian electricity market into the European electricity market and the development of the service provision is ensured by the development of the electricity market, balancing market and grid codes under the Clean Energy Package and related common European market development guidelines.

In the first half of 2019 Grid codes and methodologies were confirmed:

1. On 24 January 2019, the European Agency for the Cooperation of Energy Regulators (ACER) approved the Methodology for pricing intraday cross-zonal capacity, which is intended to establish the rules on the pricing of intraday capacity. The main objective is to align the principles of the next-day and intraday trading cross-zonal capacity pricing.
2. On 14 February 2019, the coordinated re-dispatching and countertrading methodology/CACM/Art 35 was approved by the Resolution of the National Commission for Energy Control and Prices (NCC).
3. On 14 March 2019, the Scheduled Exchanges pricing methodology was approved by the Ruling of NCC.
4. On 27 June 2019, the common coordinated re-dispatching and countertrading methodology/CACM/Art 74 was approved by the Resolution of NCC.

The main projects currently being implemented for the integration into the European electricity market and the services currently being developed:

Electricity Market:

1. The European intraday trade via LitPol Link interconnection is included in the second wave of the intraday XBID platform, which is scheduled to launch at the end of 2019. Within the first half of 2019, IT system tests were carried out to check whether the systems are being installed in a new configuration to meet the requirements. Successful performance of these tests ensures that the necessary information is shared between the project's parties.
2. In the Baltic countries, the Baltic MNA project is being developed in cooperation with neighbouring transmission grid operators and designated electricity market operators, which will enable not only one but several designated electricity market operators to operate in the Baltic electricity markets and shall contribute to increasing the competitiveness of the electricity market.
3. As part of the National Energy Independence Strategy, LITGRID has worked together with consultants to develop the concept of a long-term capability mechanism. This measure will ensure the adequacy of the system and shall encourage investments in the development of electricity generation capacity.
4. In the context of the Clean Energy Package, LITGRID is developing the necessary tools to operate an independent aggregator in accordance with the prepared concept of flexible services.

Balancing Market

Implementation of the European mFRR Balancing platform (MARI)

Grid codes and methodologies

1. On 7 March 2019, the proposal on European platform for imbalance netting process was submitted to for approval to NCC.
2. On 5 June 2019, an agreement on Coordinated Capacity Calculator was approved.

Ensuring the necessary measures to limit the supply and use of unsafe nuclear power from 3rd countries

On 13 September 2017, after the Government of the Republic of Lithuania with Resolution No. 739 approved the action plan for the implementation of the necessary measures to protect against unsafe nuclear power plant being built in the Republic of Belarus, which threatens the national security, environment and public health of the Republic of Lithuania, LITGRID has already implemented the following actions within the first half of 2019 what is within its competence:

- was dismantled a part of 750 kV gauge interconnector line (LN705) (located within the territory of the Republic of Lithuania), which runs from the Ignalina NPP Transformer Substation to the Pastavy Transformer Substation, during the reconstruction of the Ignalina NPP transformer substation as part of the North East Lithuania power transmission network optimization and preparation project for Lithuanian power system synchronization with Synchronous grid of Continental Europe.
- the automatic generation reserve activation systems of the Lithuanian energy system were turned off due to possible overloads in networks caused by Astravets NPP.
- preparatory works for implementation of the new 330 kV overhead line Vilnius - Naujoji Vilnia - Neris project were launched.
- the assessment of the Regional Group of European Network of Transmission System Operators for Electricity, and issue of technical conditions for synchronisation with the Synchronous grid of Continental Europe (hereinafter referred to as the ENTSO-E conditions of synchronization) was done.

Social responsibility and the dialogue with the society

LITGRID implements social responsibility through the initiative and volunteering of employees.

On the occasion of the Energy Day, the Company cherishes a tradition - every year in the chosen Lithuanian region, in a wooded territory where LITGRID is engaged in its activities - where overhead lines are built, substations are installed, etc., the Company is planting trees. On 19th April Company's employees were planting trees in the sighing Jagelonys forest in Trakai municipality.

LITGRID employees and their children planted more than 5 thousand of spruce trees.

In total LITGRID employees already planted more than 16 000 birch, spruce and pine trees in traditional tree planting event.

LITGRID carries out educative and training activities and attracts future interns and employees by introducing electric power system to the schoolchildren, students and other interested persons. LITGRID organizes tours for groups of 8 to 20 people. They take place at the System Control Centre (dispatcher office) in Vilnius; converter stations LitPol Link in Alytus and NordBalt in Klaipėda. There were 12 excursions in the first half of 2019 organized. Tours are guided by LITGRID special prepared employees who explain properly and clearly what electricity is, how dispatchers work in the System Control Centre, how to treat electricity safety.

In February 2019 LITGRID joined the initiative of the State Labour Inspectorate, called „I work safely”. LITGRID employees visited schools in the areas where LITGRID operates transmission lines or substations in Ukmergė, Ignalina, Panevėžys, Pasvalys. The lessons were held for schoolchildren and teachers on safe behaviour nearby electricity lines, safe work and usage of electricity gadgets, about Synchronisation Project and its importance for the country.

On 17 June, 2019 LITGRID employees observed a nest of Osprey (pandion haliaetus). After the consultation with the long-term partner from the Association of Lithuania Ornithologists, it was decided to stop dismantling works and wait until little birds can fly. This is a perfect example of social responsibility, respect to for nature what are a natural part of LITGRID culture.

1.4. Efficiency

The biggest value for the society from the side of the TSO's comes in the form of the possibility to transmit energy from variety of sources. The right infrastructure, clear rules enable electricity market participants to benefit from exchange of energy flows.

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 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 99.98% of the time throughout the six months of 2019.

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 six months of 2019, NordBalt interconnection was available to the market 100% of the time. In 2018 the warranty reconstruction was made, after it the availability of interconnection is excellent.

Reliability of the transmission network

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). For the first half of 2019 ENS was 6.77 MWh, ATI 0.234 min.

Development of the modern organization

In 2017, the Company started to implement the LEAN principles in its daily activities, thus improving the speed and quality of solutions to problems, communication, employee engagement, collaboration, creating value for society. Every day there are 42 Lean meetings at LITGRID, where employees share the information, follow KPI's.

In the first half of the year 466 Mini Kaizen (specific process improvements) were registered, 261 implemented, and it saved 380 work hours per month.

Reconstruction of the electricity grid

The electricity transmission grid of Lithuania is well-developed and reliable in meeting the needs of electricity users. Optimal investments in the national grid ensure the integration of new electricity producers, safe transmission of electricity, and the reliable operation of the system.

LITGRID operates high-voltage (400-330-110 kV) transmission lines with the length of 6,946 km and 236 transformer substations (TP) and switchyards in Lithuania.

In the first half of 2019 these projects were started:

Mažeikiai 6 kV closed switchyard reconstruction, 330-110 kV Bitėnai TP autotransformer installation, (from Utena1x200 MVA).

Preparations were made to start: 330 kV transmission line Kruonis HAE-Bitėnai construction, 330 kV switchyard Mūša construction, 330 kV switchyard Darbėnai construction, 330kV transmission line Darbėnai - Bitėnai construction.

Upgrading of 330 kV and 110 kV transformer substations remotely from LITGRID dispatcher control system-controlled electrical installations (wiring) in 2019 had an increase of 0.39% and in the middle of 2019, it was 66.89%. Remote control effectively solves operational management problems, reduces management costs, and provides greater safety for people working in substations.

Research and development activities of the LITGRID Group

Every year LITGRID prepares the electric power system long-term development plans aimed at ensuring the reliable operation of the transmission grid and increasing the safety of electricity supply. The reconstruction of energy facilities involves the replacement of old equipment by installing modern equipment and the implementation of modern systems for relay protection, system automation, management, data collection and accounting. Plans for the construction and reconstruction of facilities are made for a 10-year period and being updated every year. These plans are publicly available and can be found on the corporate company website www.litgrid.eu.

CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2019

During the first half of 2019, LITGRID has presented to NCC “Lithuanian Electricity System 400-110 kV Grid Development Plan 2019-2028”, which is based on current and projected supply and demand as well as requirements for security and reliability of supply.

In the ten-year network development plan, LITGRID's planned investment amounts to 1,023 million euros. It should be noted that they will not have a significant impact on the growth of the transmission part of the electricity tariff.

The total electricity consumption is expected to grow on average by 2% per year from 12.11 TWh and can reach up to 14.63 TWh in 2028. The maximum system required capacity shall also increase from 1,999 MW to potentially reaching 2,364 MW.

The plan assesses that although reliable local generation is not sufficient enough to secure the maximum demand of the system, it shall be offset by reliable interconnections, leaving Lithuania as an importing country: after 2028, after integration of 700 MW offshore wind farms and development of other renewable energy sources, it is therefore planned that the objective of the National Energy Independence strategy will be achieved by the year 2030, with a local generation producing around 70% of the electricity demand.

The Plan drawn up by the Company is published on the external website <http://www.litgrid.eu/index.php/tinklo-pletra/lietuvos-elektros-perdavimo-tinklu-10-metu-pletros-planas-/3850>.

Energy Battery Storage System

In June 2019, Litgrid has launched a pilot project for installation of 1 MW capacity energy battery storage system in Lithuania to test the real operating conditions of the Lithuanian electricity system, identify areas and functions of high-capacity battery storage systems installation and use in Lithuania, establish the requirements for batteries, which would provide different types of services.

LITGRID specialists have analysed the experience of European countries and the rest of the world in installation of energy battery storage system solutions in electrical systems: most energy storage devices are well suited to provide a single service only or to deal with one single challenge. Meanwhile, LITGRID is innovating: seeks to test the performance of multifunctional energy storage systems, developed in scientific laboratories, in real-world operating conditions and identify the parameters of batteries needed in Lithuania in order to operate in line with the system of Continental Europe.

Installation of the battery storage system is a new challenge and an experiment taken by Litgrid to improve the ability to control the frequency and ensure stability and security of the system. This pilot project plays a special role in the preparation of synchronisation with the grid of Continental Europe: battery storage systems can contribute to maintaining the required level of inertia (function of synthetic inertia) as well as ensuring very rapid regulatory capacity reserves.

Research and innovation development

On 20 March 2019, the Company has joined to the new operational guidelines for Research, Experimental Development and Innovation of the EPSO-G Group of Companies approved by the Board of Directors of UAB EPSO-G (hereinafter referred to as the R&D).

