

2017

LIETUVOS ENERGIJA UAB

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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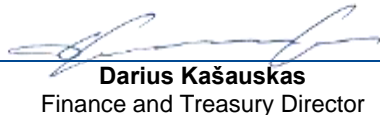
Translation note:

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

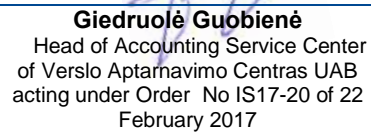
Condensed interim financial information was approved by Chief Executive Officer, Finance and Treasury Director and Head of Accounting Service Center of Verslo Aptarnavimo Centras UAB (acting under Order No IS17-20 of 22 February 2017) at 15 May 2017:



Dalius Misiūnas
Chief Executive Officer



Darius Kašauskas
Finance and Treasury Director



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

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
At 31 March 2017

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		2017.03.31	2016.12.31	2017.03.31	2016.12.31
ASSETS					
Non-current assets					
Intangible assets	3	28,060	32,261	-	-
Property, plant and equipment	3	1,771,384	1,770,814	352	348
Investment property		45,007	46,207	-	-
Investments in subsidiaries	4	-	-	1,177,229	1,172,187
Amounts receivable after one year		210,334	203,582	208,986	196,511
Other non-current assets		1,871	2,620	-	-
Deferred income tax asset		5,053	5,699	111	93
Total non-current assets		2,061,709	2,061,183	1,386,678	1,369,139
Current assets					
Inventories		37,873	38,117	-	-
Prepayments		21,753	6,967	1,082	5,011
Trade receivables		105,341	111,884	-	-
Other amounts receivable		20,961	29,363	63,436	14,294
Other current assets		4,384	4,606	-	-
Prepaid income tax		1,083	589	241	160
Short-term investments		-	-	3,768	4,902
Cash and cash equivalents		157,745	178,565	91	73
		349,140	370,091	68,618	24,440
Non-current assets held for sale		1,045	878	4,906	4,782
Total current assets		350,185	370,969	73,524	29,222
TOTAL ASSETS		2,411,894	2,432,152	1,460,202	1,398,361
EQUITY AND LIABILITIES					
Equity					
Share capital	5	1,212,156	1,212,156	1,212,156	1,212,156
Reserves		92,875	92,171	9,758	9,758
Retained earnings (deficit)		(16,258)	(35,952)	136,616	75,699
Equity attributable to owners of the parent		1,288,773	1,268,375	1,358,530	1,297,613
Non-controlling interests		49,783	51,172	-	-
Total equity		1,338,556	1,319,547	1,358,530	1,297,613
Liabilities					
Non-current liabilities					
Non-current borrowings	6	345,902	364,957	22,908	23,440
Finance lease liabilities		282	316	-	-
Grants and subsidies		282,573	284,929	-	-
Deferred income tax liabilities		42,518	40,481	-	-
Provisions	7	3,199	3,254	-	-
Deferred income		52,307	52,214	-	-
Other non-current amounts payable and liabilities		12,542	11,780	9,525	9,358
Total non-current liabilities		739,323	757,931	32,433	32,798
Current liabilities					
Current portion of long-term debts	6	84,843	90,008	2,131	2,131
Current borrowings	6	57,098	38,953	66,024	64,759
Current portion of finance lease liabilities		154	157	-	-
Trade payables		60,146	96,118	128	343
Advance amounts received		27,060	27,636	-	-
Income tax liabilities		12,957	9,355	-	-
Provisions	7	7,331	12,883	-	-
Other current amounts payable and liabilities		84,426	79,564	956	717
Total current liabilities		334,015	354,674	69,239	67,950
Total liabilities		1,073,338	1,112,605	101,672	100,748
TOTAL EQUITY AND LIABILITIES		2,411,894	2,432,152	1,460,202	1,398,361

