

2015

# LIETUVOS ENERGIJA UAB COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015



*This condensed interim financial information a translation from the original, which was prepared in Lithuanian language. 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 the accompanying documents takes precedence over this translation.*

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*This version of our report is a translation from the original, which was prepared in Lithuanian language. 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 our report takes precedence over this translation.*

## **Independent Auditor's Report**

To the shareholder of Lietuvos Energija UAB

### **Report on the condensed interim financial information**

We have audited the accompanying stand-alone condensed interim financial statements of Lietuvos Energija UAB ("the Company") set out on pages 5 to 18, which comprise the stand-alone condensed interim statement of financial position as of 30 June 2015 and the stand-alone condensed interim statements of comprehensive income for the three month and six month periods then ended, the stand-alone condensed interim statements of changes in equity and cash flows for the six month period then ended, and notes to the interim financial statements ("the condensed interim financial statements").

#### *Management's responsibility for the condensed interim financial statements*

Management is responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these condensed interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the condensed interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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*PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania  
T: +370 (5) 239 2300, F: +370 (5) 239 2301, Email: [vilnius@lt.pwc.com](mailto:vilnius@lt.pwc.com), [www.pwc.com/lt](http://www.pwc.com/lt)*



*Basis for qualified opinion*

The Company accounts for investments in subsidiary companies at cost less impairment charge. As of 31 December 2014, the Company recognised an impairment charge of EUR 55,781 thousand in respect of investments in subsidiary companies, for which impairment indicators existed in the previous periods. The Company's management did not determine the recoverable amounts of investments in subsidiary companies with the carrying amounts of EUR 538,874 thousand and EUR 504,731 thousand as of 30 June 2014 and 31 December 2013, respectively. Our audit opinions on the condensed interim financial statements for the period ended 30 June 2014 and on the financial statements for the year ended 31 December 2014 were modified accordingly. As the recoverable amounts of investments were not determined in the above-mentioned periods, we were unable to assess in which periods the impairment charge should have been recognised and presented in the comparative periods of these condensed interim financial statements. Our opinion is therefore modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

*Qualified opinion*

In our opinion, except for the effect of the matter described in the *Basis for qualified opinion* paragraph, the condensed interim financial statements for the Company standing alone are prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
25 August 2015

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

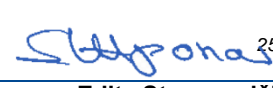
## STATEMENT OF FINANCIAL POSITION

	Note	Company	
		At 30 June 2015	At 31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7	9
Subsidiaries and other investments	4	1,076,150	968,386
Amounts receivable after one year	5	238,975	238,975
Long-term investments	6	4,696	4,696
Deferred income tax assets		28	32
<b>Total non-current assets</b>		<b>1,319,856</b>	<b>1,212,098</b>
<b>Current assets</b>			
Prepayments		47	3
Trade receivables		1,125	-
Other amounts receivable		3,918	2,102
Short-term investments	6	53	15
Cash and cash equivalents	7	39,477	31,347
		<b>44,620</b>	<b>33,467</b>
Non-current assets held for sale		77	77
<b>Total current assets</b>		<b>44,697</b>	<b>33,544</b>
<b>TOTAL ASSETS</b>		<b>1,364,553</b>	<b>1,245,642</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	1,212,156	1,210,568
Reserves	9	4,281	74
Retained earnings (deficit)		61,299	34,322
<b>Total equity</b>		<b>1,277,736</b>	<b>1,244,964</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other non-current accounts payable and liabilities	10	40,930	23
<b>Total non-current liabilities</b>		<b>40,930</b>	<b>23</b>
<b>Current liabilities</b>			
Trade payables		297	188
Income tax liabilities		36	159
Other current amounts payable and liabilities	11	45,554	308
<b>Total current liabilities</b>		<b>45,887</b>	<b>655</b>
<b>Total liabilities</b>		<b>86,817</b>	<b>678</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,364,553</b>	<b>1,245,642</b>

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

  
 25 August 2015  
**Dalius Misiūnas**  
 Chief Executive Officer

  
 25 August 2015  
**Darius Kašauskas**  
 Finance and Treasury Director

  
 25 August 2015  
**Edita Steponavičienė**  
 Verslo Aptarnavimo Centras UAB,  
 Head of Accounting Department  
 acting under Order No V-020 of 25  
 April 2015

