

2017-11-17

CERTIFICATION STATEMENT

Referring to the provisions of the Article 23 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Mindaugas Keizeris, Interim Chief Executive Officer of UAB Lietuvos energija and, Darius Kašauskas, Finance and Treasury Director, and Giedruolė Guobienė Head of Accounting services Centre of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, UAB Lietuvos energija condensed interim financial information for the nine month period ended 30 September 2017 prepared according to International Accounting Standard 34 'Interim financial reporting' adopted by the European Union, give a true and fair view of UAB Lietuvos energija assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the six-month period includes a fair review of the development and performance of the business.

UAB Lietuvos energija
Interim Chief Executive Officer



Mindaugas Keizeris

UAB Lietuvos energija
Finance and Treasury
Director



Darius Kašauskas

Verslo aptarnavimo centras UAB,
Head of Accounting services Centre,
acting under Order No. IS17-80
(signed 2017 08 28)



Giedruolė Guobienė

2017

LIETUVOS ENERGIJA, UAB

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL
INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE III
QUARTER OF 2017 AND 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2017
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34,
'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)



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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 17 November 2017 by interim Chief Executive Officer, Finance and Treasury Director and Head of Accounting Services Centre of Verslo Aptarnavimo Centras UAB (acting under Order No IS17-80 of 28 August 2017).



Mindaugas Keizeris

Interim Chief Executive Officer



Darius Kašauskas

Finance and Treasury Director



Giedruolė Guobienė

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

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

For the nine-month period ended 30 September 2017

All amounts in thousands of euro unless otherwise stated

		Group		Company	
	Notes	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
ASSETS					
Non-current assets					
Intangible assets	4	33,857	32,261	-	-
Property, plant and equipment	4	1,821,568	1,770,814	367	348
Prepayments for non-current assets		21,274	-	-	-
Investment property		31,678	46,207	-	-
Investments in subsidiaries	5	-	-	1,133,617	1,172,187
Amounts receivable after one year		180,483	203,582	173,792	196,511
Other financial assets		426	-	426	-
Other non-current assets		2,827	2,620	-	-
Deferred income tax asset		4,596	5,699	386	93
Total non-current assets		2,096,709	2,061,183	1,308,588	1,369,139
Current assets					
Inventories		49,646	38,117	-	-
Prepayments		17,472	6,978	13	6,067
Trade receivables		94,280	111,884	-	-
Other amounts receivable		11,666	29,352	89,668	13,449
Other current assets		4,517	4,606	-	-
Prepaid income tax		1,893	589	230	160
Loans and short-term investments		-	-	61,111	4,691
Cash and cash equivalents		300,410	178,565	192,619	73
		479,884	370,091	343,641	24,440
Non-current assets held for sale		26,121	878	4,782	4,782
Total current assets		506,005	370,969	348,423	29,222
TOTAL ASSETS		2,602,714	2,432,152	1,657,011	1,398,361
EQUITY AND LIABILITIES					
Equity					
Share capital	6	1,212,156	1,212,156	1,212,156	1,212,156
Reserves		100,289	92,171	14,516	9,758
Retained earnings (deficit)		(30,189)	(35,952)	124,492	75,699
Equity attributable to owners of the parent		1,282,256	1,268,375	1,351,164	1,297,613
Non-controlling interests		44,764	51,172	-	-
Total equity		1,327,020	1,319,547	1,351,164	1,297,613
Liabilities					
Non-current liabilities					
Non-current borrowings	7	541,698	364,957	293,851	23,440
Finance lease liabilities		222	316	-	-
Grants and subsidies	8	270,860	284,929	-	-
Deferred income tax liabilities		44,945	40,481	-	-
Provisions	9	1,894	3,254	-	-
Deferred income		53,843	52,214	-	-
Other non-current amounts payable and liabilities		8,907	11,780	9,503	9,358
Total non-current liabilities		922,369	757,931	303,354	32,798
Current liabilities					
Current portion of long-term debts	7	127,155	90,008	1,282	2,131
Current borrowings	7	23,090	38,953	-	64,759
Current portion of finance lease liabilities		149	157	-	-
Trade payables		63,626	96,118	366	343
Advance amounts received		34,947	27,636	-	-
Income tax liabilities		1,323	9,355	-	-
Provisions	9	933	12,883	-	-
Other current amounts payable and liabilities		101,267	79,564	845	717
		352,490	354,674	2,493	67,950
Liabilities directly attributable to Non-current assets held for sale		835	-	-	-
Total current liabilities		353,325	354,674	2,493	67,950
Total liabilities		1,275,694	1,112,605	305,847	100,748
TOTAL EQUITY AND LIABILITIES		2,602,714	2,432,152	1,657,011	1,398,361