The objective of the R&D operational guidelines is, through innovation and new solutions, to ensure the continuity and efficiency of UAB EPSO-G Group of Companies, as well as competitiveness or ensuring the creation of conditions for competition, making a significant contribution to the implementation of the National Energy independence strategy, contributing to provision of added value for society.

R&D operational guidelines establish common concepts across the whole Group for research and experimental development, innovation and innovation activities, general R&D direction of operation and priorities, principles of classification and recommendations for transmission systems operators on allocation of funds towards activities of R&D, which does not fall within regulated activity.

LITGRID AB carries out more than 10 different projects according to the priorities defined by the new R&D. R&D activities include installation of well-known, but not yet widely applied solutions/innovations in the energy sector, studies and research, which contribute to the identification of the problem-solving solutions as well as identification of new and not yet-available solutions/innovations.

Participation in the activities of Associations

The company actively participates in the activities of ENTSO-E, the European Network of Transmission System Operators for Electricity, which unites 41 transmission system operators from 34 countries. On 27 June 2019, a new Board of ENTSO-E was elected at the General Assembly of ENTSO-E, during which the head of LITGRID, D. Virbickas, became a member thereof. Newly elected Board comprises of 11 members, and D. Virbickas is the only representative of the Baltic States.

Representatives of the Company on a permanent member basis participate in the activities of ENTSO-E Committees and Working Groups, which at the expert level prepare and examine legislation, methodologies and other documents regulating the operation of the electricity system relevant to the EU Member States and establishing a level playing field and rules for European transmission network operators. Participation in the activities of ENTSO-E in strengthening cooperation with other transmission system operators in Europe is very important for LITGRID in order to implement one of the priority tasks of the Lithuanian energy sector - integration into the Synchronous grid of Continental Europe.

The company is a collective member of the International Council on Large Electric Systems (CIGRE). CIGRE provides the company with the international expert backing of the needed technological and scientific knowledge. CIGRE combines over 1250 organizations from 90 countries around the world to share best practices in the electricity sector through an existing electronic platform, thus creating an electronic database where experts share the latest technology trends, research papers and articles, technical solutions, best practices and knowledge of ongoing international projects.

Also, the representatives of the company participate in the “Best Grid” activities of PSO and other companies of energy association, where they share good practices in planning and implementation of network development projects, paying special attention to environmentally friendly solutions and social responsibility of the projects.

The company is a member of the Association of Polish and Lithuanian Chambers of Commerce, a bilateral organization of economic cooperation between Lithuania and Poland. The association collects information for its members about business opportunities in both countries, collaborates with organizations and individuals to ensure business management and development, organizes conferences and thematic events. The Chambers of Commerce aims to create a favourable climate for Polish and Lithuanian companies, thus for LITGRID, which together with Poland is implementing an important project for synchronisation with Continental Europe networks - the construction of the Harmony Link underwater cable, this format creates opportunities for strengthening interinstitutional and business communication. The Polish-Lithuanian Chamber of Commerce contributed to the smooth promotion of the project in Poland - during an economic forum, which was held on 13-15 May in Katowice, Poland, interviews were held with more than 10 Polish journalists and experts on the topics of synchronization and energy cooperation.

International practice and the opportunity to contribute to the decisions implemented at the level of the European Transmission Network Operators increase the responsibility of LITGRID by combining experts from the electricity sector in Lithuania. The company is a member of the National Energy Association of Lithuania (NLEA), which is actively working with the competent authorities to improve the regulatory environment of the sector, examining various social, political, technical, tax, legal and other issues linked directly and indirectly to the activities of the members of the association. Also, great attention is paid to the promotion of the energy profession by organizing “Energy day” events for the employees and public, as well as participating in the activities of the Lithuanian Energy Seniors Club.

II. INFORMATION ABOUT PERSONNEL

LITGRID is building a value-based organisational culture and advocates equal rights for employees and equal opportunities at work, regardless of gender, ethnicity, race, nationality, social status, age, disability, membership in a political party or association, religious beliefs or sexual orientation.



As of 30 June 2019, the LITGRID Group had 686 employees: LITGRID - 276, Tetas - 410.

The wage fund of LITGRID for the reporting period amounted to EUR 4,468 thousand.

	1H 2019		1H 2018	
	Number of employees	Average monthly wage, in EUR	Number of employees	Average monthly wage, in EUR
Chief executive officer	1	12,634	1	12,070
Top-level managers	6	8,489	6	8,107
Mid-level managers	38	4,178	33	3,968
Experts-specialists	231	2,492	192	2,381
Total	276	2,904	232	2,807

The total wage fund of LITGRID Group for the reporting period amounted to EUR 7,590 thousand.

	1H 2019		1H 2018	
	Number of employees	Average monthly wage, in EUR	Number of employees	Average monthly wage, in EUR
Chief executive officer	2	9,405	3	7,372
Top-level managers	9	6,982	10	6,497
Mid-level managers	53	3,950	53	3,590
Experts-specialists	381	2,170	325	2,091
Workers	241	1,131	155	1,228
Total	686	2,069	546	2,082

Note: the information on the remuneration of employees is calculated based on the article of Social insurance Law of the Republic of Lithuania which states that the social insurance tax transferred to employees working with employment agreements, i.e. applying index 1.289. In order to have comparable data, remuneration data of 2018 is recalculated using the same methodology and index.

Company development

In the first half of 2019 24 new employees joined the Company, most of them due to implementation of actions related to the synchronization with CEN, the focus on the smooth recruitment and incorporation process has been intensified.

LITGRID Academy and staff development

LITGRID employs top-level multidisciplinary professionals who share their knowledge and experience both outside the organisation nationally and internationally, and with colleagues in the company. People develop their skills best through carrying out activities and applying Lean methodologies to employee and organisational performance development, taking up new challenging tasks and projects, taking on additional responsibilities, working on international activities projects and participating in working groups, organising good practice visits and peer-to-peer learning.

Company employees periodically update their knowledge and strengthen their skills in management and vocational training. Strategically important engineering profile training programs form the major part of this year's training plan. During the first half of the year, power system frequency management training for the dispatchers of the Baltic States took place, attended by not only Lithuanian, but also Latvian and Estonian transmission system operators. Such training is required by international commitments and relates to preparation for the isolated work testing as part of the synchronization process. In addition, staff-conducted in-house multidisciplinary training sessions and lectures for colleagues has already become a common practice in LITGRID. Working in a team of professionals, we learn every day, broaden our horizons and spread the expertise we have. For a more effective training and knowledge sharing, a LITGRID Academy platform has been created to publish and store relevant training information. The Academy includes in-house training and compulsory training in various fields, as well as training in information technology and systems, and the Newcomers Academy for new employees. During the first half of the year, there were 18 knowledge-sharing sessions of different durations. Typically, one session involves 10 to 80 staff members. Company employs state-of-the-art technology to ensure equal development opportunities for our regional staff, so some of the trainees connect remotely. At the same time, it helps to strengthen the relationships between our colleagues and to create the atmosphere of community. Managerial team strives to pay sufficient attention to the training of new colleagues, so that the employees from the first weeks have the necessary basic knowledge for the job, are more familiar with the corporate culture, company's activities and processes, and other colleagues.

Employee performance evaluation

The high level of competence of LITGRID employees is essential for high performance. The personal efforts of each employee contribute to the good performance of the company, which is why the LITGRID Employee Performance Measurement System is one of the means by which the individual annual goals of the employees are linked to the implementation of the company's strategy.

Focus on scheduling of critical staff and managers' interchangeability

During the first half of 2019, a particular attention was given to the identification of critical positions, the development of interchangeability plans, and the development of additional actions that could reduce the criticality level of company's positions. The aim is to manage the risks associated with human resources and, in particular, with the lack of competence to implement strategic objectives. Plans for managers' interchangeability and development have also been developed.

Collaboration with universities

The company constantly maintains and strengthens relations with Kaunas University of Technology regarding future employees and trainees. In March, a number of employees participated in the Career Contact Fair organised by Vilnius Gediminas Technical University. More than 100 organisations presented themselves at their exhibition stands, including company staff representing the company through ongoing activities and projects, inviting students to internships, talking about career opportunities for graduates, inviting them to come and get to know the company.

Remuneration policy and performance evaluation

The common remuneration policy of the EPSO-G Group has been introduced at LITGRID and it is applicable to all employees of the Company. The remuneration policy is approved and amended by the decision of the Company's Board taking into consideration recommendations of the Remuneration and Appointment Committee of EPSO-G. The Remuneration and Appointment Committee of EPSO-G regularly reviews provisions of the remuneration policy, its effectiveness, implementation and application.

Information about Remuneration policy, Employees performance evaluation, wages and Company goals are published regularly on the corporate website www.litgrid.eu.

Social responsibility in regard of personnel, Collective agreement

LITGRID employees are united and their interests are represented by the Trade Union of Employees of the Electricity Transmission Network. In the first half of 2019, there were 96 members in the Trade Union of Employees of the Electricity Transmission Network, which is more than one third of the Company's employees.

On 20 February 2018, an updated Collective Agreement between LITGRID and the newly established trade union of Company employees was signed. The document defines and ensures a fair remuneration policy and balance between work and rest and regulates social and economic relations between the employer and the employee. The Collective Agreement also contains provisions on how the Company supports employees when important or painful life events occur.

Meetings between trade union representatives and Company management are held periodically to discuss issues of relevance to the trade union.

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.

III. Balanced activities, value for the shareholders

Information on the share capital and the shareholders and their rights

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

The share capital of LITGRID 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.

LITGRID has not acquired own shares. During the reporting period LITGRID neither acquired nor disposed of its own shares. The Company's subsidiaries have not acquired the Company's shares.

EPSO-G UAB (A. Juozapavičiaus 13, LT-09310 Vilnius, company code 302826889), a company owned by the Ministry of Energy of the Republic of Lithuania, controls 100% of LITGRID 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.