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

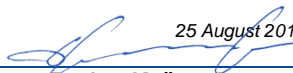
	Note	Company			
		1H 2015	Q2 2015	1H 2014	Q2 2014
<b>Revenue</b>					
Sales revenue	12	936	573	-	-
Other income		1	1	1	1
<b>Total revenue</b>		<b>937</b>	<b>574</b>	<b>1</b>	<b>1</b>
<b>Operating expenses</b>					
Depreciation and amortisation		(2)	(1)	(3)	(1)
Wages and salaries and related expenses		(1,369)	(735)	(1,379)	(771)
Other expenses	13	(2,552)	(2,230)	(622)	(366)
<b>Total operating expenses</b>		<b>(3,923)</b>	<b>(2,966)</b>	<b>(2,004)</b>	<b>(1,138)</b>
<b>Operating profit (loss)</b>		<b>(2,986)</b>	<b>(2,392)</b>	<b>(2,003)</b>	<b>(1,137)</b>
Finance income	14	64,031	62,299	71,755	70,846
Finance costs	15	(1,730)	(142)	(64)	(62)
<b>Profit (loss) before tax</b>		<b>59,315</b>	<b>59,765</b>	<b>69,688</b>	<b>69,647</b>
Current year income tax expense		(36)	(36)	(7)	(7)
Deferred income tax (expense)/income		(3)	(17)	25	24
<b>Net profit (loss)</b>		<b>59,276</b>	<b>59,712</b>	<b>69,706</b>	<b>69,664</b>
<b>Other comprehensive income (loss)</b>					
<b>Items that will be reclassified to profit or loss</b>					
Change in fair value of available-for-sale financial assets		-	-	55	55
<b>Items that will be reclassified to profit or loss, total</b>		-	-	55	55
<b>Other comprehensive income (loss) for the period</b>		-	-	55	55
<b>Total comprehensive income (loss) for the period</b>		<b>59,276</b>	<b>59,712</b>	<b>69,761</b>	<b>69,719</b>

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



25 August 2015

**Darius Misiūnas**  
Chief Executive Officer



25 August 2015 25 August 2015

**Darius Kašauskas**  
Finance and Treasury Director



25 August 2015

**Edita Steponavičienė**  
Verslo Aptarnavimo Centras UAB, Head of  
Accounting Department acting under Order No V-  
020 of 25 April 2015

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

## INTERIM STATEMENT OF CASH FLOWS

	Company	
	At 30 June 2015	At 30 June 2014
<b>Cash flows from operating activities</b>		
Net profit (loss) for the period	59,276	69,706
<b>Adjustments for non-monetary expenses (income):</b>		
Depreciation and amortisation	2	2
Income tax expense/(income)	39	(18)
Impairment of investments in subsidiaries	13	1,667
Elimination of results of financing and investing activities:		
Interest income	14	(3,293)
Interest expenses	15	142
Other finance (income)/costs	(59,150)	(69,795)
<b>Changes in working capital:</b>		
(Increase) decrease in trade receivables and other amounts receivable	(1,047)	(2,435)
(Increase) decrease in inventories, prepayments and other current assets	-	(23)
Increase (decrease) in amounts payable, deferred income and advance amounts received	(19)	255
Income tax (paid)	-	-
<b>Net cash flows from (used in) operating activities</b>	<b>(2,383)</b>	<b>(4,207)</b>
<b>Cash flows from investing activities</b>		
Loans (granted), loan repayments received	-	(29,868)
Acquisition of subsidiaries (associates)	(23,334)	(3)
Disposal of bonds	-	47,181
Interest received	1,202	578
Dividends received	17	60,738
Acquisition of LESTO AB shares from minority shareholders	4	-
Acquisition of Lietuvos Dujos AB shares	4	(139,411)
<b>Net cash flows from (used in) investing activities</b>	<b>38,606</b>	<b>(85,997)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	14,623
Repayments of borrowings	-	(13,204)
Interest paid	-	(43)
Dividends paid	17	(28,093)
<b>Net cash flows from (used in) financing activities</b>	<b>(28,093)</b>	<b>1,376</b>
<b>Increase (decrease) in cash and cash equivalents (including overdraft)</b>	<b>8,130</b>	<b>(88,828)</b>
Cash and cash equivalents (including overdraft) at the beginning of the period	31,347	89,774
<b>Cash and cash equivalents (including overdraft) at the end of period</b>	<b>39,477</b>	<b>946</b>

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



25 August 2015

**Dalius Misiūnas**  
Chief Executive Officer



25 August 2015

**Darius Kašauskas**  
Finance and Treasury Director



25 August 2015

**Edita Steponavičienė**  
Verslo Aptarnavimo Centras  
UAB, Head of Accounting  
Department acting under Order No  
V-020 of 25 April 2015

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

## INTERIM STATEMENT OF CHANGES IN EQUITY

Company	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2014</b>		<b>1,177,932</b>	-	-	<b>(25,214)</b>	<b>1,152,718</b>
Increase in share capital	4	32,636	-	-	-	32,636
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	55	-	55
Net profit (loss) for the reporting period		-	-	-	69,706	69,706
<b>Balance at 30 June 2014</b>		<b>1,210,568</b>	-	<b>55</b>	<b>44,492</b>	<b>1,255,115</b>
<b>Balance at 1 January 2015</b>		<b>1,210,568</b>	-	<b>74</b>	<b>34,323</b>	<b>1,244,965</b>
Transfer to legal reserve	9	-	4,207	-	(4,207)	-
Dividends	17	-	-	-	(28,093)	(28,093)
Result of share capital conversion	8, 15	1,588	-	-	-	1,588
Net profit (loss) for the reporting period		-	-	-	59,276	59,276
<b>Balance at 30 June 2015</b>		<b>1,212,156</b>	<b>4,207</b>	<b>74</b>	<b>61,299</b>	<b>1,277,736</b>

