

2017

LIETUVOS ENERGIJA, UAB

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL
INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE II
QUARTER OF 2017 AND 6 MONTHS PERIOD ENDED 30 JUNE 2017
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34,
'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)



CONTENT

CONDENSED INTERIM FINANCIAL INFORMATION

Condensed interim statements of financial position	3
Condensed interim statements of comprehensive income	4
Condensed interim statements of changes in equity	5 - 6
Condensed interim statements of cash flows	7
Notes to the condensed interim financial statements	8 – 30

Translation note:

This condensed interim financial information is 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.

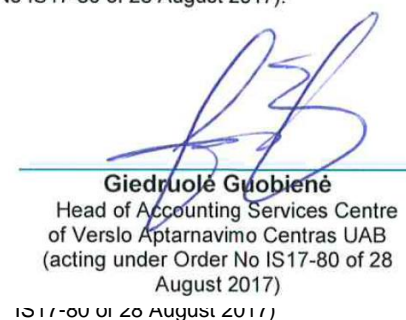
Condensed interim financial information was approved on 31 August 2017 by the CEO, the Head of Finance and Investment Management Department, and the Head of Accounting Services Centre of Verslo Aptarnavimo Centras UAB (acting under Order No IS17-80 of 28 August 2017).



Dalius Misiūnas
Chief Executive Officer



Vitalij Rakovski
Head of Finance and Investment
Management Department



Giedruolė Guobienė
Head of Accounting Services Centre
of Verslo Aptarnavimo Centras UAB
(acting under Order No IS17-80 of 28
August 2017)
IS17-80 of 28 August 2017)

Lietuvos energija, UAB, Company's code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
For the six-month period ended 30 June 2017
All amounts in thousands of euro unless otherwise stated

		Group		Company	
	Notes	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
ASSETS					
Non-current assets					
Intangible assets	5	30,256	32,261	-	-
Property, plant and equipment	6	1,781,162	1,770,814	355	348
Prepayments for non-current assets		1,945	-	-	-
Investment property		31,614	46,207	-	-
Investments in subsidiaries	7	-	-	1,179,196	1,172,187
Amounts receivable after one year	8	180,422	203,582	173,941	196,511
Other non-current assets		2,015	2,620	-	-
Deferred income tax asset		4,846	5,699	219	93
Total non-current assets		2,032,260	2,061,183	1,353,711	1,369,139
Current assets					
Inventories	9	26,786	38,117	-	-
Prepayments	10	25,047	6,967	447	5,011
Trade receivables		87,413	111,884	-	-
Other amounts receivable		16,344	29,363	2,934	14,294
Other current assets	3	1,393	4,606	-	-
Prepaid income tax		1,037	589	294	160
Loans and short-term investments		-	-	4,115	4,902
Cash and cash equivalents	11	103,778	178,565	243	73
		261,798	370,091	8,033	24,440
Non-current assets held for sale	12	26,454	878	4,906	4,782
Total current assets		288,252	370,969	12,939	29,222
TOTAL ASSETS		2,320,512	2,432,152	1,366,650	1,398,361
EQUITY AND LIABILITIES					
Equity					
Share capital	1,13	1,212,156	1,212,156	1,212,156	1,212,156
Reserves		101,299	92,171	14,516	9,758
Retained earnings (deficit)		(55,485)	(35,952)	76,143	75,699
Equity attributable to owners of the parent		1,257,970	1,268,375	1,302,815	1,297,613
Non-controlling interests		51,666	51,172	-	-
Total equity		1,309,636	1,319,547	1,302,815	1,297,613
Liabilities					
Non-current liabilities					
Non-current borrowings	14	273,519	364,957	22,375	23,440
Finance lease liabilities		257	316	-	-
Grants and subsidies	15	276,120	284,929	-	-
Deferred income tax liabilities		43,246	40,481	-	-
Provisions	16	1,883	3,254	-	-
Deferred income		53,378	52,214	-	-
Other non-current amounts payable and liabilities		14,341	11,780	9,679	9,358
Total non-current liabilities		662,744	757,931	32,054	32,798
Current liabilities					
Current portion of long-term debts	14	126,760	90,008	2,131	2,131
Current borrowings	14	57,012	38,953	28,313	64,759
Current portion of finance lease liabilities		152	157	-	-
Trade payables		54,873	96,118	188	343
Advance amounts received		27,423	27,636	-	-
Income tax liabilities		1,797	9,355	-	-
Provisions	16	682	12,883	-	-
Other current amounts payable and liabilities		78,713	79,564	1,149	717
		347,412	354,674	31,781	67,950
Liabilities directly attributable to Non-current assets held for sale	12	720	-	-	-
Total current liabilities		348,132	354,674	31,781	67,950
Total liabilities		1,010,876	1,112,605	63,835	100,748
TOTAL EQUITY AND LIABILITIES		2,320,512	2,432,152	1,366,650	1,398,361

The accompanying notes form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2017

All amounts in thousands of euro unless otherwise stated

	Notes	Group				Company			
		2017 Q1–2	2017 Q2	2016 Q1–2	2016 Q2	2017 Q1–2	2017 Q2	2016 m. Q1–2	2016 Q2
Continuing operations									
Revenue									
Sales revenue		524,073	221,248	563,732	235,680	1,490	859	613	288
Other income		12,897	6,102	15,901	8,854	1	1	1	1
Dividends income	17	-	-	-	-	75,170	13,647	31,207	896
Total revenue		536,970	227,350	579,633	244,534	76,661	14,507	31,821	1,185
Operating expenses									
Purchases of electricity, gas for trading and related services		(233,472)	(104,390)	(238,537)	(141,959)	-	-	-	-
Purchases of gas and heavy fuel oil		(140,156)	(43,541)	(137,459)	(7,755)	-	-	-	-
Depreciation and amortisation		(42,685)	(22,347)	(38,332)	(19,461)	-	-	(2)	(1)
Wages and salaries and related expenses		(38,604)	(18,419)	(42,519)	(20,303)	(2,094)	(1,111)	(1,641)	(898)
Repair and maintenance expenses		(9,014)	(5,134)	(10,147)	(5,591)	-	-	-	-
Revaluation of Property, plant and equipment, and investment property		-	-	-	-	-	-	-	-
Impairment of investments in subsidiaries		-	-	-	-	(4,944)	(4,944)	-	-
Impairment of trade receivables and loans receivables		1,249	(336)	516	388	(4,392)	(4,392)	-	-
Impairment of Property, plant and equipment		(1,074)	12	22	22	-	-	-	-
Other expenses	18	(17,107)	(6,090)	(24,718)	(10,198)	(874)	(514)	(728)	(383)
Total operating expenses		(480,863)	(200,245)	(491,174)	(204,857)	(12,304)	(10,961)	(2,371)	(1,282)
Operating profit (loss)		56,107	27,105	88,459	39,677	64,357	3,546	29,450	(97)
Finance income	19	1,360	737	2,152	1,214	1,148	642	2,532	1,077
Finance costs	20	(3,102)	(1,677)	(4,056)	(2,083)	(679)	(314)	(652)	(390)
Share of results of associates accounted for using equity method		-	-	-	2	-	-	-	-
Profit (loss) before tax		54,365	26,165	86,555	38,810	64,826	3,874	31,330	590
Current year income tax expense		(2,683)	817	(9,650)	(3,109)	2	(12)	(66)	26
Deferred income tax (expense)/benefit		221	2,902	(9,832)	(3,908)	126	107	(7)	(16)
Net profit (loss) from continuing operations		51,903	29,884	67,073	31,793	64,954	3,969	31,257	600
Profit (loss) from discontinued operations	12	165	165	-	-	-	-	-	-
Net profit (loss)		52,068	30,049	67,073	31,793	64,954	3,969	31,257	600
Attributable to:									
Owners of the parent		49,349	28,951	60,903	28,877	64,954	3,969	31,257	600
Non-controlling interests		2,719	1,098	6,170	2,916	-	-	-	-
Other comprehensive income (loss)									
Items that will not be reclassified subsequently to profit or loss									
Gain (loss) on revaluation of non-current assets		-	-	-	-	-	-	-	-
Items that will not be reclassified subsequently to profit or loss, total		-	-	-	-	-	-	-	-
Items that will be reclassified subsequently to profit or loss									
Change in fair value of available-for-sale financial assets		-	-	(29)	(15)	-	-	(29)	(15)
Recalculation of foreign net investment in Group's presentation currency		(3)	(3)	-	-	-	-	-	-
Items that will be reclassified subsequently to profit or loss, total		(3)	(3)	(29)	(15)	-	-	(29)	(15)
Other comprehensive income (loss)		(3)	(3)	(29)	(15)	-	-	(29)	(15)
Total comprehensive income (loss) for the year		52,065	30,046	67,044	31,778	64,954	3,969	31,228	585
Attributable to:									
Owners of the parent		49,346	28,948	60,874	28,862	64,954	3,969	31,228	585
Non-controlling interests		2,719	1,098	6,170	2,916	-	-	-	-
Attributable to Owners of the parentw									
Continuing operations		49,227	28,829	60,874	28,862	64,954	3,969	31,228	585
discontinued operations		119	119	-	-	-	-	-	-

The accompanying notes form an integral part of these condensed interim financial statements.

Lietuvos energija, UAB, Company's code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the six-month period ended 30 June 2017

All amounts in thousands of euro unless otherwise stated

Group	Notes	Equity attributable to owners of the Group					Non-controlling interest	Total	
		Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings			Subtotal
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		-	-	-	(29)	-	(29)	-	(29)
Total other comprehensive income (loss)		-	-	-	(29)	-	(29)	-	(29)
Net profit for the reporting period (recalculated, Note 20)		-	-	-	-	60,903	60,903	6,170	67,073
Total comprehensive income (loss) for the period		-	-	-	(29)	60,903	60,874	6,170	67,044
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(2,359)	-	2,359	-	-	-
Transfer to reserves and movement in reserves		-	5,768	-	-	(5,768)	-	-	-
Dividends	17	-	-	-	-	(56,240)	(56,240)	(1,938)	(58,178)
Acquisition of subsidiary (UAB EURAKRAS)		-	-	-	-	-	-	2,033	2,033
Change in non-controlling interest due to reorganization		-	85	284	-	9	378	(378)	-
Acquisition of shares from non-controlling interest		-	67	6	-	(2,964)	(2,891)	(2,212)	(5,103)
Share of non-controlling interest in transfers to reserves		-	(83)	-	-	83	-	-	-
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	5,271	5,271
Balance at 30 June 2016		1,212,156	34,614	60,254	19	(50,882)	1,256,161	59,391	1,315,552
Balance at 1 January 2017		1,212,156	34,696	57,475	-	(35,952)	1,268,375	51,172	1,319,547
Recalculation of foreign net investment in Group's presentation currency		-	-	-	(3)	-	(3)	-	(3)
Total other comprehensive income (loss)		-	-	-	(3)	-	(3)	-	(3)
Net profit for the period		-	-	-	-	49,349	49,349	2,719	52,068
Total comprehensive income (loss) for the period		-	-	-	(3)	49,349	49,346	2,719	52,065
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(2,569)	-	2,569	-	-	-
Transfer to reserves and movement in reserves		-	11,700	-	-	(11,700)	-	-	-
Dividends	17	-	-	-	-	(59,752)	(59,752)	(3,181)	(62,933)
Change in non-controlling interest due to changes in Group's structure		-	-	-	-	1	1	(16)	(15)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	972	972
Balance at 30 June 2017		1,212,156	46,396	54,906	(3)	(55,485)	1,257,970	51,666	1,309,636

The accompanying notes form an integral part of these condensed interim financial statements.