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

For the nine-month period ended 30 September 2017

All amounts in thousands of euro unless otherwise stated

	Notes	Group			Company		
		2017 Q1-3	2017 Q3	2016 Q1-3	2016 Q3	2017 Q3	2016 m. Q1-3
Continuing operations							
Revenue							
Sales revenue		762,963	238,890	779,819	216,087	2,199	1,136
Other income		20,471	7,574	23,711	7,810	25	1
Dividends income	10	-	-	-	-	124,704	69,525
Total revenue		783,434	246,464	803,530	223,897	126,928	70,662
Operating expenses							
Purchases of electricity, gas for trading and related services		(518,271)	(158,638)	(486,008)	(128,916)	-	-
Purchases of gas and heavy fuel oil		(21,446)	(7,451)	(26,813)	(7,909)	-	-
Depreciation and amortisation		(64,519)	(21,834)	(58,068)	(19,736)	(1)	(1)
Wages and salaries and related expenses		(57,746)	(19,142)	(61,724)	(19,205)	(3,054)	(2,411)
Repair and maintenance expenses		(15,137)	(6,123)	(15,789)	(5,642)	-	-
Impairment of investments in subsidiaries		-	-	-	-	(5,044)	-
Impairment of trade receivables and loans receivables		1,291	42	955	439	(4,392)	-
Impairment of Property, plant and equipment		(1,063)	11	35	13	-	-
Other expenses	11	(22,676)	(5,569)	(31,242)	(6,524)	(1,357)	(1,127)
Total operating expenses		(699,567)	(218,704)	(678,654)	(187,480)	(13,848)	(3,540)
Operating profit (loss)		83,867	27,760	124,876	36,417	113,080	67,122
Finance income		2,653	1,293	3,008	856	2,396	3,337
Finance costs		(5,752)	(2,650)	(5,913)	(1,857)	(2,468)	(1,371)
Share of results of associates accounted for using equity method		-	-	-	-	-	-
Profit (loss) before tax		80,768	26,403	121,971	35,416	113,008	69,088
Current year income tax expense		(2,906)	(223)	(12,743)	(3,093)	2	(77)
Deferred income tax (expense)/benefit		(1,726)	(1,947)	(13,614)	(3,782)	293	4
Net profit (loss) from continuing operations		76,136	24,233	95,614	28,541	113,303	69,015
Profit (loss) from discontinued operations		914	749	-	-	-	-
Net profit (loss)		77,050	24,982	95,614	28,541	113,303	69,015
Attributable to:							
Owners of the parent		73,620	24,271	86,968	26,065	113,303	69,015
Non-controlling interests		3,430	711	8,646	2,476	-	-
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		(16)	(13)	(45)	(16)	-	(45)
Change in fair value of available-for-sale financial assets		(16)	(13)	(45)	(16)	-	(45)
Recalculation of foreign net investment in Group's presentation currency		(16)	(13)	(45)	(16)	-	(45)
Items that will be reclassified subsequently to profit or loss, total		(16)	(13)	(45)	(16)	-	(45)
Other comprehensive income (loss)		77,034	24,969	95,569	28,525	113,303	68,970
Total comprehensive income (loss) for the year							
Attributable to:							
Owners of the parent		73,604	24,258	86,923	26,049	113,303	68,970
Non-controlling interests		3,430	711	8,646	2,476	-	-
Attributable to Owners of the parentw							
Continuing operations		72,761	23,534	86,923	26,049	113,303	68,970
discontinued operations		843	724	-	-	-	-

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 nine-month period ended 30 September 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		-	-	-	(45)	-	(45)	-	(45)
Total other comprehensive income (loss)		-	-	-	(45)	-	(45)	-	(45)
Net profit for the reporting period (recalculated, Note 20)		-	-	-	-	86,968	86,968	8,646	95,614
Total comprehensive income (loss) for the period		-	-	-	(45)	86,968	86,923	8,646	95,569
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(3,931)	-	-	-	-	-
Transfer to reserves and movement in reserves		-	5,768	-	-	3,931	-	-	-
Dividends		-	-	-	-	(5,768)	-	-	-
Acquisition of subsidiary (UAB Eurakras)	10	-	-	-	-	(97,194)	(97,194)	(3,453)	(100,647)
Change in non-controlling interest due to reorganization		-	-	-	-	-	-	2,033	2,033
Acquisition of shares from non-controlling interest		-	85	284	-	9	378	(378)	-
Share of non-controlling interest in transfers to reserves		-	67	6	-	(2,964)	(2,891)	(2,212)	(5,103)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	(83)	-	-	83	-	-	-
Balance at 30 September 2016		1,212,156	34,614	58,682	3	(64,199)	1,241,256	60,352	1,301,608
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		-	-	-	(16)	-	(16)	-	(16)
Total other comprehensive income (loss)		-	-	-	(16)	-	(16)	-	(16)
Net profit for the period		-	-	-	-	73,620	73,620	3,430	77,050
Total comprehensive income (loss) for the period		-	-	-	(16)	73,620	73,604	3,430	77,034
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(3,682)	-	-	-	-	-
Transfer to reserves and movement in reserves		-	11,816	-	-	3,682	-	-	-
Dividends		-	-	-	-	(11,816)	-	-	-
Change in non-controlling interest due to changes in Group's structure	10	-	-	-	-	(59,752)	(59,752)	(5,598)	(65,350)
Acquisition of shares from UAB Eurakras non-controlling interest		-	-	-	-	29	29	(30)	(1)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	(5,182)	(5,182)
Balance at 30 September 2017		1,212,156	46,512	53,793	(16)	(30,189)	1,282,256	44,764	1,327,020

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 nine-month period ended 30 September 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		-	-	(45)	-	(45)
Other comprehensive income/(loss) for the period		-	-	(45)	-	(45)
Net profit for the reporting period		-	-	-	69,015	69,015
Total comprehensive income for the period		-	-	(45)	69,015	68,970
Transfer to reserves		-	5,551	-	(5,551)	-
Dividends	10	-	-	-	(97,194)	(97,194)
Balance at 30 September 2016		1,212,156	9,758	3	49,559	1,271,476
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		-	-	-	113,303	113,303
Total comprehensive income for the period		-	-	-	113,303	113,303
Transfer to reserves		-	4,758	-	(4,758)	-
Dividends	10	-	-	-	(59,752)	(59,752)
Balance at 30 September 2017		1,212,156	14,516	-	124,492	1,351,164

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 nine-month period ended 30 September 2017
All amounts in thousands of euro unless otherwise stated

