

2018

LIETUVOS ENERGIJA, UAB

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE III QUARTER OF 2018 AND 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2018
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM
FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



CONTENT

CONDENSED INTERIM FINANCIAL INFORMATION

Condensed interim statements of financial position	3
Condensed interim statements of comprehensive income	4
Condensed interim statements of changes in equity	5 - 6
Condensed interim statements of cash flows	7
Notes to the condensed interim financial statements	8 – 25

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.

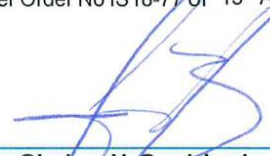
Condensed interim financial information was approved on 7 November 2018 by the CEO, the Head of Finance and Investment Management Department, and the Head of Accounting Services Centre of Verslo Aptarnavimo Centras UAB (acting under Order No IS18-77 of 13 August 2018).



Darius Maikštėnas
Chief Executive Officer



Darius Kašauskas
Head of Finance and Investment
Management Department



Giedruolė Guobienė
Head of Accounting Services
Centre of Verslo Aptarnavimo
Centras UAB (acting under Order
No IS18-77 of 13 August 2018)

Lietuvos energija, UAB, Company's code 301844044, Žvejų g. 14, LT-09310 Vilnius, Lithuania
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

For the nine-month period ended 30 September 2018

All amounts in thousands of euro unless otherwise stated

		Group		Company	
	Notes	As at 30 September 2018	As at 30 September 2017	As at 30 September 2018	As at 30 September 2017
ASSETS					
Non-current assets					
Intangible assets	4	92,085	36,360	1,874	-
Property, plant and equipment	4	1,909,550	1,761,082	419	421
Prepayments for non-current assets		22,925	21,911	-	3,899
Investment property		5,675	14,878	-	-
Investments in subsidiaries	5	-	-	1,189,083	1,148,917
Amounts receivable after one year		171,124	170,488	701,892	492,938
Other financial assets		1,700	426	1,700	426
Other non-current assets		5,087	3,239	-	-
Deferred income tax asset		5,661	7,084	851	549
Total non-current assets		2,213,807	2,015,468	1,895,819	1,647,150
Current assets					
Inventories		72,164	56,866	-	-
Prepayments		30,375	38,119	25	42
Trade receivables		98,911	112,563	-	-
Other amounts receivable		24,906	27,800	29,772	5,322
Other current assets		2,881	1,093	-	-
Prepaid income tax		3,264	2,102	15	147
Short-term loans		-	-	111,126	169,395
Cash and cash equivalents	6	189,209	171,756	34,290	52,517
		421,710	410,299	175,228	227,423
Non-current assets held for sale	7	70,846	79,301	4,782	14,717
Total non-current assets		492,556	489,600	180,010	242,140
Current assets		2,706,363	2,505,068	2,075,829	1,889,290
EQUITY AND LIABILITIES					
Equity					
Share capital	8	1,212,156	1,212,156	1,212,156	1,212,156
Reserves		109,226	99,380	19,811	14,516
Retained earnings (deficit)		(105,962)	(13,706)	91,372	117,103
Equity attributable to owners of the parent		1,215,420	1,297,830	1,323,339	1,343,775
Non-controlling interests		42,999	45,796	-	-
Total equity		1,258,419	1,343,626	1,323,339	1,343,775
Liabilities					
Non-current liabilities					
Non-current borrowings	9	706,968	480,068	685,336	433,668
Finance lease liabilities		83	187	-	-
Grants and subsidies	10	209,652	200,311	-	-
Deferred income tax liabilities		30,348	36,049	-	-
Provisions	11	30,892	1,893	-	2,903
Deferred income		117,462	54,509	-	-
Other non-current amounts payable and liabilities		9,826	7,306	114	9,807
Total non-current liabilities		1,105,231	780,323	685,450	446,378
Current liabilities					
Current portion of long-term debts	9	77,641	119,599	57,401	95,013
Current borrowings	9	3,537	14,082	2,530	2,794
Current portion of finance lease liabilities		139	145	-	-
Trade payables		90,698	98,338	216	506
Advance amounts received		39,566	27,765	50	1
Income tax liabilities		6,174	3,695	-	-
Provisions	11	2,581	2,498	5,402	-
Other current amounts payable and liabilities		121,454	114,663	1,441	823
		341,790	380,785	67,040	99,137
Liabilities directly attributable to Non-current assets held for sale		923	334	-	-
Total current liabilities		342,713	381,119	67,040	99,137
Total liabilities		1,447,944	1,161,442	752,490	545,515
TOTAL EQUITY AND LIABILITIES		2,706,363	2,505,068	2,075,829	1,889,290