Lietuvos energija, UAB, Company's code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the six-month period ended 30 June 2017

All amounts in thousands of euro unless otherwise stated

	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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		-	-	(29)	-	(29)
Other comprehensive income/(loss) for the period		-	-	(29)	-	(29)
Net profit for the reporting period		-	-	-	31,257	31,257
Total comprehensive income for the period		-	-	(29)	31,257	31,228
Transfer to reserves		-	5,551	-	(5,551)	-
Dividends	17	-	-	-	(56,240)	(56,240)
Balance at 30 June 2016		1,212,156	9,758	19	52,755	1,274,688
Balance at 1 January 2017		1,212,156	9,758	-	75,699	1,297,613
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	-	-
Other comprehensive income/(loss) for the period		-	-	-	-	-
Net profit for the reporting period		-	-	-	64,954	64,954
Total comprehensive income for the period		-	-	-	64,954	64,954
Transfer to reserves		-	4,758	-	(4,758)	-
Dividends	17	-	-	-	(59,752)	(59,752)
Balance at 30 June 2017		1,212,156	14,516	-	76,143	1,302,815

The accompanying notes form an integral part of these condensed interim financial statements.

Lietuvos energija, UAB, Company's code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the six-month period ended 30 June 2017

All amounts in thousands of euro unless otherwise stated

	Note	Group		Company	
		2017 Q1–2	2016 Q1–2	2017 Q1–2	2016 Q1–2
Cash flows from operating activities					
Net profit (loss) for the year		52,068	67,073	64,954	31,257
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	5,6	53,034	44,293	-	2
Impairment of PP&E/reversal of impairment		1,074	(22)	-	-
Change in fair value of trade derivatives		1,183	-	-	-
Impairment of financial assets		-	371	4,392	-
Impairment of investments in subsidiaries and associates/(reversal)		-	-	4,944	-
Income tax expenses		2,462	19,482	(128)	73
Depreciation of grants	15	(9,925)	(5,961)	-	-
Increase (decrease) in provisions		(13,188)	(15,514)	-	-
Increase (decrease) in provisions	18	(19)	17	-	-
Inventory write-down expenses	18	3,025	7,886	-	-
Emission allowances utilised	5	933	2,999	-	-
Elimination of results of investing activities:					
- Dividend income				(75,170)	(31,207)
- Gain) loss on disposal/write-off of property, plant and equipment		1,494	903	-	-
Elimination of results of financing activities:					
- Interest income	19	(1,011)	(1,833)	(1,004)	(2,532)
- Interest expenses	20	2,658	2,917	364	328
- Other finance (income) costs	19,20	95	820	171	324
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		26,374	33,525	(150)	347
(Increase) decrease in inventories, prepayments and other current assets		(6,793)	37,526	(438)	(180)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(37,680)	(38,606)	312	139
Income tax (paid)		(6,850)	(1,903)	(128)	(223)
Net cash flows from (used in) operating activities		68,934	153,973	(1,881)	(1,672)
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(87,491)	(79,379)	(7)	-
Disposal of property, plant and equipment and intangible assets		3,491	1,071	-	-
Loans (granted)		-	-	(4,000)	(5,191)
Loan repayments received	8	35,004	29,000	35,004	29,150
(Acquisition) of subsidiaries		-	(27,674)	(7,076)	(71,929)
Grants received		233	138	-	-
Interest received		565	58	618	-
Change in non-controlling interest due to changes in Group's structure		-	(5,103)	-	1,490
Dividends received		-	-	75,170	29,957
Net cash flows from (used in) investing activities		(48,198)	(81,889)	99,709	(16,523)
Cash flows from financing activities					
Proceeds from borrowings		31,761	45,540	-	25,571
Repayments of borrowings		(91,715)	(34,677)	(37,511)	-
Finance lease payments		(76)	(83)	-	-
Interest paid		(2,513)	(2,935)	(395)	(341)
Dividends paid		(62,734)	(58,178)	(59,752)	(56,240)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		6,487	1,277	-	-
Net cash flows from (used in) financing activities		(118,790)	(49,056)	(97,658)	(31,010)
Increase (decrease) in cash and cash equivalents (including overdraft)		(98,054)	23,028	170	(49,205)
Cash and cash equivalents (including overdraft) at the beginning of the year		178,565	122,810	73	13,179
Cash and cash equivalents (including overdraft) at the end of the year	11	80,511	145,838	243	(36,026)

The accompanying notes form an integral part of these condensed interim financial statements.

Lietuvos energija, UAB, Company's code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six-month period ended 30 June 2017

All amounts in thousands of euro unless otherwise stated

1 General information

This financial information contains unaudited condensed interim financial information of Lietuvos Energija UAB (hereinafter referred to as "the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") for a six-month period ended 30 June 2016 (hereinafter referred to as "the financial information" or "the interim financial information").

Lietuvos Energija UAB 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-seeking entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company's code 301844044, VAT payer's code LT10004278519. The Company has been established for an unlimited period.

Lietuvos Energija UAB is a parent company, which is responsible for the management and coordination of activities of the Group companies engaged in electric power and heat production and supply (also electric power production from renewable sources), electric power import and export, distribution and trade, natural gas distribution and trade, as well as in service and development of electric energy industry.

The Company analyses the activities of the Group companies, represents the whole group, implements its shareholders' 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 the 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	As at 30 June 2017		As at 31 December 2016	
	Share capital, EUR thousand	%	Share capital, EUR thousand	%
Republic of Lithuania represented by the Lithuanian Ministry of Finance	1,212,156	100,00	1,212,156	100,00

The Group consists of Lietuvos Energija UAB and subsidiaries directly or indirectly controlled by the Company:

Company	Office address	Effective ownership interest at (%)	Share capital (EUR thousand)	Main activity
Lietuvos Energijos Gamyba AB	Elektrinės g. 21, Elektrėnai	96.75	184,174	Electricity generation, supply, import, export and trade
Energijos Skirstymo Operatorius AB	Aguonų g. 24, Vilnius	94.98	259,443	Electricity supply and distribution to end users, natural gas distribution
NT Valdos UAB	Geologų g. 16, Vilnius	100.00	85,550	Operation of real estate, other related activities and provision of services
Duomenų Logistikos Centras UAB	A. Juozapavičiaus g. 13, Vilnius	79.64	4,033	Support services for information technology and telecommunications
Energetikos Paslaugų ir Rangos Organizacija UAB	Motorų g. 2, Vilnius	100.00	2,500	Construction, repair and maintenance of electricity networks, energy and related equipment, connection of customers to the grid, manufacturing of metal structures
LITGAS UAB	Žvejų g. 14, Vilnius	100.00	13,050	Supply of liquid natural gas via terminal and trade in natural gas (100% of votes)
Elektroninių Mokėjimų Agentūra UAB	Žvejų g. 14, Vilnius	100.00	700	Provision of payment collection services
Energijos Tiekimas UAB	Lukšio g. 1, Vilnius	100.00	17,240	Supply of electricity and natural gas
Public Institution Energetikų Mokymo Centras	Jeruzalės g. 21, Vilnius	100.00	85	Professional development and continuing training of energy specialists
Geton Energy OÜ	Narva mnt 5, 10117 Tallinn	100.00	35	Supply of electricity
Geton Energy SIA	Bezdelingu 12, LV-1048, Riga	100.00	28	Supply of electricity
Technologijų ir Inovacijų Centras UAB	A. Juozapavičiaus g. 13, Vilnius	97.89	6,440	Provision of IT, telecommunication and other services
VAE SPB UAB	Smolensko g. 5, Vilnius	100.00	100	Nuclear power plant Project development, business and other management consultations
Verslo Aptarnavimo Centras UAB	P. Lukšio g. 5B, Vilnius	98.40	580	Organisation and execution of public procurement, accounting and personnel administration services
Lietuvos Dujų Tiekimas UAB	Žvejų g. 14, Vilnius	100.00	8,370	Natural gas supply
Lithuanian Energy Support Fund	Žvejų g. 14, Vilnius	100.00	3	Provision of support for projects, initiatives and activities of public interest
Vilniaus Kogeneracinė Jėgainė, UAB	Žvejų g. 14, Vilnius	100.00	6,003	Modernisation of district heating supply in Vilnius city
Kauno Kogeneracinė Jėgainė UAB	Žvejų g. 14, Vilnius	51.00	24,000	Modernisation of district heating supply in Kaunas city
Tuuleenergia OU	Keskus, Helmküla, Varbla Rural Municipality, Pärnu County	100.00	499	Electricity generation from renewable sources
Eurakras UAB	Vytėnio g. 46, Vilnius	75.00	8,096	Electricity generation from renewable sources
Energijos Sprendimų Centras UAB	Žvejų g. 14, Vilnius	100.00	530	Provision of electricity spare services
Geton Energy sp.z.o.o.	Aleja Jana Pawła II g., nr. 22, Varšuva, Lenkija	100.00	238	Supply of electricity

As at 30 June 2017 the Group had 4,667 employees, the Company had 101 employees (at 31 December 2016 respectively 4,859 and 103).

The Company's management approved this condensed interim financial information on 31 August 2017.

2 Summary of significant accounting principles

This condensed interim financial information for a six-month period ended 30 June 2017 has been prepared in accordance with International Accounting Standards (IAS) as adopted by European Union and applicable for the preparation of interim financial statements (IAS 34 Interim Financial Reporting).

For a better understanding of data contained in the condensed interim financial information, this financial information should be read in conjunction with the consolidated and the Company's financial statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

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 2016.

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 were no new standards, amendments and interpretations that were mandatory for the Group and the Company with effect from 2017, and that would have a material impact on the Group's and the Company's financial information.

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2018, yet not applied in preparing these financial statements are as follows:

IFRS 9, Financial instruments: Classification and measurement (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Revenue from contracts with customers - Amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Group and the Company are currently assessing the impact of the new standards on their financial statements.

All amounts in thousands of euro unless otherwise stated

3 Financial risk management

In performing its activities the Group and the Company is exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks the Group and the Company seeks to mitigate the effect of factors which could make a negative impact on the financial performance of the Group and the Company.

Fair values of financial instruments

The Groups and the Company's derivative financial instruments (Level 2 in the fair value hierarchy), the Company's price premium payable for the shares of NT Valdos UAB (as disclosed in the liability section), and the contingent part of the price reducing the amount receivable for the sale of shares of Litgrid AB (Level 3 in the fair value hierarchy) are measured at fair value. All other financial assets and financial liabilities are recognised initially at cost and subsequently measured at amortised cost, less impairment loss.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The attribution of the Group's financial instruments measured at fair value to the levels of the fair value hierarchy is as follows:

Group	At 30 June 2017			At 31 December 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Contingent part of the price for shares of Litgrid AB			(4,182)			(4,182)
Derivative financial instruments' assets		1,393			4,606	
Derivative financial instruments' liabilities		(1,802)			(3,758)	
	-	(409)	(4,182)	-	848	(4,182)

The attribution of the Company's financial instruments measured at fair value to the levels of the fair value hierarchy is as follows:

Bendrovė	At 30 June 2017			At 31 December 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Contingent part of the price for shares of Litgrid AB			(4,182)			(4,182)
Deferred payment for shares of NT Valdos UAB			(9,352)			(9,257)
Interest rate swap contract		(224)			(15)	
	-	(224)	(13,534)	-	(15)	(13,439)

Profit (loss) on revaluation and settlement of derivative financial instruments accounts for in the Groups and the Company's condensed interim statements of comprehensive income as at 30 June 2017:

	Group		Company	
	2017 m. Q1-2	2016 m. Q1-2	2017 m. Q1-2	2016 m. Q1-2
Revenue				
Sales revenue	(485)	(149)		
Operating expenses				
Purchases of gas and heavy fuel oil	(358)			
Finance costs (20 note)	(340)		(15)	
Profit (loss) before tax	(1,183)	(149)	(15)	-

Liquidity risk

The liquidity risk is managed by planning future cash flows of each Group company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support their operating activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 30 June 2017, the Group's current ratio (total current assets / total current liabilities) was 0.828 (31 December 2016: 1.046); quick ratio ((total current assets – inventories) / total current liabilities) were 0.751 (31 December 2016: 0.938). As at 30 June 2017, the Company's current liabilities exceeded its current assets by EUR 59,879 thousand (31 December 2016: EUR 38,728 thousand). At 31 December 2016 the Groups current assets exceeded current liabilities by EUR 16,295 thousand.

The Groups operating cash flows for first half of 2017 are positive and amount to EUR 69,117 thousand (31 June 2016: EUR 153,973 thousand). In the opinion of the the Groups management cash flows from operating activities and available credit facilities are sufficient to cover current liabilities. At 30 June 2017 credit facilities available to the Group amounts to EUR 120,011 thousand (31 December 2016: EUR 180,412 thousand). the Group's management considers as appropriate application of the going concern principle to the Company's financial statements.