	Note	Group		Company	
		2017 Q1-3	2016 Q1-3	2017 Q1-3	2016 Q1-3
Cash flows from operating activities					
Net profit (loss) for the year		77,050	95,614	113,303	69,015
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	4	79,810	67,071	2	2
Impairment of PP&E/reversal of impairment		1,063	(35)	-	-
Change in fair value of trade derivatives		(3,327)	-	-	-
Impairment of financial assets		-	349	4,392	-
Impairment of investments in subsidiaries and associates/(reversal)		-	-	5,044	-
Income tax expenses		4,632	26,357	(295)	73
Depreciation of grants	8	(15,077)	(9,003)	-	-
Increase (decrease) in provisions	9	(12,926)	(19,939)	-	-
Increase (decrease) in provisions		(31)	15	-	-
Inventory write-down expenses		(1,507)	6,890	-	-
Emission allowances utilised		933	3,000	-	-
Elimination of results of investing activities:					
- Dividend income		-	-	(124,704)	(69,525)
- Gain) loss on disposal/write-off of property, plant and equipment		2,632	24	-	-
Elimination of results of financing activities:					
- Interest income		(1,869)	(2,396)	(1,532)	(3,337)
- Interest expenses		5,267	4,347	1,830	527
- Other finance (income) costs		(299)	954	(226)	844
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		26,903	39,990	305	(7,032)
(Increase) decrease in inventories, prepayments and other current assets		(22,340)	36,161	-	(166)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(10,051)	16,062	(6,282)	40,841
Income tax (paid)		(8,401)	(2,024)	(149)	(223)
Net cash flows from (used in) operating activities		122,460	263,437	(8,312)	31,019
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(170,294)	(125,504)	(21)	-
Disposal of property, plant and equipment and intangible assets		1,154	3,666	-	-
Loans (granted)		-	-	(163,737)	(5,191)
Loan repayments received		35,440	29,017	138,166	29,201
(Acquisition) of subsidiaries		-	(27,674)	372	(72,059)
Grants received		296	241	-	-
Interest received		(300)	-	(300)	-
Change in non-controlling interest due to changes in Group's structure		1,534	59	1,896	4,679
Dividends received		-	-	75,170	38,318
Change in non-controlling interest resulting from changes in the Group's structure		-	(5,103)	-	-
Increase (decrease) of other cash flows from investing activities		(126)	-	(126)	-
Net cash flows from (used in) investing activities		(132,296)	(125,298)	51,420	(5,052)
Cash flows from financing activities					
Proceeds from borrowings		23,001	58,449	-	25,571
Issue of bonds		300,000	-	300,000	-
Repayments of borrowings		(146,883)	(54,533)	(90,330)	-
Finance lease payments		(115)	(111)	-	-
Interest paid		(2,981)	(5,050)	(480)	(455)
Dividends paid	10	(65,350)	(100,647)	(59,752)	(97,194)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		6,487	1,317	-	-
(Acquisition) of non-controlling interest	5	(4,283)	-	-	-
Net cash flows from (used in) financing activities		109,876	(100,575)	149,438	(72,078)
Increase (decrease) in cash and cash equivalents (including overdraft)		100,040	37,564	192,546	(46,111)
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		278,605	160,374	192,619	(32,932)

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

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 nine-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.

As at 30 September 2017 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 Valdosa UAB	Geologų g. 16, Vilnius	100.00	37,295	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	1,000	Provision of payment collection services
Energijos Tiekimas UAB	Lukšio g. 1, Vilnius	100.00	17,240	Supply of electricity and natural gas
Geton Energy OÜ	Narva mnt 5, 10117 Tallinn	100.00	35	Supply of electricity
Geton Energy SIA	Bezdelingu 12, LV-1048, Riga	100.00	500	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	100.00	4,621	Electricity generation from renewable sources
Energijos Sprendimų Centras UAB	Žvejų g. 14, Vilnius	100.00	705	Provision of electricity spare services
Geton Energy sp.z.o.o.	Aleja Jana Pawła II g., nr. 22, Varšuva, Lenkija	100.00	2,339	Supply of electricity

As at 30 September 2017 the Group had 4,559 employees, the Company had 102 employees (at 31 December 2016 respectively 4,859 and 103).

At 27 June 2017 international rating agency „S&P Global Ratings“ announced, that assigned to the Company BBB+ credit rating with with a stable outlook.

The Company's management approved this condensed interim financial information on 17 November 2017.

2 Summary of significant accounting principles

This condensed interim financial information for a nine-month period ended 30 September 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). This unaudited condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS as adopted by the EU.

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

The accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year 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 1 January 2017, and that would have a material impact on the Group's and the Company's financial information.

The Group's and the Company's management does not consider that other new standards, amendments to standards and interpretations, effective for the annual periods beginning on or after 1 October 2017, will have a significant impact on the Group's and the Company's financial statements.

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

3 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.

Contingent consideration for the shares of NT Valdov UAB

In April 2015, the Company acquired the shares of NT Valdov UAB from LESTO AB, Lietuvos Energijos Gamyba AB, Duomenų Logistikos Centras UAB and Litgrid AB, thereby resulting in 100% direct control over NT Valdov UAB. The contingent consideration 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 Valdov UAB and maximum amount of the contingent consideration 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 contingent consideration payable, i.e. EUR 19,400 thousand. In estimating the acquisition cost of the investments the Company accounted for this contingent consideration at the present value prevailing at the acquisition date, i.e. EUR 17,506 thousand. The contingent consideration 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 Valdov UAB and concluded that the price premium should be reduced, because the performance results of NT Valdov UAB were not likely to achieve the level that was probable on initial recognition. On 30 September 2017, the Company's management reviewed the assessment of the contingent consideration and did not identify any changes compared to the amount recorded on 31 December 2016.