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

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2017

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		2017 m. I Q	2016 m. I Q	2017 m. I Q	2016 m. I Q
Revenue					
Sales revenue		302,825	328,052	631	821
Other income		6,795	7,047	-	-
Dividend revenue		-	-	61,455	30,311
Total revenue		309,620	335,099	62,086	31,132
Operating expenses					
Purchases of electricity, gas for trading and related services		(129,082)	(130,852)	-	-
Purchases of gas and heavy fuel oil		(96,615)	(95,430)	-	-
Depreciation and amortisation		(20,338)	(18,871)	-	(1)
Wages and salaries and related expenses		(20,185)	(22,216)	(983)	(743)
Repair and maintenance expenses		(3,880)	(4,556)	-	-
Revaluation of property, plant and equipment		(1,086)	-	-	-
Other expenses	8	(9,432)	(14,392)	(360)	(345)
Total operating expenses		(280,618)	(286,317)	(1,343)	(1,089)
Operating profit (loss)		29,002	48,782	60,743	30,043
Finance income		623	938	506	1,455
Finance costs		(1,425)	(1,975)	(365)	(262)
Profit (loss) before tax		28,200	47,745	60,884	31,236
Current year income tax (expense)/income		(3,500)	(6,541)	14	(166)
Deferred income tax (expense)/income		(2,681)	(5,924)	19	9
Net profit		22,019	35,280	60,917	31,079
Attributable to:					
Owners of the parent		20,398	32,026	60,917	31,079
Non-controlling interests		1,621	3,254	-	-
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Gain (loss) on revaluation of non-current assets		-	-	-	-
Items that will not be reclassified to profit or loss, total		-	-	-	-
Items that will be reclassified to profit or loss					
Change in fair value of available-for-sale financial assets		-	(14)	-	(14)
Items that will be reclassified to profit or loss, total		-	(14)	-	(14)
Other comprehensive income (loss)		-	(14)	-	(14)
Total comprehensive income for the period		22,019	35,266	60,917	31,065
Attributable to:					
Owners of the parent		20,398	32,012	60,917	31,065
Non-controlling interests		1,621	3,254	-	-

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017

All amounts in thousands of euro unless otherwise stated

Group	Notes	Equity attributable to owners of the Company					Subtotal	Non-controlling interest	Total
		Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings			
Balance at 1 January 2016		1,212,156	28,777	62,323	48	(49,264)	1,254,040	50,445	1,304,485
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	(14)	-	(14)	-	(14)
Total other comprehensive income (loss) for the period		-	-	-	(14)	-	(14)	-	(14)
Net profit for the period		-	-	-	-	32,026	32,026	3,254	35,280
Total comprehensive income for the period		-	-	-	(14)	32,026	32,012	3,254	35,266
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(1,166)	-	1,166	-	-	-
Transfer to reserves and movement in reserves		-	206	-	-	(206)	-	-	-
Dividends	9	-	-	-	-	-	-	(1,535)	(1,535)
Acquisition of shares from non-controlling interest		-	97	285	-	(556)	(174)	(767)	(941)
Acquisition of subsidiary (EURAKRAS UAB)		-	-	-	-	-	-	1,963	1,963
Balance at 31 March 2016		1,212,156	29,080	61,442	34	(16,834)	1,285,878	53,360	1,339,238
Balance at 1 January 2017		1,212,156	34,696	57,475	-	(35,952)	1,268,375	51,172	1,319,547
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	-	-	-	-	-
Total other comprehensive income (loss) for the period		-	-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	20,398	20,398	1,621	22,019
Total comprehensive income for the period		-	-	-	-	20,398	20,398	1,621	22,019
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(1,230)	-	1,230	-	-	-
Transfer to reserves and movement in reserves		-	1,934	-	-	(1,934)	-	-	-
Dividends	9	-	-	-	-	-	-	(3,010)	(3,010)
Balance at 31 March 2017		1,212,156	36,630	56,245	-	(16,258)	1,288,773	49,783	1,338,556

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017

All amounts in thousands of euro unless otherwise stated

Company	Notes	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		-	-	(14)	-	(14)
Total other comprehensive income for the period		-	-	(14)	-	(14)
Net profit for the period		-	-	-	31,079	31,079
Total comprehensive income for the period		-	-	(14)	31,079	31,065
Transfer to legal reserves		-	-	-	-	-
Balance at 31 March 2016		1,212,156	4,207	34	114,368	1,330,765
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		-	-	-	-	-
Total other comprehensive income (loss) for the period		-	-	-	-	-
Net profit for the period		-	-	-	60,917	60,917
Total comprehensive income for the period		-	-	-	60,917	60,917
Transfer to legal reserves		-	-	-	-	-
Balance at 31 March 2017		1,212,156	9,758	-	136,616	1,358,530

