

2016

LIETUVOS ENERGIJA UAB

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE IV QUARTER OF 2016 AND TWELVE MONTHS PERIOD ENDED 31 DECEMBER 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 Chief Executive Officer, Finance and Treasury Director and Head of Accounting Service Center of Verslo Aptarnavimo Centras UAB (acting under Order No IS17-20 of 22 February 2017) at 28 February 2017:



Dalius Misiūnas
Chief Executive Officer



Darius Kašauskas
Finance and Treasury Director



Giedruolė Guobienė
Head of Accounting Service Center
of Verslo Aptarnavimo Centras UAB
acting under Order No IS17-20 of 22
February 2017

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
At 31 December 2016

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
ASSETS					
Non-current assets					
Intangible assets	3	34.954	21.539	-	-
Property, plant and equipment	3	1.770.814	1.631.117	348	286
Prepayments for non-current assets		4	1.267	-	-
Investment property		46.207	48.519	-	-
Investments in subsidiaries	4	3	6	1.172.187	1.102.286
Amounts receivable after one year		219.982	243.153	212.915	238.975
Other non-current assets		2.623	3.288	-	-
Deferred income tax asset		2.835	6.488	93	50
Total non-current assets		2.077.422	1.955.377	1.385.543	1.341.597
Current assets					
Inventories		38.117	39.974	-	-
Prepayments		6.966	40.170	6.067	6
Trade receivables		111.935	107.066	-	-
Other amounts receivable		17.058	20.977	1.227	4.760
Other current assets		6.593	798	4.691	-
Prepaid income tax		802	5.757	160	-
Short-term investments		13	4.561	-	4.561
Cash and cash equivalents		178.565	164.341	73	13.179
		360.049	383.644	12.218	22.506
Non-current assets held for sale	4	878	209	4.782	77
Total current assets		360.927	383.853	17.000	22.583
TOTAL ASSETS		2.438.349	2.339.230	1.402.543	1.364.180
EQUITY AND LIABILITIES					
Equity					
Share capital	5	1.212.156	1.212.156	1.212.156	1.212.156
Reserves		92.171	91.148	9.758	4.255
Retained earnings (deficit)		(32.618)	(49.264)	79.881	83.289
Equity attributable to owners of the parent		1.271.709	1.254.040	1.301.795	1.299.700
Non-controlling interests		52.726	50.445	-	-
Total equity		1.324.435	1.304.485	1.301.795	1.299.700
Liabilities					
Non-current liabilities					
Non-current borrowings	6	365.267	277.805	23.440	-
Finance lease liabilities		6	473	-	-
Grants and subsidies		291.589	296.437	-	-
Deferred income tax liabilities		38.201	26.648	-	-
Provisions	7	3.220	5.084	-	-
Deferred income		52.214	53.602	-	-
Other non-current amounts payable and liabilities		11.916	9.033	9.358	17.873
Total non-current liabilities		762.413	669.082	32.798	17.873
Current liabilities					
Current portion of long-term debts	6	84.945	99.023	2.131	-
Current borrowings	6	44.015	43.232	64.759	-
Current portion of finance lease liabilities		157	155	-	-
Trade payables		76.895	92.119	343	443
Advance amounts received		27.636	39.386	-	28
Income tax liabilities		9.689	1.314	-	223
Provisions	7	12.883	23.333	-	-
Other current amounts payable and liabilities		95.281	67.101	717	45.913
Total current liabilities		351.501	365.663	67.950	46.607
Total liabilities		1.113.914	1.034.745	100.748	64.480
TOTAL EQUITY AND LIABILITIES		2.438.349	2.339.230	1.402.543	1.364.180

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 COMPREHENSIVE INCOME
For the year ended 31 December 2016