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2018

All amounts in thousands of euro unless otherwise stated

	Notes	Group				Company			
		2018 Q1–3	2018 Q3	2017 Q1–3	2017 Q3	2018 Q1–3	2018 Q3	2017 Q1–3	2017 Q3
Revenue									
Sales revenue	12,16	855,439	262,729	762,963	238,890	2,247	735	2,199	709
Other income		40,685	7,401	20,471	7,574	694	13	25	24
Dividends income	13	-	-	-	-	67,378	26,326	124,704	49,534
Total revenue		896,124	270,130	783,434	246,464	70,319	27,074	126,928	50,267
Operating expenses									
Purchases of electricity, gas for trading and related services		(467,590)	(169,694)	(518,271)	(158,638)	-	-	-	-
Purchases of gas and heavy fuel oil		(210,022)	(50,239)	(21,446)	(7,451)	-	-	-	-
Depreciation and amortisation		(64,100)	(21,389)	(64,519)	(21,834)	(5)	(1)	(1)	(1)
Wages and salaries and related expenses		(59,333)	(18,338)	(57,746)	(19,142)	(3,707)	(1,279)	(3,054)	(960)
Repair and maintenance expenses		(14,112)	(6,555)	(15,137)	(6,123)	-	-	-	-
Revaluation of non-current assets		18	18	-	-	-	-	-	-
Impairment of investments in subsidiaries		-	-	-	-	(1,570)	-	(5,044)	(100)
Impairment of trade receivables and loans receivables		413	(40)	1,291	42	-	-	(4,392)	-
Impairment of Property, plant and equipment		(2,315)	(2,465)	(1,063)	11	-	-	-	-
Other expenses	14	(15,967)	(7,586)	(22,676)	(5,569)	(5,199)	(570)	(1,357)	(483)
Total operating expenses		(833,008)	(276,288)	(699,567)	(218,704)	(10,481)	(1,850)	(13,848)	(1,544)
Operating profit (loss)		63,116	(6,158)	83,867	27,760	59,838	25,224	113,080	48,723
Finance income		1,139	375	2,653	1,293	6,820	2,588	2,396	1,248
Finance costs		(8,705)	(3,644)	(5,752)	(2,650)	(7,665)	(3,426)	(2,468)	(1,789)
Gain (loss) attributable to derivative financial instruments		(572)	(328)	-	-	(572)	(328)	-	-
Profit (loss) before tax		54,978	(9,755)	80,768	26,403	58,421	24,058	113,008	48,182
Current year income tax expense		(6,363)	(4,831)	(2,906)	(223)	(894)	(899)	2	-
Deferred income tax (expense)/benefit		(4,412)	466	(1,726)	(1,947)	302	328	293	167
Net profit (loss) from continuing operations		44,203	(14,120)	76,136	24,233	57,829	23,487	113,303	48,349
Profit (loss) from discontinued operations		-	-	914	749	-	-	-	-
Net profit (loss)		44,203	(14,120)	77,050	24,982	57,829	23,487	113,303	48,349
Attributable to:									
Owners of the parent		42,877	(13,916)	73,620	24,271	57,829	23,487	113,303	48,349
Non-controlling interests		1,325	(205)	3,430	711	-	-	-	-
Other comprehensive income (loss)									
Items that will not be reclassified subsequently to profit or loss)									
Gain (loss) on revaluation of non-current assets		13,042	7,514	-	-	-	-	-	-
Impact of accounting policy changes adapting new IFRSs		(62,792)	1	-	-	-	-	-	-
Result of change in actuarial assumptions		(116)	-	-	-	-	-	-	-
Items that will not be reclassified subsequently to profit or loss, total		(49,866)	7,515	-	-	-	-	-	-
Items that will be reclassified subsequently to profit or loss									
Recalculation of foreign net investment in Group's presentation currency		(22)	(53)	(16)	(13)	-	-	-	-
Items that will be reclassified subsequently to profit or loss, total		(22)	(53)	(16)	(13)	-	-	-	-
Other comprehensive income (loss)		(49,888)	7,462	(16)	(13)	-	-	-	-
Total comprehensive income (loss) for the year		(5,685)	(6,658)	77,034	24,969	57,829	23,487	113,303	48,349
Attributable to:									
Owners of the parent		(4,309)	(6,808)	49,346	28,948	57,829	23,487	113,303	48,349
Non-controlling interests		(1,377)	33	2,719	1,098	-	-	-	-