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

Lietuvos energija, UAB, Company code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three-month period ended 31 March 2017

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		2017 IQ	2016 IQ	2017 IQ	2016 IQ
Cash flows from operating activities					
Net profit for the period		22,019	35,280	60,917	31,079
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	3	23,462	21,846	-	1
Impairment of property, plant and equipment		1,086	-	-	-
Revaluation of derivative financial instruments		1,492	-	-	-
Share of profit of associates and joint ventures		-	2	-	-
Impairment of financial assets (reversal of impairment)		(1,585)	586	-	-
Income tax expenses		6,181	12,465	(33)	157
(Depreciation) of grants		(3,124)	(2,975)	-	-
Increase (decrease) in provisions		(5,607)	(8,793)	-	-
Inventory write-down to net realizable value/ (reversal)		-	(20)	-	-
(Income) expenses on revaluation of emission allowances		3,417	4,744	-	-
(Gain) loss on disposal/write-off of property, plant and equipment		592	13	-	-
Elimination of results of financing and investing activities:					
Interest (income)		(427)	(805)	(506)	(1,456)
Interest expenses		1,355	1,424	206	146
Other finance (income) expenses		(126)	418	(61,296)	(30,194)
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		11,125	(2,410)	65	(253)
(Increase) decrease in inventories, prepayments and other current assets		(14,116)	30,355	-	(725)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(18,886)	(51,243)	(551)	870
Income tax (paid)		(491)	(453)	-	-
Net cash flows from (used in) operating activities		26,367	40,434	(1,198)	(375)
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(41,339)	(24,219)	(4)	-
Disposal of property, plant and equipment and intangible assets		1,490	1,274	-	-
Loans (granted)		-	-	(4,000)	(500)
Loans repaid		-	4,504	4,300	4,575
(Acquisition) disposal of subsidiaries		-	(33,158)	(165)	(34,985)
Grants received		-	8	-	-
Interest received		84	29	41	486
Net cash flows from (used in) investing activities		(39,765)	(51,562)	172	(30,424)
Cash flows from financing activities					
Proceeds from borrowings		13,038	44,357	1,265	25,571
Repayments of borrowings		(24,192)	(17,701)	-	-
Finance lease payments		(37)	(42)	-	-
Interest paid		(1,313)	(1,611)	(221)	(176)
Dividends paid		-	(124)	-	-
Net cash flows from (used in) financing activities		(12,504)	24,879	1,044	25,395
Increase (decrease) in cash and cash equivalents (including overdraft)					
		(25,902)	13,751	18	(5,404)
Cash and cash equivalents (including overdraft) at the beginning of the period		178,565	122,810	73	13,179
Cash and cash equivalents (including overdraft) at the end of the period		152,663	136,561	91	7,775

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

1 Accounting principles

Condensed interim financial information of the Lietuvos Energija UAB (hereinafter - the Company) and consolidated condensed interim financial information of the Company and its subsidiaries (hereinafter – the Group) for a three-month period ended 31 March 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This unaudited condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 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 ended 31 December 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 are no new standards, amendments and interpretations that are mandatory for the Group and the Company with effect from 2017, and that would have a material impact on the Group's and Company's financial information.

The Group and Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Group's and Company's reporting periods beginning on or after 1 January 2017 will have a material impact on the Group's and Company's financial statements.

Accounting policies applied to significant transactions within the Group in relation to the Group's restructuring are described in Note 2.

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

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

The preparation of financial information according to International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosures of contingencies. Changes in the underlying assumptions, estimates and judgments may have a material effect on this financial information. The accounting estimates applied in preparing the condensed interim financial information are consistent with those used in preparing the annual financial statements for the year ended 31 December 2016.