All amounts in thousands of euro unless otherwise stated

	Notes	Group				Company			
		2016 I – IV Q	2016 IV Q	2015 I – IV Q	2015 IV Q	2016 I – IV Q	2016 IV Q	2015 I – IV Q	2015 IV Q
Revenue									
Sales revenue		1.072.348	292.529	1.048.021	320.478	1.802	666	1.992	109
Other income		31.355	7.644	47.745	13.395	2	1	2	2
Total revenue		1.103.703	300.173	1.095.766	333.873	1.804	667	1.994	111
Operating expenses									
Purchases of electricity, gas for trading and related services		(692.926)	(206.918)	(761.490)	(259.447)	-	-	-	-
Purchases of gas and heavy fuel oil		(35.688)	(8.875)	(12.511)	(2.792)	-	-	-	-
Depreciation and amortisation		(77.794)	(19.726)	(74.237)	(18.239)	(3)	(1)	(3)	(1)
Wages and salaries and related expenses		(86.048)	(24.324)	(93.705)	(26.033)	(3.372)	(961)	(2.735)	(814)
Repair and maintenance expenses		(22.855)	(7.066)	(27.196)	(3.160)	-	-	-	-
Revaluation of property, plant and equipment		337	337	(1.277)	(1.632)	-	-	-	-
Other expenses	8	(34.864)	(4.612)	(60.257)	(37.700)	19.078	20.205	14.445	17.393
Total operating expenses		(949.838)	(271.184)	(1.030.673)	(349.003)	15.703	19.243	11.707	16.578
Operating profit (loss)		153.865	28.989	65.093	(15.130)	17.507	19.910	13.701	16.689
Finance income		3.583	575	5.632	936	83.051	10.189	99.885	1.332
Finance costs		(6.720)	(807)	(6.549)	77	(1.232)	139	(2.321)	(256)
Profit (loss) before tax		150.728	28.757	64.176	(14.117)	99.326	30.238	111.265	17.655
Current year income tax (expense)/income		(13.496)	(753)	(2.140)	(2.617)	(23)	54	(262)	(28)
Deferred income tax (expense)/income		(15.221)	(1.607)	(6.740)	(439)	34	30	14	21
Net profit		122.011	26.397	55.296	(17.173)	99.337	30.322	111.017	17.758
Attributable to:									
Owners of the parent		111.439	24.470	49.216	(18.427)	99.337	30.322	111.017	17.758
Non-controlling interests		10.572	1.926	6.080	1.254	-	-	-	-
Other comprehensive income (loss)									
Items that will not be reclassified to profit or loss									
Gain (loss) on revaluation of non-current assets		385	385	1.080	607	-	-	-	-
Items that will not be reclassified to profit or loss, total		385	385	1.080	607	-	-	-	-
Items that will be reclassified to profit or loss									
Change in fair value of available-for-sale financial assets		(48)	(3)	(26)	(11)	(48)	(3)	(26)	(11)
Items that will be reclassified to profit or loss, total		(48)	(3)	(26)	(11)	(48)	(3)	(26)	(11)
Other comprehensive income (loss)		337	382	1.054	596	(48)	(3)	(26)	(11)
Total comprehensive income (loss) for the period		122.348	26.779	56.350	(16.577)	99.289	30.319	110.991	17.747
Attributable to:									
Owners of the parent		111.391	24.468	50.256	(17.830)	99.289	30.319	110.991	17.747
Non-controlling interests		10.957	2.311	6.094	1.253	-	-	-	-

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 year ended 31 December 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			
Balance at 1 January 2015		1.210.568	24.362	67.630	47	(42.547)	1.260.060	48.830	1.308.890
Revaluation of property, plant and equipment, net of deferred income tax		-	-	1.066	-	-	1.066	14	1.080
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	(26)	-	(26)	-	(26)
Total other comprehensive income (loss) for the period		-	-	1.066	(26)	-	1.040	14	1.054
Net profit for the period		-	-	-	-	49.216	49.216	6.080	55.296
Total comprehensive income for the period		-	-	1.066	(26)	49.216	50.256	6.094	56.350
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(6.614)	-	6.614	-	-	-
Transfer to reserves and movement in reserves		-	4.413	-	27	(4.440)	-	9	9
Dividends	9	-	-	-	-	(57.844)	(57.844)	(4.191)	(62.035)
Share capital conversion result		1.588	-	-	-	-	1.588	-	1.588
Acquisition of shares from non-controlling interest		-	2	141	-	(166)	(23)	(297)	(320)
UAB „Kauno energetikos remontas“ prior period adjustments		-	-	100	-	(97)	3	-	3
Balance at 31 December 2015		1.212.156	28.777	62.323	48	(49.264)	1.254.040	50.445	1.304.485
Balance at 1 January 2016		1.212.156	28.777	62.323	48	(49.264)	1.254.040	50.445	1.304.485
Revaluation of property, plant and equipment, net of deferred income tax		-	-	385	-	-	385	-	385
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	(48)	-	(48)	-	(48)
Total other comprehensive income (loss) for the period		-	-	385	(48)	-	337	-	337
Net profit for the period		-	-	-	-	111.439	111.439	10.572	122.011
Total comprehensive income for the period		-	-	385	(48)	111.439	111.776	10.572	122.348
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(5.523)	-	5.523	-	-	-
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	-	2.636	2.709	(11.764)	(9.055)
Share of non-controlling interest in transfers to reserves		-	(1)	-	-	1	-	-	-
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	5.271	5.271
Balance at 31 December 2016		1.212.156	34.696	57.475	-	(32.618)	1.271.709	52.726	1.324.435

