

# 2016

## LIETUVOS ENERGIJA UAB

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE III QUARTER OF 2016 AND 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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### Translation note:

These condensed interim financial statements are a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of this document takes precedence over this translation.

Condensed interim financial information was approved by the Finance and Treasury Director, deputy of Chief executive officer (acting under order No IS\_2016-17 of 23 August 2016), and Head of Accounting Service Center of UAB Verslo Aptarnavimo Centras (acting under Order No V-088 of 29 August 2016) at 30 November 2016:



**Darius Kašauskas**

Finance and Treasury Director, deputy of Chief  
Executive Officer acting under order No IS\_2016-17  
of 23 August 2016



**Giedruolė Guobienė**

Head of Accounting Service Center of Verslo  
Aptarnavimo Centras UAB, acting under Order No V-088  
of 29 August 2016

Lietuvos energija, UAB, Company code 301844044, Žveju g. 14, LT-09310 Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**At 30 September 2016**

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		2016-09-30	2015-12-31	2016-09-30	2015-12-31
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	3	25.001	21.539	-	-
Property, plant and equipment	3	1.733.361	1.631.117	284	286
Prepayments for non-current assets		1.265	1.267	-	-
Investment property		46.702	48.519	-	-
Investments in subsidiaries	4	3	6	1.151.741	1.102.286
Amounts receivable after one year		220.290	243.153	209.974	238.975
Other non-current assets		1.991	3.288	-	-
Deferred income tax asset		1.650	6.488	62	50
<b>Total non-current assets</b>		<b>2.030.263</b>	<b>1.955.377</b>	<b>1.362.061</b>	<b>1.341.597</b>
<b>Current assets</b>					
Inventories		26.119	39.974	-	-
Prepayments		13.158	40.170	53	6
Trade receivables		84.517	107.066	-	-
Other amounts receivable		10.777	20.977	41.577	4.760
Other current assets		3.898	798	-	-
Prepaid income tax		738	5.757	119	-
Short-term investments		4.588	4.561	9.579	4.561
Cash and cash equivalents		178.648	164.341	1.110	13.179
		<b>322.443</b>	<b>383.644</b>	<b>52.438</b>	<b>22.506</b>
Non-current assets held for sale		740	209	77	77
<b>Total current assets</b>		<b>323.183</b>	<b>383.853</b>	<b>52.515</b>	<b>22.583</b>
<b>TOTAL ASSETS</b>		<b>2.353.446</b>	<b>2.339.230</b>	<b>1.414.576</b>	<b>1.364.180</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	5	1.212.156	1.212.156	1.212.156	1.212.156
Reserves		93.299	91.148	9.761	4.255
Retained earnings (deficit)		(64.199)	(49.264)	49.559	83.289
Equity attributable to owners of the parent		1.241.256	1.254.040	1.271.476	1.299.700
Non-controlling interests		60.351	50.445	-	-
<b>Total equity</b>		<b>1.301.607</b>	<b>1.304.485</b>	<b>1.271.476</b>	<b>1.299.700</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Non-current borrowings	6	321.731	277.805	23.973	-
Finance lease liabilities		369	473	-	-
Grants and subsidies		288.626	296.437	-	-
Deferred income tax liabilities		35.341	26.648	-	-
Provisions	7	3.218	5.084	-	-
Deferred income		52.954	53.602	-	-
Other non-current amounts payable and liabilities		22.193	9.033	18.738	17.873
<b>Total non-current liabilities</b>		<b>724.432</b>	<b>669.082</b>	<b>42.711</b>	<b>17.873</b>
<b>Current liabilities</b>					
Current portion of long-term debts	6	94.148	99.023	1.598	-
Current borrowings	6	28.463	43.232	34.042	-
Current portion of finance lease liabilities		142	155	-	-
Trade payables		66.157	92.119	264	443
Advance amounts received		27.714	39.386	62	28
Income tax liabilities		9.180	1.314	77	223
Provisions	7	3.963	23.333	-	-
Other current amounts payable and liabilities		97.640	67.101	64.346	45.913
<b>Total current liabilities</b>		<b>327.407</b>	<b>365.663</b>	<b>100.389</b>	<b>46.607</b>
<b>Total liabilities</b>		<b>1.051.839</b>	<b>1.034.745</b>	<b>143.100</b>	<b>64.480</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2.353.446</b>	<b>2.339.230</b>	<b>1.414.576</b>	<b>1.364.180</b>

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**For the nine-month period ended 30 September 2016**

All amounts in thousands of euro unless otherwise stated

Notes	Group				Company			
	2016 I – III Q	2016 III Q	2015 I – III Q (restated, Note 11)	2015 III Q	2016 I – III Q	2016 III Q	2015 I – III Q	2015 III Q
<b>Revenue</b>								
Sales revenue	779.819	216.087	727.543	202.185	1.136	523	1.883	947
Other income	23.711	7.810	34.350	11.404	1	-	-	(1)
<b>Total revenue</b>	<b>803.530</b>	<b>223.897</b>	<b>761.893</b>	<b>213.589</b>	<b>1.137</b>	<b>523</b>	<b>1.883</b>	<b>946</b>
<b>Operating expenses</b>								
Purchases of electricity, gas for trading and related services	(486.008)	(128.916)	(502.043)	(116.383)	-	-	-	-
Purchases of gas and heavy fuel oil	(26.813)	(7.909)	(9.719)	(5.103)	-	-	-	-
Depreciation and amortisation	(58.068)	(19.736)	(55.998)	(18.937)	(2)	-	(2)	-
Wages and salaries and related expenses	(61.724)	(19.205)	(67.672)	(20.757)	(2.411)	(770)	(1.921)	(552)
Repair and maintenance expenses	(15.789)	(5.642)	(24.036)	(8.967)	-	-	-	-
Revaluation of property, plant and equipment	-	-	355	355	-	-	-	-
Other expenses	(30.252)	(6.072)	(22.557)	(4.657)	(1.127)	(399)	(2.948)	(396)
<b>Total operating expenses</b>	<b>(678.654)</b>	<b>(187.480)</b>	<b>(681.670)</b>	<b>(174.449)</b>	<b>(3.540)</b>	<b>(1.169)</b>	<b>(4.871)</b>	<b>(948)</b>
<b>Operating profit (loss)</b>	<b>124.876</b>	<b>36.417</b>	<b>80.223</b>	<b>39.140</b>	<b>(2.403)</b>	<b>(646)</b>	<b>(2.988)</b>	<b>(2)</b>
Finance income	3.008	856	4.696	1.553	72.862	39.123	98.553	34.522
Finance costs	(5.913)	(1.857)	(6.626)	(2.008)	(1.371)	(719)	(2.065)	(335)
<b>Profit (loss) before tax</b>	<b>121.971</b>	<b>35.416</b>	<b>78.293</b>	<b>38.685</b>	<b>69.088</b>	<b>37.758</b>	<b>93.500</b>	<b>34.185</b>
Current year income tax expense	(12.743)	(3.093)	477	(1.938)	(77)	(11)	(234)	(198)
Deferred income tax (expense)/income	(13.614)	(3.782)	(6.301)	(3.112)	4	11	(7)	(4)
<b>Net profit</b>	<b>95.614</b>	<b>28.541</b>	<b>72.469</b>	<b>33.635</b>	<b>69.015</b>	<b>37.758</b>	<b>93.259</b>	<b>33.983</b>
Attributable to:								
Owners of the parent	86.968	26.065	67.643	31.646	69.015	37.758	93.259	33.983
Non-controlling interests	8.646	2.476	4.826	1.989	-	-	-	-
<b>Other comprehensive income (loss)</b>								
<b>Items that will not be reclassified to profit or loss</b>								
Gain (loss) on revaluation of non-current assets	-	-	473	527	-	-	-	-
<b>Items that will not be reclassified to profit or loss, total</b>	<b>-</b>	<b>-</b>	<b>473</b>	<b>527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Items that will be reclassified to profit or loss</b>								
Change in fair value of available-for-sale financial assets	(45)	(16)	(15)	(15)	(45)	(16)	(15)	(15)
<b>Items that will be reclassified to profit or loss, total</b>	<b>(45)</b>	<b>(16)</b>	<b>(15)</b>	<b>(15)</b>	<b>(45)</b>	<b>(16)</b>	<b>(15)</b>	<b>(15)</b>
<b>Other comprehensive income (loss)</b>	<b>(45)</b>	<b>(16)</b>	<b>458</b>	<b>512</b>	<b>(45)</b>	<b>(16)</b>	<b>(15)</b>	<b>(15)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>95.569</b>	<b>28.525</b>	<b>72.927</b>	<b>34.147</b>	<b>68.970</b>	<b>37.742</b>	<b>93.244</b>	<b>33.968</b>
Attributable to:								
Owners of the parent	86.923	26.049	68.086	32.143	68.970	37.742	93.244	33.968
Non-controlling interests	8.646	2.476	4.841	2.004	-	-	-	-