All amounts in thousands of euro unless otherwise stated

3 Financial risk management (continued)

Liquidity risk (continued)

As at 30 June 2017, the Company's current ratio (total current assets / total current liabilities) was 0.40 (31 December 2016: 0.43). As at 30 June 2017, the Company's current liabilities exceeded its current assets by EUR 18,842 thousand (31 December 2016: EUR 38,728 thousand).

In the opinion of the Company's management, available lending facilities will be sufficient to cover current liabilities. As at 30 June 2017, the unwithdrawn balance of credit facilities, available to obtain from banks, amounted to EUR 85,952 thousand (Note 12). On 10 August 2017, the Company signed the overdraft agreement with OP Corporate Bank for the granting of the limit of EUR 70,000 thousand with the repayment term expiring on 10 August 2019 (Note 23). On 14 July 2017, the Company issued bonds worth of EUR 300 million at the Luxembourg Stock Exchange (Note 23). In the opinion of the Company's management, credit facilities will be sufficient to cover current liabilities and therefore, the going concern principle has been properly applied in the preparation of the Company's financial statements.

4 Critical accounting estimates and judgments 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 2016.

Revaluation and impairment of assets

The Group accounts for property, plant and equipment (except for the assets of power plants, gas distribution pipelines, gas technological equipment and wind power plants and their equipment) at revalued amount in accordance with International Accounting Standard 16 Property, plant and equipment.

Revaluation of Property, plant and equipment stated at revalued amount are performed regularly, using independent appraisers revaluations when there is indication, that market value of assets has changed significantly due to internal or external factors.

Recent revaluations by the group of assets were performed:

Group	Recent revaluation performed
Land	2013
Buildings	2016
Structures and machinery	2014
Motor vehicles	2014
Other property, plant and equipment	2014
Construction in progress	2014

As at 30 June 2017, in respect of individual items of assets of Lietuvos Energijos Gamyba AB there was recognized impairment of EUR 1,074 thousand. Impairment recognized basing valuation on market prices.

Impairment tests in respect of investments in subsidiaries and amounts receivable

Although the shares of the Company's subsidiaries Energijos Skirstymo Operatorius AB and Lietuvos Energijos Gamyba AB are traded on Vilnius Stock Exchange, the Group'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 2017, the Company tested for impairment its investments in subsidiaries. The Company considered information received from external and internal sources. During the reporting period there were no significant changes in the technological, market, economic and legal environment in which the subsidiaries operate that could have a negative effect and such changes are not expected to occur in near future. Internal reports contain information on results of operations of the subsidiaries, indicators of their internal budgets and financial plans. The Company considered other information received from external and internal information sources and having identified indicators of impairment of investments in the subsidiaries tested the recoverable amounts and recognised impairment of investments as at 30 June 2017 as described below.

As at 30 June 2017, the Company carried out impairment test in respect of its investment in subsidiary VAE SPB UAB and recognised impairment of EUR 92 thousand for the investment (2016: EUR 131 thousand). Following the recognition of impairment, the recoverable amount (i.e. the value in use) of investment was EUR 0 (31 December 2016: EUR 92.44 thousand).

As at 30 June 2017, the Company carried out impairment test in respect of its investment in subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB and recognised impairment of EUR 1,626 thousand for the investment (2016: EUR 7,320 thousand), which was largely caused by worse results than planned for 2017 and accordingly, more conservative forecasts resulting, among other things, in increase in net debt. Following the recognition of impairment, the recoverable amount (i.e. the value in use) of investment was EUR 191 thousand (31 December 2016: EUR 1,817 thousand).

In addition, the Company estimated impairment of EUR 4,392 thousand for loans receivable from Energetikos Paslaugų ir Rangos Organizacija UAB. Following the recognition of impairment, the carrying amount of loans equal to EUR 7,980 thousand (Note 6) was estimated to be equal to EUR 3,588 thousand. The Company performed the sensitivity analysis on the impairment test for loans receivable in respect of changes in unobservable inputs:

1. The changes in discount rates have a significant impact on the result of valuation. The sensitivity analysis showed that a 1.0 p.p. change in discount rate would result in decrease in impairment to EUR 3,530 thousand (at a discount rate of 8.8%) or increase in impairment to EUR 5,064 thousand (at a discount rate of 10.8%).

4 Critical accounting estimates and judgments used in the preparation of financial statements (continued)

Impairment tests in respect of investments in subsidiaries and amounts receivable (continued)

As at 30 June 2017, the Company tested for impairment its investment in subsidiary LITGAS UAB using the discounted cash flow method and recognised impairment of EUR 3,225.23 thousand, which largely resulted from the payment of dividends made in 2017. Following the recognition of impairment, the recoverable amount (i.e. the value in use) of investment was EUR 8,631 thousand (31 December 2016: EUR 11,856 thousand).

The impairment test of investment in LITGAS UAB was performed by the Company based on the following key assumptions:

1. Discounted cash flows were calculated using a discount rate of 8.7% (after-tax WACC).
2. It is assumed that the company's activities are finite and are to be discontinued in 2025.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs:

1. The changes in discount rates have a significant impact on the result of valuation. The sensitivity analysis showed that a 1.0 p.p. change in discount rate would result in decrease in impairment to EUR 2,615 thousand (at a discount rate of 7.7%) or increase in impairment to EUR 3,786 thousand (at a discount rate of 9.7%).

As at 30 June 2017, there were no indications of impairment in respect of other investments in subsidiaries of the Company.

Assessment of price premiums in establishing the acquisition cost of shares

Deferred payment for shares of NT Valdosa UAB (Note 3)

In April 2015, the Company acquired the shares of NT Valdosa UAB from LESTO AB, Lietuvos Energijos Gamyba AB, Duomenų Logistikos Centras UAB and Litgrid AB, thereby resulting in 100% direct control over NT Valdosa UAB. The premium to the basic sale price set for the acquired shares is payable by 31 March 2019, the amount of which may vary depending on the financial performance of NT Valdosa UAB. The maximum amount of the price premium will be equal to EUR 19,400 thousand, whereas the minimum amount will be equal to zero. At the date of acquisition, the Company recognised the maximum amount of the price premium payable, i.e. EUR 19,400 thousand. In estimating the acquisition cost of the investments the Company accounted for this price premium at the present value prevailing at the acquisition date, i.e. EUR 17,506 thousand. The price premium was discounted using an average interest rate set by the Bank of Lithuania on borrowings in excess of EUR 1,000 thousand, which was equal to 2.65% at the date of acquisition. As at 31 December 2016, the Company reviewed the actual and projected performance results of NT Valdosa UAB and concluded that the price premium should be reduced, because the performance results of NT Valdosa UAB were not likely to achieve the level that was probable on initial recognition. On 30 June 2017, the Company's management reviewed the assessment of the sale price premium and did not identify any changes compared to the amount recorded on 31 December 2016.

Deferred payment for transferred shares of Litgrid AB

As part of 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 the Ministry of Energy was committed to establish a private limited liability company and pass all necessary decisions in order to transfer the shares of Litgrid AB held by Lietuvos Energija UAB to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of shares established by independent valuers. The independent valuer determined the market value in respect of 97.5% of shares of Litgrid AB using the income approach.

The purchase-sale agreement of shares of Litgrid AB provides for a premium to the final price, the amount of which depends on the return on regulated assets of the electricity transmission activity in 2014–2018. As at 30 June 2017 and 31 December 2016, the Company estimated the premium to the final price and concluded that its value was equal to a negative amount of EUR (4,182) thousand, which was reported in the statement of financial position as a reduction to the amount receivable for the sale of shares of Litgrid AB as the price premium will adjust the sale price (Note 8).

Contingent commitments to purchase assets from Vilniaus Šilumos Tinklai AB

On 29 May 2017, the Company, Vilniaus Šilumos Tinklai AB and Vilnius city municipality signed the cooperation agreement, under which Vilniaus Šilumos Tinklai AB, after the fulfilment of agreed, advanced conditions, will conclude separate arrangements whereby (i) Vilniaus Šilumos Tinklai AB will transfer the third co-generation power plant in Vilnius ("TE-3") to the Company, and (ii) the Company will transfer to Vilniaus Šilumos Tinklai AB not more than 5% of all shares of Vilniaus Kogeneracinė Elektrinė UAB. After the fulfilment of the above advanced conditions, Vilniaus Šilumos Tinklai AB will transfer TE-3 to the Company for a price consisting of (i) a fixed part of EUR 9,935 thousand and (ii) a variable part to be equal to 50% of net profit of TE-3 in each financial year until 2030, if TE-3 earns profit in a respective year. The calculation of a variable part of the price will be started after a full payment of expenses incurred by the Company related to the safety and reliability of operations of TE-3, including expenses for environmental protection and other necessary technical safety requirements.

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.

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;

4 Critical accounting estimates and judgments used in the preparation of financial statements (continued)

New customer connection fees (continued)

- 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. 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.

Accrued revenue

Revenue from household customers is recognised when meter data is declared and payments are received. Accordingly, at the end of each reporting period the amount of income earned but not yet paid by household customers is estimated and accrued by the management of the Group company operating the distribution networks. Accrued revenue is estimated as 1/3 of total payments for electricity received in December. Accrued revenue is based on past experience and average term of settlement for electricity. The management has estimated that the majority of household customers declare and make payments for the electricity consumed on approx. the 20th day of the month, while electricity is supplied for a full month (30 or 31 days). Consequently, the electricity consumed during the remaining 10 days is proportionally calculated referring to the total volume of electricity provided to the electricity supply network (the actually known variable) and the total volume of electricity declared by household customers during December and multiplied by the average rate per 1 kWh.

Provisions for the utilisation of emission allowances

The Group estimates provisions for emissions based on actual emissions over the reporting period multiplied by the market price for one unit of emission allowances. The quantity of actual emissions is approved by a responsible state-controlled agency over the course of four months after the end of the year. Based on historic experience, the Group's management does not expect any significant differences to arise between the estimated provision at 30 June 2017 and the quantity of emissions which will be approved in 2018.

Accrual of income from Public service obligation (hereinafter – PSO) and capacity reserve services

Part of funds for PSO and tertiary capacity reserve services are allocated for the maintenance of infrastructure of the Elektrėnai Complex and for the compensation of the necessary trial costs of electricity generation facilities. Infrastructure maintenance costs cover fuel, emission allowance and other production costs that are incurred in the course of generation of heat which is necessary to support infrastructure, as well in the course of generation electricity which is consumed by the Elektrėnai Complex, and gas consumption capacity taxes.

Allocated amount of PSO funds and the price for capacity reserve services are determined for the next calendar year by the NCC in view of the projected costs of the Company. In the Company's financial statements, income from these services is recognised on accrual basis based on actually incurred costs.

As at 30 June 2017, the Company recognised PSO funds of EUR 12,356 thousand (31 December 2016: EUR 9,404 thousand) within 'Other non-current amounts payable and liabilities' to be refunded after 12 calendar months. PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. Non-current amount payable was carried at amortised cost using the effective interest rate approach. When discounting the payable PSO funds during the period of refunding, a discount rate of 1.02% was used, and discounting effect of EUR 185 thousand was recognised within 'Other financial income'. Discounting effect was not adjusted as at 30 June 2017 as the effect of change was immaterial.

Fair value of financial assets and financial liabilities

The Group's and the Company's underlying financial assets and liabilities not measured at fair value include trade and other amounts receivable, trade and other amounts payable, non-current and current borrowings.

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and financial liabilities is not lower than the amount payable on demand, which is discounted starting from the first day on which its payment may be demanded.

The carrying amount of cash and cash equivalents, current trade and other amounts receivable, current trade and other amounts payable and current borrowings approximates their fair value.

The fair value of non-current borrowings is determined with reference to the market price of loans of the same or similar nature or interest rates payable at that time on similar maturity debts. The fair value of non-current borrowings with variable interest approximates their carrying amount in cases when margins payable on such loans are consistent with loan margins currently available in the market.