3 Intangible assets and property, plant and equipment

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

	Group	Intangible assets	Property, plant and equipment
Net book value at the beginning of the period		32,261	1,770,814
Acquisitions		245	25,908
Sales		-	(249)
Write-offs/Emission allowances utilised		(1)	(703)
Impairment/reversal of impairment		-	(1,086)
Emission allowances grants received		110	-
Revaluation of emission allowances		(3,417)	-
Reclassification (to) finance lease		-	(609)
Reclassification from other assets to property, plant and equipment/intangible assets		38	(38)
Reclassification to assets held for sale		-	(369)
Reclassification from investment property		-	(9)
Reclassification from inventories		-	11
Depreciation/amortisation		(1,176)	(22,286)
Net book value at the end of the period		28,060	1,771,384

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 at the beginning of the period		-	348
Acquisition		-	4
Net book value at the end of the period		-	352

All amounts in thousands of euro unless otherwise stated

4 Investments in subsidiaries and other investments

Movement of the Company's account of investments in subsidiaries during 1 quarter of 2017 is presented below:

Company	Investments in subsidiaries
Net book value at the beginning of the period	1,172,187
Increase and payment of share capital	5,165
Reclassification to Non-current assets held for sale	(123)
Net book value at the end of the period	1,177,229

Changes in share capital and acquisition of subsidiaries

Increase and reduction of share capital of the Group's company's, recoupment of operating losses, payments for increase of share capital during the period from 1 January to 31 March 2017 and balances of unpaid share capital as at 31 March 2017:

Subsidiary	Issue date	Amount of shares, pcs*	Nominal price	Nominal value of issued shares, EUR'000	Paid during 2017 IQ	Unpaid by 31 March 2017	Date of articles amendment
Increase and reduction of share capital							
UAB Vilniaus kogeneracinė jėgainė	19 December 2016	68,965,518	0,29	20,000	5,000	-	19 January 2017
UAB Energijos Sprendimų centras	29 August 2016	520,000	1,00	520	165	7	7 September 2016
Total					5,165	7	

* there is stated amount of shares that belong to the Company

At 19 December 2016 the Company paid EUR 5,000 thousand of UAB Vilniaus kogeneracinė jėgainė contribution in authorized capital. New Articles of Association of UAB Vilniaus kogeneracinė jėgainė, related to the increase of the authorized capital, are registered by state Register of Legal Entities at 19 January 2017, consequently, EUR 5,000 thousand, at 31 December 2016 accounted for as Prepayments, in 2017 were reclassified to the Company's Investments in subsidiaries.

Decision to sell VšĮ Energetikų mokymų centras

At 2 February 2017 the shareholder of the Company has decided to start selling procedure VšĮ Energetikų mokymų centras. At 31 March 2017 investment in VšĮ Energetikų mokymų centras is accounted for as "Non-current assets held for sale" in the statement of financial position. Book value of the investment at 31 March 2017 amounts to 123 thousand EUR. The Company's assessment shows that carrying amount of the investment does not exceed the potential selling price, net of the sale costs.

Decision to sell Duomenų logistikos centras, UAB

In November 2016 the shareholder of the Company has decided to start selling procedure of Duomenų Logistikos Centras, UAB, decision is aimed on further Group concentration on the main activities. Disposal process is expected to be finished by the middle of 2017. At 31 December 2016 investment in Duomenų Logistikos Centras is accounted for as "Non-current assets held for sale" in the statement of financial position. Book value of the investment at 31 March 2017 amounts to 4,705 thousand EUR. The Company's assessment shows that carrying amount of the investment does not exceed the potential selling price, net of the sale costs.

All amounts in thousands of euro unless otherwise stated

4 Investments in subsidiaries and other investments (continued)

As at 31 March 2017 the Company's investments in subsidiaries comprised:

Company name	Acquisition cost	Impairment	Contributions against loss	Carrying amount	Ownership interest (%)	Effective Group ownership interest (%)
AB Energijos Skirstymo Operatorius	710,921	-	-	710,921	94,98	94,98
Lietuvos energijos gamyba, AB	299,935	-	-	299,935	96,75	96,75
UAB EURAKRAS	17,058	-	-	17,058	75,00	75,00
UAB Lietuvos dujų tiekimas	8,369	-	-	8,369	100,00	100,00
NT Valdos, UAB	89,377	(9,036)	-	80,341	100,00	100,00
UAB Technologijų ir inovacijų centras	3,218	-	-	3,218	50,00	97,80
UAB Energetikos paslaugų ir rangos organizacija	9,137	(7,320)	-	1,817	100,00	100,00
Tuulenergia OÜ	6,659	-	-	6,659	100,00	100,00
Energijos tiekimas, UAB	23,906	-	-	23,906	100,00	100,00
UAB LITGAS	12,641	(785)	-	11,856	100,00	100,00
UAB Elektroninių mokėjimų agentūra	758	-	-	758	100,00	100,00
UAB Verslo aptarnavimo centras	295	-	-	295	51,00	97,00
UAB VAE SPB	1,014	(1,369)	445	90	100,00	100,00
UAB Vilniaus kogeneracinė jėgainė	6,003	-	-	6,003	100,00	100,00
UAB Energijos Sprendimų centras	513	-	-	513	100,00	100,00
UAB Kauno kogeneracinė jėgainė	5,487	-	-	5,487	51,00	51,00
Lietuvos energijos paramos fondas	3	-	-	3	100,00	100,00
	1,195,294	(18,510)	445	1,177,229		