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos energija, UAB, Company code 301844044, Žveju g. 14, LT-09310 Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**For the nine-month period ended 30 September 2016**

All amounts in thousands of euro unless otherwise stated

Group	Notes	Equity attributable to owners of the Company					Subtotal	Non-controlling interest	Total
		Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings			
<b>Balance at 1 January 2015</b>		<b>1.210.568</b>	<b>24.362</b>	<b>67.630</b>	<b>47</b>	<b>(42.547)</b>	<b>1.260.060</b>	<b>48.830</b>	<b>1.308.890</b>
Revaluation of property, plant and equipment, net of deferred income tax		-	-	458	-	-	458	15	473
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	(15)	-	(15)	-	(15)
<b>Total other comprehensive income (loss) for the period</b>		-	-	<b>458</b>	<b>(15)</b>	-	<b>443</b>	15	<b>458</b>
Net profit for the period		-	-	-	-	67.643	67.643	4.826	72.469
<b>Total comprehensive income for the period</b>		-	-	<b>458</b>	<b>(15)</b>	<b>67.643</b>	<b>68.086</b>	<b>4.841</b>	<b>72.927</b>
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(4.124)	-	4.124	-	-	-
Transfer to reserves and movement in reserves		-	4.413	-	27	(4.437)	3	9	12
Dividends	9	-	-	-	-	(28.093)	(28.093)	(4.191)	(32.284)
Share capital conversion result		1.588	-	-	-	-	1.588	-	1.588
Acquisition of shares from non-controlling interest		-	2	(188)	-	708	522	(275)	247
<b>Balance at 30 September 2015</b>		<b>1.212.156</b>	<b>28.777</b>	<b>63.776</b>	<b>59</b>	<b>(2.602)</b>	<b>1.302.166</b>	<b>49.214</b>	<b>1.351.380</b>
<b>Balance at 1 January 2016</b>		<b>1.212.156</b>	<b>28.777</b>	<b>62.323</b>	<b>48</b>	<b>(49.264)</b>	<b>1.254.040</b>	<b>50.445</b>	<b>1.304.485</b>
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	(45)	-	(45)	-	(45)
<b>Total other comprehensive income (loss) for the period</b>		-	-	-	<b>(45)</b>	-	<b>(45)</b>	-	<b>(45)</b>
Net profit for the period		-	-	-	-	86.968	86.968	8.646	95.614
<b>Total comprehensive income for the period</b>		-	-	-	<b>(45)</b>	<b>86.968</b>	<b>86.923</b>	<b>8.646</b>	<b>95.569</b>
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(3.931)	-	3.931	-	-	-
Transfer to reserves and movement in reserves		-	5.768	-	-	(5.768)	-	-	-
Dividends	9	-	-	-	-	(97.194)	(97.194)	(3.453)	(100.647)
Acquisition of subsidiary (EURAKRAS UAB)		-	-	-	-	-	-	2.033	2.033
Change in minority share due to companies reorganization		-	85	284	-	9	378	(378)	-
Acquisition of shares from non-controlling interest		-	67	6	-	(2.964)	(2.891)	(2.213)	(5.104)
Share of non-controlling interest in transfers to reserves		-	(83)	-	-	83	-	-	-
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	5.271	5.271
<b>Balance at 30 September 2016</b>		<b>1.212.156</b>	<b>34.614</b>	<b>58.682</b>	<b>3</b>	<b>(64.199)</b>	<b>1.241.256</b>	<b>60.351</b>	<b>1.301.607</b>

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**For the nine-month period ended 30 September 2016**

All amounts in thousands of euro unless otherwise stated

Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2015</b>		<b>1.210.568</b>	-	<b>74</b>	<b>34.323</b>	<b>1.244.965</b>
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	(15)	-	(15)
<b>Total other comprehensive income for the period</b>		-	-	<b>(15)</b>	-	<b>(15)</b>
Net profit (loss) for the period		-	-	-	93.259	93.259
<b>Total comprehensive income for the period</b>		-	-	<b>(15)</b>	<b>93.259</b>	<b>93.244</b>
Transfer to reserves and movement in reserves		-	4.207	-	(4.207)	-
Dividends	9	-	-	-	(28.093)	(28.093)
Share capital conversion result		1.588	-	-	-	1.588
<b>Balance at 30 September 2015</b>		<b>1.212.156</b>	<b>4.207</b>	<b>59</b>	<b>95.282</b>	<b>1.311.704</b>
<b>Balance at 1 January 2016</b>		<b>1.212.156</b>	<b>4.207</b>	<b>48</b>	<b>83.289</b>	<b>1.299.700</b>
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	(45)	-	(45)
<b>Total other comprehensive income (loss) for the period</b>		-	-	<b>(45)</b>	-	<b>(45)</b>
Net profit (loss) for the period		-	-	-	69.015	69.015
<b>Total comprehensive income for the period</b>		-	-	<b>(45)</b>	<b>69.015</b>	<b>68.970</b>
Transfer to reserves and movement in reserves		-	5.551	-	(5.551)	-
Dividends	9	-	-	-	(97.194)	(97.194)
<b>Balance at 30 September 2016</b>		<b>1.212.156</b>	<b>9.758</b>	<b>3</b>	<b>49.559</b>	<b>1.271.476</b>

The accompanying notes form an integral part of this condensed interim financial information.