All amounts in thousands of euro unless otherwise stated

5 Intangible assets

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Goodwill	Total
Net book value as at 1 January 2016	852	3,268	16,438	981	-	21,539
Acquisitions	12	564	-	519	-	1,095
Reclassified from/to PP&E	-	-	-	-	11,256	11,256
Write-offs/Emission allowances utilised	954	(41)	-	(903)	-	10
Revaluation of emission allowances	-	(1)	(2,999)	-	-	(3,000)
Return of emission allowances lent	-	-	(7,120)	-	-	(7,120)
Grant received (emission allowances)	-	-	1,733	-	-	1,733
Amortisation	(278)	(1,206)	-	(24)	-	(1,508)
Net book value as at 30 June 2016	1,540	2,584	8,052	573	11,256	24,005
Net book value as at 1 January 2017	15,154	2,856	11,834	956	1,461	32,261
Acquisitions	377	333	-	1,882	-	2,592
Increase due to acquisition of subsidiary	83	562	-	(572)	-	73
Reclassified from/to PP&E	-	(1)	(933)	-	-	(934)
Write-offs/Emission allowances utilised	-	-	(2,801)	-	-	(2,801)
Revaluation of emission allowances	-	-	1,128	-	-	1,128
Grant received (emission allowances)	-	(10)	-	-	-	(10)
Amortisation	(849)	(1,177)	(2)	(25)	-	(2,053)
Net book value as at 30 June 2017	14,765	2,563	9,226	2,241	1,461	30,256

All amounts in thousands of euro unless otherwise stated

6 Property, plant and equipment

In 2016 and 2015, the Group's property, plant and equipment (excluding structures and machinery of Hydro Power Plant, Pumped Storage Power Plant and Thermal Power Plant (Combined Cycle Unit, Reserve Power Plant), Wind power plants and its equipment, gas distribution pipelines, gas technological equipment and IT and telecommunications equipment) were stated at revalued amount.

Group	Land	Buildings	Structures and machinery	Gas distribution pipelines, Gas technological equipment and structures	Assets of Hydro Power Plant, Pumped Storage Power Plant and Lithuanian Power Plant	Wind power plants and its equipment	Structures and machinery of Thermal Power Plant	Motor vehicles	IT and telecommunication equipment	Other PP&E	Construction in progress	Total
Net book value as at 1 January 2016	2,011	55,979	729,571	115,280	125,827	-	542,277	17,879	17,893	6,056	18,344	1,631,117
Acquisitions	-	50	715	1	3	-	72	9,961	2,590	446	52,962	66,800
Increase due to acquisition of subsidiary	366	602	-	-	-	62,027	-	-	2	2	-	62,999
Share capital settlement by assets	-	-	-	-	-	-	-	-	-	-	3,994	3,994
Disposals	-	(111)	(41)	-	-	-	(2)	(88)	(7)	(2)	(10)	(261)
Write-offs	-	(1)	(1,218)	(6)	-	-	(1)	-	(2)	-	(2)	(1,230)
Impairment/reversal of impairment	-	-	-	-	-	-	22	-	-	-	-	22
Reclassification between categories	-	232	40,990	3,871	828	284	832	-	129	918	(48,084)	-
Reclassification to assets, intangible assets	-	-	-	-	-	-	-	-	(10)	-	-	(10)
Reclassification to investment property	-	2,552	(170)	-	-	-	-	-	-	-	(446)	1,936
Reclassification to assets held for sale	-	-	-	-	(5)	-	(36)	(841)	-	-	(2)	(884)
Reclassification (to) from inventories	-	-	-	-	64	-	21	-	-	-	775	860
Reclassification to finance lease	-	-	-	-	-	-	-	(4,582)	-	-	-	(4,582)
Depreciation	-	(1,357)	(16,735)	(2,092)	(3,985)	(1,636)	(11,656)	(2,381)	(2,107)	(836)	-	(42,785)
Net book value as at 30 June 2016	2,377	57,946	753,112	117,054	122,732	60,675	531,529	19,948	18,488	6,584	27,531	1,717,976
Net book value as at 1 January 2017	2,376	58,282	805,602	124,926	119,249	60,345	520,231	17,242	18,975	7,042	36,544	1,770,814
Acquisitions	-	4	321	2	5	-	20	3,047	1,362	35	74,991	79,787
Disposals	-	(191)	(73)	-	-	-	-	(175)	(5)	(1)	(35)	(480)
Write-offs	-	(2)	(1,550)	(51)	-	-	(9)	-	(17)	(2)	-	(1,631)
Impairment/reversal of impairment	-	-	-	-	-	-	(1,074)	-	-	-	-	(1,074)
Reclassification between categories	-	130	44,244	11,684	117	-	810	-	173	720	(57,878)	-
Reclassification to assets, intangible assets	-	-	62	-	-	-	-	-	(43)	-	(275)	(256)
Reclassification to investment property	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Reclassification to assets held for sale	(52)	(7,322)	(1,366)	-	-	-	-	(518)	(80)	(3,873)	-	(13,211)
Reclassification (to) from inventories	-	-	-	-	11	-	32	20	-	-	-	63
Reclassification to finance lease	-	-	-	-	-	-	-	(1,866)	-	-	-	(1,866)
Depreciation	-	(1,404)	(19,547)	(2,253)	(3,652)	(467)	(18,560)	(1,959)	(2,302)	(837)	-	(50,981)
Net book value as at 30 June 2017	2,324	49,497	827,693	134,308	115,730	59,878	501,450	15,791	18,063	3,084	53,344	1,781,162

During first half of 2017 there were written-off 5 and 6 blocks of Reserve power plant accounted for in the "Structures and machinery of Thermal Power Plant", which is scheduled to be dismantled in the next few years. The acquisitions costs of purchased blocks has been written down by EUR 107,059 thousand, accumulated depreciation of EUR 73,870 thousand and impairment of EUR 33,189 thousand.

The Group has significant commitments related to acquisitions of property, plant and equipment that will be required to be carried out in subsequent years. At 30 June 2017 the Group's commitments to acquire and build long-term tangible assets amount to EUR 471,265 thousand. Eur (31 December 2016 – EUR 362,306 thousand).

2017 June 30 the Group has pledged to banks property, plant and equipment for EUR 346,144 thousand. Eur (31 December 2016 – EUR 353,686 thousand) banks for tangible fixed assets for.

All amounts in EUR thousands unless otherwise stated

6 Property, plant and equipment (continued)

Company	Other tangible assets	Construction in progress	Total
Net book value as at 1 January 2016	6	280	286
Depreciation	(2)	-	(2)
Net book value as at 30 June 2016	4	280	284
Net book value as at 1 January 2017	3	345	348
Depreciation	7	-	7
Net book value as at 30 June 2017	10	345	355

7 Investments in subsidiaries and other investments

The table below shows the movement in the Company's investments in subsidiaries during the period from 1 January to 30 June 2017.

Company	Investments in subsidiaries
Opening net book amount	1,172,187
Share capital increase of subsidiaries	12,075
Acquisition of shares from non-controlling interest	1
Transfer to assets held for sale	(123)
Impairment of investments in subsidiaries	(4,944)
Closing net book amount	1,179,196

Increase/decrease in share capital, acquisitions of subsidiaries

The table below shows increase/(decrease) in share capital, coverage of operating losses, payment for share capital during the period from 1 January to June 30 2017 and balances of unpaid share capital as at 30 June 2017.

	Date of issue	Number of newly issued shares*	Nominal value per share	Total issue value	Paid during Q1-2 of 2017	Unpaid at 30 June 2017	Date of a new version of the Articles of Association
Increase/decrease in authorised share capital							
Vilniaus Kogeneracinė Jėgainė UAB	19 December 2016	68,965,518	0.29	20,000	5,000	15,000	19 January 2017
Energijos Sprendimų Centras UAB	29 August 2016	520,000	1.00	520	322	-	7 September 2016
Kauno Kogeneracinė Jėgainė UAB	28 December 2016	6,753,000	1	6,753	6,753	-	26 June 2017
Total				27,273	12,075	15,000	

* a part of newly issued shares owned by the Company.

On 27 December 2016, the Company paid up the EUR 5,000 thousand increase of the share capital of Vilniaus Kogeneracinė Jėgainė UAB. A new version of the Articles of Association of Vilniaus Kogeneracinė Jėgainė UAB related to the increased authorised share capital was registered with the Register of Legal Entities on 19 January 2017, therefore the amount of EUR 5,000 thousand (5 note) that had been reported within prepayments as at 31 December 2016 was reclassified to the Company's investments in 2017.

On 26 June 2017, the share capital of Kauno Kogeneracinė Jėgainė UAB was increased by EUR 13,241 thousand and amounted to EUR 24,000 thousand as at 30 June 2017. The Company acquired shares with the nominal value of EUR 6,753 thousand or representing 51% of the newly issued shares. As at 30 June 2017, the Company owned 51% of the share capital of Kauno Kogeneracinė Jėgainė UAB, i.e. EUR 12,240 thousand.

Acquisition of shares from non-controlling interest

On 18 May 2017, the Company acquired 1,000 ordinary shares of Technologijų ir Inovacijų Centras UAB with the nominal value of EUR 290 for EUR 847 from Litgrid AB, the non-controlling shareholder of Technologijų ir Inovacijų Centras UAB.

Establishment of indirectly controlled company

On 6 June 2017, the Company's subsidiary Energijos Tiekimas UAB established subsidiary Geton Energy Sp.z.o.o, the authorised share capital of which is divided into 20,000 ordinary shares and it amounts to PLN 1,000 thousand. As at 30 June 2017, Energijos Tiekimas UAB owned 19,999 shares of the newly established company and the Company held one share. The Company holds 100% of voting rights at the shareholders meeting of Energijos Tiekimas UAB, therefore the effective ownership interest in Geton Energy Sp.z.o.o. held by the Group is 100% as at 30 June 2017.

Decision on the sale of public institution Training Centre for Energy Specialists

On 2 February 2017, the Company's shareholder made a decision to start the sale process of public institution Training Centre for Energy Specialists. In the Company's statement of financial position as at 31 March 2017, the investment in public institution Training Centre for Energy Specialists was reported under the line item 'Non-current assets held for sale'. The investment's carrying amount was equal to EUR 123 thousand as at 30 June 2017. The Company estimates that the investment's carrying amount does not exceed a probable selling price, less expenses related to the sale.

All amounts in EUR thousands unless otherwise stated

7 Investments in subsidiaries and other investments (continued)

Decision on disposal of Duomenų Logistikos Centras UAB

In November 2016, the Company's shareholder made a decision to initiate disposal of Duomenų Logistikos Centras UAB, thereby contributing to further attempts of identifying clearly the Group's activities and focusing on the main ones. The disposal is expected to be finalized by the middle of 2017. As at 31 December 2016, the Company included the carrying amount of investment in Duomenų Logistikos Centras UAB within non-current assets held for sale in the statement of financial position. The subsidiary is consolidated in the Group financial statements. As at 30 June 2017, the carrying amount of investment was EUR 4,705 thousand. In the opinion of the Company's management, the carrying amount of investment does not exceed the potential sale price, less transaction costs.