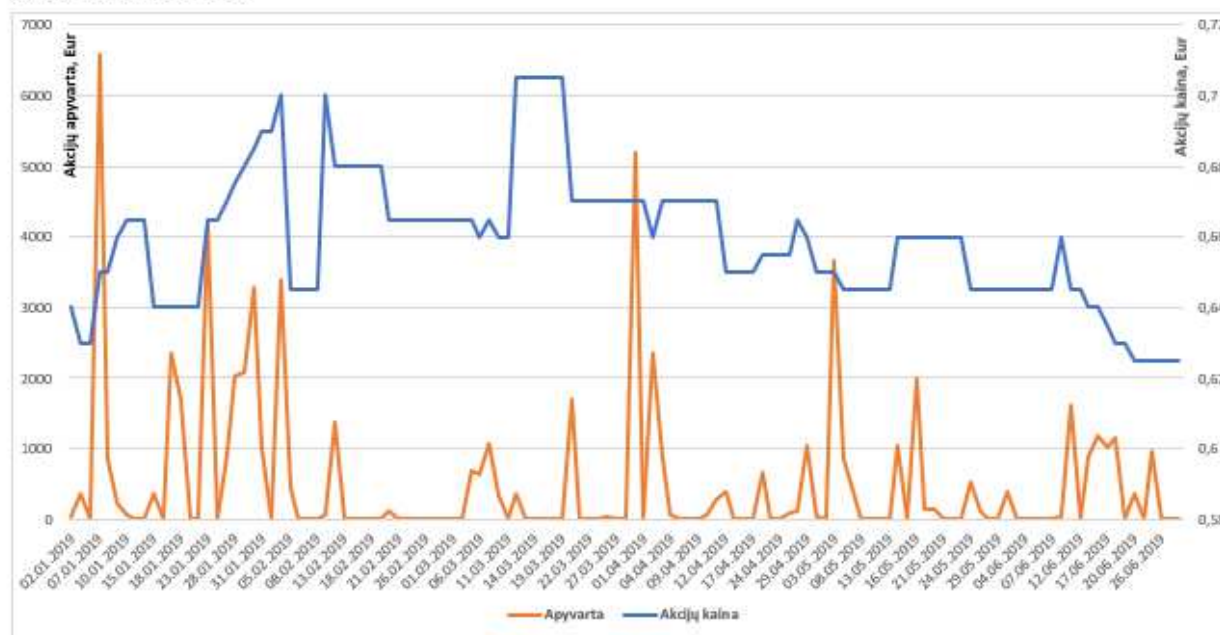
SEB Bankas AB is the provider of accounting and related services for LITGRID securities for the period from 8 September 2017 until 7 September 2020.

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

Data on trading in LITGRID securities on the regulated markets:

LITGRID share turnover and price, in EUR

„Litgrid“ akcijų apyvarta eurais:



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

„Litgrid“ (LGD1L) akcijų kainos pokyčių palyginimas su OMX Baltic Benchmark GI (OMXBBGI) ir OMX Vilnius (OMXV) indeksais per ataskaitinį laikotarpį:



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.

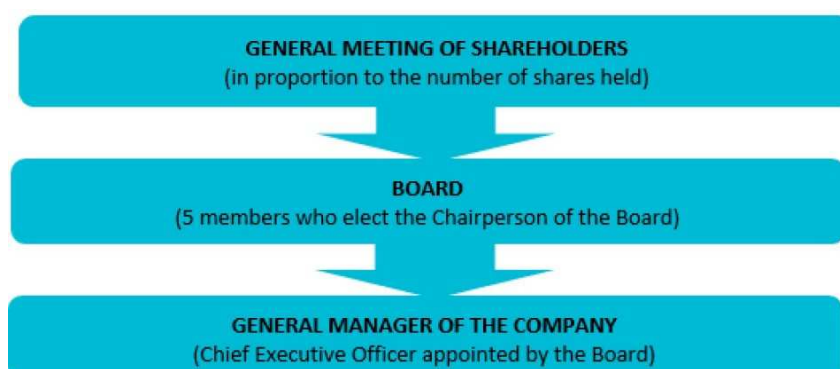
Based on the EPSO-G UAB dividend policy the amount of dividends payable was directly linked with the effective use of the company's equity, i.e. the higher benefits created by the Company for the shareholder are, the larger portion of profit can be allocated by the Company for a further development or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

On 23 April 2019, the ordinary General Meeting of Shareholders of LITGRID was held, during which it was decided to pay out dividends amounting to EUR 2,622,523 or EUR 0.0052 per share.

The Company's management bodies

The system of the Company's management bodies (Figure) is defined in the Articles of Association and it consists of the following bodies: General Meeting of Shareholders, the Board and the General Manager (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 organisational structure, election of the General Manager, approval of the operational strategy, budget, investments, adoption of decisions on the conclusion of significant transactions and other important management issues. The General Manager is a single-person management body of the Company. The General Manager organises 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 Articles of Association

The Articles of Association of LITGRID shall be amended in the manner prescribed by the Republic of Lithuania Law on Companies.

On 30 April 2018, revised edition of articles of association were registered (due to change of the requirements for the Board members).

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 General Manager

The General Manager acts as a single-person management body of the Company. The General Manager organises and directs operations of the Company, acts on its behalf, and has the right to conclude transactions single-handedly. The scope of

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competence of the General Manager, the procedure of his/her election and removal are established by laws, other legal acts and the Articles of Association.

Diversity Policy does not apply to the election of the CEO, management and supervisory bodies of the Company, but applies the Social Responsibility Policy (social responsibility in relations with employees), which defines fundamental principles, such as non-discrimination, fair remuneration, etc. All policies applied by the Company are published on the website www.LITGRID.eu

As at 30 March 2019: LITGRID Board members, the General Manager and the director of Finance department:

<i>Position</i>	<i>Name, surname</i>	<i>Start date</i>	<i>End date</i>	<i>Number of shares</i>
Chairman of the board	Rimvydas Štilinis	2016 07 29		-
Board member	Nemunas Biknius	2016 07 29		-
Independent Board member	Domas Sidaravičius	2016 07 29		-
Independent Board member	Šarūnas Nedzinskas	2018 09 07		-
Board member	Algirdas Juozaponis	2018 09 07		-
Chief executive officer	Daivis Virbickas	2013 09 10		-
Director of Finance department	Vytautas Tauras	2019 03 01		-



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. In 2014-2015, R.Štilinis was CEO of VAE SPB. He is Director for Infrastructure of EPSO-G, the company which 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, he 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 LITGRID Board. R. Štilinis holds no LITGRID shares.



Nemunas Biknius
Board member
Born in 1978.

N. Biknius holds Master's degree of energy and thermo engineering from Vilnius Gediminas Technical University. His previous experience involves positions in the Ministries of Energy and Economy and Lietuvos dujos, where he served as Member of the Board and Director for Service and Development. N. Biknius is Chairman of the Board at Lithuanian gas transmission operator Amber Grid, Member of the Board at the operator of the Lithuanian Energy Exchange Baltpool and Director of Strategy and Development at EPSO-G.

N. Biknius holds no LITGRID shares.



Domas Sidaravičius
Independent Board
member
Born in 1975.

D. Sidaravičius holds a bachelor's degree of business administration and management and Master's 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, Mr. Sidaravičius has been Member of the Board and CEO of ERGO Invest SIA. D. Sidaravičius holds no LITGRID shares.



Algirdas Juozaponis
Board member

He worked as Economist and Senior Economist at Rytų skirtosieji tinklai AB from 2005 to 2008, Finance Analyst at LEO LT AB from 2008 to 2010, 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 OU (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's degree

since 2005 and Master degree since 2007 from Vilnius University (Banking program).

A. Juozaponis holds no LITGRID shares



Šarūnas Nedzinskas
Independent Board
member

He worked as Head of Credit Risk Management and Board Member at DNB bank (previously - Lietuvos žemės ūkio bank) from 1994 to 1997. During 1998-1999, he served as Deputy Chairman of the Board and Head of Credit Risk Management at bank Hermis AB, during 2000-2003 he worked as Head of Business Development department at SEB bank. During 2004-2007, he served as Head of Credit Risk Management and Corporate Customers and Board Member at Lietuvos draudimas AB, Chairman of the Board from 2007 to 2008 at bank Finasta AB, during 2008-2016 he served as Advisor to the President of the bank, Executive Vice President, Board Member, Head of Retail Banking at DNB bank. Since 2016, he holds position Head of Banking Portfolios, Baltics at Intrum Lietuva UAB.

Š. Nedzinskas holds PhD degree (Strategic management) from ISM since 2013, Master's degree from BMI since 2007 and master's degree from Vilnius University, Faculty of Economics (Business planning and management) since 1993. Š. Nedzinskas 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, from 27 June 2019 member of ENTSO-E Board.

D. Virbickas holds no LITGRID shares.

Remuneration of Board members

Remuneration of the Board members for the first half of 2019	
Board member	Remuneration (EUR)
Rimvydas Štilinis	-
Domas Sidaravičius	4,720
Šarūnas Nedzinskas	5,285
Nemunas Biknius	-
Algirdas Juozaponis	-

Board Members' participation rate in Board meetings was 100% for the first half of 2019.

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 General Manager. The Company's administrative management consists of the General Manager, Finance Department Director, System Management 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, etc.

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 which is currently being implemented. It should be noted that the supervisory functions are carried out by the Board of EPSO-G UAB, meanwhile recommendations, proposals and conclusions on matters which 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 organisation 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.

Risk factors and their 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.

In the fourth quarter of 2018, the risk management measures plan of LITRGID AB was approved for 2019, covering the most relevant risks and their management tools when the Company implements the 2019 and future strategic objectives.

Due to the structural changes in EPSO-G group of companies, in the first quarter of 2019 LITGRID risk management policy and methodology were updated.

IV. Significant events of the first half of 2019

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).

From 1st January 2019 new electricity transmission prices published by NCC came into effect. Average price for electricity transmission increased by 6.3 percent to 0.658 cents for kWh. It was caused by objective factors - servitude compensation, autotransformer transporting costs, increasing costs for purchasing electricity for own needs, and costs for maintaining technological equipment.

23rd January European Commission set the financing for the first stage of the Synchronisation of Baltic states system with the Continental Europe. In total for the projects with the first stage the value of the projects is EUR 432.5 million. European financing will amount to EUR 323 million. For the Lithuanian grid enforcement at the first stage will be invested EUR 167 million, EU will allocate EUR 125 million.

24th January ACER (Agency for the Cooperation of Energy Regulators) decided to confirm methodology for capacity and overflow management methodology, which is set to decide upon intraday calculation rules. The aim of this methodology - harmonise day-ahead and intraday trading intersystem capacity calculation principles.