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**For the nine-month period ended 30 September 2016**

All amounts in thousands of euro unless otherwise stated

	Note	Group		Company	
		2016-09-30	2015-09-30 (restated, Note 11)	2016-09-30	2015-09-30
<b>Cash flows from operating activities</b>					
Net profit (loss) for the period		95.614	72.469	69.015	93.259
<b>Adjustments for non-monetary expenses (income):</b>					
Depreciation and amortisation expenses	3	67.071	64.704	2	3
Impairment of property, plant and equipment (reversal of impairment)	3	(35)	(137)	-	-
Revaluation of property, plant and equipment		-	(158)	-	-
Share of profit of associates and joint ventures		-	22	-	-
Impairment of financial assets		349	168	-	-
Impairment of investments in subsidiaries		-	-	-	1.667
Income tax expenses		26.357	5.824	73	241
(Depreciation) of grants		(9.003)	(8.706)	-	-
Increase (decrease) in provisions		(19.939)	(1.146)	-	-
Inventory write-down expenses (income)		15	(673)	-	-
Change in fair value of trade derivatives		-	(2.085)	-	-
(Income) expenses on revaluation of emission allowances		5.334	(320)	-	-
Emission allowances utilised	3	3.000	-	-	-
(Gain) loss on disposal/write-off of property, plant and equipment		24	1.436	-	-
Elimination of results of financing and investing activities:					
Interest income		(2.396)	(3.473)	(3.337)	(4.728)
Interest expenses		4.347	3.705	527	280
Other finance (income) costs		954	1.698	(68.681)	(92.040)
<b>Changes in working capital:</b>					
(Increase) decrease in trade receivables and other amounts receivable		39.990	50.137	(7.032)	(4.119)
(Increase) decrease in inventories, prepayments and other current assets		37.717	(28.533)	(166)	(13)
Increase (decrease) in amounts payable, deferred income and advance amounts received		16.062	(94.850)	40.841	65
Income tax (paid)		(2.024)	(9.017)	(223)	-
<b>Net cash flows from (used in) operating activities</b>		<b>263.437</b>	<b>51.065</b>	<b>31.019</b>	<b>(5.385)</b>
<b>Cash flows from investing activities</b>					
(Acquisition) of property, plant and equipment and intangible assets		(125.504)	(94.950)	-	-
Disposal of property, plant and equipment and intangible assets		3.666	1.433	-	-
Loans (granted)		-	47	(5.191)	-
Loan repayments received		29.017	-	29.201	-
(Acquisition) of investments in subsidiaries	4	(27.674)	(259)	(72.059)	(21.093)
Grants received		241	5.936	-	-
Interest received		59	4.235	4.679	5.943
Change in non-controlling interest due to changes in Group's structure		(5.103)	246	-	-
Dividends received		-	-	38.318	60.738
<b>Net cash flows from (used in) investing activities</b>		<b>(125.298)</b>	<b>(83.312)</b>	<b>(5.052)</b>	<b>45.588</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		58.449	92.647	25.571	-
Repayments of borrowings		(54.533)	(113.196)	-	-
Finance lease payments		(111)	(12)	-	-
Interest paid		(5.050)	(3.359)	(455)	(235)
Dividends paid		(100.647)	(32.283)	(97.194)	(28.093)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		1.317	-	-	-
<b>Net cash flows from (used in) financing activities</b>		<b>(100.575)</b>	<b>(56.203)</b>	<b>(72.078)</b>	<b>(28.328)</b>
<b>Increase (decrease) in cash and cash equivalents (including overdraft)</b>		<b>37.564</b>	<b>(88.450)</b>	<b>(46.111)</b>	<b>11.875</b>
Cash and cash equivalents (including overdraft) at the beginning of the period		122.810	197.989	13.179	31.347
<b>Cash and cash equivalents (including overdraft) at the end of the period</b>		<b>160.374</b>	<b>109.539</b>	<b>(32.932)</b>	<b>43.222</b>

The accompanying notes form an integral part of this condensed interim financial information.

## 1 Accounting principles

Condensed interim financial information of the Lietuvos Energija UAB (hereinafter - the Company) and consolidated condensed interim financial information of the Company and its subsidiaries (hereinafter – the Group) for a nine-month period ended 30 September 2016 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This unaudited condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the EU.

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

The accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2015.

### Income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Group and the Company with effect from 2016, and that would have a material impact on the Group's and Company's financial information.

The Group and Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Group's and Company's reporting periods beginning on or after 1 July 2016 will have a material impact on the Group's and Company's financial statements.

Accounting policies applied to significant transactions within the Group in relation to the Group's restructuring are set out below (as described in Note 4).

### Business combinations

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

IFRS 3 Business Combinations is not applied to business combinations involving entities under common control, therefore, for the purpose of this financial information business combinations involving entities under common control were accounted for using the 'pooling of interest' method.

Acquisition method is applied to account for acquisition of subsidiaries that are not part of the Company's group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred in a bargain purchase, the equity interests issued, and the liabilities assumed at the bargain purchase date. Acquisition-related costs are expensed as incurred. Identifiable net assets, liabilities and contingent liabilities acquired in the acquiree, which meet IFRS 3 Business Combinations criteria, are recognised at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Minority interest in the acquiree is initially recognised at the minority interest's proportionate share of the recognised amounts of net assets, liabilities and contingent liabilities.



## 2 Critical accounting estimates and judgements used in the preparation of financial statements

Accounting estimates and judgments are continuously reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial information according to International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosures of contingencies. Changes in the underlying assumptions, estimates and judgments may have a material effect on this financial information. The accounting estimates applied in preparing the condensed interim financial information are consistent with those used in preparing the annual financial statements for the year ended 31 December 2015.

### Evaluation of the option as per the Shareholders' Agreement with FORTUM HEAT LIETUVA UAB

As described in more detail in Note 4, the authorised share capital of Kauno Kogeneracinė Jėgainė UAB (KKJ) was increased on 15 March 2016. As a result, the Company's ownership interest in KKJ is equal to 51%, whereas the rest 49% of shares of KKJ are held by FORTUM HEAT LIETUVA UAB (FORTUM). Both shareholders have signed the Shareholders' Agreement, whereby the Company was vested with an option to buy the shares of KKJ owned by FORTUM, whereas FORTUM was vested with an option to sell the shares of KKJ to the Company in the event that the shareholders fail to achieve the resolution of the Deadlock Situation by mutual agreement as defined in the Shareholders' Agreement.

Under the provisions of the Shareholders' Agreement, if the Company or FORTUM decides to exercise the option, the price to be paid by the Company to FORTUM for the purchased shares owned by FORTUM in KKJ shall be equal to the sum of amounts invested by FORTUM into the capital of KKJ (i.e. the price of the issue of shares paid by FORTUM):

- plus a premium in the amount of 15% of the amounts invested by FORTUM into the capital of KKJ, if the Company exercises the Call Option; or, respectively,
- minus an investment risk discount in the amount of 15% of the amounts invested by FORTUM into the capital of KKJ, if FORTUM exercises the Put Option.

### New customer connection fees

Fees paid by customers received after 1 July 2009 for the connection of new customers and producers to the Company's electricity networks and electricity network facilities or for the dislocation or reconstruction of electricity network facilities on the request of the customer, producer or any other entity, are recognised as revenue upon connection.

The above-mentioned fees received before 1 July 2009 were initially recognised as deferred income and subsequently recognised as income on a proportionate basis over the useful life of the related newly created property, plant and equipment. The related costs comprising the acquisition cost of property, plant and equipment and other costs were capitalised and are depreciated over the estimated useful life of the assets capitalised.