As at 30 June 2017, the Company's investments in subsidiaries and other entities were as follows:

Company name	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Ownership interest (%)	Group's effective ownership interest, %
Subsidiaries:						
Energijos Skirstymo Operatorius AB	710,921	-	-	710,921	94,98	94,98
Lietuvos Energijos Gamyba AB	299,936	-	-	299,936	96,75	96,75
NT Valdos UAB	89,373	(9,036)	-	80,337	100,00	100,00
Energijos Tiekimas UAB	23,906	-	-	23,906	100,00	100,00
EURAKRAS UAB	17,058	-	-	17,058	75,00	75,00
Kauno Kogeneracinė Jėgainė UAB	12,240	-	-	12,240	51,00	51,00
LITGAS UAB	12,641	(4,011)	-	8,630	100,00	100,00
Lietuvos Dujų Tiekimas UAB	8,369	-	-	8,369	100,00	100,00
Tuuleenergia OU	6,659	-	-	6,659	100,00	100,00
Vilniaus Kogeneracinė Jėgainė UAB	6,003	-	-	6,003	100,00	100,00
Technologijų ir Inovacijų Centras UAB	3,219	-	-	3,219	50,00	97,89
Elektroninių Mokėjimų Agentūra UAB	758	-	-	758	100,00	100,00
Energijos Sprendimų Centras UAB	670	-	-	670	100,00	100,00
Verslo Aptarnavimo Centras UAB	296	-	-	296	51,00	98,40
Energetikos Paslaugų ir Rangos Organizacija UAB	9,137	(8,946)	-	191	100,00	100,00
Sponsorship Fund of Lietuvos Energija	3	-	-	3	100,00	100,00
Public Institution Training Centre for Energy Specialists	-	-	-	-	100,00	100,00
VAE SPB UAB	1,017	(1,462)	445	-	100,00	100,00
The Company's investments in indirectly controlled entities:						
Geton Energy Sp.z.o.o.	-	-	-	-	-	100,00
	1,202,206	(23,455)	445	1,179,196		

As at 31 December 2016, the Company's investments in subsidiaries and other entities were as follows:

Company name	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Ownership interest (%)	Group's effective ownership interest, %
Subsidiaries:						
Energijos Skirstymo Operatorius AB	710,921	-	-	710,921	94,98	94,98
Lietuvos Energijos Gamyba AB	299,936	-	-	299,936	96,75	96,75
NT Valdos UAB	89,373	(9,036)	-	80,337	100,00	100,00
Energijos Tiekimas UAB	23,906	-	-	23,906	100,00	100,00
EURAKRAS UAB	17,058	-	-	17,058	75,00	75,00
Kauno Kogeneracinė Jėgainė UAB	5,487	-	-	5,487	51,00	51,00
LITGAS UAB	12,641	(785)	-	11,856	100,00	100,00
Lietuvos Dujų Tiekimas UAB	8,369	-	-	8,369	100,00	100,00
Tuuleenergia OU	6,659	-	-	6,659	100,00	100,00
Vilniaus Kogeneracinė Jėgainė UAB	1,003	-	-	1,003	100,00	100,00
Technologijų ir Inovacijų Centras UAB	3,218	-	-	3,218	50,00	97,80
Elektroninių Mokėjimų Agentūra UAB	758	-	-	758	100,00	100,00
Energijos Sprendimų Centras UAB	348	-	-	348	100,00	100,00
Verslo Aptarnavimo Centras UAB	296	-	-	296	51,00	97,00
Energetikos Paslaugų ir Rangos Organizacija UAB	9,137	(7,320)	-	1,817	100,00	100,00
Sponsorship Fund of Lietuvos Energija	3	-	-	3	100,00	100,00
Public Institution Training Centre for Energy Specialists	309	(186)	-	123	100,00	100,00
VAE SPB UAB	1,017	(1,370)	445	92	100,00	100,00
	1,190,439	(18,697)	445	1,172,187		

All amounts in EUR thousands unless otherwise stated

8 Amounts receivable after one year

As at 30 June 2017 and As at 30 June 2016 the Group's and the Company's Amounts receivable after one year comprise as follows:

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Amount receivable on disposal of Litgrid AB (3, 4 notes)	170,353	193,571	170,353	193,571
Finance lease	8,353	7,600	-	-
Deposited guarantees	939	943	-	-
Unbilled accrued revenue from electricity-related sales (4 note)	-	246	-	-
Amounts receivable on emission allowances lent	129	157	-	-
Loan granted	523	599	6,203	2,900
Other non-current receivables	1,054	1,388	1,777	40
Total:	181,351	204,504	178,333	196,511
Less: impairment	(929)	(922)	(4,392)	-
Carrying amount	180,422	203,582	173,941	196,511

In the first half of 2016, EPSO-G UAB repaid a loan of EUR 35,004 thousand prior to its maturity.

9 Inventories

As at 30 June 2016 and 31 December 2015 Group's and Company's inventories comprised as follows

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Natural gas	13,734	28,514	-	-
Consumables, raw materials and spare parts	9,558	6,772	-	-
Electricity meters	4,965	5,025	-	-
Heavy fuel oil	1,665	961	-	-
Other	29,922	41,272	-	-
Total	(3,136)	(3,155)	-	-
Less: write-down to net realisable value	26,786	38,117	-	-
Carrying amount	13,734	28,514	-	-

Decrease of natural gas is related to the seasonality and optimization of natural gas cargo deliveries (smaller cargos are received more frequently).

10 Prepayments

As at 30 June 2016 and 31 December 2015 Group's and Company's prepayments comprised of the following:

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Prepayments for natural gas	11,432	101	-	-
Deposits in exchange	2,965	4,539	-	-
Prepayments for services	1,634	1,110	23	7
Payment for share capital issue of Vilniaus Kogeneracinė Jėgainė UAB (7 note)	-	-	-	5,000
Other prepayments	7,109	316	-	-
Accrued costs for issuance of bonds (25 pastaba)	424	-	424	-
Other Deferred expenses	1,483	901	-	4
Prepayments for services	25,047	6,967	447	5,011
Carrying amount	11,432	101	-	-

Prepayments for natural gas has increased because of Lietuvos Dujų Tiekimas UAB advance payment made for gas purchase.

11 Cash and cash equivalents

As at 30 June 2017 and 31 December 2016 Group's and Company's cash and cash equivalents comprised of the following:

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Cash in bank	103,778	178,565	243	73
Carrying amount	103,778	178,565	243	73

For the purpose of cash flow statement, cash and cash equivalents, and bank overdrafts were as follows:

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Cash and cash equivalents	103,778	178,565	243	73
Bank overdrafts	(23,267)	-	-	-
Carrying amount	80,511	178,565	243	73

All amounts in EUR thousands unless otherwise stated

11 Cash and cash equivalents (continued)

Under the loan agreements signed with the banks, the Group has pledged current and future cash inflows to bank accounts. As at 30 June 2017, the balance of cash pledged amounted to EUR 105 thousand (31 December 2016: EUR 139 thousand).

12 Non-current assets held for sale

As at 30 June 2017 and 31 December 2016 Group's and Company's Non-current assets held for sale comprised of the following:

	Grupė		Bendrovė	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Property, plant, and equipment	20,916	878	78	77
Disposal group	5,538	-	-	-
Investments in subsidiaries	-	-	4,828	4,705
	26,454	878	4,906	4,782

The assets of Group companies UAB Data Logistics Center and Entrepreneurship Training Center of the Group, which the Company intends to transfer, are accounted for as disposal group. Liabilities directly related to assets of the disposal group are accounted for in the item "Liabilities directly attributable to Non-current assets held for sale" in the Group's consolidated statement of financial position. As at 30 June 2017 the assets and liabilities of subsidiaries that the Company intends to dispose off and which are accounted for in the Group's consolidated statement of financial position comprised of the following:

	As at 30 June 2017
ASSETS	
Non-current assets	
Intangible assets	10
Property, plant and equipment	4,905
Total non-current assets	4,915
Current assets	
Inventories	2
Prepayments	17
Trade receivables	554
Other amounts receivable	23
Prepaid income tax	27
Total current assets	623
TOTAL ASSETS	5,538
LIABILITIES	
Non-current liabilities	
Deferred income tax liabilities	30
Provisions	9
Other non-current amounts payable and liabilities	309
Total non-current liabilities	348
Current liabilities	
Current portion of long-term debts	4
Trade payables	115
Advance amounts received	73
Other current amounts payable and liabilities	180
Total current liabilities	372
TOTAL LIABILITIES	720

Profit (loss), for period from 1 January 2017 to 30 June 2017, attributable to subsidiaries that the Company intends to dispose off comprised of the following:

	2017 Q1-2
Revenue	
Other income	2,021
Total revenue	2,021
Operating expenses	
Depreciation and amortisation	(423)
Wages and salaries and related expenses	(540)
Repair and maintenance expenses	(34)
Other expenses	(818)
Total operating expenses	(1,815)
Operating profit (loss)	206
Finance costs	(2)
Profit (loss) before tax	204
Current year income tax expense	(17)
Deferred income tax (expense)/benefit	(22)
Net profit (loss)	165
Attributable to:	
Owners of the parent	119
Non-controlling interests	46

All amounts in EUR thousands unless otherwise stated

12 Non-current assets held for sale (continued)

Cash flows, for period from 1 January 2017 to 30 June 2017, attributable to subsidiaries that the Company intends to dispose off comprised of the following:

	2017 Q1–2
Net cash flows from (used in) operating activities	37
Net cash flows from (used in) investing activities	(97)
Net cash flows from (used in) financing activities	(18)
Increase (decrease) in cash and cash equivalents (including overdraft)	(78)
Cash and cash equivalents (including overdraft) at the beginning of the year	354
Cash and cash equivalents (including overdraft) at the end of the year	276

13 Share capital

As at 30 June 2017 and 31 December 2016, the Company's share capital amounted to EUR 1,212,156,294. As at 30 June 2017 and 31 December 2016, the share capital was divided into 4,179,849,289 ordinary registered shares with a nominal value of EUR 0,29 each. As at 30 June 2017 and 31 December 2016, all shares were fully paid.

14 Borrowings

As at 30 June 2017 and 31 December 2016 Group's and Company's Borrowings comprised of the following:

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Non-current				
Bank borrowings	273,519	364,957	22,375	23,440
Current				
Current portion of long-term loans	126,760	90,008	2,131	2,131
Short-term loans	57,009	38,948	24,048	38,948
Loans from related parties (cash pool, Note 10)	-	-	4,265	25,811
Accrued interest	3	5	-	-
Total borrowings	457,291	493,918	52,819	90,330

Non-current borrowings analyzed by maturity:

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Between 1 and 2 years	82,621	112,341	2 131	2,131
Between 2 and 5 years	158,863	181,793	6,393	6,393
After 5 years	32,035	70,823	13,851	14,916
Total	273,519	364,957	22,375	23,440

The carrying amounts of the Group and the Company borrowings are denominated in Euros.

As at 30 June 2017 and 31 December 2016, the fair value of borrowings approximated their carrying amount, except for Lietuvos Energijos Gamyba AB borrowings with the carrying amount of EUR 59,857 thous. and EUR 132,459 thous. The fair value of these borrowings as at 30 June 2017 was approximately equal to EUR 59,017 thousand (31 December 2016: EUR 127,743 thousand). The fair value was estimated using a discount rate of 2,36% (31 December 2015: 2,37%).

As at 31 June 2017, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 85,952 thousand.

In 2016 the Company has obtained a loan from SEB for the Company's business development funding - the acquisition of wind farms. The loan is set to a variable interest rate, the review period is 3 months. The loan balance at 30 June 2017 is EUR 24,506 thousand (at 31 December 2016 – EUR 25,571 thousand). At 30 June 2016 there were pledged 75 % of UAB „EURAKRAS“ issued shares.

The loan agreements contain financial and non-financial covenants that the individual Group companies are obliged to comply with. All Group companies complied with the covenants as at 30 June 2017 and 31 December 2016.

Group has pledged some of its property, plant and equipment (6 note), inventories and cash (11 note) to ensure repayment of loans.

All amounts in EUR thousands unless otherwise stated

15 Grants and subsidies

The balance of grants comprises grants to finance acquisition of assets, funds received from the International Fund for Support of Decommissioning of Ignalina Nuclear Power Plant, from the EU structural funds, and property, plant and equipment and intangible assets received in return for no consideration from the Government of the Republic of Lithuania. Movements on the account of grants in 2016 and 2015 were as follows:

Group	Asset-related grants			Total
	Other projects of the Group	Projects for renovation, improvement of environmental and security standards	Grants for emission allowances	
Balance at 31 December 2015	44,465	251,941	31	296,437
Depreciation of property, plant and equipment	(1,609)	(10,798)	-	(12,407)
Grants received	424	-	1,733	2,157
Emission allowances utilised	-	-	(1,257)	(1,257)
Grants reversed	(1)	-	-	(1)
Balance at 31 December 2016	43,279	241,143	507	284,929
Depreciation of property, plant and equipment	(729)	(9,196)	-	(9,925)
Grants received	233	-	1,128	1,361
Emission allowances utilised	-	-	(241)	(241)
Grants reversed	(4)	-	-	(4)
Balance at 30 June 2017	42,779	231,947	1,394	276,120

Amortisation of grants is included to profit and loss and charged against the depreciation expenses of the related property, plant and equipment. Grants reversed are reported within revaluation/impairment of assets and these expenses are presented net of grants reversed.