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 2018
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		
Balance at 1 January 2017		1,212,156	34,696	57,475	-	(35,952)	1,268,375	51,172
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	77,050
Total comprehensive income (loss) for the period		-	-	-	(16)	73,620	73,604	77,034
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(3,682)	-	3,682	-	-
Transfer to reserves and movement in reserves		-	11,816	-	-	(11,816)	-	-
Dividends	13	-	-	-	-	(59,752)	(59,752)	(65,350)
Change in non-controlling interest due to changes in Group's structure		-	-	-	-	29	29	(1)
Acquisition of shares from non-controlling interest		-	-	-	-	-	(5,182)	(5,182)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	972	972
Balance at 30 September 2017		1,212,156	46,512	53,793	(16)	(30,189)	1,282,256	44,764
Balance at 1 January 2018		1,212,156	46,512	52,826	42	(13,706)	1,297,830	45,796
Impact of accounting policy changes adapting new IFRSs	2	-	-	-	-	(59,648)	(59,648)	(62,792)
Restated balance at 1 January 2018		1,212,156	46,512	52,826	42	(73,354)	1,238,182	42,652
Revaluation of non-current assets, net of deferred income tax effect		-	-	12,599	-	-	12,599	13,041
Recalculation of foreign net investment in Group's presentation currency		-	-	-	(22)	-	(22)	(22)
Restatement of energy saving activities by applying financial leasing		-	-	-	-	159	159	159
Result of change in actuarial assumptions		-	-	-	-	(110)	(110)	(116)
Total other comprehensive income (loss)		-	-	12,599	(22)	49	12,626	13,062
Net profit for the period		-	-	-	-	42,877	42,877	44,202
Total comprehensive income (loss) for the period		-	-	12,599	(22)	42,926	55,503	57,264
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(6,070)	-	6,070	-	-
Transfer to reserves and movement in reserves		-	3,339	-	-	(3,339)	-	-
Dividends	13	-	-	-	-	(78,265)	(78,265)	(80,855)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	1,176	1,176
Balance at 30 September 2018		1,212,156	49,851	59,355	20	(105,962)	1,215,420	42,999

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 2018
All amounts in thousands of euro unless otherwise stated

	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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	13	-	-	-	(59,752)	(59,752)
Balance at 30 September 2017		1,212,156	14,516	-	124,492	1,351,164
Balance at 1 January 2018		1,212,156	14,516	-	117,103	1,343,775
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		-	-	-	57,829	57,829
Total comprehensive income for the period		-	-	-	57,829	57,829
Transfer to reserves		-	5,295	-	(5,295)	-
Dividends	13	-	-	-	(78,265)	(78,265)
Balance at 30 September 2018		1,212,156	19,811	-	91,372	1,323,339

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 2018

All amounts in thousands of euro unless otherwise stated

	Note	Group		Company	
		2018 Q1-3	2017 Q1-3	2018 Q1-3	2017 Q1-3
Cash flows from operating activities					
Net profit (loss) for the year		44,202	52,068	57,829,00	64,954
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	4	71,159	53,034	5,00	-
Impairment of PP&E/reversal of impairment		2,315	1,074	-	-
Change in fair value of trade derivatives		(18)	-	-	-
Revaluation of derivatives		(1,493)	1,183	-	-
Impairment of financial assets		(413)	-	-	4,392
Impairment of investments in subsidiaries and associates/(reversal)		-	-	1,570,00	4,944
Income tax expenses		10,775	2,462	592,00	(128)
Depreciation of grants		(7,058)	(9,925)	-	-
Increase (decrease) in provisions		678	(13,188)	2,499,00	-
Inventory write-down to net realisable value		(279)	(19)	-	-
Emission allowance revaluation expenses/(income)		(10,784)	3,025	-	-
Emission allowances utilised		908	933	-	-
Elimination of results of investing activities:					
- Dividend income	13	-	-	(67,378,00)	(75,170)
- Gain) loss on disposal/write-off of property, plant and equipment		(85)	1,494	-	-
Elimination of results of financing activities:					
- Interest income		(1,085)	(1,011)	(6,812,00)	(1,004)
- Interest expenses		8,403	2,658	7,633,00	364
- Other finance (income) costs		249	95	24,00	171
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		23,975	26,374	2,035,00	(150)
(Increase) decrease in inventories, prepayments and other current assets		2,945	(6,793)	64,00	(438)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(2,094)	(37,680)	(699,00)	312
Income tax (paid)		(2,796)	(6,850)	-	(128)
Net cash flows from (used in) operating activities		139,504	68,934	(2,638)	(1,881)
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(261,791)	(87,491)	(3)	(7)
Disposal of property, plant and equipment and intangible assets		34,180	3,491	-	-
Loans (granted)		-	-	(275,906)	(4,000)
Loan repayments received		-	35,004	124,586	35,004
(Acquisition) of subsidiaries		-	-	(29,147)	(7,076)
Grants received	10	14,007	233	-	-
(Acquisition) of bonds		-	-	(200)	-
Interest received		-	565	5,801	618
Dividends received		-	-	41,052	75,170
Other increase (decrease) of cash flows from investing activities		(703)	-	(1,074)	-
Net cash flows from (used in) investing activities		(214,307)	(48,198)	(134,891)	99,709
Cash flows from financing activities					
Proceeds from borrowings		-	31,761	-	-
Issue of bonds		294,346	-	294,346	-
Repayments of borrowings		(109,441)	(91,715)	(80,701)	(37,511)
Finance lease payments		(117)	(76)	-	-
Interest paid		(8,862)	(2,513)	(6,379)	(395)
Dividends paid		(80,855)	(62,734)	(78,265)	(59,752)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		7,840	6,487	-	-
Other increase (decrease) of cash flows from financing activities		-	-	(9,699)	-
Net cash flows from (used in) financing activities		102,911	(118,790)	119,302	(97,658)
Increase (decrease) in cash and cash equivalents (including overdraft)		28,108	(98,054)	(18,227)	170
Cash and cash equivalents (including overdraft) at the beginning of the year		161,101	178,565	52,517	73
Cash and cash equivalents (including overdraft) at the end of the year	6	189,209	80,511	34,290	243

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 September 2018 (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, management and coordination of activities.