Payments made by customers for the connection to the Company's gas system are recorded as accrued deferred income in the statement of financial position and recognised as income over the useful life of the capitalised property, plant and equipment concerned. Such income is shown in the line item 'Sales revenue' of the statement of comprehensive income.

Accounting methods applied to account for fees paid by new customers for the connection to the electricity and gas system differ depending on the pricing of these services:

- the fee for the connection to the electricity network is determined on the basis of fees and methodologies approved by the Lithuanian legal acts and regulatory authorities; the service is deemed to be provided upon the connection of the customer to the electricity network;
- the fee for the connection non-household customers to the gas system is determined on the basis of fees and methodologies approved by the Lithuanian legal acts and regulatory authorities, however, the connection agreement of the customer who connects a new natural gas system stipulates a minimum quantity of gas to be transported via a non-household customer or new natural gas system and the minimum capacities which ensure that the new customer or new natural gas system connected does not increase the price cap for the existing customers, as well as the procedure for calculating a fee for the minimum quantities of gas to be transported by a non-household customer or natural gas system and for the minimum capacities and the periodicity of payments if a new customer connecting a new natural gas system transports lower quantities or orders lower capacities than those specified in the new customer connection agreement. Upon approval of household customer connection fees, the Commission assesses the return, receivable in 20 year period, on investment used to connect new household customers and impact of the investment on gas distribution price cap (investments should not cause increase in the current price cap) in the same way, as assesses non-household customers, although not every customer individually, rather in total by establishing the general connection fee. In this case the service provided to both non-household and household customer is continuous in nature, related to contractual obligations and future consumption, and therefore revenue is split over the depreciation period of property, plant and equipment concerned.

### Accounting for electricity meters

Until 1 January 2016, LESTO AB classified electricity meters as inventories. The Company's management assessed that electricity meters are used for a long period of time, they are controlled by the Company and reviewed individually, their acquisition cost can be reliably determined and therefore management decided to reclassify electricity meters to property, plant and equipment and apply a depreciation period of 8 years for tax purposes. The change is treated as change in accounting estimate and since 1 January 2016 electricity and gas meters are classified within the property, plant and equipment category 'Other property, plant and equipment'.

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Change in taxation of goodwill

As at 15 October 2014 AB Lietuvos dujos concluded agreement with Lietuvos Dujų Tiekimas UAB and transferred natural gas supply activity together with assets, rights and obligations allocated to it. Ownership right to the part of the company – natural gas supply activity - was transferred to Lietuvos Dujų Tiekimas UAB at 31 October 2014 according to the agreement. According to the agreement Lietuvos Dujų Tiekimas paid the price for the natural gas supply activity together with assets, rights and obligations allocated to it, which amounted to EUR 17.510 thousand and was set by independent assessor as market value for the natural gas supply activity. Carrying amount of net assets acquired comprised EUR 74.434 thousand. Significant difference between paid price and carrying amount of net assets acquired appeared due to requirements of International Financial Reporting Standards, according to which impact of retrospective reduction of prices of imported OAO Gazprom gas for companies for the period from 1 January 2013 to 30 April 2014 could not be accounted as current period expenses.

Lietuvos Dujų Tiekimas UAB has assessed taxation risk and considered written communication between Lietuvos Dujų Tiekimas UAB and National Tax authority and recognized the difference between carrying amount of net assets acquired (EUR 17.510 thousand) and fair value of gas supply business set by independent assessors (EUR 74.434 thousand) as negative goodwill and calculated income tax.

Seeking to clarify taxation aspects for this transaction, Lietuvos Dujų Tiekimas UAB has approached National Tax Authority asking for binding decision, as taxation questions are closely related to the future natural gas sale agreements, though they are affected by the retrospective reduction of the imported gas prices obtained from Gazprom OAO.

As at 30 April 2015 Lietuvos Dujų Tiekimas UAB has obtained binding decision of National Tax Authority, according to it the difference between net assets acquired and market value of natural gas supply business set by independent assessors should not be accounted as a negative goodwill and should not be taxed with income tax. As the income tax impact in amount of EUR 8.539 thousand recognized in 2014 was accounted for in the income statement by the Group, adjusting entry required after National Tax authority decision in 2015 was also accounted in the income statement.

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

Movement on Group's account of intangible assets and property, plant and equipment is presented below:

Group	Intangible assets	Property, plant and equipment
<b>Period ended 30 September 2016</b>		
Net book value at the beginning of the period	21.539	1.631.117
Acquisitions	1.945	110.355
Share capital settlement by assets	-	3.954
Increase due to acquisition of subsidiary	11.256	62.999
Sales	-	(621)
Write-offs/Emission allowances utilised	(3.000)	(2.133)
Impairment/reversal of impairment	-	35
Emission allowances grants received	1.733	-
Revaluation of emission allowances	(6.199)	-
Reclassification (to) finance lease	-	(7.800)
Reclassification from other assets to property, plant and equipment/intangible assets	8	(8)
Reclassification to assets held for sale	-	(892)
Reclassification from investment property	-	307
Reclassification from inventories	-	838
Depreciation/amortisation	(2.281)	(64.790)
<b>Net book value at 30 September 2016</b>	<b>25.001</b>	<b>1.733.361</b>

Movement on Company's account of intangible assets and property, plant and equipment is presented below:

Company	Intangible assets	Property, plant and equipment
<b>Period ended 30 September 2016</b>		
Net book value at the beginning of the period	-	286
Depreciation/amortisation	-	(2)
<b>Net book value at 30 September 2016</b>	<b>-</b>	<b>284</b>

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## 4 Investments in subsidiaries and other investments

### Reorganisation of subsidiaries

On 1 January 2016, LESTO AB and Lietuvos Dujos AB were reorganised by way of merger pursuant to paragraph 4 of Article 2.97 of the Civil Code of the Republic of Lithuania. After the reorganisation a new company started to operate named Energijos Skirstymo Operatorius AB (hereinafter referred to as "ESO"), legal entity code 304151376, registered office address: Agonų g. 24, Vilnius. With effect from 11 January 2016, shares of Energijos Skirstymo Operatorius AB have been listed on the main list of NASDAQ OMX Vilnius stock exchange. After the reorganisation ESO took over from LESTO AB and Lietuvos Dujos AB all their non-current and current assets, as well as non-current and current financial and other obligations, amounts receivable and payable under the agreements signed by LESTO AB and Lietuvos Dujos AB, including any other otherwise arising obligations.

After the merger of LESTO AB and Lietuvos Dujos AB the Group's effective ownership interest in Energijos Skirstymo Operatorius AB is equal to 94.98%.

On 1 January 2016, ELEKTROS TINKLO PASLAUGOS UAB and Kauno Energetikos Remontas UAB were reorganised by way of merger pursuant to paragraph 4 of Article 2.97 of the Civil Code of the Republic of Lithuania. After the reorganisation ELEKTROS TINKLO PASLAUGOS UAB and Kauno Energetikos Remontas UAB ceased their activities as legal entities and a new company started to operate named Energetikos Paslaugų ir Rangos Organizacija UAB. The legal entity code of the new company is 304132956 and the address of its registered office is Motorų g. 2, Vilnius.