On 5 February 2019 Estonian and Latvian TSOs decided to postpone the isolated work test and will set a new date. The Baltic test in the island mode is necessary for Lithuania, Latvia and Estonia to synchronize their networks with CEN.

19th March Baltic transmission system operators and INEA managing director signed the agreement for financing the first stage of Synchronization (Connecting Europe Facility, CEF).

20th March Lithuanian TSO LITGRID and UAB „Žilinskis ir Co” signed the contract for LitPol Link expansion project design and construction. It is planned that the Lithuanian and Polish interconnection LitPol Link will be expanded adding 400/330 kV autotransformers, expanding Alytus 400 kV and 330 kV switchyards, some overhead lines, and 400 Kv switchyard for own needs. The contract value is EUR 26.193 million, works must be finished until the end of 2020.

9th April 2019 LITGRID and Lietuvos energija agreed to renew the sale process of Duomenų logistikos centras (DLC). LITGRID will sell 20.36 of owned shares, Lietuvos Energija will sell 79.64 percent of owned shares.

23rd of April 2019 in the ordinary shareholder meeting decisions to approve financial and annual reports and set the remuneration rates for the Board members.

On 19 May 2019 Lithuanian electricity transmission system operator LITGRID reported that the test of the isolated operation of the Lithuanian electricity system and generators was carried out smoothly according to a predetermined plan: the system worked reliably.

According to the planned scenario, Kaunas cogeneration power plant, part of Mažeikiai power plant, Kaunas HPP, Kruonis PSHP, Lithuanian power plant unit 9 and DC converters Nord Balt and LitPol Link were separated into independent islands. By disconnecting these zones from the BRELL system, the ability of the generators to control the frequency of the isolated part of the system was tested. The rest - for the most part - Lithuanian energy systems still functioned in the BRELL ring, and the isolated parts were successfully synchronized with it.

The main tests were conducted at night from Saturday to Sunday, from 11:00 pm. to 3:00 p.m., trial completed Sunday noon. In spite of the unusually high demand for electricity and the storm in the western part of Lithuania, which could disrupt the electricity supply, the customers were supplied with electricity reliably and smoothly, so they did not acknowledge the test. During the test, the possibilities of the interconnections to operate in frequency control maintenance mode together with the generators were tested. It also tested how the isolated parts of the system work with the rest of the Lithuanian power system, already in synchrony, and tested the technical capabilities of the generators to regulate the frequency and remain stable under autonomous or interference conditions.

On 20 May 2019 the Extraordinary General Meeting of LITGRID Shareholders approved the terms of Agreement for joining the Continental European network. The Agreement defines the rights and obligations of the Baltic electricity transmission networks and the Continental European Transmission Network in the implementation of measures related to the connection of the Baltic electricity transmission system to the Continental European Synchronous Area.

On May 22-25, 2019 a scheduled 3-day test of the isolated electrical system was conducted in Kaliningrad region. The announcement of the Lithuanian electricity transmission system operator LITGRID in the Nord Pool system stated that from 22 to 25 May the trade capacity between Lithuania and Kaliningrad will be 0.

On May 29 2019 the European Transmission System Operators Association's ENTSO-E Continental Europe Regional Group has announced that the Polish, three Baltic and Supporting Transmission System Operators have signed connection agreement and technical terms of connection that will enable Lithuania, Latvia and Estonia to become part of the European electricity network. These are the most important documents in the process of implementing the synchronization of the Baltic States with continental Europe. The Agreement defines the rights and obligations of the parties in ensuring that the Lithuanian, Latvian and Estonian transmission system operators comply with the requirements and obligations. The Agreement will be implemented in accordance with the Catalogue of Measures for Connection. This is a 409-point that will enable Lithuania, Latvia and Estonia to connect and operate on the same frequency as the Continental European electricity networks. At the time of signing, the Lithuanian power system corresponded to about 40 % (169) from the tools listed in the Catalogue.

On 13 June 2019, the Parliament of the Republic of Lithuania adopted the Law on the Integration of the Lithuanian Power System into the Continental European Networks prepared by the Ministry of Energy and related legal acts. They provide the basic conditions for the organisation and implementation of the synchronization process.

The law provides that:

- The synchronization project and the related infrastructure projects will be given the status of a project of critical national importance. This will allow for faster implementation of spatial planning procedures in synchronization-related projects, for the establishment of easements and for the rapid implementation of environmental impact assessment procedures;
- The competent authorities shall be required to carry out the authorisation and coordination of the synchronization-related projects, as well as perform other procedures, within a shorter period than usual;
- The legal acts adopted establish the necessary conditions that will ensure the smooth disconnection of the Lithuanian energy system from the Soviet BRELL energy ring (IPS / UPS system).

On 20 June 2019, a political agreement on the implementation of the synchronization of the power system of the Baltic States with the European networks has been signed. The agreement lays down a concrete action plan and major projects that are necessary to be implemented by 2025, when the Baltic States will join a safe and secure European energy system. The political agreement during the meeting of the European Council was signed by the President of the European Commission Jean Claude Juncker, President of Lithuania Dalia Grybauskaitė, Prime Minister of Estonia Jüri Ratas, Prime Minister of Latvia Krišjānis Kariņš and Prime Minister of Poland Mateusz Morawiecki. The political agreement stipulates that the BEMIP High Level Group headed by the European Commission will supervise the practical implementation of the project and ensure adherence to the agreed work schedule for the implementation of major projects under the Connection to the Continental European Network Agreement, which entered into force in late May.

On 27 June 2019, Daivis Virbickas, CEO of LITGRID, was appointed to the Board of ENTSO-E, the organisation uniting European transmission system operators, which is starting a new term. This organization brings together 43 transmission system operators from 36 countries. The Board of ENTSO coordinates the performance of the organisation between meetings of the General Assembly, which are held several times a year. The Board is composed of eleven members and a chairperson, who are appointed for two years.

V. Important events after reporting period

On 2 July 2019, Lithuanian electricity transmission operator LITGRID AB announced that Polish and Lithuanian transmission system operators PSE and LITGRID, the only shareholders of LitPol Link, a subsidiary, decided to liquidate this company on 20 June 2019. The mission of the company - to build the first Polish-Lithuanian interconnection - was successfully fulfilled: the connection has been operating smoothly since 2016, when it started functioning. Based on their successful cooperation experience, evaluating the existing experience and legal regulation, PSE and Litgrid decided to work directly in the construction of the second connection - the submarine cable Harmony Link.

Litgrid and PSE set up a joint subsidiary LitPol Link on 19 May 2008. Each shareholder had a 50% stake.

As the company LitPol Link successfully completed its mission, and the LitPol Link airline construction project was completed in 2015, on 28 September 2016, Litgrid and PSE, as the sole shareholders of LitPol Link, decided to suspend the company's activity until further plans become clear while implementing the synchronization project.

VI. BUSINESS ENVIRONMENT AND OVERVIEW OF ACTIVITIES

Services, provided by LITGRID group of companies

LITGRID, the electricity transmission system operator and its group companies provides the following services:

- electricity transmission.
- System services (capacity reserve).
- Trading in balancing and regulating electricity.
- Public interest services (PIS).
- Maintenance and repairs of the electricity grid.

Transmission of electricity

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

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

System services

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

Trade in balancing and regulating electricity

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

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

Public service obligations

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

LITGRID provides the following PSO services:

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

Electricity grid maintenance and repairs

Tetas, LITGRID's daughter company, offers the following maintenance and repair services for electricity grid equipment:

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

- Electrical equipment design services.

Customers of the transmission system operator

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

Transmission grid users include:

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

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

Operating indicators of transmission services

TSO's operating indicators	2019 m. January - June	2018 m. January - June	2017 m. January - June
Energy transmission volume, m kWh	5,150	5,153	4,939
Process costs in transmission network, %	2.99	3.08	2.82
ENS (Energy Not Supplied due to interruptions), MWh**	6.77	2.17	1.19
AIT (Average Interruption Time), min. **	0.234	0.08	0.05

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

In the first half year of 2019, LITGRID volumes of electricity transmission via high-voltage networks for national needs amounted to 5,150 million kilowatt-hours (kWh), which is 0.06 % less than in the same period of 2018.

The volumes of transmission to customers of the electricity distribution operator amounted to 4,684 million kWh (-0.23% compared to the same period of 2018), and to other customers 466 million kWh (more +1.75 % compared to the same period of 2018).

VII. FINANCIAL INFORMATION

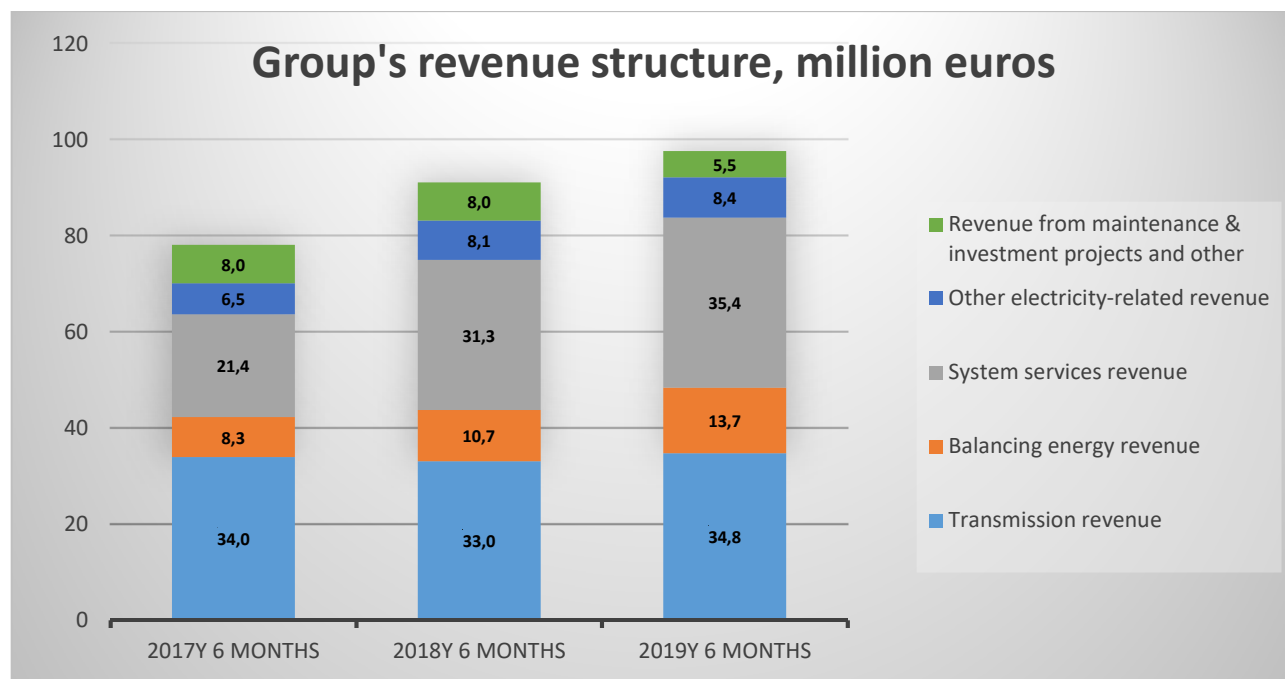
Main financial indicators of the Group and the Company