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

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

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

Company's shareholder	As at 30 September 2018		As at 30 September 2017	
	Share capital, EUR thousand	%	Share capital, EUR thousand	%
Republic of Lithuania represented by the Lithuanian Ministry of Finance	1,212,156	100.00	1,212,156	100.00

At 30 September 2018 the Group comprise the Company 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 str. 21, Elektrėnai	96.82	187,921	Electricity generation, supply, import, export and trade
Energijos Skirstymo Operatorius AB	Aguonų str. 24, Vilnius	94.98	259,443	Electricity supply and distribution to end users, natural gas distribution
NT Valdosa UAB	Geologų str. 16, Vilnius	100.00	41,385	Operation of real estate, other related activities and provision of services
Duomenų Logistikos Centras UAB	A. Juozapavičiaus str. 13, Vilnius	79.64	4,033	Support services for information technology and telecommunications
		100.00	1,100	Construction, repair and maintenance of electricity networks, energy and related equipment, connection of customers to the grid, manufacturing of metal structures
Energetikos Paslaugų ir Rangos Organizacija UAB	Motorų str. 2, Vilnius	100.00	13,050	Supply of liquid natural gas via terminal and trade in natural gas (100% of votes)
LITGAS UAB	Žvejų str. 14, Vilnius	100.00	1,370	Provision of payment collection services
Elektroninių Mokymų Agentūra UAB	Žvejų str. 14, Vilnius	100.00	17,240	Supply of electricity and natural gas
Energijos Tiekimas UAB	Lukšio str. 1, Vilnius	100.00	35	Supply of electricity
Geton Energy OÜ	Narva mnt 5, 10117 Tallinn	100.00	500	Supply of electricity
Geton Energy SIA	Bezdelingu 12, LV-1048, Riga	97.91	6,440	Provision of IT, telecommunication and other services
Technologijų ir Inovacijų Centras UAB	A. Juozapavičiaus str. 13, Vilnius	100.00	100	Nuclear power plant Project development, business and other management consultations
VAE SPB UAB	Smolensko str. 5, Vilnius	98.41	580	Organisation and execution of public procurement, accounting and personnel administration services
Verslo Aptarnavimo Centras UAB	P. Lukšio str. 5B, Vilnius	100.00	8,370	Natural gas supply
Lietuvos Dujų Tiekimas UAB	Žvejų str. 14, Vilnius	100.00	3	Provision of support for projects, initiatives and activities of public interest
Lithuanian Energy Support Fund	Žvejų str. 14, Vilnius	100.00	36,600	Modernisation of district heating supply in Vilnius city
Vilniaus Kogeneracinė Jėgainė, UAB	Žvejų str. 14, Vilnius	51.00	40,000	Modernisation of district heating supply in Kaunas city
Kauno Kogeneracinė Jėgainė UAB	Žvejų str. 14, Vilnius	100.00	499	Electricity generation from renewable sources
Tuuleenergia OU	Keskus, Helmküla, Varbla Rural Municipality, Pärnu County	100.00	4,621	Electricity generation from renewable sources
Eurakras UAB	Vytėnio str. 46, Vilnius	100.00	1,830	Provision of electricity spare services
Energijos Sprendimų Centras UAB	Žvejų str. 14, Vilnius	100.00	2,339	Supply of electricity
Geton Energy sp.z.o.o.	Aleja Jana Pawła II str., nr. 22, Varšuva, Lenkija	100.00	2,359	Transport management activities
UAB "Transporto valdymas"	Smolensko str. 5, Vilnius	100.00		

As at 30 September 2018 the Group had 3,903 employees (31 December 2017 – 4,513), the Company had 121 employees (31 December 2017 – 104).

As at 30 May 2018 international credit rating agency Standard & Poor's granted the Company BBB+ corporate credit rating with the stable.

The Company's management approved this condensed interim financial information on 7 November 2018.

2 Summary of significant accounting principles

The principal accounting policies adopted in the preparation of the Company's and the Group's condensed interim financial statements for 9 months period ended 30 September 2018 are summarised below.

2.1 Basis of preparation

This condensed interim financial information for a nine-month period ended 30 September 2018 has been prepared in accordance with International Accounting Standards (IAS) as adopted by European Union and applicable for the preparation of interim financial statements (IAS 34 Interim Financial Reporting).