### Acquisition of subsidiaries

On 18 January 2016, the Company acquired 209,662 ordinary registered shares of EURAKRAS UAB representing 75% of the share capital of EURAKRAS UAB and granting 75% of voting rights at the General Meeting of Shareholders. The acquisition cost of shares amounted to EUR 17.058 thousand. EURAKRAS UAB, a Lithuanian company acquired, operates the park consisting of 8 wind turbines with the capacity of 24 MW located in the villages of Geišiai and Rotuliai II in Jurbarkas region.

On 20 January 2016, the Company acquired 100% of ordinary registered shares of Estonian company HOB OU and 43,28% of ordinary registered shares of Estonian company Tuuleenergia Osauhing for EUR 11.350 thousand (including redeemed current borrowings of EUR 4.691 thousand). HOB OU has an ownership interest of 56,72% in Tuuleenergia Osauhing and therefore the Company owns 100% of shares of Tuuleenergia Osauhing as a result of this transaction. Tuuleenergia Osauhing operates the park consisting of 6 wind turbines with the capacity of 18,3 MW in the locations of Mali and Tamba in Estonia.

On business combination, assets and liabilities of EURAKRAS UAB, HOB OU and Tuuleenergia Osauhing were identified with the following fair values at the date of acquisition:

	EURAKRAS UAB	HOB OU and Tuuleenergia Osauhing	Total
Property, plant and equipment	32.363	30.636	62.999
Other non-current amounts receivable	75	605	680
Inventories and prepayments	13	-	13
Amounts receivable within one year	320	499	819
Cash and cash equivalents	580	154	734
Non-current liabilities	(24.001)	(18.586)	(42.587)
Current liabilities	(1.219)	(6.945)	(8.164)
Net assets	8.131	6.363	14.494
Non-controlling interest	2.033	-	2.033
Goodwill arising on business combination	10.960	296	11.256
Purchase consideration paid	17.058	6.659	23.717
<b>Net cash outflow on acquisition of subsidiaries:</b>			
Consideration paid in cash	(17.058)	(6.659)	(23.717)
Repurchased loans	-	(4.691)	(4.691)
Cash and cash equivalents balances acquired	580	154	734
<b>Net cash outflow</b>	<b>(16.478)</b>	<b>(11.196)</b>	<b>(27.674)</b>

The Group has 12 months after the date of business combination to review and determine the fair values of the assets and liabilities.

Under the decision of the Company, a sole shareholder, dated 22 July 2016 subsidiaries HOB OU and Tuuleenergia Osauhing were reorganised by way of merger. HOB OU was merged with Tuuleenergia Osauhing and ceased its activities as a legal entity.

### Establishment of subsidiaries

On 9 February 2016, the Company established a new company Energijos Sprendimų Centras UAB. The authorised share capital of the newly established company amounts to EUR 10 thousand and is divided into 10.000 ordinary registered shares with the nominal value of EUR 1 each. The price of share issue is equal to EUR 150 thousand. The principal activities of Energijos Sprendimų Centras UAB include the provision of energy efficiency improvement services and development of renewable energy resources. The Articles of Association of Energijos Sprendimų Centras UAB were registered with the Register of Legal entities on 17 February 2016.

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*Increase and payment of share capital*

By decision of the sole shareholder on 19th May 2016, the share capital of Lietuvos Dujų Tiekimas UAB was increased to EUR 8.370 thousand, by issuing new ordinary registered shares with the nominal value of EUR 0,29 each. On 13 June 2016, the amendments to the Articles of Association of Lietuvos Dujų Tiekimas UAB were registered with the Register of Legal Entities.

On 29 April 2016, the Company paid up an outstanding part of the share capital of Energijos Tiekimas UAB of EUR 7.240 thousand. As at 31 December 2015, the unpaid part of the share capital amounted to EUR 7.240 thousand. On 23 December 2015, the share capital of Energijos Tiekimas UAB was increased by issuing 16.240.000 ordinary registered intangible shares with the nominal value of EUR 1 each.

On 29 August 2016, the sole shareholder took decision to increase the share capital of Energijos Sprendimų Centras UAB up to EUR 530 thousand by issuing 520.000 of ordinary shares with par value of EUR 1 each. On 7 September 2016, the amendments to the Articles of Association of Energijos Sprendimų Centras UAB were registered with the Register of Legal Entities. At 30 September 2016 the Company has paid EUR 130 thousand of new shares emission. Unpaid part amounted to EUR 390 thousand as at 30 September 2016.

*Change in ownership interest*

On 15 March 2016, the Company's subsidiary Kauno Kogeneracinė Jėgainė UAB issued 10.756.300 ordinary registered shares with the nominal value of EUR 1 each. The issue price of all new shares is equal to EUR 10.756.300. The Company acquired 5.484.292 new shares with the nominal value of EUR 1 each by paying for these shares through a monetary contribution amounting to EUR 5.484 thousand. After this transaction the Company holds 51% of shares of Kauno Kogeneracinė Jėgainė UAB. The remaining ownership interest, i.e. 49%, in Kauno Kogeneracinė Jėgainė UAB is held by FORTUM HEAT LIETUVA UAB.

*Buyout of shares to ensure compliance with the ruling of the Supreme Court of Lithuania*

Under the Finance Minister's Order dated 12 January 2016, the Company is obliged to implement Resolution No 1126 of 26 October 2015 of the Government of the Republic of Lithuania On Buyout of Shares ("the Resolution"), and under the terms described therein buyout (acquire ownership of) the shares of the former public limited liability company LIETUVOS ELEKTRINĖ from minority shareholders, which were obtained under the title of ownership in return for the shares of Lietuvos Energija AB (currently known as Lietuvos Energijos Gamyba AB) following the reorganisation of public limited liability company LIETUVOS ENERGIJA and public limited liability company LIETUVOS ELEKTRINĖ, and which were not disposed to any third parties.

On 9 February 2016, the date for commencement of buyout of shares was published. The shares to be bought out from the minority shareholders of public limited liability company LIETUVOS ELEKTRINĖ are exchanged to the shares of Lietuvos Energijos Gamyba, AB using the ratio set forth in the Resolution, i.e. 1 share of public limited liability company LIETUVOS ELEKTRINĖ in return for 1.37 shares of Lietuvos Energijos Gamyba, AB. The price of 1 ordinary registered share of Lietuvos Energijos Gamyba, AB to be bought out was equal to EUR 1,2959.

As at 30 June 2016, the Company had additionally acquired the ownership right to 3.898.511 shares of Lietuvos Energijos Gamyba, AB and therefore the Company's ownership interest in Lietuvos Energijos Gamyba, AB increased to 96,75%.