Contingent consideration on disposal 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 contingent consideration 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. On 30 September 2017, the Company's management reviewed the assessment of the contingent consideration and did not identify any changes compared to the amount recorded on 31 December 2016.

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.

All amounts in EUR thousands unless otherwise stated

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

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

- the fee for the connection to the electricity network is determined on the basis of fees and methodologies approved by the Lithuanian legal acts and regulatory authorities; the service is deemed to be provided upon the connection of the customer to the electricity network;
- the fee for the connection non-household customers to the gas system is determined on the basis of fees and methodologies approved by the Lithuanian legal acts and regulatory authorities. 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 Group company. Accrued revenue is estimated as 1/3 of total payments for electricity received in June and 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 September 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 National Commission for Energy Control and Prices (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 September 2017, the Company recognised PSO funds of EUR 7,016 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.

4 Intangible assets

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

Group	Intangible assets	Property, plant and equipment
Net book value as at 1 January 2017	32,261	1,770,814
Acquisitions	3,383	148,764
Disposals	-	(908)
Write-offs/Emission allowances utilised	(933)	(2,802)
Impairment/reversal of impairment	-	(1,063)
Grant received (emission allowances)	1,128	-
Revaluation of emission allowances	920	-
Reclassification to finance lease	-	(2,754)
Reclassification to assets, intangible assets	255	(255)
Reclassification to assets held for sale	(8)	(13,826)
Reclassification from (to) investment property	-	235
Reclassification (to) from inventories	-	35
Increase (decrease) due to acquisition of subsidiary	(1)	(10)
Amortisation / depreciation	(3,148)	(76,662)
Net book value as at 30 September 2017	33,857	1,821,568

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

Company	Intangible assets	Property, plant and equipment
Net book value as at 1 January 2017	-	348
Acquisitions	-	21
Amortisation / depreciation	-	(2)
Net book value as at 30 September 2017	-	367

5 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 September 2017.

Company	Investments in subsidiaries
Net book value as at 1 January 2017	1,172,187
Share capital increase of subsidiaries	13,075
Share capital decrease of subsidiaries	(50,863)
Acquisition of shares from non-controlling interest	4,284
Transfer to assets held for sale	(123)
Contribution against loss	1,600
Impairment of investments in subsidiaries	(6,543)
Net book value as at 30 September 2017	1,133,617

Increase in share capital of subsidiaries

The table below shows increase in share capital, payment for share capital during the period from 1 January to 30 September 2017 and balances of unpaid share capital as at 30 September 2017.

	Date of issue	Number of newly issued shares*	Nominal value per share	Total issue value	Paid during Q1-3 of 2017	Unpaid at 30 September 2017	Date of a new version of the Articles of Association
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	530	322	-	7 September 2016
Kauno Kogeneracinė Jėgainė UAB	28 December 2016	6,753,000	1.00	6,753	6,753	-	26 June 2017
UAB Energijos sprendimų centras	2017.06.20	700,000	1.00	1,000	700	525	22 September 2017
UAB Elektroninių mokėjimų agentūra	2017.07.18	300,000	1.00	300	300	-	1 August 2017
Total				28,583	13,075	15,525	

* 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 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 September 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 September 2017, the Company owned 51% of the share capital of Kauno Kogeneracinė Jėgainė UAB, i.e. EUR 12,240 thousand.

5 Investments in subsidiaries and other investments (continued)

Increase in share capital of subsidiaries (continued)

On 20 June 2017 the Company and its subsidiary UAB Energijos sprendimų centras, based on the Company's 20 June 2017 decision, entered into a share subscription agreement and increased the subsidiary's authorized capital from EUR 530 thousand Eur up to EUR 1,230 thousand issuing 700 thousand ordinary shares with a nominal value of 1 Eur each, and 1,429 Eur issue price of one. The total nominal value of all newly issued shares is EUR 700 thousand and the issue price is EUR 1,000 thousand. The difference of the issue price and the nominal value of the shares is 300 thousand and is accounted for in the subsidiary's balance sheet as share premium. As at 2017 September 30 The Company's investments in the subsidiary amounted to Eur 1,370 thousand Eur of which Eur 225 thousand is accounted for as an amount payable for an increase in the authorized capital. The new wording of the articles of association of the subsidiary was registered in 22 September 2017.

On 18 July 2017, the Company and its subsidiary UAB Elektroninių mokėjimų agentūra, based on the Company's 18 July 2017 decision, entered into a share subscription agreement and increased the subsidiary's authorized capital from EUR 700 thousand up to EUR 1,000 thousand issuing 300 thousand ordinary shares with a nominal value of 1 Eur each. The new wording of the articles of association of the subsidiary was registered in 1 August 2017.

Decrease in share capital of subsidiaries

Details for decrease in share capital of subsidiaries during the period from 1 January to 30 September 2017

Subsidiary	Net book value as at 1 January 2017	Decrease of share capital	Acquisition of shares from non- controlling interest	Net book value as at 30 September 2017
NT valdos, UAB	80,337	(48,257)	-	32,080
UAB EURAKRAS	17,058	(2,606)	4,283	18,735
	<u>97,395</u>	<u>(50,863)</u>	<u>4,283</u>	<u>50,815</u>

On 19 April 2017 the Company decided to reduce the authorized capital of its subsidiary NT Valdos, UAB from EUR 85,550 thousand Eur down to EUR 37,295 thousand annulling 1,666,284 ordinary registered shares with a nominal value of 28.96 EUR each. The total nominal value of the annulled shares of NT Valdos, UAB is EUR 48,257 thousand. The authorized capital of NT Valdos, UAB was reduced with the purpose to pay the funds to the Company. At 14 July 2017 the Company received EUR 10,000 thousand partial payment for reduction of the authorized capital. According to 12 October 2017 The agreement between the Company and NT Valdos UAB, the remaining EUR 38,256 thousand amount will be paid to the Company latest by 11 August 2022. The new wording of the articles of association was registered in 11 July 2017.