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Lietuvos energija, UAB, Company code 301844044, Žveju g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2016

All amounts in thousands of euro unless otherwise stated

Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2015		1.210.568	-	74	34.323	1.244.965
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	(26)	-	(26)
Total other comprehensive income for the period		-	-	(26)	-	(26)
Net profit for the period		-	-	-	111.017	111.017
Total comprehensive income for the period		-	-	(26)	111.017	110.991
Transfer to reserves and movement in reserves		-	4.207	-	(4.207)	-
Dividends	9	-	-	-	(57.844)	(57.844)
Share capital conversion result		1.588	-	-	-	1.588
Balance at 31 December 2015		1.212.156	4.207	48	83.289	1.299.700
Balance at 1 January 2016		1.212.156	4.207	48	83.289	1.299.700
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	(48)	-	(48)
Total other comprehensive income (loss) for the period		-	-	(48)	-	(48)
Net profit for the period		-	-	-	99.337	99.337
Total comprehensive income for the period		-	-	(48)	99.337	99.289
Transfer to reserves and movement in reserves		-	5.551	-	(5.551)	-
Dividends	9	-	-	-	(97.194)	(97.194)
Balance at 31 December 2016		1.212.156	9.758	-	79.881	1.301.795

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 year ended 31 December 2016

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		2016	2015	2016	2015
Cash flows from operating activities					
Net profit (loss) for the period		122.011	55.296	99.337	111.017
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	3	89.787	86.439	3	3
Impairment of property, plant and equipment (reversal of impairment)		566	30.133	-	-
Revaluation of property, plant and equipment		(122)	(130)	-	-
Revaluation of investment property		(214)	1.407	-	-
Share of profit of associates and joint ventures		-	13	-	-
(Gain) loss on disposal of investments in subsidiaries		-	(21)	-	-
Impairment of financial assets		(3.214)	(2.289)	-	-
Impairment of investments in subsidiaries / (reversal)		-	-	(20.869)	(16.216)
Income tax expenses		28.717	8.880	(11)	248
(Depreciation) of grants		(12.407)	(12.202)	-	-
Increase (decrease) in provisions		(12.314)	16.811	-	-
Inventory write-down to net realizable value/ (reversal)		275	(1.077)	-	-
Change in fair value of trade derivatives		355	-	-	-
(Income) expenses on revaluation of emission allowances		3.346	(370)	-	-
Emission allowances utilised	3	2.999	-	-	-
(Gain) loss on disposal/write-off of property, plant and equipment		3.330	3.710	(9)	-
Elimination of results of financing and investing activities:					
Interest (income)		(2.857)	(4.957)	(3.871)	(6.060)
Interest expenses		5.761	4.456	732	419
Other finance (income) expenses		233	1.418	(78.680)	(91.923)
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		(738)	26.902	5.809	(3.315)
(Increase) decrease in inventories, prepayments and other current assets		50.747	(16.209)	-	(3)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(868)	(60.158)	823	322
Income tax (paid)		(2.274)	(12.624)	(255)	-
Net cash flows from (used in) operating activities		273.119	125.428	3.009	(5.508)
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(154.020)	(148.722)	(65)	(280)
Disposal of property, plant and equipment and intangible assets		4.622	306	-	-
Loans (granted)		-	-	(5.191)	-
Loans repaid		29.017	96	26.560	-
(Acquisition) disposal of subsidiaries and associates	4	(27.674)	125	(105.787)	(54.627)
Grants received		8.817	9.362	-	-
Bonds redeemed		4.534	145	4.534	131
Interest received		1.012	4.629	1.573	6.507
Changes in non controlling interest arising from Group structural changes		(5.103)	(320)	-	-
Dividends received		-	-	69.525	93.825
Net cash flows from (used in) investing activities		(138.795)	(134.379)	(8.851)	45.556
Cash flows from financing activities					
Proceeds from borrowings		87.199	282.048	90.330	-
Repayments of borrowings		(58.387)	(282.031)	-	-
Finance lease payments		(155)	120	-	-
Interest paid		(6.702)	(4.329)	(400)	(372)
Dividends paid		(100.647)	(62.035)	(97.194)	(57.844)
Increase of share capital of UAB Kauno kogeneracinė įėgainė		123	-	-	-
Net cash flows from (used in) financing activities		(78.569)	(66.227)	(7.264)	(58.216)
Increase (decrease) in cash and cash equivalents (including overdraft)		55.755	(75.178)	(13.106)	(18.168)
Cash and cash equivalents (including overdraft) at the beginning of the period		122.810	197.988	13.179	31.347
Cash and cash equivalents (including overdraft) at the end of the period		178.565	122.810	73	13.179