16 Provisions

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Non-current	1,883	3,254	-	-
Current	682	12,883	-	-
Carrying amount	2,565	16,137	-	-

Group	Provisions for onerous contracts	Emission allowance liabilities	Provisions for employee benefits	Other provisions	Total
At 31 December 2015	21,368	3,735	3,189	125	28,417
Increase during the period	8,100	1,316	839	-	10,255
Utilised during the period	(19,176)	(2,999)	(32)	-	(22,207)
Revaluation of used emission allowances	-	(736)	-	-	(736)
Decrease/increase on change of assumptions	-	-	533	(125)	408
At 31 December 2016	10,292	1,316	4,529	-	16,137
Increase during the period	-	-	1	-	1
Utilised during the period	(10,292)	(933)	(2,120)	-	(13,345)
Revaluation of used emission allowances	-	(384)	-	-	(384)
Provisioning for thrown out the amount of pollution	-	178	-	-	178
Decrease/increase on change of assumptions	-	-	(22)	-	(22)
At 30 June 2017	-	177	2,388	-	2,565

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 2016, these provisions amounted to EUR 10,292 thousand. Upon acquisition of natural gas supply operations, the Group company Lietuvos Dujų Tiekimas UAB assumed an obligation to transfer the discount, which was received retrospectively on natural gas import price during January 2013–April 2014, to the end users in future periods. As at 30 June 2017 the Group adjusted the amount of provision in respect of onerous part of contracts for household and non-household users considering that starting from 1 July 2017 requirement to apply discount, described before, expires.

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 2017

All amounts in EUR thousands unless otherwise stated

17 Dividends

Dividend income

Dividends declared by the Group companies during the period from 1 January to 30 June 2017:

Date on which dividends were declared	Dividends declared by	Period for which dividends were allocated	Dividends per share, in EUR	Declared amount of dividends	Dividend income of the Company	Non-controlling interest
24 March 2017	Energijos Skirstymo Operatorius AB	July – December 2016	0.05786	51,763	49,166	2,597
24 March 2017	Lietuvos Energijos Gamyba AB	July – December 2016	0.02000	12,702	12,289	413
29 March 2017	Verslo Aptarnavimo Centras UAB	January – December 2016	0.06690	134	68	2
3 April 2017	LITGAS UAB	January – December 2016	0.06700	3,000	3,000	-
4 April 2017	Energijos Tiekimas UAB	January – December 2016	0.58000	10,000	10,000	-
7 April 2017	Duomenų Logistikos Centras UAB	January – December 2016	0.00500	76	60	15
7 April 2017	Technologijų ir Inovacijų Centras UAB	January – December 2016	0.01280	284	143	6
5 May 2017	EURAKRAS UAB	January – December 2016	2.12000	592	444	148
				78,551	75,170	3,181

Dividends declared by the Group companies during the period from 1 January to 30 June 2016:

Date on which dividends were declared	Dividends declared by	Period for which dividends were allocated	Dividends per share, in EUR	Declared amount of dividends	Dividend income of the Company	Non-controlling interest
29 March 2016	Energijos Skirstymo Operatorius AB	July – December 2015	0.0342	30,596	29,061	1,535
30 March 2016	NT Valdos UAB	Year 2015	0.4231	1,250	1,250	-
12 April 2016	LITGAS UAB	July – December 2015	0.0265	1,194	796	4
8 April 2016	Technologijų ir Inovacijų Centras UAB	July – December 2015	0.0090	200	100	399
				33,240	31,207	1,938

Dividends paid

	Q1-2 of 2017		Q1-2 of 2016	
	(EUR '000)	Dividends per share	(EUR '000)	Dividends per share
Lietuvos Energija UAB	59,752	0.0143	56,240	0.0134

18 Other expenses

	Group		Company	
	Q1-2	Q1-2	Q1-2	Q1-2
Taxes	3,267	3,162	21	16
Revaluation and provisions of emission allowances, including:	3,025	7,886	-	-
<i>Revaluation of accounts receivable for lent emission allowances</i>	(608)	(1,502)	-	-
<i>Revaluation of used emission allowances (Note 16)</i>	384	736	-	-
Customer service	1,901	1,827	-	-
Telecommunication and IT services	1,511	1,623	130	91
Write-offs of property, plant and equipment	1,632	1,231	-	-
Utility services	1,113	1,207	39	34
Motor vehicles	1,102	1,350	57	58
Rent	343	1,142	96	89
Consulting services	359	391	194	170
Expenses of low-value inventory items	361	540	-	-
Personnel development	348	250	47	28
Public relations and marketing	259	302	69	25
Business trips	228	216	34	22
Business support services	-	-	133	87
Impairment of inventories (reversal)	(19)	17	-	-
Impairment of receivables	-	-	-	-
Other expenses	1,677	3,574	54	108
	17,107	24,718	874	728

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 2017

All amounts in EUR thousands unless otherwise stated

19 Finance income

	Group		Company	
	Q1-2	Q1-2	Q1-2	Q1-2
Interest income	865	1,833	1,004	2,532
Foreign exchange positive effect	-	7	-	-
Late payment interest income	146	-	-	-
Other finance income	349	312	144	-
	1,360	2,152	1,148	2,532

20 Finance costs

	Group		Company	
	Q1-2	Q1-2	Q1-2	Q1-2
Interest expense	2,658	2,917	364	328
Revaluation of derivatives costs	340	659	209	-
Foreign exchange negative effect	2	3	-	-
Other finance costs	102	477	106	324
	3,102	4,056	679	652

21 Transactions with related parties

As at 30 June 2017 and 31 December 2016 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), key management and their close family members.

The Group's transactions with related parties for the 6 month period ended 30 June 2017 and balances outstanding as of 30 June 2017 comprised of the following:

Related party	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance cost	Purchases
	30 June 2017	30 June 2017	Jan - Jun 2017	Jan - Jun 2017	Jan - Jun 2017	Jan - Jun 2017
EPSO-G UAB	-	171,603	736	865	-	1,527
Litgrid AB	10,066	7,710	-	33,607	69	52,264
BALTPPOOL UAB	11,792	14,626	-	42,422	-	37,230
TETAS UAB	3,226	1,439	82	306	-	6,770
Amber Grid AB	5,916	561	-	3,420	-	34,394
Associates and other related parties of the Group	-	502	3	466	-	410
Total	31,000	196,441	821	81,086	69	132,595

The Group's transactions with related parties for the 6 month period ended 30 June 2016 and balances outstanding as of 31 December 2016 comprised of the following:

Related party	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance cost	Purchases
	30 June 2016	30 June 2016	Jan - Jun 2016	Jan - Jun 2016	Jan - Jun 2016	Jan - Jun 2016
EPSO-G UAB	-	212,011	1,534	15	-	-
Litgrid AB	9,702	6,854	-	28,884	-	54,024
BALTPPOOL UAB	13,109	11,796	-	30,988	-	46,240
TETAS UAB	1,634	307	31	803	-	5,330
Amber Grid AB	3,008	3,144	-	22,865	-	17,592
Associates and other related parties of the Group	-	818	4	1,353	-	782
Total	27,453	234,930	1,569	84,908	0	123,968

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 2017

All amounts in EUR thousands unless otherwise stated

21 Transactions with related parties (continued)

The Company's transactions with related parties conducted during the period from 1 January to 30 June 2017 and balances arising on these transactions as at 30 June 2017 are presented below:

Related parties	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance costs	Purchases
	At 30 June 2017	At 30 June 2017	Q1–2, 2017	Q1–2, 2017	Q1–2, 2017	Q1–2, 2017
Subsidiaries						
Energijos Skirstymo Operatorius AB	5,360	326	49,166	613	58	-
Lietuvos Energijos Gamyba AB	6,090	1,180	12,289	228	66	-
Lietuvos Dujų Tiekimas UAB	351	20	-	82	4	-
NT Valdos UAB	1,151	35	-	73	23	165
Energetikos Paslaugų ir Rangos Organizacija UAB	-	2,630	33	83	-	-
Verslo Aptarnavimo Centras UAB	32	16	68	64	1	147
Energijos Tiekimas UAB	-	36	10,003	81	-	-
LITGAS UAB	87	9	3,000	49	2	-
Technologijų ir Inovacijų Centras UAB	35	11	142	49	6	115
VAE SPB UAB	-	1	-	2	-	-
Public Institution Training Centre for Energy Specialists	-	7	-	9	-	-
Tuuleenergia OU	-	5,119	315	15	-	-
Duomenų Logistikos Centras UAB	55	1	60	14	1	-
EURAKRAS UAB	268	11	506	6	3	-
Vilniaus Kogeneracinė Jėgainė UAB	258	6	-	29	2	-
Elektroninių Mokėjimų Agentūra UAB	-	28	-	13	-	-
Kauno Kogeneracinė Jėgainė UAB	-	23	-	60	-	-
Energijos Sprendimų Centras UAB	-	2	-	19	-	-
Other related parties						
EPSO-G UAB	-	171,525	736	-	-	-
Total	13,687	180,986	76,318	1,489	166	427

The Company recognised impairment of EUR 4,392 thousand in respect of the amount receivable from Energetikos Paslaugų ir Rangos Organizacija UAB, which is presented less impairment.

The Company's transactions with related parties during the period from 1 January to 30 June 2016 and balances arising on these transactions as at 30 June 2016 are presented below:

Related parties	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance costs	Purchases
	At 30 June 2016	At 30 June 2016	Q1–2, 2016	Q1–2, 2016	Q1–2, 2016	Q1–2, 2016
Subsidiaries						
Energijos Skirstymo Operatorius AB	29,974	61	29,061	283	221	-
Lietuvos Energijos Gamyba AB	35,627	15	-	82	177	-
Lietuvos Dujų Tiekimas UAB	12,152	8	-	53	3	-
NT Valdos UAB	34	1,276	1,250	60	-	168
Energetikos Paslaugų ir Rangos Organizacija UAB	-	2,934	15	44	-	-
Verslo Aptarnavimo Centras UAB	24	368	-	18	-	91
Energijos Tiekimas UAB	-	14	-	17	-	-
LITGAS UAB	-	5	1,612	4	-	-
Technologijų ir Inovacijų Centras UAB	18	9	100	7	-	89
VAE SPB UAB	-	1	-	-	-	-
Public Institution Training Centre for Energy Specialists	-	6	-	6	-	-
Tuuleenergia Osauhing and HOB OU	-	4,788	97	-	-	-
Duomenų Logistikos Centras UAB	212	3	-	11	3	-
EURAKRAS UAB	-	10	30	-	-	-
Vilniaus Kogeneracinė Jėgainė UAB	-	39	-	36	-	-
Other related parties						
EPSO-G UAB	-	212,007	1,534	-	-	-
Total	78,041	221,544	33,699	621	404	348

Management compensation:

	Group		Company	
	Q1–2 2017	Q1–2 2016	Q1–2 2017	Q1–2 2016
Salaries and other short-term benefits	1,893	1,723	377	330
Whereof: Termination benefits and benefits to Board Members	246	170	36	37
Number of management staff	66	68	10	10

Management in the table above includes heads of administration and their deputies.

All amounts in EUR thousands unless otherwise stated

22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

In the opinion of the Management, the Group has three operating segments:

- Supply and distribution of electricity, gas distribution (running by Energijos Skirstymo Operatorius, AB);
- Electricity generation (running by Lietuvos Energijos Gamyba AB, Eurakras UAB, Tuuleenergia OU);
- Electricity and gas trade (running by Lietuvos Dujų Tiekimas UAB, Energijos Tiekimas UAB, Litgas UAB).

To Other segments are allocated:

- support services (NT Valdys UAB, Energetikos paslaugų ir rangos organizacija UAB, Technologijų ir Inovacijų centras UAB, Verslo aptarnavimo centras UAB);
- other non-core activities (UAB Energetikos paslaugų ir rangos organizacija, Duomenų logistikos centras, UAB, VšĮ Energetikų mokymo centras);
- special purpose entities which are responsible for implementation of assigned projects and construction of new cogeneration plants (VAE SPB UAB, Kauno Kogeneracinė Jėgainė UAB and Vilniaus Kogeneracinė jėgainė);
- service entities (Elektroninių mokymų agentūra, UAB, UAB Energijos sprendimų centras);
- also parent company Lietuvos Energija UAB, which does not constitute separate operating segment, however is disclosed separately, as its net profit exceeds 10% of net profit of all profit reporting segments. Support service entities and special purpose entities are aggregated as none of them individually meet criteria of an operating segment.