On 5 May 2017 the Company and non- controlling shareholder of subsidiary UAB Eurakras decided to reduce the authorized capital of its subsidiary NT Valdos, UAB from EUR 8,096 thousand Eur down to EUR 4,621 thousand annulling 120,000 ordinary registered shares with a nominal value of 28.96 EUR each. The total nominal value of the annulled shares of UAB Eurakras, UAB is EUR 3,475 thousand. The authorized capital of UAB Eurakras was reduced with the purpose to pay the funds to the Company. At 28 July 2017 the Company received EUR 2,606 thousand of the authorized capital, which corresponds to 75% the Company's share in the authorized capital of UAB Eurakras. The new wording of the articles of association was registered in 20 July 2017.

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.

On 16 September 2017 the Company for EUR 4,283 thousand acquired 25% of UAB "Eurakras" ordinary registered shares from UAB Renagro, the non-controlling shareholder of UAB Eurakras. The Company is the sole shareholder of UAB Eurakras.

Disposal of Public Institution Training Centre for Energy Specialists

On 8 August 2017 the Company transferred its investment into the Public Institution Training Centre for Energy Specialists, which has a book value of EUR 123 thousand, for EUR 147 thousand consideration. As at 31 July 2017 in Group's consolidated accounts net assets of the Public Institution Training Centre for Energy Specialists was negative and amounted to EUR (205) thousand. Net result of Public Institution Training Centre for Energy Specialists disposal, which amounts to EUR 352 thousand, is included in the Group's consolidated Statements of comprehensive income item "Profit (loss) from discontinued operations".

Contribution against loss and impairment of investments in subsidiaries

Contribution against loss of Group's companies and impairment of investments in subsidiaries during the period from 1 January to 30 September 2017:

Subsidiary	Net book value as at 1 January 2017	Contribution against loss	impairment of investments in subsidiaries	Net book value as at 30 September 2017
UAB „Energetikos paslaugų ir rangos organizacija“	1,817	1,500	(3,126)	191
UAB LITGAS	11,856	-	(3,225)	8,631
UAB VAE SPB	92	100	(192)	-
	<u>13,765</u>	<u>1,600</u>	<u>(6,543)</u>	<u>8,822</u>

On 30 September 2017 the Company decided to contribute against losses accrued by subsidiary UAB "Energetikos paslaugų ir organizacijų organizacija" with monetary contribution netting it with EUR 1,500 thousand part of loan payables by the subsidiary to the Company. The Company accounted for impairment of related loan receivable at 30 June and 30 September of 2017.

On 10 July 2017 the Company decided to contribute against losses accrued by subsidiary VAE SPB UAB with EUR 100 thousand monetary contribution. Transfer of funds took place at 17 August 2017. Impairment of investments into VAE SPB in 2017 amounts to EUR 192 thousand.



5 Investments in subsidiaries and other investments (continued)

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. At 18 September 2017 UAB Energijos tiekimas has increased the share capital of Geton Energy Sp.z.o.o by issuing additional 180,000 ordinary shares with a nominal value of PLN 50 each. As at 30 September 2017 the share capital of Geton Energy Sp.z.o.o is divided into 200,000 ordinary shares and amounts to PLN 10,000 thousand. UAB Energijos tiekimas owns 199,990 shares of the newly established company, and the Company owns 10 shares. The Company owns 100% voting rights at UAB Energijos tiekimas meetings of shareholders, therefore the Group effective ownership interest of Geton Energy Sp.z.o.o. as at 30 September 2017 is 100 percent.

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

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.

As at 30 September 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	41,117	(9,037)	-	32,080	100.00	100.00
Energijos Tiekimas UAB	23,906	-	-	23,906	100.00	100.00
EURAKRAS UAB	18,735	-	-	18,735	100.00	100.00
Kauno Kogeneracinė Jėgainė UAB	12,240	-	-	12,240	51.00	51.00
LITGAS UAB	12,641	(4,010)	-	8,631	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	1,058	-	-	1,058	100.00	100.00
Energijos Sprendimų Centras UAB	1,370	-	-	1,370	100.00	100.00
Verslo Aptarnavimo Centras UAB	296	-	-	296	51.00	98.40
Energetikos Paslaugų ir Rangos Organizacija UAB	10,637	(10,446)	-	191	100.00	100.00
Sponsorship Fund of Lietuvos Energija	3	-	-	3	100.00	100.00
VAE SPB UAB	1,117	(1,562)	445	-	100.00	100.00
The Company's investments in indirectly controlled entities:						
Geton Energy Sp.z.o.o.	-	-	-	-	-	100.00
	1,158,227	(25,055)	445	1,133,617		

5 Investments in subsidiaries and other investments (continued)

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		

6 Share capital

As at 30 September 2017 and 31 December 2016, the Company's share capital amounted to EUR 1,212,156,294. As at 30 September 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.

As at 30 September 2017 and 31 December 2016, all shares were fully paid.

7 Borrowings

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

	Group		Company	
	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
Non-current				
Bank borrowings	247,847	364,957	-	23,440
Issued bonds	293,851	-	293,851	-
Current				
Current portion of long-term loans	127,155	90,008	-	2,131
Short-term loans	-	38,948	-	38,948
Current portion of issued bonds	1,282	-	1,282	-
Loans from related parties (cash pool, Note 10)	-	-	-	25,811
Overdraft	21,805	-	-	-
Accrued interest	3	5	-	-
Total borrowings	691,943	493,918	295,133	90,330

Non-current borrowings analyzed by maturity:

	Group		Company	
	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
Between 1 and 2 years	81,969	112,341	1,282	2,131
Between 2 and 5 years	143,986	181,793	3,846	6,393
After 5 years	315,743	70,823	288,723	14,916
Total	541,698	364,957	293,851	23,440

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

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 September 2017 and 31 December 2016.