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 31 December 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 January 2017 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'.

Assessment of price premiums in establishing the acquisition cost of shares

Price premium for the shares of NT Valdos UAB

In April 2015, the Company acquired the shares of NT Valdos UAB from LESTO AB, Lietuvos Energijos Gamyba AB, Duomenų Logistikos Centras UAB and Litgrid AB, thereby resulting in 100% direct control over NT Valdos UAB.

The premium to the basic sale price established for the acquired shares is payable by 31 March 2019, the amount of which may vary depending on the financial performance of NT Valdos UAB. The maximum amount of the price premium is equal to EUR 19,400 thousand. Acquisition costs of price premium is determined as present value of future cash flows and stand for EUR 17.506 thousand at the date of acquisition. Present value cash flows are calculated applying 2,65% annual interest rate used for transaction above EUR 1.000 thousand as announced by Bank of Lithuania. The Company reviewed NT Valdos UAB achieved and forecasted performance results and determined that the price premium should be reduced because it is likely that performance of the NT Valdos UAB will fall short as compared to expectations existed at the moment of initial recognition. At 31 December 2016 the Company's assessed fair value of Price premium, related to investment in NT Valdos UAB, equal to EUR 9.257 thousand (31 December 2015 – EUR 17.819 thousand).

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.

All amounts in thousands of euro unless otherwise stated

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
Period ended 31 December 2016		
Net book value at the beginning of the period	21.539	1.631.117
Acquisitions	3.111	171.960
Share capital settlement by assets	-	3.954
Increase due to acquisition of subsidiary	17.916	63.000
Sales	-	(1.121)
Write-offs/Emission allowances utilised	(2.999)	(3.393)
Impairment/reversal of impairment	-	9
Emission allowances grants received	1.733	-
Revaluation of emission allowances	(3.346)	-
Reclassification (to) finance lease	-	(7.818)
Reclassification from other assets to property, plant and equipment/intangible assets	133	(141)
Reclassification to assets held for sale	-	(1.411)
Reclassification from investment property	-	427
Reclassification from inventories	-	885
Depreciation/amortisation	(3.133)	(86.654)
Net book value at 31 December 2016	34.954	1.770.814

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

Company	Intangible assets	Property, plant and equipment
Period ended 31 December 2016		
Net book value at the beginning of the period	-	286
Reclassification from (to) inventories	-	65
Depreciation/amortisation	-	(3)
Net book value at 31 December 2016	-	348

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: Aguonų 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.

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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
Grants	-	(6.660)	(6.660)
Non-current liabilities	(24.001)	(18.586)	(42.587)
Current liabilities	(1.219)	(6.945)	(8.164)
Net assets	8.131	(297)	7.834
Non-controlling interest	2.033	-	2.033
Goodwill arising on business combination	10.960	6.956	17.916
Purchase consideration paid	17.058	6.659	23.717
Net cash outflow on acquisition of subsidiaries:			
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
Net cash outflow	(16.478)	(11.196)	(27.674)

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.

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 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.

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.

At 28 October 2015 and 1 December 2015 at sole shareholder decision share capital of UAB Elektroninių mokėjimų agentūra was increased by issuing 434 thousand units of ordinary shares at par value 1 Eur each. At 25 October 2016 there was paid 262.500 Eur amount of the share capital. Unpaid portion of the share capital as at 31 December 2016 is 171.500 EUR.