As at 31 December 2016 the Company's investments in subsidiaries comprised:

Company name	Acquisition cost	Impairment	Contribution against loss	Carrying amount	Ownership interest (%)	Effective Group ownership interest (%)
AB Energijos Skirstymo Operatorius	710,921	-	-	710,921	94,98	94,98
Lietuvos energijos gamyba, AB	299,935	-	-	299,935	96,75	96,75
UAB EURAKRAS	17,058	-	-	17,058	75,00	75,00
UAB Lietuvos dujų tiekimas	8,369	-	-	8,369	100,00	100,00
NT Valdos, UAB	89,377	(9,036)	-	80,341	100,00	100,00
UAB Technologijų ir inovacijų centras	3,218	-	-	3,218	50,00	97,80
UAB Energetikos paslaugų ir rangos organizacija	9,137	(7,320)	-	1,817	100,00	100,00
Tuulenergia OÜ	6,659	-	-	6,659	100,00	100,00
Energijos tiekimas, UAB	23,906	-	-	23,906	100,00	100,00
UAB LITGAS	12,641	(785)	-	11,856	100,00	100,00
VšĮ Energetikų mokymų centras	309	(186)	-	123	100,00	100,00
UAB Elektroninių mokėjimų agentūra	758	-	-	758	100,00	100,00
UAB Verslo aptarnavimo centras	295	-	-	295	51,00	97,00
UAB VAE SPB	1,014	(1,369)	445	90	100,00	100,00
UAB Vilniaus kogeneracinė jėgainė	1,003	-	-	1,003	100,00	100,00
UAB Energijos Sprendimų centras	348	-	-	348	100,00	100,00
UAB Kauno kogeneracinė jėgainė	5,487	-	-	5,487	51,00	51,00
Lietuvos energijos paramos fondas	3	-	-	3	100,00	100,00
	1,190,438	(18,696)	445	1,172,187		

All amounts in thousands of euro unless otherwise stated

5 Share capital

As at 31 March 2017 and 31 December 2016 the Company's share capital comprised EUR 1,212,156,294. As at 31 March 2017 and 31 December 2016 the Company's share capital was divided in to 4,179,849,289 ordinary shares with par value EUR 0,29 each.

As at 31 March 2017 and 31 December 2016 share capital was fully paid.

6 Borrowings

	Group		Company	
	2017.03.31	2016.12.31	2017.03.31	2016.12.31
Non-current				
Bank borrowings	345,902	364,957	22,908	23,440
Current				
Current portion of non-current borrowings	84,843	90,008	2,131	2,131
Current borrowings	52,014	38,948	43,038	38,948
Loans from related parties (cash pool)	-	-	22,986	25,811
Bank overdrafts	5,082	-	-	-
Accrued interest	2	5	-	-
Total borrowings	487,843	493,918	91,063	90,330

All borrowings of the Group bear variable interest rates with repricing intervals of up to 6 months.

7 Provisions

	Group		Company	
	2017.03.31	2016.12.31	2017.03.31	2016.12.31
Non-current	3,199	3,254	-	-
Current	7,331	12,883	-	-
Carrying amount	10,530	16,137	-	-

Group	Emission allowance liabilities	Provisions for employee benefits	Provisions for onerous contracts	Total
At 1 January 2017	1,316	4,529	10,292	16,137
Increase (decrease) during the period	-	-	-	-
Utilised during the period	32	(795)	(4,436)	(5,199)
Increase (decrease) due to change in assumptions	(378)	(30)	-	(408)
At 31 March 2017	970	3,704	5,856	10,530

Provisions for onerous gas supply contracts at the end of 2016 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 31 March 2017 the Group adjusted the adjusted provision in respect of onerous part of contracts for household and non-household users in amount of EUR 4,436 thousand by taking into account the prerequisites for the execution of the contracts at the financial reporting date.