8 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 during January – September of 2017 and during 2016 are 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	(1,089)	(13,988)	-	(15,077)
Grants received	296	-	1,128	1,424
Emission allowances utilised	-	-	(412)	(412)
Grants reversed	(4)	-	-	(4)
Balance at 30 September 2017	42,482	227,155	1,223	270,860

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.

9 Provisions

	Group		Company	
	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
Non-current	1,894	3,254	-	-
Current	933	12,883	-	-
Carrying amount	2,827	16,137	-	-

Group	Provisions for onerous contracts	Emission allowance liabilities	Provisions for employee benefits	Other provisions	Total
At 1 January 2016	21,368	3,735	3,189	125	28,417
Increase during the period	-	657	253	-	910
Utilised during the period	(18,379)	(2,999)	(32)	-	(21,410)
Revaluation of used emission allowances	-	(736)	-	-	(736)
At 30 September 2016	2,989	657	3,410	125	7,181
At 1 January 2017	10,292	1,316	4,529	-	16,137
Increase during the period	-	428	(3)	-	425
Utilised during the period	(10,292)	(932)	(2,106)	-	(13,330)
Revaluation of used emission allowances	-	(384)	-	-	(384)
Decrease/increase on change of assumptions	-	-	(21)	-	(21)
At 30 September 2017	-	428	2,399	-	2,827

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 (2015: EUR 21,368 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 discount, that Lithuania agreed with Gazprom as additional price discount for gas supplied from the beginning of 2013 to April 2014, is fully exploited.

All amounts in EUR thousands unless otherwise stated

10 Dividends

Dividends issued by the Group companies

Dividends declared by the Group companies during the period from 1 January to 30 September 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
29 September 2017	AB „Energijos skirstymo operatorius“	January – June 2017	0.04600	41,153	39,088	2,066
29 September 2017	„Lietuvos energijos gamyba“, AB	January – June 2017	0.01700	10,796	10,446	351
				130,500	124,704	5,598

Dividends declared by the Group companies during the period from 1 January to 30 September 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	0.03420	30,596	29,061	1,535
30 March 2016	NT Valdos UAB	Year 2015	0.42310	1,250	1,250	-
8 April 2016	Technologijų ir Inovacijų Centras UAB	July – December 2015	0.00900	200	100	399
12 April 2016	LITGAS UAB	July – December 2015	0.02650	1,194	796	4
26 September 2016	„Lietuvos energijos gamyba“, AB	January – June 2016	0.04300	27,309	26,421	888
26 September 2016	AB „Energijos skirstymo operatorius“	January – June 2016	0.01400	12,525	11,897	628
				73,074	69,525	3,454

Dividends issued by the Company

	Q1-3 of 2017		Q1-3 of 2016	
	(EUR '000)	Dividends per share	(EUR '000)	Dividends per share
Lietuvos Energija UAB	59,752	0.0143	97,194	0.0232

11 Other expenses

	Group		Company	
	Q1-3, 2017	Q1-3, 2016	Q1-3, 2017	Q1-3, 2016
Taxes	4,770	5,312	103	28
Revaluation and provisions of emission allowances	(1,507)	6,761	-	-
including:				
Revaluation of accounts receivable for lent emission allowances	(203)	1,300	-	-
Revaluation of used emission allowances (Note 16)	(384)	(736)	-	-
Customer service	2,949	2,556	-	-
Telecommunication and IT services	2,408	2,652	194	148
Write-offs of property, plant and equipment	2,803	2,133	-	-
Utility services	1,572	1,652	57	50
Motor vehicles	1,484	1,509	91	91
Rent	518	1,645	144	134
Consulting services	747	607	282	218
Expenses of low-value inventory items	681	799	-	-
Personnel development	501	342	76	42
Public relations and marketing	412	430	90	59
Business trips	308	319	47	36
Business support services	-	-	196	149
Impairment of inventories (reversal)	31	15	-	-
Impairment of receivables	-	-	-	-
Other expenses	4,999	4,510	77	172
	22,676	31,242	1,357	1,127

12 Transactions with related parties

As at 30 September 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 9 month period ended 30 September 2017 and balances outstanding as of 30 September 2017 comprised of the following:

Related party	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance cost	Purchases
	30 September 2017	30 September 2017	Jan - Sep 2017	Jan - Sep 2017	Jan - Sep 2017	Jan - Sep 2017
EPSO-G UAB	-	170,357	1,060	26	-	-
Litgrid AB	11,627	5,336	-	39,310	112	82,028
BALTPool UAB	12,350	12,589	-	60,933	-	53,338
TETAS UAB	2,771	917	99	1,037	-	10,214
Amber Grid AB	6,112	2,294	-	18,903	-	49,468
Associates and other related parties of the Group	14	548	3	655	-	2,835
Total	32,874	192,041	1,162	120,864	112	197,883

The Group's transactions with related parties for the 9 month period ended 30 September 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
	31 December 2016	31 December 2016	Jan - Sep 2016	Jan - Sep 2016	Jan - Sep 2016	Jan - Sep 2016
EPSO-G UAB	-	210,414	2,217	24	-	-
Litgrid AB	11,429	5,058	-	41,014	25	77,395
BALTPool UAB	14,945	3,941	-	44,681	-	64,897
TETAS UAB	4,132	337	59	1,166	-	9,029
Amber Grid AB	5,669	3,430	-	29,656	-	47,864
Associates and other related parties of the Group	745	2,852	-	1,514	-	1,167
Total	36,920	226,032	2,276	118,055	25	200,352