	2019 January-June		2018 m. January-June		2017 m. January-June	
	Group	Company	Group	Company	Group	Company
Financial indicators, EUR '000						
Revenue from electricity transmission and related services	92,197	92,197	83,159	83,159	70,141	70,141
Other income	5,456	277	7,963	368	7,967	660
EBITDA*	13,345	13,282	17,297	17,278	20,410	21,723
Profit (loss) before income tax	2,857	3,276	3,648	3,912	6,616	8,117
Net profit (loss)	2,437	2,806	3,241	3,469	5,202	6,751
Net cash flows from operating activities	9,869	10,070	13,360	12,218	21,010	22,726
Ratios						
EBITDA margin %	13.7	14.4	19.0	20.7	26.1	30.7
Operating profit margin, %	3.3	3.9	4.6	5.3	9.1	12.1
Return on equity % 12 months	-18.4	-17.7	3.2	1.8	5.9	6.0
Return on assets % 12 months	-10.2	-10.0	1.8	1.0	3.1	3.1
Shareholder's equity / Assets, %	53.5	54.2	57.3	58.0	54.2	55.4
Financial liabilities / Equity, %	52.3	51.6	56.0	55.7	68.3	66.3
Liquidity ratio	0.56	0.54	0.74	0.69	0.67	0.64

* EBITDA = operating profit + depreciation and amortisation + impairment expenses of assets + write-off expenses of assets

Revenue

Revenue earned by the LITGRID group in the first half of 2019 amounted to EUR 97.7 million, a 7% increase compared to 2018.



Revenue from electricity transmission increased by 5% up to EUR 34.8 million compared to 2018. Revenue from electricity transmission accounted for 36% of the Group's total revenue. Income growth was driven by 5% higher average actual electricity transmission price, as the amount of transmitted electricity remained almost unchanged at 5 150 million kWh.

Revenue from balancing (regulating) electricity increased by 28% up to EUR 13.7 million. Income growth was driven by 22% higher average price and 7% increase in volume.

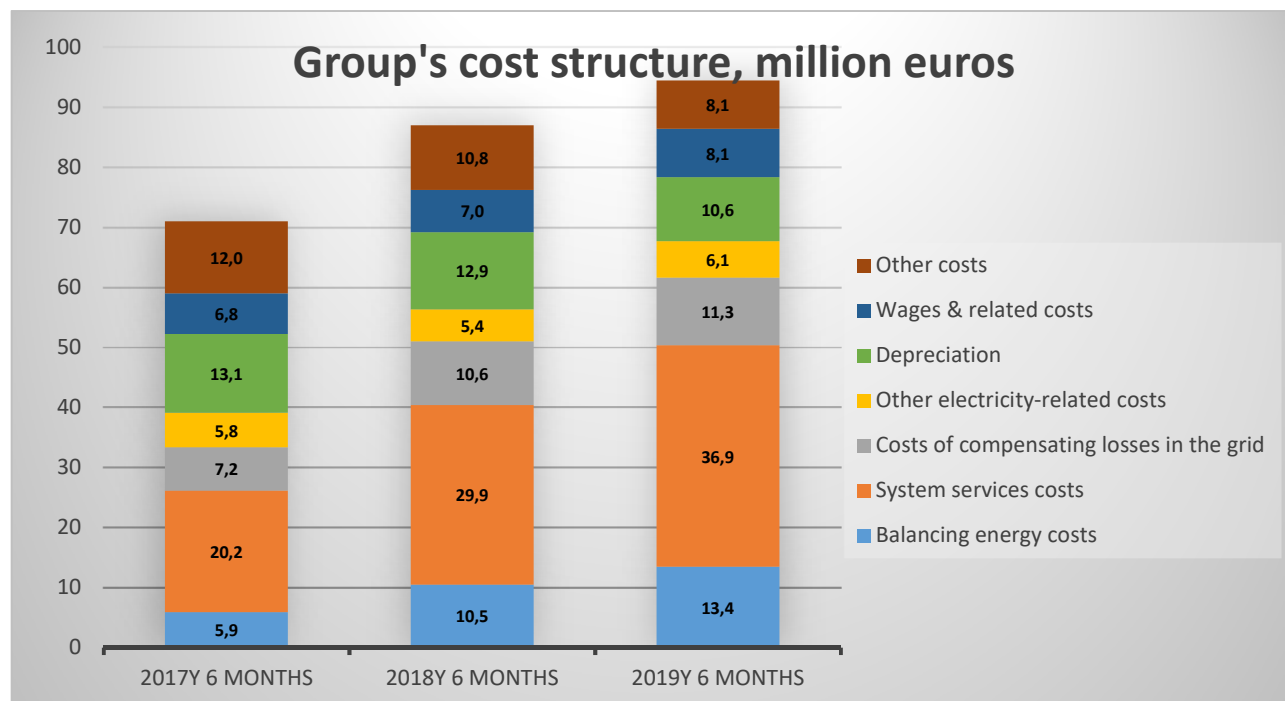
Revenue from system services grew by 13% to EUR 35.4 million. The main growth driver was the tariff for system services which had been increased 16% by the National Commission on Energy Control and Prices from 1 January 2019, but the volume of system services decreased by 1%.

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 2.5 million; Public service obligations income - EUR 4.8 million; reactive energy income - EUR 0.7 million; connection of new producers/customers and equipment replacement - EUR 0.3 million.

Income from services provided by Tetas, a subsidiary of LITGRID, account for the largest part of income from maintenance works and investment projects.

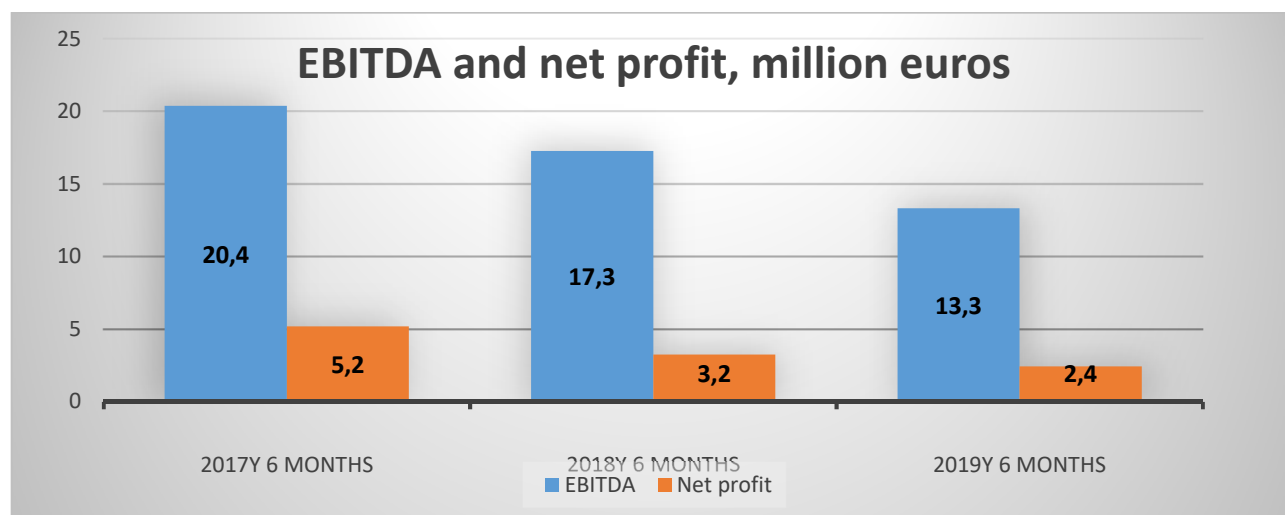
Expenses

The Group's operating expenses totalled EUR 94.4 million in the first half of 2019, 9% higher compared to 2018.



Costs of purchase of electricity and related services accounted for a major share of the Group's operating expenses: EUR 67.7 million or 72% of total expenses. These costs increased by 20% compared to 2018. Balancing (regulating) electricity costs increased by 28% to EUR 13.4 million. The system service costs increased by 23% to EUR 36.9 million. Costs for electricity purchase for compensating technological losses in the transmission grid increased by 6% to EUR 11.3 million. Transit (ITC) costs were EUR 1.3 million, public service obligation costs EUR 4.7 million. Depreciation and amortisation expenses decreased by 17% compared to 2018 due to revaluation of the Company's tangible fixed assets at the end of 2018 and amounted to EUR 10.6 million. Other expenses decreased by 9% and amounted to EUR 16.1 million.