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As at 30 September 2016 the Company's investments in subsidiaries and other investments comprised:

Company name	Acquisition cost	Impairment	Contributions against loss	Carrying amount	Ownership interest (%)	Effective Group ownership interest (%)
<b>Subsidiaries:</b>						
Energijos Skirstymo Operatorius AB (1)	710.921	(37.305)	-	673.616	94,98	94,98
Lietuvos Energijos Gamyba AB	299.935	-	-	299.935	96,75	96,75
NT Valdos UAB	89.377	-	-	89.377	100,00	100,00
Energijos tiekimas UAB	23.906	-	-	23.906	100,00	100,00
EURAKRAS UAB	17.058	-	-	17.058	75,00	75,00
Energetikos Paslaugų ir Rangos Organizacija UAB (2)	9.137	-	-	9.137	100,00	100,00
Lietuvos Dujų Tiekimas UAB	8.369	-	-	8.369	100,00	100,00
LITGAS UAB	8.689	(1.092)	-	7.597	66,67	66,67
Tuuleenergia Osauhing	6.659	-	-	6.659	100,00	100,00
Kauno Kogeneracinė Jėgainė UAB	5.487	-	-	5.487	51,00	51,00
Duomenų Logistikos Centras UAB	7.268	(2.563)	-	4.705	79,64	79,64
Technologijų ir Inovacijų Centras UAB	3.218	-	-	3.218	50,00	97,80
Vilniaus Kogeneracinė Jėgainė UAB	1.004	-	-	1.004	100,00	100,00
Elektroninių Mokėjimų Agentūra UAB	495	-	-	495	100,00	100,00
VšĮ Energetikų Mokymo Centras	309	-	-	309	100,00	100,00
Verslo Aptarnavimo Centras UAB	295	-	-	295	51,00	97,00
VAE SPB UAB	1.014	(1.168)	445	291	100,00	100,00
Energijos Sprendimų Centras UAB	280	-	-	280	100,00	100,00
Lietuvos Energijos Paramos Fondas	3	-	-	3	100,00	100,00
	<b>1.193.424</b>	<b>(42.128)</b>	<b>445</b>	<b>1.151.741</b>		

(1) until 1 January 2016 LESTO AB and Lietuvos Dujos AB

(2) until 1 January 2016 ELEKTROS TINKLO PASLAUGOS UAB and Kauno Energetikos Remontas UAB

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As at 31 December 2015 the Company's investments in subsidiaries and other investments comprised:

Group company	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Ownership interest (%)	Effective Group ownership interest (%)
<b>Subsidiaries:</b>						
LESTO AB	538.874	(16.869)	-	522.005	94,39	94,39
Lietuvos Energijos Gamyba AB	294.832	-	-	294.832	96,13	96,13
Lietuvos Dujos AB	172.047	(20.436)	-	151.611	96,64	96,64
NT Valdos UAB	89.373	-	-	89.373	100,00	100,00
Energijos Tiekimas UAB	16.666	-	-	16.666	100,00	100,00
LITGAS UAB	8.689	(1.092)	-	7.597	66,67	66,67
ELEKTROS TINKLO PASLAUGOS UAB	4.795	-	-	4.795	100,00	100,00
Kauno Energetikos Remontas UAB	4.342	-	-	4.342	100,00	100,00
Duomenų Logistikos Centras UAB	7.268	(2.563)	-	4.705	79,64	79,64
Technologijų ir Inovacijų Centras UAB	3.218	-	-	3.218	50,00	97,80
VAE SPB UAB	1.018	(1.168)	314	164	100,00	100,00
Lietuvos Dujų Tiekimas UAB	869	-	-	869	100,00	100,00
Elektroninių Mokėjimų Agentūra UAB	495	-	-	495	100,00	100,00
Energetikų Mokymo Centras VŠĮ	309	-	-	309	100,00	100,00
Verslo Aptarnavimo Centras UAB	295	-	-	295	51,00	97,00
Lietuvos Energijos Paramos Fondas	3	-	-	3	100,00	100,00
Vilniaus Kogeneracinė Jėgainė UAB	1.004	-	-	1.004	100,00	100,00
Kauno Kogeneracinė Jėgainė UAB	3	-	-	3	100,00	100,00
	<b>1.144.100</b>	<b>(42.128)</b>	<b>314</b>	<b>1.102.286</b>		

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## 5 Share capital

As at 30 September 2016 and 31 December 2015 the Company's share capital comprised EUR 1.212.156.294. As at 30 September 2016 and 31 December 2015 the Company's share capital was divided in to 4.179.849.289 ordinary shares with par value EUR 0,29 each.

As at 30 September 2016 and 31 December 2015 share capital was fully paid.

## 6 Borrowings

	Group		Company	
	2016	2015	2016	2015
<b>Non-current</b>				
Bank borrowings	321.731	277.805	23.973	-
<b>Current</b>				
Current portion of non-current borrowings	94.148	99.023	1.598	-
Current borrowings	10.186	1.490	7.170	-
Loans from related parties (cash pool)	-	-	26.872	-
Letters of credit	-	206	-	-
Bank overdrafts	18.274	41.531	-	-
Accrued interest	3	5	-	-
<b>Total borrowings</b>	<b>444.342</b>	<b>420.060</b>	<b>59.613</b>	<b>-</b>

In January 2016, the Group company NT Valdosa UAB signed with the bank a long-term agreement for the loan of EUR 16,9 million intended to finance the acquisition of immovable property and refinance the investments. The loan was withdrawn and the payments were made in full for immovable property acquired. Immovable property of NT Valdosa UAB was pledged to secure the fulfilment of obligation under the loan agreement. The loan agreement is valid until January 2021.

In January 2016, the Company signed with the bank a long-term agreement for the loan of EUR 25,6 million intended to finance the acquisition of wind-power park. The deadline for repayment of the loan is 18 January 2026, and variable interest is payable on the loan.

After acquisition of EURAKRAS UAB and Estonian companies HOB OU and Tuuleenergia Osaühing Group's liabilities to credit institutions has increased by EUR 69.181 thous.

During the I quarter of 2016 Energijos Skirstymo Operatorius AB and LITGAS UAB has fulfilled their obligations for bank overdrafts, which amounted to EUR 21.125 thous. and EUR 20.000 thous respectively as of 31 December 2015.

## 7 Provisions

	Group		Company	
	2016	2015	2016	2015
Non-current	3.218	5.084	-	-
Current	3.963	23.333	-	-
<b>Carrying amount</b>	<b>7.181</b>	<b>28.417</b>	<b>-</b>	<b>-</b>

Group	Provisions for litigations and claims	Emission allowance liabilities	Provisions for employee benefits	Other provisions	Total
<b>At 31 December 2015</b>	<b>54</b>	<b>3.735</b>	<b>3.189</b>	<b>21.439</b>	<b>28.417</b>
Increase (decrease) during the period	-	(79)	253	-	174
Utilised during the period	-	(2.999)	(32)	(18.379)	(21.410)
<b>At 30 September 2016</b>	<b>54</b>	<b>657</b>	<b>3.410</b>	<b>3.060</b>	<b>7.181</b>

Other provisions include provisions for onerous gas supply contracts, i.e. the contracts under which the gas sale price will be lower compared to gas acquisition cost. At the end of 2015, these provisions amounted to EUR 21,4 million. Upon acquisition of natural gas supply operations, the Group company Lietuvos Dujų Tiekimas UAB assumed an obligation to transfer the discount, which was received retrospectively on natural gas import price during January 2013–April 2014, to the end users in future periods. As at 30 September 2016 the Group adjusted the amount of provision in respect of onerous part of contracts for household and non-household users in amount of EUR 18.379 thous., by taking into account the prerequisites for the execution of the contracts at the financial reporting date