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

Related parties	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance costs	Purchases
	At 30 September 2017	At 30 September 2017	Q1-3, 2017	Q1-3, 2017	Q1-3, 2017	Q1-3, 2017
Subsidiaries						
Energijos Skirstymo Operatorius AB	5,389	62,277	88,264	893	86	-
Lietuvos Energijos Gamyba AB	3,925	11,590	22,735	340	90	-
Lietuvos Dujų Tiekimas UAB	-	2,577	11	124	4	-
NT Valdosa UAB	41	38,283	-	101	11	262
Energetikos Paslaugų ir Rangos Organizacija UAB	-	11,882	63	129	-	3
Verslo Aptarnavimo Centras UAB	39	32	68	102	-	219
Energijos Tiekimas UAB	-	12,872	10,017	130	-	-
LITGAS UAB	-	12	3,001	73	2	-
Technologijų ir Inovacijų Centras UAB	26	1,994	144	74	-	184
VAE SPB UAB	-	1	-	2	-	-
Public Institution Training Centre for Energy Specialists	-	-	-	9	-	-
Tuuleenergia OU	-	5,051	496	20	-	-
Duomenų Logistikos Centras UAB	55	5	60	21	-	-
EURAKRAS UAB	-	13	535	12	3	-
Vilniaus Kogeneracinė Jėgainė UAB	-	11,861	21	48	2	-
Elektroninių Mokėjimų Agentūra UAB	-	33	-	17	-	-
Kauno Kogeneracinė Jėgainė UAB	-	25	-	81	1	-
Energijos Sprendimų Centras UAB	225	1	-	22	-	-
Other related parties						
EPSO-G UAB	-	170,353	1,060	-	-	-
Total	9,700	328,862	126,475	2,198	199	668

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 gross of impairment.

12 Transactions with related parties (continued)

The Company's transactions with related parties during the period from 1 January to 30 September 2016 and balances arising on these transactions as at 31 December 2016 are presented below:

Related parties	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance costs	Purchases
	At 31 December 2016	At 31 December 2016	Q1–3, 2016	Q1–3, 2016	Q1–3, 2016	Q1–3, 2016
Subsidiaries						
Energijos Skirstymo Operatorius AB	5,823	235	40,957	478	313	-
Lietuvos Energijos Gamyba AB	17,202	1,099	26,422	128	267	4
Lietuvos Dujų Tiekimas UAB	6,008	24	-	75	21	-
NT Valdos UAB	4,946	33	1,253	84	-	256
Energetikos Paslaugų ir Rangos Organizacija UAB	-	2,967	21	90	-	1
Verslo Aptarnavimo Centras UAB	79	26	2	80	-	161
Energijos Tiekimas UAB	-	28	1	39	-	-
LITGAS UAB	-	18	1,612	18	-	-
Technologijų ir Inovacijų Centras UAB	62	20	100	20	-	144
VAE SPB UAB	-	1	-	1	-	-
Public Institution Training Centre for Energy Specialists	-	2	-	9	-	-
Tuuleenergija Osauhing and HOB OU	-	4,902	157	-	-	-
Duomenų Logistikos Centras UAB	54	7	-	20	4	-
EURAKRAS UAB	1,067	14	62	3	-	-
Vilniaus Kogeneracinė Jėgainė UAB	-	5,011	-	85	-	-
Kauno Kogeneracinė Jėgainė UAB	-	80	-	-	-	-
Energijos Sprendimų Centras UAB	-	11	-	9	-	-
Other related parties						
EPSO-G UAB	-	210,410	2,217	-	-	-
Total	35,241	224,888	72,804	1,139	605	566

Management compensation:

	Group		Company	
	Q1–3 2017	Q1–3 2016	Q1–3 2017	Q1–3 2016
Salaries and other short-term benefits	2,746	2,674	542	519
Whereof: Termination benefits and benefits to Board Members	295	299	41	55
Number of management staff	60	67	10	10

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

13 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, Tuulenergia OU);
- Electricity and gas trade (running by Lietuvos Dujų Tiekimas UAB, Energijos Tiekimas UAB, Litgas UAB).

To Other segments are allocated:

- support services (NT Valdos 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.

All amounts in EUR thousands unless otherwise stated

13 Segment reporting (continued)

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

Q1-3 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		
Continuing operations							
Revenue from external customers	413,540	82,329	271,218	27	16,320	-	783,434
Revenue from other segments	30,737	24,787	64,590	126,901	40,357	(287,372)	-
Total revenue	444,277	107,116	335,808	126,928	56,677	(287,372)	783,434
Expenses	(383,065)	(80,486)	(306,258)	(13,848)	(54,291)	138,381	(699,567)
Thereof:	-	-	-	-	-	-	-
depreciation and amortization	(37,135)	(20,927)	(847)	(1)	(5,152)	(457)	(64,519)
impairments and write-offs	1,199	(941)	(137)	(9,436)	78	9,436	199
Revaluation of emission allowances	-	1,507	-	-	-	-	1,507
Write-off of Property, plant and equipment, inventories and trade receivables	(3,109)	(6)	(148)	-	(48)	(4)	(3,315)
Unrealized gain (loss) attributable to derivative financial instruments	-	-	660	-	-	-	660
Management adjustments *	2163	-	14,614	-	-	-	16,777
Management adjustments *	-	-	-	-	-	-	-
EBITDA	102,420	46,997	44,636	122,517	7,508	(157,966)	166,112
Operating profit (loss)	61,212	26,630	29,550	113,080	2,386	(148,991)	83,867
Interest income	734	123	138	1,532	52	(710)	1,869
Interest (expenses)	(1,391)	(1,755)	(526)	(1,830)	(424)	659	(5,267)
Other financial income (expenses)	421	312	7	226	(166)	(501)	299
Profit (loss) before income tax	60,976	25,310	29,169	113,008	1,848	(149,543)	80,768
Income tax	(6,273)	(379)	1,935	295	(434)	224	(4,632)
Net profit (loss) from continuing operations	54,703	24,931	31,104	113,303	1,414	(149,319)	76,136
Profit (loss) from discontinued operations	-	-	-	-	914	-	914
Net profit (loss)	54,703	24,931	31,104	113,303	2,328	(149,319)	77,050
Total assets as at 30 September 2017	1,190,449	799,017	131,293	1,657,011	212,816	(1,387,872)	2,602,714