For a better understanding of data contained in the condensed interim financial information, this financial information should be read in conjunction with the consolidated and the Company's financial statements for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2017, except the amendments of accounting policies adopting new standards that became applicable at 1 January 2018.

a) New and amended standards, and interpretations

IFRS 15, Revenue from contracts with customers

During nine months period ended 30 September 2018 the Group and the Company adopted IFRS 15, "Revenue from contracts with customers" and its amendments, which had a significant impact on the Group's financial statements.

On 1 January 2018 the Group and the Company applied a modified retrospective method for the first time application of IFRS 15.

The management of the Company assessed the impact of IFRS 15 "Revenue from contracts with customers" and the effect of its amendment on the Company's financial statements and found that the impact of the application of the new standard and its amendment did not significantly affected the timing and extent of the Company's revenue recognition.

The Group's management assessed the impact of IFRS 15, "Revenue from customer contracts" and its impact on the Group's financial statements, and determined that the requirements of the new standard affect the recognition of the connection of new customers.

IFRS 9, Financial instruments: Classification and measurement

During nine months period ended 30 September 2018 the Group and the Company adopted IFRS 9 "Financial instruments" which had no significant impact on the Group's financial statements.

On 1 January 2018 the Group and the Company applied a modified retrospective method for the first time application of IFRS 9.

The estimation of the Group's expected credit losses on trade receivables resulted with EUR 473 thousand increase of the expected credit losses as compared to the loss calculated in accordance with IAS 39. On 1 January 2018 the Group accounted for 473 thousand EUR a decrease in receivables and retained earnings, which indicates the effect of the first time adoption of IFRS 9 application on the Group's financial statements.

On 1 January 2018, the Group and the Company assessed which business models are applicable to the financial assets held by the Group and reclassified financial instruments to respective categories established by IFRS 9. The main impact of this reclassification is presented in the table below:

	AC	FVOCI	FVPL
Amount receivable for sale of LITGRID AB	174,535	-	(4,679)
Balance at 31 December 2017 under IAS 39	174,535	-	(4,679)
Reclassification of assets measured at amortised cost to financial assets at fair value through profit or loss	(174,535)		174,535
Balance at 1 January 2018 under IFRS 9	-	-	169,856

AC – financial assets subsequently measured at amortised cost;

FVOCI – financial assets subsequently measured at fair value through other comprehensive income;

FVPL – financial assets subsequently measured at fair value through profit or loss.

The first-time adoption of IFRS 9 has affected the reclassification of the amount receivable for the sale of LITGRID AB from financial assets measured at amortised cost to financial assets subsequently measured at fair value through profit or loss. Other financial assets of the Company that comprise trade receivables and loans granted are classified within the category of assets subsequently measured at amortised cost.

b) Impact of new standards' adoption on the items in the statement of financial position

The effects of IFRS 9 and IFRS 15 adoption for the first time on the Group's financial position report are presented in the table below:

	31 December 2017	15 IFRS	9 IFRS	1 January 2018
ASSETS				
Non-current assets				
Property, plant and equipment	1,761,082	(10,356)	-	1,750,726
Deferred income tax asset	7,084	12,552	-	19,636
Current assets				
Trade receivables	112,563		(473)	112,090
EQUITY AND LIABILITIES				
Equity				
Retained earnings (deficit)	(13,706)	(59,176)	(473)	(73,355)
Non-controlling interests	45,796	(3,144)		42,652
Non-current liabilities				
Deferred income tax liabilities	36,049	1,554	-	37,603
Deferred income	54,509	63,839	-	118,348
Current liabilities				
Other current amounts payable and liabilities	114,663	(877)		113,786
Deferred income	5,243	(877)	-	4,366

c) New standards, amendments and interpretations that apply for annual periods beginning on 1 January 2019

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company will apply IFRS 16 starting from 1 January 2019. The Company will capitalise the obligations under non-cancellable operating lease contracts in the statement of financial position.

There were no other new standards, amendments and interpretations that were mandatory for the Group and the Company with effect from 2018, and that would have a material impact on the Group's and the Company's financial information.

The management of the Group and the Company does not consider that other new and changed standards and their interpretations that the Group and the Company are required to apply for the reporting periods beginning in 1 January 2018 and later, will have a significant impact on the Group's and the Company's financial statements.

2.2 Other intangible assets

At 1 November 2017 came into force the Law on Electricity of the Republic of Lithuania (hereinafter referred to as the "EEE") of the Republic of Lithuania, which provided for the reimbursement of servitudes established for the installation of electricity networks outside the operator's land. At 31 July 2018 came into force the Methodology for calculation of compensation, which defines conditions for payment of compensation: the payout process, the conditions and documents necessary for payment, the components of the calculation formula for compensation for servitudes. The Company calculated 28,563 thousand. Eur. expected amount of compensation based on the available information on the servitudes used.