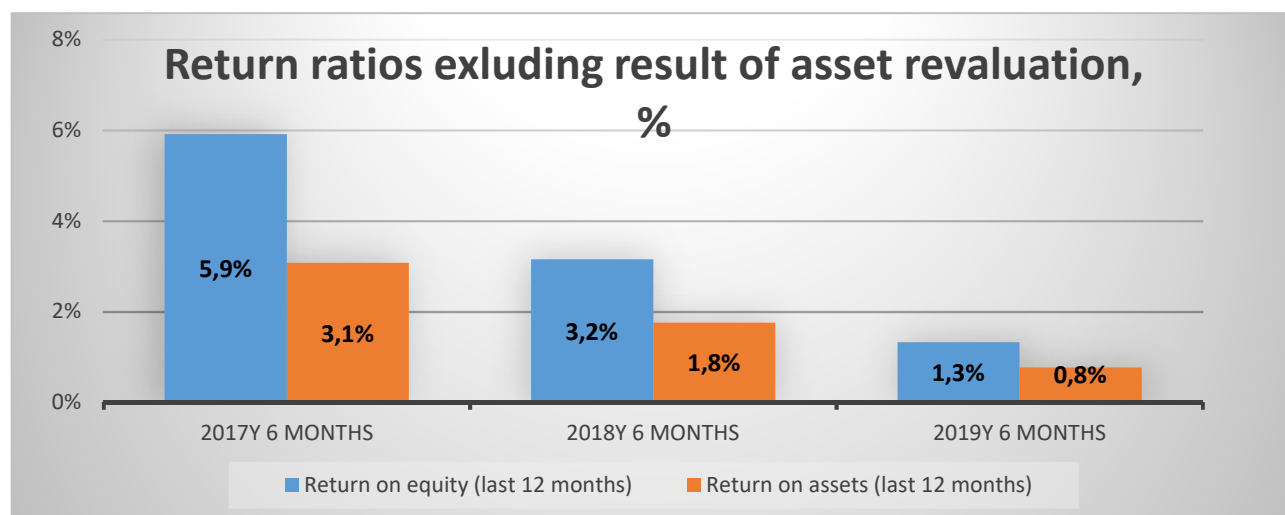
Profit and return ratios



CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2019

The EBITDA in the first half of 2019 amounted to EUR 13.3 million. Compared to 2018, the EBITDA decreased by EUR 4 million or 23%; the EBITDA margin decreased to 13.7% (in 2018 - 19%). The Group's net profit in the first half of 2019 was EUR 2.4 million (in 2018 - EUR 3.2 million).

The main reasons for the decrease of the Group's EBITDA is EUR 2.9 million worse balance of system services revenue and costs - in the first half of 2019 the balance was negative EUR -1.5 million, while in 2018 - EUR +1.4 million and EUR 1.6 million lower revenue from connection of new producers/customers and equipment replacement.



In the first half of 2019 annual (last 12 months) ROE and ROA (excluding the revaluation of the Company's tangible fixed assets) ratios decreased compared to 2018 from 3.2% to 1.3% and from 1.8% to 0.8% respectively.

Balance sheet and cash flows

As of 30 June 2019 the Group's assets amounted to EUR 364.6 million. The Group's non-current assets amounted to 92% of the Group's total assets. Shareholders' equity accounted for 54% of the total assets of the Group.

As of 30 June 2019, the Group's financial liabilities to credit institutions amounted to EUR 102 million (a decrease of EUR 19.7 million compared to 31st December 2018). Financial liabilities to equity ratio was 52%. Financial debts repayable within one year accounted for 15% of the total financial debts. Cash and cash equivalents totalled EUR 0.3 million and the unwithdrawn Group's account (cash pooling) balance was EUR 23.6 million. Accumulated congestion income balance as of 30 June 2019 amounted to EUR 24.7 million of which EUR 12.7 million were connected (used) to the Group cash pooling account.

The Group's net cash flows from operating activities in the first half of 2019 amounted to EUR 9.9 million, while payments for non-current tangible and intangible assets were EUR 13.4 million; EUR 1.7 million were received as subsidies and EUR 10.9 million as congestion income for the financing of fixed assets investments, EUR 1.6 million of them was used.

The Group's net cash flow in the first half of 2019 (excluding cash flows from financial activities) totalled EUR 9.3 million.

Investments in non-current assets

The investments of transmission system operator LITGRID in the first quarter of 2019 (works performed and assets acquired irrespective of terms of payment) amounted to EUR 14.9 million, of which 64% were earmarked for the implementation of electricity projects of strategic and high national importance, and 36% for the reconstruction and development of the electricity transmission grid.



Litgrid

STATEMENTS OF FINANCIAL POSITION

(All amounts in EUR thousands unless otherwise stated)

	Notes	Group		Company	
		30-06-2019	31-12-2018	30-06-2019	31-12-2018
ASSETS					
Non-current assets					
Intangible assets	3	6,032	6,593	5,966	6,529
Property, plant and equipment	4	312,082	309,741	309,240	307,047
Right-of-use assets	5	1,114	-	621	-
Investments in subsidiaries	6	-	-	1,174	1,174
Deferred income tax assets		5,993	4,505	5,966	4,469
Loans granted		-	-	2,203	2,203
Available-for-sale financial assets		2,693	2,693	2,693	2,693
Other non-current financial assets	7	7,160	10,439	7,160	10,439
Total non-current assets		335,074	333,971	335,023	334,554
Current assets					
Inventories		610	1,107	125	107
Prepayments		1,199	527	801	468
Trade receivables		17,917	20,861	16,388	17,012
Other amounts receivable		1,650	1,243	1,407	47
Prepaid income tax		12	478	-	460
Other financial assets	8	7,909	7,443	7,909	7,443
Cash and cash equivalents		232	627	30	397
Total current assets		29,529	32,286	26,660	25,934
TOTAL ASSETS		364,603	366,257	361,683	360,488
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		496	222	-	-
Reserve for changes in fair value of financial assets		655	655	655	655
Legal reserve		14,626	14,626	14,626	14,626
Other reserves		23,099	63,309	23,099	63,309
Retained earnings (deficit)		1,461	(38,622)	2,806	(37,588)
Total equity		195,172	195,025	196,021	195,837
Liabilities					
Non-current liabilities					
Non-current borrowings	9	87,016	94,128	87,016	94,128
Non - current lease liability		1,359	599	400	-
Congestion management revenue	10	22,065	10,832	22,065	10,832
Other non-current amounts payable and liabilities		6,506	1,931	6,453	1,878
Total non-current liabilities		116,946	107,490	115,934	106,838
Current liabilities					
Current portion of non-current borrowings	9	14,225	14,225	14,225	14,225
Current borrowings	9	803	12,615	-	12,517
Current lease liability		618	221	222	-
Trade payables		22,354	22,173	22,014	17,909
Share of congestion management revenue of the current year	10	4,922	4,922	4,922	4,922
Advance amounts received		1,446	929	1,133	829
Income tax liability		616	-	616	-
Other current amounts payable and liabilities		7,501	8,657	6,596	7,411
Total current liabilities		52,485	63,742	49,728	57,813
Total liabilities		169,431	171,232	165,662	164,651
TOTAL EQUITY AND LIABILITIES		364,603	366,257	361,683	360,488

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

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

		Group		Company	
		30-06-2019	30-06-2018	30-06-2019	30-06-2018
Revenue					
Revenue from electricity transmission and related services		92,197	83,159	92,197	83,159
Other income		5,456	7,963	277	368
Total revenue	11	97,653	91,122	92,474	83,527
Expenses					
Expenses of electricity transmission and related services		(67,696)	(56,332)	(67,696)	(56,332)
Depreciation and amortisation	3,4,5	(10,632)	(12,858)	(10,208)	(12,604)
Wages and salaries and related expenses		(8,053)	(7,020)	(4,837)	(4,033)
Repair and maintenance expenses		(1,624)	(1,582)	(3,181)	(2,586)
Telecommunications and IT maintenance expenses		(882)	(791)	(791)	(715)
Property, plant and equipment write-off expenses		(85)	(281)	(79)	(281)
Impairment (reversal) of inventories and amounts receivable		582	-	592	-
Other expenses		(6,052)	(8,100)	(2,687)	(2,583)
Total expenses		(94,442)	(86,964)	(88,887)	(79,134)
Operating profit/(loss)		3,211	4,158	3,587	4,393
Financing activities					
Finance income		178	135	200	148
Finance costs		(532)	(645)	(511)	(629)
Total finance costs		(354)	(510)	(311)	(481)
Profit/(loss) before income tax		2,857	3,648	3,276	3,912
Income tax					
Current year income tax expenses		(1,968)	(2,152)	(1,968)	(2,132)
Deferred income tax (expenses)/income		1,548	1,745	1,498	1,689
Total income tax	12	(420)	(407)	(470)	(443)
Profit/(loss) for the period		2,437	3,241	2,806	3,469
Other comprehensive income that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		391	-	-	-
Effect of deferred income tax		(59)	-	-	-
Total other comprehensive income		332	-	-	-
Total comprehensive income/(expenses) for the period		2,769	3,241	2,806	3,469
Basic and diluted earnings/(deficit) per share (in EUR)					
		0.005	0.006	0.006	0.007

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

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

	Group		Company	
	01-04- 30-06-2019	01-04- 30-06-2018	01-04- 30-06-2019	01-04- 30-06-2018
Revenue				
Revenue from electricity transmission and related services	44,743	37,564	44,743	37,564
Other income	2,266	5,561	84	192
Total revenue	47,009	43,125	44,827	37,756
Expenses				
Expenses of electricity transmission and related services	(34,584)	(27,649)	(34,584)	(27,649)
Depreciation and amortisation	(5,280)	(6,409)	(5,061)	(6,282)
Wages and salaries and related expenses	(4,257)	(3,622)	(2,490)	(2,035)
Repair and maintenance expenses	(1,065)	(921)	(2,202)	(1,576)
Telecommunications and IT maintenance expenses	(424)	(394)	(378)	(359)
Property, plant and equipment write-off expenses	(67)	(94)	(64)	(94)
Impairment (reversal) of inventories and amounts receivable	582	-	592	-
Other expenses	(2,861)	(5,185)	(1,369)	(1,197)
Total expenses	(47,956)	(44,274)	(45,556)	(39,192)
Operating profit/(loss)	(947)	(1,149)	(729)	(1,436)
Financing activities				
Finance income	176	133	187	140
Finance costs	(255)	(314)	(245)	(306)
Total finance costs	(79)	(181)	(58)	(166)
Profit/(loss) before income tax	(1,026)	(1,330)	(787)	(1,602)
Income tax				
Current year income tax expenses	(733)	(607)	(733)	(594)
Deferred income tax (expenses)/income	999	972	992	997
Total income tax	266	365	259	403
Profit/(loss) for the period	(760)	(965)	(528)	(1,199)
Other comprehensive income that will not be reclassified to profit or loss				
Revaluation of property, plant and equipment	391	-	-	-
Effect of deferred income tax	(59)	-	-	-
Total other comprehensive income	332	-	-	-
Total comprehensive income/(expenses) for the period	(428)	(965)	(528)	(1,199)
Basic and diluted earnings/(deficit) per share (in EUR)	(0.002)	(0.002)	(0.001)	(0.002)