*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

13 Segment reporting (continued)

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

Q1-3 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	444,089	91,905	247,503	97	19,936	-	803,530
Revenue from other segments	32,710	18,401	57,414	70,565	40,106	(219,196)	-
Total revenue	476,799	110,306	304,917	70,662	60,042	(219,196)	803,530
Expenses	(392,391)	(95,615)	(240,743)	(3,540)	(61,077)	114,712	(678,654)
Thereof:	-	-	-	-	-	-	-
depreciation and amortization	(34,059)	(17,894)	(816)	(2)	(6,097)	800	(58,068)
impairments and write-offs	808	(41)	174	-	5	-	946
Revaluation of emission allowances	-	(6,761)	-	-	-	-	(6,761)
Write-off of Property, plant and equipment, inventories and trade receivables	(3,299)	-	(120)	-	(15)	-	(3,434)
Unrealized gain (loss) attributable to derivative financial instruments	-	-	678	-	-	-	678
Management adjustments *	(24,877)	-	(8,285)	-	-	-	(33,162)
EBITDA	96,081	39,387	55,973	67,124	5,072	(105,284)	158,353
Operating profit (loss)	84,408	14,691	64,174	67,122	(1,035)	(104,484)	124,876
Interest income	140	180	104	3,337	-	(1,364)	2,397
Interest (expenses)	(1,322)	(2,441)	(1,170)	(527)	(254)	1,363	(4,351)
Other financial income (expenses)	183	(197)	47	(844)	(42)	(98)	(951)
Profit (loss) before income tax	83,409	12,233	63,155	69,088	(1,331)	(104,583)	121,971
Income tax	(12,974)	(6,636)	(6,473)	(73)	(458)	257	(26,357)
Net profit (loss)	70,435	5,597	56,682	69,015	(1,789)	(104,326)	95,614
Total assets as at 30 September 2016	1,069,748	901,126	137,272	1,414,576	169,692	(1,338,968)	2,353,446

*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 nine-month period of 2017 amounted to EUR 113,303 thousand (net profit of EUR 69,015 thousand for the nine-month period of 2016). 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.

14 Events after the end of reporting period

On 2 October 2017 the Company's subsidiary Energijos Skirstymo Operatorius AB signed the agreement on the energy savings with Ministry of Energy aiming to save 1.6 TWh of the final energy till 31 December 2020. Most important measures on energy savings planned by the subsidiary – investments into the infrastructure, installation of smart meters and encouragement of development of the producing consumers.

On 12 October 2017 the Company concluded a contract with the Vilnius City Municipal Enterprise "Vilniaus šilumos tinklai" transfer of the third thermal power plant (TE-3), according to which the power plant and its assets were sold to the Company for EUR 9,935 thousand. The contract was concluded after preconditions, agreed upon the Company, Vilniaus Šilumos Tinklai AB and Vilnius city municipality in cooperation agreement signed at 29 May 2017, were met. On the basis of this cooperation Vilniaus šilumos tinklai will be granted with option to purchase up to 5% shares of the Company' Vilnius cogeneration plant, that is ran by subsidiary Vilniaus Kogeneracinė Jėgainė UAB, planned to be built in 2019, if supported by the European Commission, the European Investment Bank and the Competition Council.

On 13 October 2017 the Company transferred to the subsidiary Energijos Skirstymo Operatorius AB EUR 100,000 thousand Green Bonds under Proportional Transfer Agreement. Fund will be used for long-term investments in renewal of distribution networks. The contractual maturity date of commitments is no later than 14 July 2027. The fixed interest rate of the contract coincides with the effective interest rate on the issue of green bonds and amounts to 2.23%. This agreement does not provide any other additional obligations (guarantees, suretyship, pledges, etc.) to enforce obligations.

On 16 October, 2017 the National Control Commission for Prices and Energy established electricity distribution price caps for 2018. The Company's subsidiary's Energijos Skirstymo Operatorius AB board based on the set electricity distribution price cap and electricity supply service price cap will decide on the specific services prices for the year of 2018.

On the 25 October, 2017 Vilnius Regional Administrative Court rejected the Company's subsidiary's Energijos Skirstymo Operatorius AB complaint asking to annul the Resolution No. O3-351 of 4 June 2015 of the National Commission for Energy Control and Prices" (NNC), on the basis of which the NNC has imposed a EUR 300 thousand fine on the subsidiary and obliged the subsidiary to rectify regulated cost reports for the 2011-2013 year according to the results of cost inspection report of the Commission dated 19 December 2014, and submit it to the Commission.

On the 27 October, 2017 the Company's subsidiary Lietuvos Energijos Gamyba AB signed an agreement with the state enterprise "Turto bankas" on the joint sales of shares of the private limited liability company GEOTERMA belonging to the subsidiary by the ownership right. The shareholding of the private limited liability company GEOTERMA controlled by the subsidiary constitutes 23.44 per cent of the total number of shares. The state enterprise "Turto bankas" controls the remaining shareholding (76.56 per cent).