The Group has single geographical segment – Republic of Lithuania, electricity sales in Latvia and Estonia are considered not significant. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of revenue and expenses. The primary performance measure is EBITDA, which is calculated based on the financial statements in accordance with IFRS and adjusted to selected items which are not recognized under IFRS. The Board of the group does not monitor assets and liabilities of the segments.

Group information about operating segments during period from 1 January 2017 to 30 June 2017 is provided below:

Q1–2 2017	Supply and distribution of electricity, gas distribution	Electricity generation	Electricity and gas trade	Other segments		Elimination of intercompany transactions and consolidation eliminations	Total
				Parent Company	Other segments		
Tęsiama veikla							
Revenue from external customers	282,161	54,299	190,118	-	10,392	-	536,970
Revenue from other segments	24,306	16,022	51,870	76,661	25,547	(194,406)	-
Total revenue	306,467	70,321	241,988	76,661	35,939	(194,406)	536,970
Expenses	(255,953)	(55,516)	(227,407)	(12,304)	(35,040)	105,357	(480,863)
Thereof:	-	-	-	-	-	-	-
depreciation and amortization	(24,411)	(13,908)	(564)	-	(3,494)	(308)	(42,685)
impairments and write-offs	1,436	(1,283)	9	(9,336)	54	9,336	216
Revaluation of emission allowances	-	(3,025)	-	-	-	-	(3,025)
Write-off of Property, plant and equipment, inventories and trade receivables	(1,808)	(9)	(128)	-	(24)	-	(1,969)
Unrealized gain (loss) attributable to derivative financial instruments	-	-	(967)	-	-	-	(967)
Management adjustments *	-1335	-	16,371	-	-	-	15,036
Management adjustments *							
EBITDA	73,962	33,030	32,602	73,693	4,363	(98,077)	119,573
Operating profit (loss)	50,514	14,805	14,581	64,357	899	(89,049)	56,107
Interest income	500	84	96	1,004	43	(716)	1,011
Interest (expenses)	(866)	(1,244)	(318)	(364)	(280)	414	(2,658)
Other financial income (expenses)	144	197	(339)	(171)	(83)	157	(95)
Profit (loss) before income tax	50,292	13,842	14,020	64,826	579	(89,194)	54,365
Income tax	(5,313)	189	2,486	128	(106)	154	(2,462)
Net profit (loss) from continuing operations	44,979	14,031	16,506	64,954	473	(89,040)	51,903
Profit (loss) from discontinued operations	-	-	-	-	194	(29)	165
Net profit (loss)	44,979	14,031	16,506	64,954	667	(89,069)	52,068
Total assets as at 2017.06.30	1,142,066	796,685	107,479	1,366,650	207,001	(1,299,369)	2,320,512

*Management adjustments applied while arriving at EBITDA are related to Gazprom gas price reduction and excessive profits from regulated activities recognition (Supply and distribution of electricity, gas distribution segment and Electricity and gas trade).

All amounts in EUR thousands unless otherwise stated

22 Segment reporting (continued)

Group information about operating segments during period from 1 January 2016 to 30 June 2016 is provided below:

Q1–2 2016	Supply and distribution of electricity, gas distribution	Electricity generation	Electricity and gas trade	Other segments		Elimination of intercompany transactions and consolidation eliminations	Total
				Parent Company	Other segments		
Revenue from external customers	306,906	64,541	194,742	-	13,444	-	579,633
Revenue from other segments	25,786	11,381	41,909	31,821	26,256	(137,153)	-
Total revenue	332,692	75,922	236,651	31,821	39,700	(137,153)	579,633
Expenses	(270,392)	(68,416)	(190,608)	(2,371)	(40,035)	80,647	(491,174)
Thereof:	-	-	-	-	-	-	-
depreciation and amortization	(22,387)	(11,908)	(55)	(2)	(4,029)	49	(38,332)
impairments and write-offs	328	(34)	206	-	3	-	503
Revaluation of emission allowances	-	(7,886)	-	-	-	-	(7,886)
Write-off of Property, plant and equipment, inventories and trade receivables	(2,085)	-	(19)	-	(11)	-	(2,115)
Unrealized gain (loss) attributable to derivative financial instruments	-	-	(76)	-	-	-	(76)
Management adjustments *	-15690	-	(5,811)	-	-	-	(21,501)
EBITDA	70,754	27,334	40,177	29,452	3,702	(56,555)	114,864
Operating profit (loss)	62,300	7,506	46,044	29,450	(335)	(56,506)	88,459
Interest income	283	124	59	2,532	1	(1,166)	1,833
Interest (expenses)	(908)	(1,659)	(1,029)	(328)	(161)	1,168	(2,917)
Other financial income (expenses)	(222)	(276)	43	(324)	(43)	2	(820)
Profit (loss) before income tax	61,453	5,695	45,117	31,330	(538)	(56,502)	86,555
Income tax	(9,557)	(5,180)	(4,724)	(73)	(122)	174	(19,482)
Net profit (loss)	51,896	515	40,393	31,257	(660)	(56,328)	67,073
Total assets as at 30 June 2016	1,064,410	906,990	124,549	1,379,060	171,458	(1,315,981)	2,330,486

*Management adjustments applied while arriving at EBITDA are related to Gazprom gas price reduction and excessive profits from regulated activities recognition (Electricity and gas trade), Project results of the Biofuel boiler house (Other segments).

The Company is treated as a single reporting segment as the Company's principal activities are related only to the management and coordination of the activities of the companies of Lietuvos Energija UAB group. The Company's net profit for the first half of 2017 amounted to EUR 64,954 thousand (net profit of EUR 31,228 thousand for the first half of 2016). Information about the Company's products and services is presented in Note 14. The Company generates all its revenue from the provision of services to the controlled companies of Lietuvos Energija UAB group. The Company is not engaged in significant activities in foreign markets, therefore a separate geographical segments is not distinguished.

23 Restatement of comparative information

In 2016, the Company changed the disclosure of dividend income in the statement of comprehensive income and made respective reclassifications to comparative figures for 2016. The table below presents the impact of the reclassification of dividends on the Company's statement of comprehensive income for 2016.

	Q1–2, 2016, (announced)	Reclassification	Q1–2, 2016, (after reclassification)
Revenue			
Sales revenue	613	-	613
Other income	1	-	1
Dividends	-	31,207	31,207
Total revenue	614	31,207	31,821
Total operating expenses	(2,371)	-	(2,371)
Operating profit/(loss)	(1,757)	31,207	29,450
Finance income/(costs)	33,087	(31,207)	1,880
Profit/(loss) before income tax	31,330	-	31,330
Current year income tax expenses	(66)	-	(66)
Deferred income tax (expenses)/benefit	(7)	-	(7)
Net profit/(loss) for the period	31,257	-	31,257
Other comprehensive income/(loss) for the period	(29)	-	(29)
Total comprehensive income/(loss) for the period	31,228	-	31,228
Attributable to:			
Owners of the parent	31,228	-	31,228
Non-controlling interest	-	-	-

All amounts in EUR thousands unless otherwise stated

24 Commitments and contingencies

Guarantees issued by the Company as at 30 June 2017:

Name of the subsidiary	Guarantee beneficiary	Guarantee issue date	Guarantee expiry date	Maximum amount of guarantee	At 30 June 2017	At 31 December 2016
EURAKRAS UAB	SEB Bankas AB	5 April 2016	-	-	23,787	24,929
EURAKRAS UAB	SEB Bankas AB	5 April 2016	-	-	604	836
Energijos Tiekimas UAB	Eesti Energia Aktsiaselts	25 August 2016	-	2,000	602	-
Vilniaus Kogeneracinė Jėgainė UAB	European Investment Bank	5 December 2016	-	-	-	-
Companies of Lietuvos Energija UAB group	Companies of Lietuvos Energija UAB group	Year 2016	31 December 2017	-	26,015	10,065
Tuuleenergija OU	SEB Bankas AB	18 January 2017	-	-	19,119	-
				2,000	70,127	35,830

Capital expenditure commitments

As at 30 June 2017 the Group's capital expenditure commitments assumed under the signed contracts as at the date of the financial statements but not accounted for in the financial statements amounted to EUR 471,265 thousand (31 December 2016: EUR 362,306 thousand).

Litigations

AB "Energijos skirstymo operatorius" litigation with the State Price and Energy Control Commission (herein after – the Commission)

On 17 November 2014, AB "Energijos skirstymo operatorius" (former LESTO AB) brought a claim before Vilnius Regional Administrative Court whereby it requested to annul resolution No O3-841 of the National Control Commission for Prices and Energy (the Commission) of 17 October 2014 and resolution No O3-845 of 17 October 2014, and to oblige the Commission to eliminate violations made when making calculations. When establishing the price caps for the services of LESTO AB under the resolutions specified in the claim the Commission failed to take into consideration the following:

- a difference of EUR 7,777 thousand which occurred as result of the improper WACC amount applied by the Commission;
- a difference of EUR 4,638 thousand which occurred as result of an improper application of the principles on permitted return on investments.

On 22 December 2015, the claim was rejected by Vilnius Regional Administrative Court. The oral hearing in the court during which the appeal of the Company will be investigated is scheduled on 21 September 2017 in the Supreme Administrative Court of Lithuania. If the court rules in favour of Energijos Skirstymo Operatorius AB, the price caps would be increased and higher revenue would be earned in future periods.

On 17 November 2014, AB "Energijos skirstymo operatorius" brought a claim before Vilnius Regional Administrative Court whereby it requested to annul the Commission's resolutions of 19 December 2014 no. O3-947, no. O3-944, no. O3-945, no. O3-946 and 23 December 2014 resolution no. O3-960. By appeals, the Commission did not properly assess the costs incurred by AB "Energy Distribution Operator" that were actually incurred for regulated activities and included in the regulated activities, therefore, in 2015 AB "Energijos skirstymo operatorius" did not receive about EUR 17,629 thousand of planned income. At 26 January 2016 the Vilnius Regional Administrative Court dismissed the complaint. The Supreme Administrative Court of Lithuania at 20 June 2017 appeal of the AB "Energijos skirstymo operatorius" was rejected, the Commission's decisions were upheld.

At 8 July 2015, LESTO AB filed the complaint to Vilnius Regional Administrative Court with the request to annul the Commission's resolution *On violation of terms and conditions of the regulated activity by LESTO AB* under which the violation made by LESTO AB in respect of the licensed activity was identified, i.e. LESTO AB unjustifiably allocated more costs to the regulated activities of electricity distribution and public supply than the amount that could have been actually allocated, and to recognise the imposed fine of EUR 300 thousand as ungrounded. In its financial statements as at 31 December 2015 the Company accounted for the mentioned fine by recognising expenses and a liability. The investigation of the case has been renewed and the court's hearing is scheduled to be held on 5 October 2017.

At 16 October 2012 an action was brought against AB „Energijos skirstymo operatorius“ (former AB VST, later AB LESTO) for compensation and non-pecuniary damage arising from the electrical equipment of AB "Energijos skirstymo operatorius" installed on the applicant's land plot. At 5 November 2013 And 29 May 2014 decisions indicated that there was no legal basis for awarding compensation from AB "Energy Distribution Operator" for the use of the plaintiff's land plot. After reviewing the civil case, the Supreme Court of Lithuania handed the case again to the court of appeal by indicating the correct part of the remuneration of the servitor of the dispute, payable to the plaintiff. The trial was scheduled for 24 October 2017. In the event of the court ruling, AB "Energy Distribution Operator" would avoid additional costs related to the use of electrical equipment in the future.