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



25 August 2015

**Dalius Misiūnas**  
Chief Executive Officer



25 August 2015

**Darius Kašauskas**  
Finance and Treasury Director



25 August 2015

**Edita Steponavičienė**  
Verslo Aptarnavimo Centras UAB, Head of  
Accounting Department acting under Order No V-  
020 of 25 April 2015



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1 General information

Lietuvos Energija UAB (hereinafter "the Company") is a private limited liability company registered in the Republic of Lithuania. The address of the Company's registered office is Žvejų g. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-making entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044, VAT payer's code: LT100004278519. The Company has been established for an unlimited period.

The Company is a parent company, which is responsible for the management and coordination of activities of group companies engaged in electric power and heat production and supply, electric power import and export, distribution and trade, as well as in service and development of electric energy industry.

The Company analyses the activities of group companies, represents the whole group, implements its shareholder's rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication and other.

The Company seeks to ensure effective operation of group companies, implementation of goals related to the group's activities set forth in the National Energetic Independence Strategy and other legal acts, ensuring that it builds a sustainable value in a socially responsible manner.

The Company is wholly owned by the state of the Republic of Lithuania.

Company's shareholder	At 30 June 2015		At 31 December 2014	
	Share capital (EUR '000)	%	Share capital (EUR '000)	%
Republic of Lithuania represented by the Lithuanian Ministry of Finance	1,212,156	100%	1,210,568	100.00

As at 30 June 2015, the Company had 76 employees (31 December 2014: 61 employees).

The Company's management approved this financial information on 25 August 2015.

### 2 Summary of significant accounting policies

This interim financial information for the period ended 30 June 2015 has been prepared according to International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

For a better understanding of data contained in this interim condensed financial information, the Company's condensed interim financial statements for the first half of 2015 should be read in conjunction with the Company's annual consolidated financial statements and the Company's financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the consolidated condensed interim financial information (unaudited) for the six-month period ended 30 June 2015, which has been announced publicly.

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements for 2014.

#### Income tax

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

#### Functional and presentation currency

These condensed interim financial statements are presented in the national currency the euro (EUR), which is the Company's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas. The litas was pegged to the euro at the exchange rate of LTL 3,4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3,4528 to EUR 1. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3,4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 8.

#### New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Company with effect from 2015, and that would have a material impact on the Company's financial information.

All amounts in EUR thousands unless otherwise stated

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

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

Estimates and judgements are continually evaluated 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 the financial information according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on this financial information. Accounting estimates applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements as at 31 December 2014.

#### Assessment of investments in subsidiaries

Although the shares of the Company's subsidiaries LESTO AB, Lietuvos Energijos Gamyba AB and Lietuvos Dujos AB are traded on Vilnius Stock Exchange, the Company's management believes this market is not active enough so that the quoted stock prices could be treated as equivalent to the fair value of investments in subsidiaries at the reporting date.

As at 30 June 2015, the Company performed the impairment test in respect of investment in the subsidiary LESTO AB using the discounted cash flow method. Discounted cash flows were calculated in accordance with the effective legal acts and methodologies regulating the distribution activity and taking into consideration the most probable scenario for the development of the electric power distribution activity and uncertainties existing in the electric energy industry. In view of the analysis, the Company's management determined that the investment in LESTO AB was not impaired as at 30 June 2015.

As at 30 June 2015, the Company performed the impairment test in respect of investment in the subsidiary Lietuvos Dujos AB using the discounted cash flow method. Discounted cash flows were calculated in accordance with the effective legal acts and methodologies regulating the gas distribution activity and taking into consideration the most probable scenario for the development of the gas distribution activity and uncertainties existing in the gas industry. Discounted cash flows were calculated using a pre-tax discount rate of 7.09%, which corresponds to the weighted average cost of capital (WACC) of the natural gas industry announced by the National Control Commission for Prices and Energy (hereinafter "the Commission"), which is applied in setting price caps for natural gas companies. In view of the analysis, the Company's management determined that the investment in Lietuvos Dujos AB was not impaired as at 30 June 2015.

As at 30 June 2015, the Company performed the impairment test in respect of investment in the subsidiary VAE SPB UAB and determined that the impairment of the investment in VAE SPB UAB was equal to EUR 575 thousand as at 30 June 2015.

As at 30 June 2015, the Company performed the impairment test in respect of investment in the subsidiary Litgas UAB using the discounted cash flow method. Discounted cash flows were calculated in accordance with the effective legal acts and methodologies regulating the activity of the designated supplier and taking into consideration the most probable scenario for the development of the natural gas trade activity and uncertainties existing in the liquefied natural gas industry. Discounted cash flows were calculated using a discount rate of 9.72%, which is established as the required return on the share capital. In view of the analysis, the Company's management determined that the impairment of the investment in Litgas UAB was equal to EUR 1,092 thousand as at 30 June 2015.