Rights related to statutory servitudes

On 30 September 2018 the Group has accounted for in the intangible assets group "Other Intangible Assets" the right of use by legal entities of the use of third parties, where, by 10 July 2004 electricity grids were installed on the basis of statutory servitude. The useful life of intangible assets is unlimited, so the asset is not amortized. The Group verifies the potential impairment of intangible assets of a legal servitude by comparing its recoverable amount with the carrying amount at least once a year, or in cases where there is evidence of impairment.

2.3 Financial assets

Following the adoption of IFRS 9, *Financial Instruments*, on 1 January 2018 the Company and the Group classifies its financial assets into the following 3 new categories:

- (i) financial assets subsequently measured at amortised cost;
- (ii) financial assets subsequently measured at fair value through other comprehensive income; and
- (iii) financial assets subsequently measured at fair through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company and the Group applies when managing its financial assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's and the Group's management regarding separate instruments has no effect on the applied business model. The Company and the Group may apply more than one business model to manage its financial assets.

The business model for managing financial assets is a matter of fact and not merely an assertion. It is typically observable through the activities that the Company and the Group undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Company and the Group justifies its decision not by a single factor or activity, but in view of all relevant evidence that is available at the date of the assessment.

The Company and the Group recognises a financial asset in its statement of financial position when, and only when, the Company and the Group becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

At initial recognition, the Company and the Group assesses financial assets at fair value, except trade receivables, which do not include a significant component of financing. When a financial asset is measured at fair value, the change of which is recognized in profit or loss, the initial measurement of the financial asset includes the fair value of the instrument and transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs comprise all charges and commission that the Company and the Group would not have paid if it had not entered into an agreement on the financial instrument.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

Depending on the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Loans granted by the Company and the Group and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the date of the statement of financial position. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

Financial assets at fair value through profit or loss

The Company and the Group measures financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company and the Group does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company and the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company and the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses

Credit losses incurred by the Company and the Group are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company and the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company and the Group estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company and the Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.

The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis. The Company's and the Group's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgment on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Company and the Group assesses the debt on a collective basis.

The lifetime expected credit losses of trade receivables are recognised at the recognition of amounts receivable.

When granting the loan the Company and the Group assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Company and the Group adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Company records all lifetime expected credit losses of the loan. The latest point at which the Company and the Group recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company and the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contrary account of doubtful receivables.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- a) significant financial difficulty of the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties;
- f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

Derecognition of financial assets

The Company and the Group derecognises financial assets in case of the following:

- the rights to receive cash flows from the asset have expired;
- the Company and the Group has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company and the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:
 - if the Company and the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
 - if the Company and the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the Company and the Group has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company and the Group has not retained control. In all other cases, the Company has retained control.

The Company and the Group derecognises loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

2.4 Provisions

Provisions for one-off compensation for statutory servitude

Provisions for one-off compensation for statutory servitudes are accounted for when the Group has a legal obligation or an irrevocable commitment and it is probable that the economic benefits will be provided to it and the amount of the obligation can be measured reliably. Expenses related to provision for servitudes are recognized as non-current intangible assets, taking into account the amounts reimbursed. If the value of the time value is significant, the provision is discounted using the effective interest rate (before taxes), taking into account the specific risk specific to the liability. When discounting is used, an increase in provision, reflecting past time, is accounted for as a financial expense.

2.5 Revenue recognition

The Company recognises revenue at the time and to the extent that the transfer of goods or services promised to customers would show the amount which would correspond to a consideration, the right to which is expected to be obtained by the Company in exchange for those goods or services. When recognising revenue the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

Management service revenue

In concluding a client management service agreement, the Company undertakes to provide a client with a number of mutually related services, the entirety of which is a commitment by the Company to provide the client with an Integrated Management Package. The performance obligation to the client is executed during the period and the progress of the performance is measured by assessing the actual quantities of services rendered, which are determined on the basis of the Company's employees' working hours. The Company's remuneration for the actual management services provided is fixed. For the purposes of recognizing income, the costs incurred by the Company reimbursement by the client are not considered to be part of the seller's remuneration. The Company recognizes incomes according to invoices submitted to clients for the actual management services provided, evaluating the time, qualification and contractual prices of the employees of the Company engaged with the provision of services.

Revenue from the sale of electricity to household users

Revenue from the sale of electricity to household users is recognized for each reporting period on the basis of submitted VAT invoices, which calculate the amount of electricity consumed. The amount of electricity consumed is calculated on the basis of the declared or actual figures. If the declared or actual data is not known, the electricity revenue is recognized as an average.

Revenue from electricity sales companies is recognized when sales of electricity are made on the basis of actual electricity consumption, taking into account meter readings.

Revenue from consumers' connection to the electricity grid

From 1 January 2018 fees for the connection of new users, manufacturers, and electrical installations or reconstruction upon the request of the consumer, producer or other persons are recognized as income during the period during which the Group ensures the customer's connection to the electricity distribution networks. Payments received from the customer are accounted for as deferred income and are recognized in profit or loss on a pro rata basis over a period the duration of which is limited to the useful life of the newly created related tangible non-current assets. The related costs, which include the acquisition cost of non-current tangible assets and other costs, have been capitalized and are depreciated over the period of use of the capitalized asset.