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## 8 Other expenses

	Group		Company	
	2016-09-30	2015-09-30	2016-09-30	2015-09-30
Revaluation and provisions of emission allowances	6.632	(626)	-	-
Taxes	5.312	4.814	28	27
Telecommunication and IT services	2.652	2.794	148	167
Customer service	2.556	2.061	-	-
Write-offs of property, plant and equipment	2.133	1.617	-	-
Utility services	1.652	1.200	50	37
Rent	1.645	1.802	134	115
Motor vehicles	1.509	2.255	91	81
Expenses of low-value inventory items	799	678	-	-
Consulting services	607	2.181	218	429
Public relations and marketing	430	619	59	73
Impairment of receivables	349	390	-	-
Personnel development	342	333	42	56
Business trips	319	387	36	29
Impairment of inventories (reversal)	15	1.005	-	-
Impairment of investments in subsidiaries	-	-	-	1.667
Business service expenses	-	-	149	163
Other expenses	3.300	1.047	172	104
	<b>30.252</b>	<b>22.557</b>	<b>1.127</b>	<b>2.948</b>

## 9 Dividends

Based on the Lithuanian Finance Ministry's Order issued on 26 April 2016, the Company's set of consolidated financial statements for 2015 was approved, and dividends for the state-owned shares of the Company were declared in the amount of EUR 56.240 thousand. Based on the Lithuanian Finance Ministry's Order issued on 23 September 2016, the Company's set of consolidated financial statements for 6 month period of 2016 was approved, and dividends for the state-owned shares of the Company were declared in the amount of EUR 40.954 thousand.

On 29 March 2016, the General Meeting of Shareholders of Energijos Skirstymo Operatorius AB approved the payment of dividends in the amount of EUR 30.596 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 29.061 thousand. On 26 September 2016, the General Meeting of Shareholders of Energijos Skirstymo Operatorius AB approved the payment of dividends in the amount of EUR 12.525 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 11.896 thousand.

On 30 March 2016, the General Meeting of Shareholders of NT Valdos UAB approved the payment of dividends in the amount of EUR 1.250 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 1.250 thousand.

On 8 April 2016, the General Meeting of Shareholders of Technologijų ir inovacijų centras UAB approved the payment of dividends in the amount of EUR 200 thousand from profit for appropriation. Dividends allocated to the Group amounted to EUR 200 thousand (to the Company – EUR 100 thousand).

On 12 April 2016, the General Meeting of Shareholders of LITGAS UAB approved the payment of dividends in the amount of EUR 1.194 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 796 thousand.

On 26 September 2016, the General Meeting of Shareholders of Lietuvos energijos gamyba, AB approved the payment of dividends in the amount of EUR 27.309 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 26.422 thousand.

Based on the Order issued by the Lithuanian Ministry of Finance on 29 April 2015, the Company's set of annual financial statements was approved and dividends for the state-owned Company's shares were established in amount EUR 28.093 thousand.

During the General Shareholder's Meeting of AB LESTO held on 27 April 2015, the decision was made to pay out dividends in the amount of EUR 12.079 thousand from profit for appropriation. The Company received dividends of EUR 11.401 thousand. During the General Shareholder's Meeting of AB LESTO held on 24 September 2015, the decision was made to pay out dividends in the amount of EUR 21.742 thousand for the period shorter than financial year. The Company received dividends of EUR 20.522 thousand.

During the General Shareholder's Meeting of Lietuvos energijos gamyba AB held on 27 April 2015, the decision was made to pay out dividends in the amount of EUR 21.720 thousand from profit for appropriation. The Company received dividends of EUR 20.880 thousand. During the General Shareholder's Meeting of Lietuvos energijos gamyba AB held on 24 September 2015, the decision was made to pay out dividends in the amount of EUR 2.667 thousand for the period shorter than financial year. The Company received dividends of EUR 2.564 thousand.

During the General Shareholder's Meeting of AB Lietuvos dujos held on 27 April 2015, the decision was made to pay out dividends in the amount of EUR 27.993 thousand from profit for appropriation. The Company received dividends of EUR 27.054 thousand. During the General Shareholder's Meeting of AB Lietuvos dujos held on 24 September 2015, the decision was made to pay out dividends in the amount of EUR 10.348 thousand for the period shorter than financial year. The Company received dividends of EUR 10.001 thousand.



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During the General Shareholder's Meeting of UAB Duomenų logistikos centras held on 8 April 2015, the decision was made to pay out dividends in the amount of EUR 311 thousand from profit for appropriation. The Company received dividends of EUR 248 thousand.

During the General Shareholder's Meeting of Energijos tiekimas UAB held on 27 April 2015, the decision was made to pay out dividends in the amount of EUR 1.155 thousand from profit for appropriation. The Company received dividends of EUR 1.155 thousand.

## 10 Transactions with related parties

As at 30 September 2016 and 31 December 2015 the parent company was the Republic of Lithuania represented by Ministry of Finance. For the purpose of disclosure of related parties, the Republic of Lithuania does not include central and local government authorities. The disclosures comprise transactions and their balances with the parent company, subsidiaries (Company's transactions), associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

### Group's transactions with related parties

The Group's transactions with related parties during January – September 2016 and balances arising on these transactions as at 30 September 2016 are presented below:

Related party	Amount payable	Amounts receivable	Finance income	Sales	Finance expenses	Purchases
	2016.09.30	2016.09.30	2016 I – III Q	2016 I – III Q	2016 I – III Q	2016 I – III Q
EPSO-G, UAB	-	209.978	2.217	24	-	-
Litgrid AB	8.938	4.635	-	41.014	25	77.395
BALTPPOOL UAB	12.921	10.071	-	44.681	-	64.897
TETAS, UAB	2.396	305	59	1.166	-	9.029
Amber Grid, AB	5.539	4.227	-	29.656	-	47.864
Group's associates and other related parties	126	830	-	1.514	-	1.167
<b>Total</b>	<b>29.920</b>	<b>230.046</b>	<b>2.276</b>	<b>118.055</b>	<b>25</b>	<b>200.352</b>

The Group's transactions with related parties during January – September 2015 and balances arising on these transactions as at 31 December 2015 are presented below:

Related parties	Amounts payable	Amounts receivable	Finance income	Sales	Finance expenses	Purchases
	2015.12.31	2015.12.31	2015 I – III Q	2015 I – III Q	2015 I – III Q	2015 I – III Q
EPSO-G UAB	-	239.959	3.107	-	-	-
Litgrid AB	6.997	2.370	-	17.526	-	44.960
BALTPPOOL UAB	15.253	10.700	-	67.113	-	63.847
TETAS UAB	4.042	183	94	1.215	-	9.457
Amber Grid AB	77	34	-	233	-	7.147
Group's associates and other related parties	232	138	-	168	-	765
<b>Total</b>	<b>26.601</b>	<b>253.384</b>	<b>3.201</b>	<b>86.255</b>	<b>-</b>	<b>126.176</b>

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Company's transactions with related parties

The Company's transactions with related parties during January – September 2016 and balances arising on these transactions as at 30 September 2016 are presented below:

Related parties	Amounts payable	Amounts receivable	Finance income	Sales	Finance expenses	Purchases
	2016.09.30	2016.09.30	2016 I - III Q	2016 I - III Q	2016 I - III Q	2016 I - III Q
<b>Subsidiaries</b>						
Energijos Skirstymo Operatorius AB	22.653	11.924	40.957	478	313	-
Lietuvos Energijos Gamyba AB	30.296	26.359	26.422	128	267	4
Lietuvos Dujų Tiekimas UAB	11.930	5	-	75	21	-
NT Valdos UAB	290	17	1.253	84	-	256
Energetikos Paslaugų ir Rangos Organizacija UAB	-	2.954	21	90	-	1
Verslo Aptarnavimo Centras UAB	37	331	2	80	-	161
Energijos Tiekimas UAB	951	10	1	39	-	-
LITGAS UAB	-	7	1.612	18	-	-
Technologijų ir Inovacijų Centras UAB	19	4	100	20	-	144
VAE SPB UAB	1	-	-	1	-	-
VšĮ Energetikų Mokymų Centras	-	2	-	9	-	-
Tuuleenergija Osauhing	-	4.848	157	-	-	-
Duomenų Logistikos Centras UAB	213	4	-	20	4	-
EURAKRAS UAB	902	11	62	3	-	-
Vilniaus kogeneracinė jėgainė UAB	-	17	-	85	-	-
Elektroninių mokėjimų agentūra UAB	-	12	-	9	-	-
<b>Other related parties</b>						
EPSO-G UAB	-	209.974	2.217	-	-	-
<b>Total</b>	<b>67.292</b>	<b>256.479</b>	<b>72.804</b>	<b>1.139</b>	<b>605</b>	<b>566</b>

The Company's transactions with related parties during January – September 2015 and balances arising on these transactions as at 31 December 2015 are presented below:

Related parties	Amounts payable	Amounts receivable	Finance income	Sales	Finance expenses	Purchases
	2015.12.31	2015.12.31	2015 I - III Q	2015 I - III Q	2015 I - III Q	2015 I - III Q
<b>Subsidiaries</b>						
Energijos Skirstymo Operatorius (until 1 January 2016 LESTO AB and Lietuvos Dujos AB)	34.682	263	68.978	917	262	58.905
Lietuvos Energijos Gamyba AB	28.253	-	23.443	456	212	48.957
Lietuvos Dujų Tiekimas UAB	-	47	-	121	-	-
NT Valdos UAB	35	39	-	93	-	205
Energetikos Paslaugų ir Rangos Organizacija UAB (Until 1 January 2016 Kauno Energetikos Remontas UAB and ELEKTROS TINKLO PASLAUGOS UAB)	-	3.041	4	109	-	61
Verslo Aptarnavimo Centras UAB	-	3	-	26	-	162
Energijos Tiekimas UAB	-	20	1.155	40	-	-
LITGAS UAB	-	170	1.523	30	-	-
Technologijų ir Inovacijų Centras UAB	8	26	-	38	-	162
VAE SPB UAB	-	4	-	18	-	-
VšĮ Energetikų Mokymų Centras	-	13	-	22	-	6
Duomenų Logistikos Centras UAB	321	-	248	18	2	527
<b>Other related parties</b>						
EPSO-G UAB	-	239.957	3.107	-	-	-
Litgrid AB	188	-	-	-	-	252
<b>Total</b>	<b>63.487</b>	<b>243.583</b>	<b>98.458</b>	<b>1.888</b>	<b>476</b>	<b>109.237</b>

Management compensation:

	Group		Company	
	2016-09-30	2015-09-30	2016-09-30	2015-09-30
Salaries and other short-term benefits	2.674	2.947	519	517
Whereof: Termination benefits and benefits to Board Members	299	305	55	74
Number of management staff	67	73	10	10

Management includes heads of administration and their deputies.

## 11 Restatement of comparative information

As described in Note 3, at 30 April 2015 UAB Lietuvos Dujų Tiekimas has obtained binding decision of National Tax Authority, according to it the difference between net assets acquired and market value of natural gas supply business set by independent assessors should not be accounted as a negative goodwill and should not be taxed with income tax. As in 2014 the Group has recognized income tax effect on business combination in amount of EUR 8.539 thousand as income tax expense in the profit or loss of statement of comprehensive income, it had to be reversed not through the equity, but through the profit or loss in the statement of comprehensive income after binding decision of National Tax Authority was received. Due to this reason comparative condensed financial information for the I – III Q of 2015 is restated:

	Before restatement	Adjustment of income tax related to business combination	Restated
	2015 I - III Q	2015 I - III Q	2015 I - III Q
<b>Total revenue</b>	<b>761.893</b>	-	<b>761.893</b>
<b>Total operating expenses</b>	<b>(681.670)</b>	-	<b>(681.670)</b>
<b>Operating profit</b>	<b>80.223</b>	-	<b>80.223</b>
<b>Finance income (cost)</b>	<b>(1.930)</b>	-	<b>(1.930)</b>
<b>Profit before income tax</b>	<b>78.293</b>	-	<b>78.293</b>
Income tax (income) expense of reporting period	(8.062)	8.539	477
Deferred income tax (income) expense	(6.301)	-	(6.301)
<b>Net profit (loss)</b>	<b>63.930</b>	<b>8.539</b>	<b>72.469</b>
Attributable to:			
Owners of the parent	59.104	8.539	67.643
Non-controlling interests	4.826	-	4.826
<b>Other comprehensive income (loss)</b>	<b>458</b>	-	<b>458</b>
<b>Total comprehensive income (loss) for the period</b>	<b>64.388</b>	<b>8.539</b>	<b>72.927</b>
Attributable to:			
Owners of the parent	59.547	8.539	68.086
Non-controlling interests	4.841	-	4.841

## 12 Events after the reporting period

### Purchase of LITGAS UAB minority shares

At 3 October 2016 the Company has signed shares purchase-sale agreement with Klaipėdos Nafta AB and acquired 33,33% or 15.000.000 units of ordinary shares of LITGAS UAB. Shares acquisition price is EUR 3.952 thousand. After this transaction the Company owns 100% shares of LITGAS UAB.

### Decision to sell Duomenų logistikos centras, UAB

In November 2016 the shareholder of the Company has decided to start selling procedure of Duomenų Logistikos Centras, UAB, decision is aimed on further Group concentration on the main activities. Disposal process is expected to be finished by the middle of 2017.

### Lietuvos Energijos Gamyba, AB Disputes over the decisions of the National Control Commission for Prices and Energy

On the 17 October 2016 the Supreme administrative court of Lithuania announced the decision regarding the appeal of administrative case, which was investigated by the court on the 7th of September 2016 regarding overruling of the judgement made by Vilnius regional administrative court on the 30 of April 2015 and adopting a new verdict. Lietuvos Energijos Gamyba, AB appeal regarding the dismiss of resolution of the National Commission for Energy Control and Prices declared the company as an undertaking having significant market power in electricity generation market was accepted. The Supreme administrative court of Lithuania decision is final and not subject to appeal.

Because of the abovementioned resolution of the National Commission for Energy Control and Prices, a reduced amount of funds for public service obligation (PSO) for the years 2015 – 2016 was allocated to Lietuvos Energijos Gamyba, AB. During the period from application of the resolution (1 January 2015) till 30 September 2016 the total amount of 16.2 million EUR of PSO funds was not recognized as revenue in the Company's statement of comprehensive income.

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