#### Assessment of price premiums in establishing the acquisition cost of shares

##### *Premium to shares of NT Valdos UAB*

In April 2015, the Company acquired shares of NT Valdos UAB from LESTO AB, Lietuvos Energijos Gamyba AB, Duomenų Logistikos Centras UAB and Litgrid AB and consequently acquired a sole direct control over NT Valdos UAB. See Note 4 for a more detailed information on share acquisition transactions.

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 premium is equal to EUR 19,400 thousand. Based on the judgement of the Company's management, NT Valdos UAB will achieve the financial performance targets set and accounted for the maximum share price premium equal to EUR 19,400 thousand within amounts payable. The premium was discounted to the present value using the average interest rate announced by the Bank of Lithuania for loans exceeding EUR 1,000 thousand, which was equal to 2.65% at the date of discounting. The acquisition cost of the investment in NT Valdos UAB was reduced by the amount of discounting. The discounting effect will subsequently be recognised as finance costs.

##### *Premium to shares of Kauno Energetikos Remontas UAB*

On 31 March 2015, the Company signed the share purchase-sale agreement with Lietuvos Energijos Gamyba AB, under which it acquired 100%, i.e. 15,244,112, of ordinary registered shares of Kauno Energetikos Remontas UAB. See Note 4 for a more detailed information on the share acquisition transaction.

**Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six-month period ended 30 June 2015**

All amounts in EUR thousands unless otherwise stated

Kauno Energetikos Remontas UAB on the commission of Lietuvos Energijos Gamyba AB implements the biofuel boiler plant project, in respect of which a provision of EUR 3,853 thousand was recognised in the financial statements of Kauno Energetikos Remontas UAB as at 31 December 2014. If a loss from the implementation of the biofuel boiler plant project increases or decreases more than EUR 50 thousand, the purchase-sale price of shares of Kauno Energetikos Remontas UAB is adjusted by 89% of the amount of this change, i.e. by EUR 44.5 thousand.

On 30 June 2015, the Company's management assessed the course of the biofuel boiler plant project implementation, the price premium, and determined that as no changes were made to the assumptions relating to the premium recognition, the price premium is equal to nil as at 30 June 2015.

#### Consideration for the disposal of LITGRID AB

In the implementation of the requirements of the Law on Electricity, the Lithuanian Government passed Resolution No 826 on 4 July 2012 *Regarding the Establishment of the Private Limited Liability Company and Investment of State-owned Assets* whereby instructed the Ministry of Energy to establish a private limited liability company and pass all necessary decisions in order to transfer shares of Litgrid AB held by Lietuvos Energija UAB to a newly established private limited liability company EPSO-G UAB at a certain consideration in view of the market price of shares established by independent valuers. The independent valuer established the market value of 97.5% of shares of Litgrid AB using the income (value-in-use) method.

The purchase-sale agreement of shares of Litgrid AB provide for a premium to the final price, the amount of which depends on the regulatory environment in future periods. On 24 September 2014, the Government approved the Procedure for Determining Regulated Prices in Electric Energy Sector and on 15 January 2015 the Commission approved a new (LRAIC) regulation methodology. On 19 January 2015, the Commission established the upper limit of the price for electricity transmission services via high voltage networks for Litgrid AB for 2016-2020. In view of the aforementioned changes and with the assumptions used for the calculation of the price premium remaining unchanged since the last reporting date, in the management's opinion based on the purchase-sale agreement of shares of Litgrid AB, the value of the price premium was equal to nil as at 30 June 2015.

#### Tax audits

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

## 4 Subsidiaries and other investments

On 27 April 2015, the Company signed the share purchase-sale agreement with LESTO AB, under which it acquired 57.30%, i.e. 1,692,666, of ordinary registered shares of NT Valdos UAB. The basic acquisition cost of shares amounted to EUR 41,176 thousand and the recognised premium to the share price amounted to EUR 11,120 thousand (Note 3).

On 27 April 2015, the Company signed the share purchase-sale agreement with Lietuvos Energijos Gamyba AB, under which it acquired 41.73%, i.e. 1,232,897, of ordinary registered shares of NT Valdos UAB. The acquisition cost of shares amounted to EUR 29,987 thousand and the recognised premium to the share price amounted to EUR 8,099 thousand (Note 3).

On 27 April 2015, the Company signed the share purchase-sale agreement with Duomenų Logistikos Centras UAB, under which it acquired 0.59%, i.e. 17,384, of ordinary registered shares of NT Valdos UAB. The acquisition cost of shares amounted to EUR 424 thousand and the recognised premium to the share price amounted to EUR 114 thousand (Note 3).