At 19 December 2016 the sole shareholder approved decision to increased UAB Vilniaus kogeneracinė jėgainė authorized capital up to EUR 20,000 thousand by issuing 68,965,518 new ordinary registered shares of 0,29 EUR par value. Initial contribution of ¼ subscribed shares, that amounts for EUR 5.000 thousand, the Company paid at 27 December 2016. Outstanding amount of issued shares will be settled within 12 month period since date of entering share subscription agreement. New UAB Vilniaus kogeneracinė jėgainė Articles of Association, related to the increase of the authorized capital, are registered by state Register of Legal Entities at 19 January 2017.

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.

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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 31 December 2016, the Company had additionally acquired the ownership right to 3.938.240 shares of Lietuvos Energijos Gamyba, AB and therefore the Company's ownership interest in Lietuvos Energijos Gamyba, AB increased to 96,75%.

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. At 31 December 2016 investment in Duomenų Logistikos Centras is accounted for as "Non-current assets held for sale" in the statement of financial position. Book value of the investment at 31 December 2016 amounts to 4.705 thousand EUR. The Company's assessment shows that carrying amount of the investment does not exceed the potential selling price, net of the sale costs.

Valuation of investments in subsidiaries in the separate financial statements of the Company

At 31 December 2016 the Company tested for impairment its investment in subsidiary AB Energijos skirstymo operatorius, using the discounted cash flows method, and recognized reversal of impairment of EUR 37.305 thousand. After reversal of impairment, the recoverable amount of the investment (it is considered to reflect fair value) is equal to EUR 710.921 thousand (31 December 2015 – EUR 673.616 thousand).

At 31 December 2016 the Company tested for impairment its investment in subsidiary UAB LITGAS, applying discounted cash flows method, and recognized reversal of impairment of EUR 307 thousand. After reversal of impairment, the recoverable amount of the investment (it is considered to reflect fair value) is equal to EUR 11.856 thousand (31 December 2015 – EUR 11.549 thousand).

At 31 December 2016 the Company tested for impairment its investment in subsidiary NT valdos, UAB and recognized impairment loss of EUR 9.036 thousand. After recognition of impairment, the recoverable amount of the investment (it is considered to reflect fair value) is equal to EUR 80.341 thousand (31 December 2015 – EUR 89.377 thousand).

At 31 December 2016 the Company tested for impairment its investment in subsidiary UAB „Energetikos paslaugų ir rangos organizacija“ and recognized impairment loss of EUR 7.320 thousand. After recognition of impairment, the recoverable amount of the investment (it is considered to reflect fair value) is equal to EUR 1.817 thousand (31 December 2015 – EUR 9.137 thousand).

At 31 December 2016 the Company tested for impairment its investment in subsidiary UAB VAE SPB and recognized impairment loss of EUR 201 thousand. After recognition of impairment, the recoverable amount of the investment (it is considered to reflect fair value) is equal to EUR 90 thousand (31 December 2015 – EUR 291 thousand).

At 31 December 2016 the Company tested for impairment its investment in subsidiary VŠĮ Energetikų mokymų centras and recognized impairment loss of EUR 186 thousand. After recognition of impairment, the recoverable amount of the investment (it is considered to reflect fair value) is equal to EUR 123 thousand (31 December 2015 – EUR 309 thousand).

Impairment loss and effect of impairment reversal are accounted for under "Other expenses" item in the Company's statement of comprehensive income.

At 31 December 2016 there were no indications of impairment in respect of other investments in subsidiaries of the Company.