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	Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2018	146,256	8,579	5,380	655	14,790	62,767	8,171	246,598
Comprehensive income/(expenses) for the year	-	-	-	-	-	-	3,241	3,241
Depreciation of revaluation reserve and amounts written off	-	-	(339)	-	-	-	339	-
Transfer to reserves	-	-	-	-	-	542	(542)	-
Transfer to retained earnings	-	-	-	-	(164)	-	164	-
Dividends	-	-	-	-	-	-	(7,716)	(7,716)
Balance at 30 June 2018	146,256	8,579	5,041	655	14,626	63,309	3,657	242,123
Balance at 1 January 2019	146,256	8,579	222	655	14,626	63,309	(38,622)	195,025
Comprehensive income/(expenses) for the year	-	-	332	-	-	-	2,437	2,769
Depreciation of revaluation reserve and amounts written off	-	-	(58)	-	-	-	58	-
Transfer to retained earnings	-	-	-	-	-	(40,210)	40,210	-
Dividends	-	-	-	-	-	-	(2,622)	(2,622)
Balance at 30 June 2019	146,256	8,579	496	655	14,626	23,099	1,461	195,172

Company	Share capital	Share premium	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2018	146,256	8,579	4,999	655	14,626	62,767	8,257	246,139
Comprehensive income/(expenses) for the year	-	-	-	-	-	-	3,469	3,469
Depreciation of revaluation reserve and amounts written off	-	-	(251)	-	-	-	251	-
Transfer to reserves	-	-	-	-	-	542	(542)	-
Dividends	-	-	-	-	-	-	(7,716)	(7,716)
Balance at 30 June 2018	146,256	8,579	4,748	655	14,626	63,309	3,719	241,892
Balance at 1 January 2019	146,256	8,579	-	655	14,626	63,309	(37,588)	195,837
Comprehensive income/(expenses) for the year	-	-	-	-	-	-	2,806	2,806
Transfer 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	2,806	196,021

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



Litgrid

STATEMENTS OF CASH FLOWS

(All amounts in EUR thousands unless otherwise stated)

	Group		Company	
	30-06-2019	30-06-2018	30-06-2019	30-06-2018
Cash flows from operating activities				
Profit/(loss) for the period	2,437	3,241	2,806	3,469
Adjustments for non-cash items and other adjustments:				
Depreciation and amortisation expenses	10,632	12,858	10,208	12,604
(Reversal of)/impairment of assets	(3,402)	-	(3,412)	-
Written-off bad debts	2,820	-	2,820	-
Income tax expenses	420	407	470	443
(Gain)/loss on disposal/write-off of property, plant and equipment	79	281	79	281
Elimination of results of financing and investing activities:				
Interest income	-	-	(23)	(13)
Interest expenses	530	642	509	626
Other finance (income)/costs	(2)	(2)	(1)	(2)
Changes in working capital:				
(Increase) decrease in trade receivables and other amounts receivable	4,811	1,115	1,466	(260)
(Increase) decrease in inventories, prepayments and other current assets	(173)	(548)	(339)	(241)
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received	2,696	3,113	6,466	3,047
Changes in other financial assets	(9,914)	(3,989)	(9,914)	(3,989)
Income tax (paid)	(891)	(3,628)	(891)	(3,617)
Net cash generated from (used in) operating activities	10,043	13,490	10,244	12,348
Cash flows from investing activities				
(Purchase) of property, plant and equipment and intangible assets	(13,447)	(9,406)	(12,991)	(9,030)
Proceeds from sale of property, plant and equipment and intangible assets	166	-	-	-
Grants received	1,702	14,086	1,702	14,086
Loans granted	-	-	-	(1,000)
Revenue generated from congestion management	10,857	6,868	10,857	6,868
Interest received	-	-	24	-
Net cash generated from (used in) investing activities	(722)	11,548	(408)	10,924
Cash flows from financing activities				
Repayments of borrowings	(7,112)	(4,041)	(7,112)	(4,041)
Overdraft	(98)	(12,337)	-	(10,992)
Borrowings from related parties	(11,714)	-	(12,517)	-
Congestion income connected (temporarily used) to the Group account (cash pool)	12,727	-	12,727	-
Lease payments	(310)	(316)	(113)	-
Interest paid	(592)	(666)	(571)	(649)
Dividends paid	(2,617)	(7,684)	(2,617)	(7,684)
Net cash generated from (used in) financing activities	(9,716)	(25,044)	(10,203)	(23,366)
Increase (decrease) in cash and cash equivalents	(395)	(6)	(367)	(94)
Cash and cash equivalents at the beginning of the period	627	696	397	434
Cash and cash equivalents at the end of the period	232	690	30	340

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



Litgrid

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 st. 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 electricity transmission.

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 2019 the share capital of the Company amounted to EUR 146,256,100.20. It was divided into 504,331,380 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares of the Company were fully paid. The Company has not acquired any own shares.

As at 30 June 2019 and 31 December 2018, 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

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.

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.

As at 30 June 2019 and 31 December 2018 the Group included Litgrid, its directly controlled subsidiaries, associates and joint ventures, listed below:

Company	Address of the company’s registered office	Shareholding as at 30 June 2019	Shareholding as at 31 December 2018	Profile of activities
Tetas UAB	Senamiesčio g. 102B, Panevėžys, Lithuania	100%	100%	Transformer substation and distribution station, power lines design, reconstruction, repair and maintenance services
Litgrid Power Link Service UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	100%	100%	Is being liquidated
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%	Is being liquidated

The sole shareholder on 26 April 2019 April decided to terminate the activity of Litgrid Power Link Service UAB and liquidate the company.

Polish and Lithuanian electricity transmission operators LITGRID AB and PSE, the only shareholders of the LitPol Link subsidiary (50% each), decided to liquidate the entity on 19 June 2019. The mission of the entity - to implement the first Poland-Lithuania interconnection - was successfully completed: the interconnection has been successfully operating since 2016, when it started functioning. PSE and Litgrid, basing on the positive previous experiences, will cooperate directly on the construction of the second interconnection - the submarine cable Harmony Link.

Due to Company’s active steps on purpose to sell shares of associated entity UAB Duomenų logistikos centras, Company’s investment in this entity was accounted in the item Other financial assets of Statement of financial position.

As at 30 June 2019, the Group had 686 employees (31 December 2018: 638), and the Company had 276 employees (31 December 2018: 267).

2. Summary of principal accounting policies

These condensed interim Consolidated and the Company's financial statements for the period ended 30 June 2019 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 2018, prepared according to International Financial Reporting Standards as adopted by the European Union.

The Company and the Group first time adopted the requirements of IFRS 16 Leases starting from 1 January 2019. In other respects, the same accounting principles have been followed as in the preparation of financial statements for 2018.

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

The financial year of the Company and other Group companies 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 2019 are not audited. Financial statements for the year ended 31 December 2018 are audited by the external auditor UAB Deloitte Lietuva.

Adoption of new standards effective after 1 January 2019

The Company and the Group applied IFRS 16 starting from 1 January 2019. On initial application of IFRS 16, the lease liability will be initially measured at the present value of the remaining lease payments, discounted using the lessee's additional borrowing rate at the date of initial application. The Company and the Group recognizes an asset that is controlled by the right to use with value that is equal to the lease liabilities.

The Company and the Group applies the new standard using a modified retrospective method, which means that the comparative figures are not recalculated. The general impact of applying IFRS 16 is recognized on 1 January 2019.

Subsequently, the Company and the Group recognised depreciation of right-of-use assets and interest on lease liabilities in the profit (loss) statement; and separate the total amount of cash paid into a principal portion and interest, both presented in separate lines within financing activities in the statement of cash flows.

The right-of-use assets by the Company and the Group consist of transport and real estate assets. Currently, the Company and the Group has not taken a decision on the application of the provisions of the standard for state land lease transactions.

The summary of the financial impact on adopting IFRS 16 is presented in the table below:

	Group		Company	
	30-06-2019	01-01-2019	30-06-2019	01-01-2019
Right-of-use assets	1,114	1,289	621	734
Current lease liability	350	452	221	227
Non - current lease liability	764	837	400	507
Expected impact on profit (loss) statement:				
Increase of depreciation	232		113	
Increase of interest expense	5		2	
Decrease of other expenses	(233)		(114)	
Expected impact on statement of cash flows:				
Increase of net cash flow from operating activities	233		114	
Decrease of net cash flows from financing activities	(233)		(114)	

3. Intangible assets

	Group	Company
Net book amount at 31 December 2017	3,650	3,647
Additions	542	542
Amortization charge	(474)	(472)
Net book amount at 30 June 2018	3,718	3,717
Net book amount at 31 December 2018	6,593	6,529
Additions	58	55
Amortization charge	(619)	(618)
Net book amount at 30 June 2019	6,032	5,966

4. Property, plant and equipment

	Group	Company
Net book amount at 31 December 2017	378,403	376,028
Additions	8,665	8,607
Prepayments for property, plant, equipment	1,385	1,385
Write-offs	(317)	(317)
Transfer from inventories	20	20
Set-off of grants with non-current assets	(5,390)	(5,390)
Depreciation charge	(12,384)	(12,132)
Net book amount at 30 June 2018	370,382	368,201
Net book amount at 31 December 2018	309,741	307,047
Additions	15,456	14,917
Prepayments for property, plant, equipment	1,024	1,336
Revaluation	391	-
Disposals	(166)	-
Write-offs	(95)	(95)
Transfer from inventories	4	4
Set-off of grants with non-current assets	(4,492)	(4,492)
Depreciation charge	(9,781)	(9,477)
Net book amount at 30 June 2019	312,082	309,240

Property, plant, and equipment value are carried at the asset acquisition cost less grants received or receivable. Grants include the EU structural funds, the funds of connecting new consumers (producers) to electricity transmission network (applicable for fees received until 1 July 2009), the PSO funds and congestion revenue funds. If the value of the Property, plant, and equipment was not reduced by the grants, the book value of these assets as of 30 June 2019 would be higher by EUR 297,211 thousand (30 June 2018: EUR 299,199 thousand). Information about the Property, plant, and equipment the value of which has been reduced by the grants received/receivable is presented below:

Net book amount at 31 December 2017	297,649
Additions	5,390
Depreciation charge	(3,840)
Net book amount at 30 June 2018	299,199
Net book amount at 31 December 2018	296,763
Additions	4,492
Depreciation charge	(4,031)
Write-offs	(13)
Net book amount at 30 June 2019	297,211

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(All amounts in EUR thousands unless otherwise stated)

5. Right-of-use assets

	Group	Company
Net book amount at 1 January 2019	1,289	734
Additions	57	-
Depreciation charge	(232)	(113)
Net book amount at 30 June 2019	<u>1,114</u>	<u>621</u>

Right-of-use assets consist of transport and real estate assets.