Before 1 January 2018 revenues from the connection of new customers to the electricity network were recognized by connecting the client's equipment to the electricity distribution networks.

The Parliament of the Republic of Lithuania in 30 September 2018 adopted the Law on Electricity No. XIII-1456 amendments (hereinafter referred to as the "Law") that allow consumers to secure electricity distribution services without making a purchase agreement with the Company's subsidiary AB Energy Distribution Operator and only with an electricity supply company when signing a contract. For this reason, the way in which new customers connection revenue will need to change. The connection of new customers will be recognized when the connection service is provided, as opposed to the current recognition method for revenue recognition, when revenue is recognized during the electricity distribution service, as they are inseparable from the electricity transmission service. From 1 October 2018 according to IFRS 15 the connection of the user to the network will be considered as a separate performance obligation.

Connection of customers to the natural gas distribution network

The payments made by consumers for connection to the Group's gas system are recognized as revenue at the moment when customer's equipment is connected to the gas distribution pipeline.

Before 31 December 2017 the fees paid by consumers for the connection to the gas system were recorded in the statement of financial position as deferred income and recognized as revenue over the useful life of the capitalized related tangible non-current assets.

Revenue from the provision of PSO services

The Group commits to render the services that serve the public interest in accordance with the procedures and terms established by the regulatory legal acts, including ensuring the electricity system reserves in the specified power plants the operation of which is critical in assuring state energy security. The benefits of the services of ensuring power system reserves are brought to customers throughout the period of the service, during which, accordingly, the seller carries out its performance obligation.

When concluding the agreement, the customer commits to compensate the expenditures necessary for maintaining the reserve (including the expenditure incurred during electricity production tests). In view of the above, the progress of fulfilment of the performance obligation is assessed considering the actual duration of provision of the service that ensures the electricity system reserve.

In the agreement concluded with the customer, the consideration paid to the seller comprises the fixed part payable in equal portions throughout the period of provision of the service.

Revenue from trade in electricity

The sales of electricity produced using own resources are conducted at the Nord Pool Spot exchange (hereinafter "Exchange") by submitting electricity sale offers to the Exchange. On Nord Pool's Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Exchange sends a confirmation of the concluded electricity sale transaction to the seller. The Group's performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the Group's offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller is fixed. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be retained by trading intermediaries representing the Group at the Exchange.

Revenue from electricity-related services

Other revenue from the services related to energy supply comprise the following: (1) revenue from generation of electricity of the active power reserve, (2) revenue from assurance of the power reserve, (3) revenue from reactive power and voltage management services, (4) system recovery after the total accident (hereinafter "Services").

The customer receives the benefits of other services related to energy supply at the same time the service is actually rendered to the customer. The customer may consume the benefits of the services separately or together with other services rendered to the customer. In the agreement, the services to be rendered to the customer are defined separately from other services stipulated under the agreement. Since the services are interrelated and are provided per customer, the performance obligation of the seller comprises one complex service, that is the provision of additional services and supply of regulating electricity. The performance obligation under the agreement concluded with the customer is to be carried out throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volume of services rendered, stated at power measurement units (kWh, MW/h, etc.).

Under the agreement concluded with the customer, the customer is provided an option to acquire additional services and regulating electricity on demand. The customer is not obligated to acquire from the seller any amount of additional services defined (in the agreement). The fixed consideration for the service of system recovery after the total accident is to be paid to the seller as per agreement. The seller is entitled to 1/12 of the total price of the service each month. In view of the above, the whole of the agreement concluded with the customer is assessed at the moment of signing the agreement and the total consideration is attributed to the identified performance obligation.

For the purpose of its performance obligations, the seller recognises revenue pursuant to the provisions of IFRS 15 (paragraphs B39–B43) regarding *customer options for additional goods or services*, under which the revenue recognised is actually consistent with the invoices issued to the customer for the services relating to the supply and assurance of the active power and management of the reactive power rendered over time. Moreover, the seller additionally recognises 1/12 of the total price of the agreement that the seller intends to pay for the services of system recovery after the total accident throughout the term of validity of the agreement, i.e. within one year.

Revenue from supply of thermal energy

Under the agreement concluded with the customer, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Under the agreement concluded with the customer, the single performance obligation that the seller commits to is the supply of thermal energy. The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller carries out its performance obligation. The seller carries out its performance obligation throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

In the agreement concluded with the customer, the consideration paid to the Group comprises the fixed part and the variable part. The variable part comprises the customer's payments for the actually supplied thermal energy. The variable part arises due to default interest (interest on late payment) to be paid by the customer to the seller in cases where the customer fails to timely reimburse for the services rendered.