8 Other expenses

	Group		Company	
	2017 1 Q	2016 1 Q	2017 1 Q	2016 1 Q
Revaluation and provisions of emission allowances	3,776	5,952	-	-
Taxes	1,747	1,716	6	8
Customer service	987	962	-	-
Motor vehicles	937	808	24	29
Telecommunication and IT services	872	742	58	45
Write-offs of property, plant and equipment	702	574	-	-
Utility services	648	666	14	19
Rent	331	546	32	45
Expenses of low-value inventory items	191	214	-	-
Personnel development	121	92	14	17
Consulting services	101	186	37	82
Business trips	88	97	7	13
Public relations and marketing	68	131	18	16
Impairment of inventories (reversal)	(31)	(20)	-	-
Impairment/(Reversal) of impairment of receivables	(1,585)	388	-	-
Business support services	-	-	66	39
Other expenses	479	1,338	84	32
	9,432	14,392	360	345

9 Dividends

Group's companies declared dividends during the period from 1 January to 31 March 2017:

Announcement Date	Dividends declared by	Dividends distributed for the period	Dividends per share, Eur	Amount of dividends declared	The Company's dividend revenue	Dividends allocated to the non – controlling interest
24 March 2017	AB Energijos Skirstymo Operatorius	July – December 2016	0.05786	51,763	49,166	2,597
24 March 2017	Lietuvos energijos gamyba, AB	July – December 2016	0.02	12,702	12,289	413
				64,465	61,455	3,010

Group's companies declared dividends during the period from 1 January to 31 March 2016:

Announcement Date	Dividends declared by	Dividends distributed for the period	Dividends per share, Eur	Amount of dividends declared	The Company's dividend revenue	Dividends allocated to the non – controlling interest
29 March 2016	AB Energijos Skirstymo Operatorius	July – December 2015	0.0342	30,596	29,061	1,535
30 March 2016	NT Valdos UAB	2015 year	0.4231	1,250	1,250	-
				31,846	30,311	1,535

The Company did not announce distribution of dividends during first quarter of 2017 and 2016.

10 Transactions with related parties

As at 31 March 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), and management.

Group's transactions with related parties

The Group's transactions with related parties during the period from 1 January to 31 March 2017 and balances arising on these transactions as at 31 March 2017 are presented below:

Related party	Amount payable 2017.03.31	Amounts receivable 2017.03.31	Finance income 2017 I Q	Sales 2017 I Q	Finance expenses 2017 I Q	Purchases 2017 I Q
EPSO-G, UAB	-	202,307	378	3	-	-
Litgrid AB	11,576	5,487	-	12,783	41	28,895
BALTPPOOL UAB	13,519	14,632	-	22,270	-	23,128
TETAS, UAB	2,837	382	9	369	-	2,945
LITGRID Power Link Service, UAB	-	10	-	25	-	-
Amber Grid, AB	6,123	3,209	-	7,981	-	7,500
GET Baltic	-	267	-	125	-	278
Group's associates and other related parties	-	130	2	28	-	55
Total	34,055	226,424	389	43,584	41	62,801

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

Related party	Amounts payable 2016.12.31	Amounts receivable 2016.12.31	Finance income 2016 I Q	Sales 2016 I Q	Finance expenses 2016 I Q	Purchases 2016 I Q
EPSO-G UAB	-	210,414	789	2	-	-
Litgrid AB	11,429	5,058	-	12,396	-	26,898
BALTPPOOL UAB	14,945	3,941	-	16,346	-	27,789
TETAS UAB	4,132	337	-	291	-	2,004
LITGRID Power Link Service, UAB	-	19	-	175	-	-
AB Amber Grid	5,669	3,430	-	28	-	9,715
GET Baltic	745	2,538	-	-	-	-
Group's associates and other related parties	-	295	-	32	-	770
Total	36,920	226,032	789	29,095	-	67,176

All amounts in thousands of euro unless otherwise stated

10 Transactions with related parties (continued)

Company's transactions with related parties

The Company's transactions with related parties during the period from 1 January to 31 March 2017 and balances arising on these transactions as at 31 March 2017 are presented below:

Related parties	Loans payable 2017.03.31	Amounts payable 2017.03.31	Loans receivable 2017.03.31	Amounts receivable 2017.03.31	Finance income 2017 I Q	Sales 2017 I Q	Finance expenses 2017 I Q	Purchases 2017 I Q
Subsidiaries								
AB Energijos Skirstymo Operatorius	229	5,334	-	49,366	49,166	251	(30)	-
Lietuvos energijos gamyba AB	12,921	3,891	-	13,414	12,289	92	(39)	-
UAB Lietuvos dujų tiekimas	-	-	-	5	-	26	(4)	-
NT Valdos, UAB	4,650	39	-	24	-	33	(7)	(89)
UAB Energetikos paslaugų ir rangos organizacija	-	-	625	6,341	14	27	-	-
UAB Verslo aptarnavimo centras	-	30	-	22	-	29	-	(72)
Energijos tiekimas UAB	-	-	-	18	2	36	-	-
UAB LITGAS	2,676	1	-	15	-	28	(1)	-
UAB Technologijų ir inovacijų centras	-	26	-	8	-	19	-	(56)
UAB VAE SPB	-	-	-	1	-	1	-	-
VšĮ Energetikų mokymų centras	-	-	-	1	-	4	-	-
Tuuleenergia OU	-	-	4,927	57	81	-	-	-
UAB Duomenų logistikos centras	-	55	-	2	-	6	-	-
UAB EURAKRAS	1,172	1	-	11	31	2	(2)	-
UAB Vilniaus kogeneracinė jėgainė	1,338	1	-	7	-	14	(1)	-
UAB Elektroninių mokėjimų agentūra	-	-	-	20	-	7	-	-
UAB Kauno kogeneracinė jėgainė	-	-	-	50	-	41	(1)	-
UAB Energijos Sprendimų centras	-	-	-	20	-	16	-	-
Other related parties								
EPSO-G UAB	-	-	-	202,307	378	-	-	-
Total	22,986	9,378	5,552	271,689	61,961	632	(85)	(217)

During the period from 1 January to 31 March 2017 the Company accounted for EUR 61,455 thousand of dividend revenue from subsidiaries.

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

Related parties	Amounts payable 2016.12.31	Amounts receivable 2016.12.31	Finance income 2016 I Q	Sales 2016 I Q	Finance expenses 2016 I Q	Purchases 2016 I Q
Subsidiaries						
AB Energijos Skirstymo Operatorius	5,823	235	29,061	452	111	-
„Lietuvos energijos gamyba“ AB	17,202	1,099	-	182	87	-
UAB Lietuvos dujų tiekimas	6,008	24	-	83	-	-
NT Valdos, UAB	4,946	33	1,250	50	-	87
UAB Energetikos paslaugų ir rangos organizacija	-	2,967	-	39	-	-
UAB Verslo aptarnavimo centras	79	26	-	-	-	40
Energijos tiekimas UAB	-	28	-	5	-	-
UAB LITGAS	-	18	590	-	-	-
UAB Technologijų ir inovacijų centras	62	20	-	-	-	43
UAB VAE SPB	-	1	-	-	-	-
VšĮ Energetikų mokymų centras	-	2	-	-	-	-
Tuuleenergia OU	-	4,902	49	-	-	-
UAB Duomenų logistikos centras	54	7	8	11	-	-
UAB EURAKRAS	1,067	14	-	-	-	-
UAB Vilniaus kogeneracinė jėgainė	-	5,011	-	-	-	-
UAB Elektroninių mokėjimų agentūra	-	11	-	-	-	-
UAB Kauno kogeneracinė jėgainė	-	80	-	-	-	-
Other related parties						
EPSO-G UAB	-	210,410	789	-	-	-
Total	35,241	224,888	31,747	822	198	170

During the period from 1 January to 31 March 2016 the Company accounted for EUR 30,311 thousand of dividend revenue from subsidiaries.

All amounts in thousands of euro unless otherwise stated

10 Transactions with related parties (continued)

Management compensation:

	Group		Company	
	2017 I Q	2016 I Q	2017 I Q	2016 I Q
Salaries and other short-term benefits	950	747	180	124
Whereof: Termination benefits and benefits to Board Members	110	65	18	-
Number of management staff	67	70	11	10

Management includes heads of administration and their deputies.