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As at 31 December 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 (%)
Subsidiaries:						
AB Energijos skirstymo operatorius ¹	710.921	-	-	710.921	94,98	94,98
Lietuvos energijos gamyba, AB	299.935	-	-	299.935	96,75	96,75
UAB EURAKRAS	17.058	-	-	17.058	75,00	75,00
UAB Lietuvos dujų tiekimas	8.369	-	-	8.369	100,00	100,00
NT valdos, UAB	89.377	(9.036)	-	80.341	100,00	100,00
UAB Technologijų ir inovacijų centras	3.218	-	-	3.218	50,00	97,80
UAB Energetikos paslaugų ir rangos organizacija ²	9.137	(7.320)	-	1.817	100,00	100,00
Tuuleenergija Osauhing	6.659	-	-	6.659	100,00	100,00
Energijos tiekimas, UAB	23.906	-	-	23.906	100,00	100,00
UAB LITGAS	12.641	(785)	-	11.856	100,00	100,00
VšĮ Energetikų mokymų centras	309	(186)	-	123	100,00	100,00
UAB Elektroninių mokėjimų agentūra	758	-	-	758	100,00	100,00
UAB Verslo aptarnavimo centras	295	-	-	295	51,00	97,00
UAB VAE SPB	1.014	(1.369)	445	90	100,00	100,00
UAB Vilniaus kogeneracinė jėgainė	1.003	-	-	1.003	100,00	100,00
UAB Energijos sprendimų centras	348	-	-	348	100,00	100,00
UAB Kauno kogeneracinė jėgainė	5.487	-	-	5.487	100,00	100,00
Lietuvos energijos paramos fondas	3	-	-	3	100,00	100,00
	1.190.438	(18.696)	445	1.172.187		

(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 (%)
Subsidiaries:						
AB LESTO	538.874	(16.869)	-	522.005	94,39	94,39
Lietuvos energijos gamyba, AB	294.832	-	-	294.832	96,13	96,13
AB Lietuvos dujos	172.047	(20.436)	-	151.611	96,64	96,64
NT Valdos, UAB	89.377	-	-	89.377	100,00	100,00
Energijos tiekimas UAB	16.666	-	-	16.666	100,00	100,00
UAB LITGAS	8.689	(1.092)	-	7.597	66,67	66,67
UAB ELEKTROS TINKLO PASLAUGOS	4.795	-	-	4.795	100,00	100,00
UAB Kauno energetikos remonta"	4.342	-	-	4.342	100,00	100,00
UAB Duomenų logistikos centras	7.268	(2.563)	-	4.705	79,64	79,64
UAB Technologijų ir inovacijų centras	3.218	-	-	3.218	50,00	97,80
UAB VAE SPB	1.014	(1.168)	314	160	100,00	100,00
UAB Lietuvos dujų tiekimas	869	-	-	869	100,00	100,00
UAB Elektroninių mokėjimų agentūra	496	-	-	496	100,00	100,00
VšĮ Energetikų mokymo centras	309	-	-	309	100,00	100,00
UAB Verslo aptarnavimo centras	295	-	-	295	51,00	97,00
Lietuvos energijos paramos fondas	3	-	-	3	100,00	100,00
UAB Vilniaus kogeneracinė jėgainė	1.003	-	-	1.003	100,00	100,00
UAB Kauno kogeneracinė jėgainė	3	-	-	3	100,00	100,00
	1.144.100	(42.128)	314	1.102.286		

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5. Share capital

As at 31 December 2016 and 31 December 2015 the Company's share capital comprised EUR 1.212.156.294. As at 31 December 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 31 December 2016 and 31 December 2015 share capital was fully paid.

6. Borrowings

	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Non-current				
Bank borrowings	365.267	277.805	23.440	-
Current				
Current portion of non-current borrowings	84.945	99.023	2.131	-
Current borrowings	44.011	1.490	38.948	-
Loans from related parties (cash pool)	-	-	25.811	-
Letters of credit	-	206	-	-
Bank overdrafts	-	41.531	-	-
Accrued interest	4	5	-	-
Total borrowings	494.227	420.060	90.330	-

In January 2016, the Group company NT Valdos 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 Valdos 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 Osauhing Group's liabilities to credit institutions has increased by EUR 69.181 thousand.

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 thousand and EUR 20.000 thousand respectively as of 31 December 2015.

7. Provisions

	Group		Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Non-current	3.220	5.084	-	-
Current	12.883	23.333	-	-
Carrying amount	16.103	28.417	-	-

Group	Provisions for litigations and claims	Emission allowance liabilities	Provisions for employee benefits	Provisions for unprofitable contracts	Other provisions	Total
At 31 December 2015	54	3.735	3.189	21.368	71	28.417
Increase (decrease) during the period	-	580	809	-	-	1.389
Utilised during the period	-	(2.999)	(32)	(11.076)	-	(14.107)
Increase (decrease) due to change in assumptions	-	-	404	-	-	404
At 31 December 2016	54	1.316	4.370	10.292	71	16.103