AB „Energijos skirstymo operatorius“ litigation with UAB „Vilniaus energija“

On 27 March 2014, UAB „Vilniaus energija“ brought a claim before Vilnius Regional Court whereby it requested to award damages of EUR 10,712 thousand from Energijos Skirstymo Operatorius AB, to recognise the provisions of the agreement on the purchase and sale of electricity as null and void as of the moment of its conclusion, to oblige the respondent to purchase the supported production volume of electricity. The oral hearing in Vilnius Regional Court was scheduled to take place on 29 May 2017. The court's hearing was postponed to 28 August 2017 as the court decided to request that Energijos Skirstymo Operatorius AB provide additional evidence relating to electricity prices. The Company's management expects the court to rule in its favour, therefore no liability and expenses were accounted for.

24 Commitments and contingencies (continued)

Litigations (continued)

AB „Energijos skirstymo operatorius“ (ESO) and UAB „Lietuvos dujų tiekimas“ (LDT)

At 29 January 2015 UAB „Vilniaus energija“ brought a claim before Vilnius Regional Administrative Court against UAB Energijos skirstymo operatorius AB and Lietuvos Dujos UAB were jointly and severally liable for the amendment of the pricing rules for natural gas supply contracts and EUR 15,235 thousand surcharges for purchased natural gas and the award of interest. At 21 January 2016 the Vilnius Regional Court rejected the claim. The Supreme Court of Lithuania at 5 July 2017 dismissed a cassation appeal. The claims of UAB „Vilniaus energija“ are completely rejected.

On 3 April 2015, Amilina AB filed an application to AB „Energijos skirstymo operatorius“ and UAB „Lietuvos dujų tiekimas“ with claim on amendment of the pricing rules for natural gas supply contracts and compensation of EUR 1,049 thousand surcharges for purchased natural gas and the award of interest. At 7 October 2016 Vilnius Regional Court dismissed the action in a judgment. At 14 July 2017 the Lithuanian Court of Appeal dismissed the appeal of the public company Amilina.

UAB LITGAS

UAB LITGAS participates in as the third party in administrative cases where Achema AB:

- at 8 December 2016 filed a complaint against the Commission's 17 November 2016 Resolution No. O3-369
- at 22 January 2016 filed a complaint to the Commission for 23 December 2015 Resolution No. O3-683;
- at 18 April 2016 Filed a complaint against the Commission's 25 March 2016 Resolution No. O3-83

The complaints call into question the Commission's decisions establishing the additional component of natural gas supply security at the price of natural gas transmission. During each fiscal period when the Commission determines the price of additional components of natural gas transmission for the delivery of natural gas, the difference between (i) the costs incurred by UAB LITGAS for the acquisition of the minimum quantity of liquefied natural gas and (ii) the revenue collected from this sale of liquefied natural gas to energy producers, is attributed to the price of additional components of natural gas transmission. The proceedings of the Vilnius Regional Administrative Court have been suspended due to the case No. Nr. T-417/16 under the complaint of Achema AB regarding resolution of the European Commission in 20 November 2013. November 20.

UAB LITGAS participates in as the third party in administrative cases where Achema AB at 16 June 2017 filed a complaint against the Commission's 15 May 2017 Resolution No. O3E-145. The case is pending before the court of first instance, the date of the hearing has not yet been assigned.

UAB LITGAS appealed to the Commercial Arbitration Court in Lithuania for the award of a debt. The file data is confidential. Vilnius Commercial Court of Arbitration in 27 April 2017 approved decision to satisfied the claim of UAB LITGAS and ordered the debtor to pay a debt of EUR 309 thousand, 21 thousand euro interest pay, 6 per cent annual interest for the awarded amount (328 868,65 EUR).

„Lietuvos energijos gamyba“, AB

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolutions No O3-852 of 17 October 2014 and No O3-866 of 30 October 2014. According to the AB, according to AB, the Commission submits inaccurate and incorrect calculations of the return on investment of AB "Lietuvos energija gamyba", the AB "Lietuvos energija gamyba". Vilnius District Administrative Court at 15 June rejected complaint. "Lietuvos energija gamyba", AB in 2017 July 17 filed an appeal, the date of its investigation is not yet known.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolutions No O3-939 of 19 December 2014. Adopting resolution the Commission reduced the budget of PSO services fees allocated to Lietuvos Energijos Gamyba AB for the year 2015. The Vilnius Regional Administrative Court has suspended the investigation of the case.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolutions No. O3-562 of 22 October 2015, No. O3-685 of 23 December 2015, No. O3-579 of 30 October 2015 and No. O3-687 of 23 december 2015. The Lietuvos Energijos Gamyba AB believes that the calculation of return on investment presented in the decision is inaccurate and wrong due to unreasonable application of the proportional allocation of costs to the secondary active power reserve service. Vilnius District Administrative Court at 19 April 2017 rejected complaint. At 18 May 2017 18 "Lietuvos energija gamyba", AB filed an appeal, the date of its investigation is not yet known.

Lietuvos Energijos Gamyba AB filed a complaint to Vilnius Regional Administrative Court in respect of the Commission's Resolutions No. O3-391 of 29 November 2016. The Lietuvos Energijos Gamyba AB believes that the calculation of return on investment presented in the decision is inaccurate and wrong due to unreasonable application of the proportional allocation of costs to the secondary active power reserve service. The negative impact of the ruling on Lietuvos Energijos Gamyba AB financial result in 2017 will amount to about EUR 700 thousand.

Legal disputes of Tuuleenergia

In 2006 Varbla municipal government issued occupancy permits to Tuuleenergia OU to erect two Tamba wind turbines. In 2013 appeal was presented to Tallinn Administrative Court to annul occupancy permits issued by Varbla municipal government at the reason of erected wind turbines are not in accordance with detailed spatial plan and also the noise was not in satisfactory conditions. Appeal was not satisfied by Tallinn Administrative Court and also by Tallinn Circuit Court in the second instance in 2015. Cassation appeal was satisfied by Supreme Court in 2016. As a result occupancy permits were annulled and at the moment the Company has no any occupancy permits until all procedures will be filled for receiving new occupancy permits. Although court ruling is negative, it is important to note that the ruling itself does not entail an instruction to dismantle the windmills. The judgement emphasis that there is a need for a new proceeding in order to issue lawful permits for the turbines. The Court found that all the arguments relating to discrepancies regarding the geographical positioning of the turbines are not founded. Thus, it can be derived from judgement that the turbines can be positioned where they stand at the moment, however the question remains how the windmills affect neighboring properties and whether there should be restrictions imposed on operating of the turbines.

24 Commitments and contingencies (continued)

Litigations (continued)

Legal disputes of Tuuleenergia (continued)

The natural person, who owns property near the wind turbine park, at 3 July 2017 filed in complain against the municipality of Varbla (Estonia), asking the court (i) to oblige the municipality of Varbla to consider the submitted 23 December 2016 December; (ii) to declare the procedure for issuing provisional authorization for turbines by the municipality of Varbla illegal and to oblige them to terminate these proceedings; (iii) to acknowledge the inaction of the Varbla municipality and as unlawful a non compliance with the 11 October 2016 Decision no. 3-3-1-15-16 judgment of the Supreme Court of Estonia and to award the court a flat-rate compensation. The Tallinn Administrative Court asked the applicant by 24 august 2017 to clarify the complaint.

25 Events after the end of reporting period

On 14 July 2017, the Company issued bonds worth of EUR 300 million at the Luxembourg Stock Exchange (ISIN code XS1646530565.). Annual interest rate of 2.00% is payable on bonds that have been issued with a 2.193% yield. Bonds will be redeemed after ten years. Cash inflows, that comprise 98.284% of the nominal value of the bonds issue and EUR 1,018 thousand fees to direct intermediaries, reaches EUR 293,834 thousand. Eur. On 19 July 2017, bonds issued by the Company were entered on the Baltic Bond List of Nasdaq Vilnius Stock Exchange. The code provided to the Company is LEGR. The Company plans to use the funds attracted for the financing of investments in the wind energy sector, increase of efficiency of the electricity distribution network and projects on energy production from waste and biomass.

Based on the decision of the sole shareholder dated 19 April 2017, the authorised share capital of NT Valdos UAB was reduced to EUR 37,295 thousand by annulling 1,666,284 ordinary registered shares with the nominal value of EUR 28.96. The amended Articles of Association were registered with the Register of Legal Entities on 11 July 2017. NT Valdos UAB paid to the Company EUR 10,000 thousand on 14 July 2017.

Based on the decision of the general meeting of shareholders held on 5 May 2017, the authorised share capital of EURAKRAS UAB was reduced to EUR 4,621 thousand by annulling 120,000 ordinary registered shares with the nominal value of EUR 28.96. The amended Articles of Association were registered with the Register of Legal Entities on 20 July 2017.

Based on the decision of the sole shareholder dated 20 June 2017, the authorised share capital of Energijos Sprendimų Centras UAB was increased to EUR 1,230 thousand by issuing 700,000 ordinary registered shares with the nominal value of EUR 1. The amended Articles of Association have not been approved yet. The Company paid to the latter entity EUR 300,000 on 13 July.

The Company's subsidiary UAB Lietuvos Dujos starting from 1 July 2017 m. discontinues application of additional price discount on gas, which arose the Lithuania agreed with Gazprom's additional price discount for gas delivered from the beginning of 2013 to April 2014.

At 5 July 2017 July the company's subsidiary "Lietuvos energija gamyba", AB signed a loan agreement with AB SEB bankas for the amount of EUR 60,000 thousand. This agreement will refinance existing SEB banka's long-term loan of EUR 47,904 thousand. The new loan agreement, without impairing the existing conditions, extends the term of repayment of the loan, and ceased pledges of part of the tangible fixed assets (combined cycle block, reserve power plants 7 and 8 units).

Based on the decision of the shareholders dated 10 July 2017, the authorised share capital of Geton Energy Sp.z.o.o. was increased to PLN 10,000 thousand by issuing 180,000 ordinary registered shares with the nominal value of PLN 50. The Company acquired 9 ordinary registered shares. The amended Articles of Association have not been approved yet.

On 10 July 2017, the sole shareholder made a decision to partially cover losses of VAE SPB UAB by making a monetary contribution of EUR 100 thousand. Cash were transferred on 17 August.

Based on the decision of the sole shareholder dated 18 July 2017, the authorised share capital of Elektroninių Mokėjimų Agentūra UAB was increased to EUR 1,000 thousand by issuing 300,000 ordinary registered shares with the nominal value of EUR 1. The amended Articles of Association have not been approved yet. The Company paid to the latter entity EUR 250,075 on 20 July.

On 11 August 2017, the Company repaid an outstanding balance of EUR 24,151 thousand to SEB Bankas AB prior to its maturity.

On 25 July 2017, following the completion of the preparatory stage, the agreement on the establishment of the fund was signed with Contrarian Ventures. The limited partnership Smart Energy Fund powered by Lietuvos Energija was established in which the Company participates on the basis of a partner. The purpose of the investment partnership strategy and activities of the partnership was established - Invest in and manage businesses, realize investments and generate profits for participants.

On 28 July 2017, the Company announced about the commencement of the process on the sale of the transport activity conducted by subsidiary NT Valdos UAB.

In November 2016, the Company's shareholder passed a decision to start a sale process of Duomenų Logistikos Centras UAB whereby the process of identifying central components of the Group's activities is continued. In the Company's statement of financial position as at 30 June 2017, the investment in Duomenų Logistikos Centras UAB was reported under the line item 'Non-current assets held for sale'. The carrying amount of the investment amounted to EUR 4,705 thousand as at 30 June 2017. The investment's sale price is not lower than its carrying amount. On 7 August 2017, the Company announced that the Company and Litgrid AB signed the agreement on the purchase and sale of shares with Telia Lietuva. Lietuvos Energija sold 79.64% of shares of Duomenų Logistikos Centras UAB and Litgrid sold 20.36% of shares of the latter company. The sale process of Duomenų Logistikos Centras UAB is expected to be finalised at the beginning of 2018 after the receipt of the concentration permission from the Competition Council. The transaction value will not be announced until that time.

25 Events after the end of reporting period (continued)

On 10 August 2017, the Company signed the overdraft agreement with OP Corporate Bank for the granting of the limit of EUR 70,000 thousand with the repayment term expiring on 10 August 2019.

On 14 August 2017, the Company finalised the sale process of public Institution Centre of Training for Energy Specialists and earned profit of EUR 24 thousand.