On 30 April 2015, the Company signed the share purchase-sale agreement with Litgrid AB, under which it acquired 0.35%, i.e. 10,193, of ordinary registered shares of NT Valdos UAB. The acquisition cost of shares amounted to EUR 252 thousand and the premium to the share price amounted to EUR 67 thousand (Note 3).

The recognised premium to the share price of NT Valdos UAB totalling to EUR 19,400 thousand was discounted to the present value using the average interest rate of 2.65% announced by the Bank of Lithuania (Note 3). The discounting effect amounted to EUR 1,895 thousand at the initial recognition of investments. After the completion of these transactions, Lietuvos Energija UAB became the sole shareholder of NT Valdos UAB.

On 31 March 2015, the Company signed the share purchase-sale agreement with Lietuvos Energijos Gamyba AB, under which it acquired 100%, i.e. 15,244,112, of ordinary registered shares of Kauno Energetikos Remontas UAB and 100%, i.e. 750,000, of ordinary registered shares of Energijos Tiekimas UAB. The acquisition cost of shares of Kauno Energetikos Remontas UAB amounted to EUR 4,778 thousand and the acquisition cost of shares of Energijos Tiekimas UAB amounted to EUR 6,883 thousand. After the completion of this transaction, the Company acquired control over indirectly controlled subsidiaries Geton Energy SIA and Geton Energy OU.

On 31 March 2015, the Company signed the share purchase-sale agreement with LESTO AB, under which it acquired 100%, i.e. 18,904, of ordinary registered shares of ELEKTROS TINKLO PASLAUGOS UAB. The acquisition cost of shares amounted to EUR 7,695 thousand.

On 19 February 2015, new companies were established: Vilniaus Kogeneracinė Jėgainė UAB (Cogeneration Power Plant in Vilnius) and Kauno Kogeneracinė Jėgainė UAB (Cogeneration Power Plant in Kaunas). Their activity is focused on modernisation of heat sectors in Vilnius and Kaunas by building a complex of cogeneration power plants that use waste and biofuel. The new power plants will generate significant volume of energy at a competitive price enabling to ensure more favourable prices for end users of electricity. The share capital of these

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companies is equal to EUR 2,900 each, the number of shares is 10,000 in each company, the nominal value is equal to EUR 0.29 per share, and the subscribed shares were paid up on 20 February 2015.

During the 1st half of 2014, the Company acquired 96.64% of shares of Lietuvos Dujos AB. The shares were acquired in three stages:

- 1) On 21 February 2014, the Company's share capital was increased through in-kind contribution by the Lithuanian Finance Ministry of state-owned 51,454,638 (17.7%) shares of Lietuvos Dujos AB with the value of EUR 32,636,022.
- 2) On 21 May 2014, the Company signed an agreement with German concern E.ON Ruhrgas International, under which the Company acquired 113,118,140 (38.9%) shares of Lietuvos Dujos AB. The acquisition cost of shares amounted to EUR 63,429,280.
- 3) Pursuant to Art. 31 of the Lithuanian Law on Securities, on 19 June 2014 the Company implemented a mandatory non-competitive takeover bid to buy up the remaining shares of Lietuvos Dujos AB from Russian company Gazprom and minority shareholders, and acquired 116,357,288 (40.03%) shares. The acquisition cost of shares amounted to EUR 75,981,309.

On 21 May 2014, the Company signed an agreement with German concern E.ON Ruhrgas International, under which the Company acquired 71,040,473 (11.76%) shares of LESTO AB. The acquisition cost of shares amounted to EUR 34,142,369.

On 30 October 2014, the Company signed the share subscription agreement, under which it acquired 18,111,517 shares of VAE SPB UAB. The remaining cost of shares amounting to EUR 724 thousand was paid for the share premium by the Company on 30 January 2015.

As at 30 June 2015, the Company's investments in subsidiaries and other investments were as follows:

Name	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Interest held (%)
Subsidiaries:					
LESTO AB	538,874	(55,781)	-	483,093	94.39
Lietuvos Energijos Gamyba AB	294,832	-	-	294,832	96.13
Lietuvos Dujos AB	172,047	-	-	172,047	96.64
NT Valdos UAB	89,373	-	-	89,373	100.00
LITGAS UAB	8,689	(1,092)	-	7,597	66.67
ELEKTROS TINKLO PASLAUGOS UAB	7,695	-	-	7,695	100.00
Duomenų Logistikos Centras UAB	7,268	(2,563)	-	4,705	79.64
Energijos Tiekimas UAB	6,883	-	-	6,883	100.00
Kauno Energetikos Remontas UAB	4,778	-	-	4,778	100.00
Technologijų ir Inovacijų Centras UAB	3,218	-	-	3,218	50.00
VAE SPB UAB	1,018	(575)	4	447	100.00
Lietuvos Dujų Tiekimas UAB	869	-	-	869	100.00
Public Institution Training Centre for Energy	309	-	-	309	100.00
Specialists	295	-	-	295	51.00
Verslo Aptarnavimo Centras UAB	3	-	-	3	100.00
Lithuanian Energy Support Fund	3	-	-	3	100.00
Vilniaus Kogeneracinė Jėgainė UAB	3	-	-	3	100.00
Kauno Kogeneracinė Jėgainė UAB	3	-	-	3	100.00
	<b>1,136,157</b>	<b>(60,011)</b>	<b>4</b>	<b>1,076,150</b>	