6. Investments in subsidiaries

As at 30 June 2019 and 31 December 2018 the Company's investments comprised as following:

Subsidiaries	Investment cost	Impairment	Carrying amount	Ownership interest, %
At 30 June 2019				
TETAS UAB	4,754	(3,754)	1,000	100
Litgrid Power Link Service UAB (note 1)	174	-	174	100
Total	<u>4,928</u>	<u>(3,754)</u>	<u>1,174</u>	
At 31 December 2018				
TETAS UAB	4,754	(3,754)	1,000	100
Litgrid Power Link Service UAB (note 1)	174	-	174	100
Total	<u>4,928</u>	<u>(3,754)</u>	<u>1,174</u>	

7. Other non-current financial assets

The long-term share of the balance of congestion management revenue unused funds amounted to EUR 7,160 thousand as of 30 June 2019 (EUR 10,439 thousand as of 31 December 2018) and in the statements of financial position it is accounted for in Other non-current financial assets. The short-term share of the funds of the congestion management revenue (aimed to use within 12 months) amounted to EUR 4,922 thousand as of 30 June 2019 and 31 December 2018 and in the statement of financial position it is accounted for in Other financial assets. From May 2019 the account of accumulated congestion revenue was connected to the Group account (cash pool) and 12,727 thousand EUR of congestion revenue as of 30 June 2019 was temporary used for the financing of the Company's activities.

8. Other financial assets

	Group		Company	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
Funds deposited for guarantees and deposits	2,235	1,769	2,235	1,769
Fund received for congestion management	4,922	4,922	4,922	4,922
Financial assets held for sale (The shares of UAB „Duomenų logistikos centras“)	752	752	752	752
Total	<u>7,909</u>	<u>7,443</u>	<u>7,909</u>	<u>7,443</u>

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

9. Borrowings

Borrowings of the Group/Company were as follows:

	Group		Company	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
Non-current borrowings				
Borrowings from banks	87,016	94,128	87,016	94,128
Current borrowings				
Current portion of non-current borrowings	14,225	14,225	14,225	14,225
Borrowings from related parties	803	12,517	-	12,517
Overdraft	-	98	-	-
Total borrowings	102,044	120,968	101,241	120,870

Maturity of non-current borrowings:

	Group		Company	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
Between 1 and 2 years	14,225	14,225	14,225	14,225
From 2 to 5 years	41,576	42,676	41,576	42,676
After 5 years	31,215	37,227	31,215	37,227
Total	87,016	94,128	87,016	94,128

On 27 September 2018 the Company entered into a cash pool agreement with the shareholder UAB EPSO-G. The Agreement sets forth the maximum borrowing limit for UAB EPSO-G - up to EUR 23 million and the lending limit for LITGRID AB - up to EUR 20 million. As at 30 June 2019 the outstanding balance of borrowing is equal to EUR 0 (31 December 2018: EUR 12,517 thousand). The Company temporarily uses the accumulated congestion funds to finance its activities since accumulated congestion management revenue account was connected to the UAB EPSO-G Group account (cash pool).

On 6 March 2019 the Company's subsidiary Tetas UAB entered into a cash pool agreement with the shareholder UAB EPSO-G. The Agreement sets forth the maximum borrowing limit for UAB EPSO-G - up to EUR 1.4 million and the lending limit for Tetas UAB - up to EUR 1 million. As at 30 June 2019 the outstanding balance of borrowing is equal to EUR 803 thousand.

As at 30 June 2019, the weighted average interest rate on the Group's and the Company's borrowings was 1% (31 December 2018: 0.95%).

As at 30 June 2019, the Group's unwithdrawn balance of Group's cash pool amounted to EUR 23,597 thousand (31 December 2018: EUR 11,785 thousand), the Company's unwithdrawn balance - EUR 23,000 thousand (31 December 2018: EUR 10,483 thousand).

10. Congestion management revenue

	Group		Company	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
Opening balance of congestion management revenue	15,754	6,564	15,754	6,564
Congestion management revenue received during the period	12,838	12,940	12,838	12,940
Reclassified to property, plant and equipment	(1,578)	(2,939)	(1,578)	(2,939)
Congestion management revenue recognised as income during the period	(27)	(811)	(27)	(811)
Closing balance of congestion management revenue	26,987	15,754	26,987	15,754

11. Segment information

The Group has distinguished the following 2 segments:

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

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

The Group's information on segments for the period ended 30 June 2019 is presented in the table below:

2019	Electricity transmission and related services activities	Repair and maintenance activities	Total
Revenue	92,474	6,856	99,330
Inter-segment revenue	-	(1,677)	(1,677)
Revenue after elimination of intercompany revenue within the Group	92,474	5,179	97,653
Operating profit/(loss)	3,587	(376)	3,211
Finance income/(cost), net*	x	x	(354)
Profit/(loss) before income tax	x	x	2,857
Income tax*	x	x	(420)
Profit/(loss) for the period	x	x	2,437
Depreciation and amortisation expenses	10,208	424	10,632
Write-offs of property, plant and equipment	79	6	85

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

The Group's information on segments for the period ended 30 June 2018 is presented in the table below:

2018	Electricity transmission and related services activities	Repair and maintenance activities	Total
Revenue	83,527	9,194	92,721
Inter-segment revenue	-	(1,599)	(1,599)
Revenue after elimination of intercompany revenue within the Group	83,527	7,595	91,122
Operating profit/(loss)	4,393	(235)	4,158
Finance income/(cost), net*	x	x	(510)
Profit/(loss) before income tax	x	x	3,648
Income tax*	x	x	(407)
Profit/(loss) for the period	x	x	3,241
Depreciation and amortisation expenses	12,604	254	12,858
Write-offs of property, plant and equipment	281	-	281

* 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 92% of total revenue.

12. Income tax

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

Profit for 2019 is taxable at a rate of 15 percent in accordance with Lithuanian regulatory legislation on taxation (2018: 15 percent).

On 26 February 2019, the Board of the Company adopted the decision to conclude agreements between the patronising company EPSO-G UAB and LITGRID AB regarding the transfer of tax losses for remuneration and between the subsidiary LITGRID Power Link Service UAB and LITGRID AB regarding the transfer of tax losses for free. Under agreements, the Company paid to EPSO-G UAB 15 per cent of the amount of the transferred tax losses, i.e. EUR 380 thousand, and by transferred EUR 6 thousand tax loss of LITGRID Power Link Service UAB was decreased to State budget payable income tax. These transactions were performed following to provisions of the Law on Income Tax.

13. Related-party transactions

The Company's/Group's related parties in 2019 and 2018 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;
- All state-controlled companies or those under significant influence.

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.

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(All amounts in EUR thousands unless otherwise stated)

Sales of goods and services

	Group		Company	
	30-06-2019	30-06-2018	30-06-2019	30-06-2018
The Group's parent company (EPSO-G UAB)	-	-	-	-
EPSO-G UAB group companies	2,468	3,895	2,468	3,895
Company's subsidiaries	-	-	23	98
Company's associates	131	153	131	153
Lietuvos energija, UAB companies	71,209	69,863	67,271	64,202
Other state-controlled companies	682	786	678	784
	74,490	74,697	70,571	69,132

Purchases of goods and services

	Group		Company	
	30-06-2019	30-06-2018	30-06-2019	30-06-2018
The Group's parent company (EPSO-G UAB)	66	83	60	76
EPSO-G UAB group companies	-	116	-	116
Company's subsidiaries	-	-	1,673	1,508
Company's associates	89	97	89	97
Lietuvos energija, UAB companies	39,616	32,275	39,299	31,846
Other state-controlled companies	122	101	114	95
	39,893	32,672	41,235	33,738

Amounts receivable from related parties

	Group		Company	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
The Group's parent company (EPSO-G UAB)	-	-	-	-
EPSO-G UAB group companies	661	849	661	849
Company's subsidiaries	-	-	2,538	2,226
Company's associates	26	27	26	27
Lietuvos energija, UAB companies	14,013	18,778	13,482	14,673
Other state-controlled companies	132	178	131	146
	14,832	19,832	16,838	17,921

Amounts payable to related parties

	Group		Company	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
The Group's parent company (EPSO-G UAB)	805	12,932	-	12,930
EPSO-G UAB group companies	-	-	-	-
Company's subsidiaries	-	-	867	411
Company's associates	36	35	36	35
Lietuvos energija, UAB companies	12,614	7,400	12,308	6,997
Other state-controlled companies	41	31	39	30
	13,496	20,398	13,250	20,403

Payments to the key management personnel

	Group		Company	
	30-06-2019	30-06-2018	30-06-2019	30-06-2018
Employment-related payments	486	539	377	383
Whereof: termination benefits	-	27	-	24
Number of the key management personnel (average annual)	11	13	7	7

During the six months of the years 2019 and 2018 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.

14. Dividends

During the Ordinary General Meeting of Shareholders of Litgrid AB held on 23 April 2019, the decision was made to pay out dividends in amount of EUR 2,622,523. Dividends per share amounted to EUR 0.0052.

15. 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:

	30-06-2019	30-06-2018
Net profit (loss) attributable to the Company's shareholders (EUR thousands)	2,437	3,241
Weighted average number of shares (units)	504,331,380	504,331,380
Basic and diluted earnings (deficit) per share (in EUR)	<u>0.005</u>	<u>0.006</u>

16. Events after the end of the reporting period

In the extraordinary general meeting of shareholders of LITGRID on 11 July, 2019, the audit company UAB Deloitte Lietuva was selected to perform the audit of the Company's financial statements for the year 2019 and the remuneration was set at 39,240 EUR (excluding VAT).