11 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 Valdosa 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 mokėjimų 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 I quarter of 2017 is provided below:

2017 I Q	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	152,348	26,191	113,592	-	5,465	12,024	309,620
Revenue from other segments	16,138	8,138	32,273	62,086	11,525	(130,160)	-
Total revenue	168,486	34,329	145,865	62,086	16,990	(118,136)	309,620
Expenses	(134,867)	(28,448)	(153,932)	(1,343)	(17,389)	55,361	(280,618)
<i>Including:</i>							
<i>Depreciation and amortization</i>	(12,223)	(5,715)	(282)	-	(1,990)	(128)	(20,338)
<i>Impairments and write-offs</i>	749	(4,872)	(49)	-	29	-	(4,143)
<i>Unrealized gain (loss) on revaluation of derivatives</i>	-	-	(1,492)	-	-	-	(1,492)
<i>Management adjustments*</i>	1,829	-	14,504	-	-	-	16,333
EBITDA	46,922	16,468	8,260	60,743	1,562	(62,647)	71,308
Operating profit (loss)	33,619	5,881	(8,067)	60,743	(399)	(62,775)	29,002
Interest income	26	37	39	506	16	(197)	427
Interest (expenses)	(416)	(650)	(145)	(206)	(136)	198	(1,355)
Other financial income (expenses)	219	128	(9)	(159)	(51)	(2)	126
Profit (loss) before income tax	33,448	5,396	(8,182)	60,884	(570)	(62,776)	28,200
Income tax	(4,942)	(483)	(691)	33	(212)	114	(6,181)
Net profit (loss)	28,506	4,913	(8,873)	60,917	(782)	(62,662)	22,019
Total assets	1,113,503	872,720	152,808	1,460,202	189,413	(1,376,752)	2,411,894

11 Segment reporting (continued)

Group information about operating segments during I quarter of 2016 is provided below:

2016 I Q	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	164,571	49,944	122,023	1	5,890	(7,330)	335,099
Revenue from other segments	17,881	5,515	20,275	31,131	11,917	(86,719)	-
Total revenue	182,452	55,459	142,298	31,132	17,807	(94,049)	335,099
Expenses	(145,808)	(36,136)	(127,684)	(1,089)	(19,177)	43,577	(286,317)
<i>Including:</i>							
<i>Depreciation and amortization</i>	(11,072)	(5,826)	(27)	-	(1,970)	24	(18,871)
<i>Impairments and write-offs</i>	(1,149)	(5,857)	18	-	(10)	-	(6,998)
<i>Unrealized gain (loss) on revaluation of derivatives</i>	-	-	102	-	-	-	102
<i>Management adjustments*</i>	(6,108)	-	(990)	-	-	-	(7,098)
EBITDA	42,757	31,006	13,531	30,043	610	(50,496)	67,451
Operating profit (loss)	36,644	19,323	14,614	30,043	(1,370)	(50,472)	48,782
Interest income	51	62	29	1,455	-	(792)	805
Interest (expenses)	(473)	(850)	(675)	(145)	(81)	800	(1,424)
Other financial income (expenses)	149	(431)	26	(117)	(37)	(8)	(418)
Profit (loss) before income tax	36,371	18,104	13,994	31,236	(1,488)	(50,472)	47,745
Income tax	(5,573)	(3,884)	(2,821)	(157)	(117)	87	(12,465)
Net profit (loss)	30,798	14,220	11,173	31,079	(1,605)	(50,385)	35,280
Total assets at 31 March 2016	1,052,723	904,953	125,742	1,421,901	153,780	(1,311,300)	2,347,799

*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 segment).

12 Events after the reporting period

Declared dividends

Based on the Lithuanian Finance Ministry's Order issued on 12 April 2017, the Company's set of consolidated financial statements for 2016 was approved, and EUR 59,752 thousand dividends for the state-owned shares of the Company for period of 2016 July – December were declared.

The ordinary general meeting of shareholders of Energijos tiekimas UAB was held on 4 April 2017 where it was decided to approve the profit appropriation for 2016 and distribution of EUR 10,000 thousand dividends. Dividends attributable to the Company amount to EUR 10,000 thousand.

The ordinary general meeting of shareholders of UAB LITGAS was held on 3 April 2017 where it was decided to approve the profit appropriation for 2016 and distribution of EUR 3,000 thousand dividends. Dividends attributable to the Company amount to EUR 3,000 thousand.