As at 31 December 2014, the Company's investments in subsidiaries and other investments were as follows:

Name	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Interest held (%)
Subsidiaries:					
LESTO AB	538,874	(55,781)	-	483,093	94.39
Lietuvos Energijos Gamyba AB	294,832	-	-	294,832	96.13
Lietuvos Dujos AB	172,047	-	-	172,047	96.64
LITGAS UAB	8,689	-	-	8,689	66.67
Duomenų Logistikos Centras UAB	7,268	(2,563)	-	4,705	79.64
Technologijų ir Inovacijų Centras UAB	3,218	-	-	3,218	50.00
VAE SPB UAB	293	-	4	297	100.00
Lietuvos Dujų Tiekimas UAB	869	-	-	869	100.00
Public Institution Training Centre for Energy	309	-	-	309	100.00
Specialists	295	-	-	295	51.00
Verslo Aptarnavimo Centras UAB	3	-	-	3	100.00
Lithuanian Energy Support Fund	3	-	-	3	100.00
	<b>1,026,697</b>	<b>(58,344)</b>	<b>4</b>	<b>968,357</b>	
Investments:					
NT Valdos UAB	29	-	-	29	0.03
	<b>29</b>	<b>-</b>	<b>-</b>	<b>29</b>	
	<b>1,026,726</b>	<b>(58,344)</b>	<b>4</b>	<b>968,386</b>	

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## 5 Amounts receivable after one year

	Company	
	At 30 June 2015	At 31 December 2014
Amount receivable for sale of LITGRID AB	209,975	209,975
Loan granted	29,000	29,000
Other	-	-
<b>Carrying amount</b>	<b>238,975</b>	<b>238,975</b>

In May 2014, a loan was granted and the purchase-sale agreement of shares of LITGRID AB was amended. Based on the amended repayment terms, interest rates were reviewed and changed.

As at 30 June 2015, the fair value of the Company's amounts receivable for the sale of Litgrid AB approximated its carrying amount and amounted to EUR 240,733 thousand (31 December 2014: EUR 241,350 thousand). Fair value was estimated on the basis of discounted cash flows using a discount rate of 1.4% (1.4% on 31 December 2014). Their fair value is attributed to Level 3 in the fair value hierarchy.

On 17 June 2014, a loan subordination agreement was signed between the bank, the Company and EPSO-G UAB. Based on the agreement, the Company subordinates a loan of EUR 52,000 thousand, which was granted to EPSO-G UAB, in view of the credit agreement signed between the bank and EPSO-G UAB.

On 13 May 2015, EPSO-G UAB settled its debt obligation to the credit institution and with effect from 13 May 2015 a loan subordination agreement signed between the Company and EPSO-G UAB is deemed to be expired in respect of EPSO-G UAB.

## 6 Investments and other financial assets

Non-current investments comprise as follows:

	Company	
	At 30 June 2015	At 31 December 2014
Available-for-sale financial assets	4,696	4,696
<b>Carrying amount</b>	<b>4,696</b>	<b>4,696</b>

Current investments comprise as follows:

	Company	
	At 30 June 2015	At 31 December 2014
Interest receivable	53	15
<b>Carrying amount</b>	<b>53</b>	<b>15</b>

As at 30 June 2015, the Company's available-for-sale financial assets comprised Lithuanian Government bonds, the redemption date of which is 20 October 2016. As at 30 June 2015, the weighted average annual interest rate on bonds was 1.67% (30 June 2014: 1.67%).

In 2014, the Company sold part of securities, which were classified as held-to-maturity as at 31 December 2013, prior to their maturity and classified the remaining securities as available-for-sale, and measured them at fair value. The Company does not expect to classify its securities as held-to-maturity for the upcoming 2 years, i.e. by 31 May 2016.

As at 30 June 2015, Lithuanian Government bonds were stated at fair value. The fair value of debt securities is attributed to Level 1 in the fair value hierarchy and it was determined with reference to the highest bid price (including accrued interest) offered for the respective debt securities by one of three commercial banks in Lithuania, available as at 30 June 2015. Nominal value of investments is multiplied by the best bid price (including accrued interest) effective as at 30 June 2015.

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## 7 Cash and cash equivalents

Cash, cash equivalents and a bank overdraft include the following for the purpose of the cash flow statement:

	Company	
	At 30 June 2015	At 31 December 2014
Cash and cash equivalents	39,477	31,347
Bank overdraft	-	-
<b>Carrying amount</b>	<b>39,477</b>	<b>31,347</b>

## 8 Equity

As at 30 June 2015, the Company's share capital amounted to EUR 1,212,156,294. As at 30 June 2015, the share capital was divided into 4,179,849,289 ordinary registered shares with a nominal value of EUR 0.29 each.