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 31 December 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 11.076 thousand 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	2015	2016	2015
Taxes	6.681	6.528	53	44
Telecommunication and IT services	3.626	3.725	232	222
Write-offs of property, plant and equipment	3.604	2.790	-	-
Customer service	3.399	2.745	-	-
Revaluation and provisions of emission allowances	3.339	(711)	-	-
Utility services	2.308	1.667	71	55
Rent	2.114	2.351	180	159
Motor vehicles	1.607	2.701	117	113
Expenses of low-value inventory items	1.183	1.094	-	-
Consulting services	1.026	1.526	394	566
Personnel development	710	671	69	119
Public relations and marketing	693	1.209	133	102
Business trips	439	535	55	42
Impairment of inventories (reversal)	273	(1.077)	-	-
Impairment of property, plant and equipment and revaluation	154	30.133	-	-
(Reversal) of impairment of investments in subsidiaries	-	-	(20.869)	(16.216)
(Reversal) of impairment of receivables	(3.317)	(1.807)	-	-
Other expenses	7.025	6.177	487	349
	34.864	60.257	(19.078)	(14.445)

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 31 December 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 – December 2016 and balances arising on these transactions as at 31 December 2016 are presented below:

Related party	Amount payable	Amounts receivable	Finance income	Sales	Finance expenses	Purchases
	2016.12.31	2016.12.31	2016 I – IV Q	2016 I – IV Q	2016 I – IV Q	2016 I – IV Q
EPSO-G, UAB	-	210.414	2.653	32	-	-
Litgrid AB	11.429	5.057	-	50.979	79	102.436
BALTPPOOL UAB	14.945	3.941	-	66.494	-	91.143
TETAS, UAB	4.132	337	66	1.593	-	14.690
Tinklo priežiūros centras, UAB	-	19	-	175	-	-
Amber Grid, AB	5.669	3.430	-	36.656	-	35.130
GET Baltic	745	2.538	-	3.735	-	3.228
Group's associates and other related parties	-	313	-	1.038	-	4.098
Total	36.920	226.049	2.719	160.702	79	250.725

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

Related party	Amounts payable	Amounts receivable	Finance income	Sales	Finance expenses	Purchases
	2015.12.31	2015.12.31	2015 I – IV Q	2015 I – IV Q	2015 I – IV Q	2015 I – IV Q
EPSO-G UAB	-	239.959	3.919	6	-	-
Litgrid AB	6.997	2.370	-	21.638	2	64.395
BALTPPOOL UAB	15.253	10.700	-	82.939	-	92.458
TETAS UAB	4.042	183	110	1.693	-	15.382
Tinklo priežiūros centras, UAB	-	17	-	43	-	-
Amber Grid AB	77	34	-	316	-	8.594
Group's associates and other related parties	232	121	-	261	-	1.483
Total	26.601	253.384	4.029	106.896	2	182.312

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Company's transactions with related parties

The Company's transactions with related parties during January – December 2016 and balances arising on these transactions as at 31 December 2016 are presented below:

Related parties	Amounts payable 2016.12.31	Amounts receivable 2016.12.31	Finance income 2016 I - IV Q	Sales 2016 I - IV Q	Finance expenses 2016 I - IV Q	Purchases 2016 I - IV Q
Subsidiaries						
AB „Energijos skirstymo operatorius“	5.823	235	46.137	750	401	-
„Lietuvos energijos gamyba“ AB	17.202	1.099	30.813	219	353	-
UAB „Lietuvos dujų tiekimas“	6.008	24	-	108	37	-
NT Valdos, UAB	4.946	33	1.253	118	2	342
UAB „Energetikos paslaugų ir rangos organizacija“	-	2.967	28	127	-	-
UAB „Verslo aptarnavimo centras“	79	26	2	118	-	275
Energijos tiekimas UAB	-	28	3	69	2	-
UAB LITGAS	-	18	1.612	37	-	-
UAB Technologijų ir inovacijų centras	62	20	100	39	-	225
UAB „VAE SPB“	-	1	-	2	-	-
VšĮ Energetikų mokymų centras	-	2	-	10	-	-
„Tuuleenergija Osauhing“	-	5.172	211	-	-	-
UAB Duomenų logistikos centras	54	7	53	29	4	-
UAB EURAKRAS	1.067	14	94	5	3	-
UAB Vilniaus kogeneracinė jėgainė	-	5.011	-	114	-	-
UAB Elektroninių mokėjimų agentūra	-	11	-	43	-	-
UAB Kauno kogeneracinė jėgainė	-	80	-	66	-	-
Other related parties						
EPSO-G UAB	-	210.410	2.653	-	-	-
Total	35.241	225.158	82.959	1.854	802	842

During 2016 the Company accounted in its statement of comprehensive income for EUR 69.525 thousand of dividend income from subsidiaries.