As at 31 December 2014, the Company's share capital amounted to LTL 4,179,849,289. The Company's share capital was divided into 4,179,849,289 ordinary registered shares with a nominal value of LTL 1 each.

As at 30 June 2015 and 31 December 2014, all shares were fully paid.

In accordance with the Lithuanian Law on the Adoption of the Euro in the Republic of Lithuania and the provisions of the procedure for the conversion of the nominal value of the share capital to the euro of Lietuvos Centrinis Vertybinių Popierių Depozitoriumas AB (Central Securities Depository of Lithuania), on 1 January 2015 the Company's authorised share capital was converted to the euro. Conversion difference resulting from the conversion of the nominal value of shares from the litas to the euro amounted to EUR 1,588 thousand and was recorded in the profit/loss section of the statement of comprehensive income. Conversion difference is accounted for within finance costs in the statement of comprehensive income (Note 15).

## 9 Reserves

The legal reserve is a compulsory reserve under Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the share capital. The legal reserve cannot be used for the payment of dividends and it is formed to cover future losses only.

As at 30 June 2015, the Company's legal reserve amounted to EUR 4,207 thousand (31 December 2014: nil).

The Company accounts for the changes in fair value of available-for-sale financial assets, net deferred income tax, within other reserves. As at 30 June 2015, the Company's other reserves, before deferred income tax, amounted to EUR 74 thousand (31 December 2014: EUR 74 thousand).

## 10 Non-current amounts payable and liabilities

Non-current amounts payable and liabilities comprise as follows:

	Company	
	At 30 June 2015	At 31 December 2014
Amount payable to related parties for the acquired shares of subsidiaries	40,890	-
Other amounts payable and non-current liabilities	40	23
<b>Total</b>	<b>40,930</b>	<b>23</b>

All amounts in EUR thousands unless otherwise stated

## 11 Current amounts payable and liabilities

Current amounts payable and liabilities comprise as follows:

	Company	
	At 30 June 2015	At 31 December 2014
Amount payable to related parties for the acquired shares of subsidiaries	45,207	-
Other amounts payable and current liabilities	347	308
<b>Total</b>	<b>45,554</b>	<b>308</b>

## 12 Sales revenue

Sales revenue for the six-month period comprised as follows:

	Company	
	At 30 June 2015	At 30 June 2014
Management fee	936	-
<b>Total</b>	<b>936</b>	<b>-</b>

## 13 Other expenses

Other expenses for the six-month period comprised as follows:

	Company	
	At 30 June 2015	At 30 June 2014
Impairment of investments in subsidiaries (Note 4)	1,667	-
Consulting services	314	159
Business support services	110	-
Telecommunications and IT services	101	117
Lease	74	82
Public relations and marketing	62	38
Motor vehicles	53	67
Personnel development	35	15
Utility services	23	39
Taxes	21	13
Business trips	19	21
Other expenses	73	71
<b>Total</b>	<b>2,552</b>	<b>622</b>

## 14 Finance income

Finance income for the six-month period comprised as follows:

	Company	
	At 30 June 2015	At 30 June 2014
Dividends	17	69,668
Interest income	60,738	1,960
Other finance income	3,293	127
<b>Total</b>	<b>64,031</b>	<b>71,755</b>

All amounts in EUR thousands unless otherwise stated

## 15 Finance costs

Finance costs for the six-month period comprised as follows:

	Company	
	At 30 June 2015	At 30 June 2014
Effect of share capital conversion	8	1,588
Interest expenses		142
Other finance costs		-
<b>Total</b>	<b>1,730</b>	<b>64</b>

## 16 Income tax expenses

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

Profit for 2015 was subject to income tax at a rate of 15% (similarly as in 2014) in accordance with the Lithuanian regulatory legislation on taxation

## 17 Dividends

Based on the Order issued by the Lithuanian Ministry of Finance on 29 April 2015, the Company's set of consolidated financial statements for 2014 was approved, and dividends for the state-owned Company's shares were established in amount of EUR 28,093 thousand or 0.007 euro ct per share.

No dividends were paid out by the Company in the first half of 2014.

On 27 April 2015, the General Meeting of Shareholders of LESTO AB approved the payment of dividends in the amount of EUR 12,079 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 11,401 thousand.

On 27 April 2015, the General Meeting of Shareholders of Lietuvos Energijos Gamyba AB approved the payment of dividends in the amount of EUR 21,720 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 20,880 thousand.

On 27 April 2015, the General Meeting of Shareholders of Lietuvos Dujos AB approved the payment of dividends in the amount of EUR 27,993 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 27,054 thousand.

On 8 April 2015, the General Meeting of Shareholders of Duomenų Logistikos Centras UAB approved the payment of dividends in the amount of EUR 311 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 248 thousand.

On 27 April 2015, the General Meeting of Shareholders of Energijos Tiekimas UAB approved the payment of dividends in the amount of EUR 1,155 thousand from profit for appropriation. Dividends allocated to the Company amounted to EUR 1,155 thousand.

## 18 Related-party transactions

As at 31 December 2014 and 30 June 2015, the parent company was the Republic of Lithuania represented by the Lithuanian Ministry of Finance. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosures comprise transactions and balances of these transactions with the parent company, subsidiaries, 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.

Transactions with related parties are presented below:

Sales of goods and services between January and June 2015 and 2014:

	Company	
	At 30 June 2015	At 30 June 2014
LESTO AB	277	1
Lietuvos Energijos Gamyba AB	181	-
Lietuvos Dujos AB	156	-
Lietuvos Dujų Tiekimas UAB	73	-
NT Valdos UAB	39	-



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	Company	
	At 30 June 2015	At 30 June 2014
Kauno Energetikos Remontas UAB	37	-
Verslo Aptarnavimo Centras UAB	36	-
Energijos Tiekimas UAB	28	-
LITGAS UAB	1,068	-
ELEKTROS TINKLO PASLAUGOS UAB	26	-
Technologijų ir Inovacijų Centras UAB	18	3
VAE SPB UAB	13	-
Public Institution Training Centre for Energy Specialists	12	-
Duomenų Logistikos Centras UAB	11	-
EPSO-G UAB	2,191	1,586
<b>Total</b>	<b>4,166</b>	<b>1,590</b>

Purchases of goods and services between January and June 2015 and 2014:

	Company	
	At 30 June 2015	At 30 June 2014
LESTO AB	58,980	5,544
Lietuvos Energijos Gamyba, AB	49,024	12,013
Duomenų Logistikos Centras UAB	528	-
NT Valdos UAB	132	172
Verslo Aptarnavimo Centras UAB	109	-
Technologijų ir Inovacijų Centras UAB	99	119
Public Institution Training Centre for Energy Specialists	3	-
Litgrid AB	252	-
<b>Total</b>	<b>109,127</b>	<b>17,848</b>

Amounts receivable from related parties:

	Company	
	At 30 June 2015	At 31 December 2014
LESTO AB	335	-
Lietuvos Energijos Gamyba AB	219	-
Lietuvos Dujos AB	190	-
Lietuvos Dujų Tiekimas UAB	88	-
NT Valdos UAB	47	-
Kauno Energetikos Remontas UAB	46	-
Verslo Aptarnavimo Centras UAB	37	-
Energijos Tiekimas UAB	34	-
LITGAS UAB	712	204
ELEKTROS TINKLO PASLAUGOS UAB	32	-
Technologijų ir Inovacijų Centras UAB	22	-
VAE SPB UAB	16	-
Public Institution Training Centre for Energy Specialists	15	-
Duomenų Logistikos Centras UAB	13	-
EPSO-G UAB	241,933	240,371
<b>Total</b>	<b>243,739</b>	<b>240,575</b>

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Amounts payable to related parties:

	Company	
	At 30 June 2015	At 31 December 2014
LESTO AB	46,724	-
Lietuvos Energijos Gamyba AB	38,763	-
NT Valdosa UAB	26	27
Verslo Aptarnavimo Centras UAB	21	22
Technologijų ir Inovacijų Centras UAB	19	81
Duomenų Logistikos Centras UAB	422	-
Public Institution Training Centre for Energy Specialists	1	1
Litgrid AB	189	-
<b>Total</b>	<b>86,165</b>	<b>131</b>

	Company	
	At 30 June 2015	At 31 December 2014
Wages and salaries and other benefits to management personnel	332	302
Whereof: termination benefits and benefits to Board Members	56	51
Number of management personnel	10	9

Management includes heads of administration and their deputies.

## 19 Contingent liabilities

### Guarantees and sureties issued

On 3 October 2014, the Company and LITGAS UAB signed a surety or guarantee limit agreement under which the Company provided LITGAS UAB with a guarantee for amount of EUR 100 million, which may be further increased to EUR 125 million. The surety agreement is used to secure the fulfilment of obligations of LITGAS UAB arising from credit agreements signed with credit institutions and from long-term agreements for the purchase of liquefied natural gas (LNG) signed with the suppliers of LNG.

On 17 November 2014, the Company and Swedbank AB signed a surety agreement. The surety agreement is used to secure the fulfilment of part of obligations of LITGAS UAB arising from a credit agreement with Swedbank AB. The maximum surety amount cannot exceed EUR 42 million.

## 20 Events after the end of the reporting period

On 4 July 2015, the share capital of Vilniaus Kogeneracinė Jėgainė UAB was increased to EUR 1,003 thousand by issuing 3,450,000 ordinary registered shares. Until the date of signing of these financial statements, EUR 250 thousand were paid up for the newly issued shares.

On 19 August 2015, the Company signed the share purchase-sale agreement with Kauno Energetikos Remontas UAB, under which the Company acquired 100%, i.e. 100 units, of ordinary registered shares of Gotlitas UAB. The acquisition cost of shares amounted to EUR 61 thousand.

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