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

Related parties	Amounts payable 2015.12.31	Amounts receivable 2015.12.31	Finance income 2015 I - IV Q	Sales 2015 I - IV Q	Finance expenses 2015 I - IV Q	Purchases 2015 I - IV Q
Subsidiaries						
Energijos Skirstymo Operatorius (until 1 January 2016 LESTO AB and Lietuvos Dujos AB)	34.682	263	68.979	1.014	402	58.906
Lietuvos Energijos Gamyba“ AB	28.253	-	23.444	350	324	48.520
Lietuvos Dujų Tiekimas UAB	-	47	-	160	-	-
NT Valdos UAB	35	39	-	109	-	294
Energetikos Paslaugų ir Rangos Organizacija UAB (Until 1 January 2016 Kauno Energetikos Remontas UAB and ELEKTROS TINKLO PASLAUGOS UAB)	-	3.041	-	163	-	61
Verslo Aptarnavimo Centras UAB	-	3	-	199	-	35
Energijos Tiekimas UAB	-	20	1.155	48	-	-
LITGAS UAB	-	170	2.003	30	-	-
Technologijų ir Inovacijų Centras UAB	8	26	-	215	-	44
VAE SPB UAB	-	4	-	22	-	-
VšĮ Energetikų Mokymų Centras	-	13	-	26	-	11
Duomenų Logistikos Centras UAB	321	-	248	29	2	529
Other related parties						
EPSO-G UAB	-	239.957	3.919	-	-	-
Litgrid AB	188	-	-	-	2	312
Total	63.487	243.583	99.748	2.365	730	108.712

During 2015 the Company accounted in its statement of comprehensive income for EUR 93.825 thousand of dividend income from subsidiaries.

All amounts in thousands of euro unless otherwise stated

Management compensation:

	Group		Company	
	2016	Error! Reference source not found.	2016	Error! Reference source not found.
Salaries and other short-term benefits	3.615	4.517	711	700
Whereof: Termination benefits and benefits to Board Members	360	733	73	92
Number of management staff	66	71	11	10

Management includes heads of administration and their deputies.

11. Events after the reporting period

Modification of energy operating licence

At 12 January 2017 AB „Energijos skirstymo operatorius“ announced, that National Control Commission for Prices and Energy has approved the modification on Company's Energy operating licence No L2-GDS-09 by adding a new territory to the activity area defined in the annex to this licence, i. e the territory of Tauragė region municipality. The mentioned modification of the energy activity licence entitles the Company to ensure the provision of natural gas distribution services in Tauragė region municipality .

The decision to dispose investment in VŠĮ Energetikų mokymų centras

In January 2017 the Company's management decided to initiate VŠĮ Energetikų mokymų centras sale process, thus continuing the Group's purification of and concentrating on its core activities. A sales process is expected to be completed during second half of the 2017.

Bank loan granted

On 27 January 2017, the subsidiary of the Company Energijos Skirstymo Operatorius, AB and SEB Bankas AB signed the agreement for a long-term loan of EUR 77 million. The loan will be used to refinance Energijos Skirstymo Operatorius, AB financial liabilities and finance the working capital. The loan repayment term is 10 years and it is subject to a variable interest rate of 3 months EURIBOR.

Increase of share capital UAB Vilniaus kogeneracinė jėgainė

As described in Note 4, at 19 December 2016 the sole shareholder approved decision to increase UAB Vilniaus kogeneracinė jėgainė authorized share capital up to EUR 20.000 thousand by issuing 68.965.518 new ordinary registered shares of EUR 0,29 par value each. The initial contribution of ¼ subscribed shares, standing for EUR 5.000 thousand, was paid by the Company at 27 December 2016. New Articles of Association of UAB Vilniaus kogeneracinė jėgainė, related to the increase of the authorized share capital, were registered by state Register of Legal Entities at 19 January 2017.