The Group recognises revenue considering the volumes of thermal energy actually produced and supplied to the customer at the price calculated with reference to the methodology on the establishment of the heating price as approved by the Commission.

Services of purchase of electricity generated by wind farms

Under IFRS 15, the Group does not receive consideration for the purchase of electricity from renewable energy resources and the payment of PSO funds to energy producers. The administrator of PSO funds only reimburses the expenditures of the seller; however, since the seller does not receive any consideration for the performance of the purchase function itself, the seller does not account for any proceeds related to the functions of the purchasing company that are served by the Group under the agreement concluded with the administrator of PSO funds.

There were no changes in other principles of revenue recognition.

2.6 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.

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 2017.

Deferred payment for transferred shares of Litgrid AB

As part of the implementation of the requirements of the Law on Electricity, the Lithuanian Government passed Resolution No 826 on 4 July 2012 *Regarding the establishment of the private limited liability company and investment of state-owned assets*, whereby the Ministry of Energy was committed to establish a private limited liability company and pass all necessary decisions in order to transfer the shares of Litgrid AB held by Lietuvos Energija UAB to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of shares established by independent valuers. The independent valuer determined the market value in respect of 97.5% of shares of Litgrid AB using the income approach.

The Group and the Company made an assessment of the price premium and determined that, in accordance with the share purchase agreement of Litgrid AB in 2018, September 30 the price premium was negative and amounted to 4,679 thousand. Eur. As at 30 September 2018 and 31 December 2017, the Company estimate of the premium to the final price was reported in the statement of financial position as a reduction to the amount receivable for the sale of shares of Litgrid AB as the price premium will adjust the sale price (Note 8).

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. At 31 December 2017 recorded provision was in line with the actual adoption of pollution emissions. Based on historic experience, the Group's management does not expect any significant differences to arise between the estimated provision at 30 September 2018 and the quantity of emissions which will be approved in 2019.

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

Part of funds for PSO and tertiary capacity reserve services are allocated for the maintenance of infrastructure of the Elektrėnai Complex and for the compensation of the necessary trial costs of electricity generation facilities. Infrastructure maintenance costs cover fuel, emission allowance and other production costs that are incurred in the course of generation of heat which is necessary to support infrastructure, as well in the course of generation electricity which is consumed by the Elektrėnai Complex, and gas consumption capacity taxes. Allocated amount of PSO funds and the price for capacity reserve services are determined for the next calendar year by the NCC in view of the projected costs of the Company. In the Company's financial statements, income from these services is recognised on accrual basis based on actually incurred costs.

As at 30 September 2018, the Group recognised PSO funds of EUR 5,796 thousand (31 December 2017: EUR 5,034 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 0.92% was used, and discounting effect of EUR 51 thousand at 31 December 2017 was recognised within 'Other financial income'. Discounting effect was not adjusted as at 30 September 2018 as the effect of change was immaterial.

As at 30 September 2018, receivable amount of EUR 2,627 thousand (31 December 2017: EUR 8,198 thousand), which will be compensated in 2018, was recognised within current amounts receivable. In 2017 the NCC inspected the PSO funds allocated to the Company during 2010-2015, and in 2017 introduced changes in the principles for determination of allocated PSO funds, with relevant changes in the regulatory framework. In 2014 the NCC adopted a resolution, by which the Company was declared as an undertaking with significant power in the electricity generation market. Based on this resolution, earnings from sale of electricity generated at the Company's hydroelectric plants were subject to restriction by deducting the respective amount from the PSO funds approved for the Company. On 17 October 2016, the Supreme Administrative Court of Lithuania announced its judgement based on which the aforementioned resolution of the NCC was repealed. At the end of 2017, as part of implementation of the court judgement, the NCC allocated to the Company EUR 5,438 thousand of PSO funds for the year 2018, which will compensate the Company's revenue not received in 2015. This amount was recognised within amounts receivable as at 31 December 2017.

Accrued revenue from capacity reserve services

As at 30 September 2018, based on *Methodology for establishing the prices for electricity and capacity reserve services* approved by Resolution No. O3-229 of the Commission, the Company's management accounted for EUR 2,223 thousand (31 December 2017: EUR 511 thousand) of PSO funds to be refunded in under the line item 'Other non-current amounts payable and liabilities'. As at 30 September 2018, the Company also accounted for EUR 73 thousand (31 December 2017: EUR 289 thousand) of amount receivable to be compensated in 2018 under the line item 'Other current amounts receivable'.

Legal disputes over the Commission's decisions related to regulated revenue

As at 30 September 2018, the amount of the Company's subsidiary Lietuvos Energijos Gamyba, AB contingent assets related to the legal dispute concerning the Commission's decision, by which the subsidiary was declared as an undertaking with significant power in the electricity generation market and thus the amount of the payable PSO funds was additionally reduced by EUR 2.51 million, amounted to EUR 2.51 million and remains unchanged from 31 December 2017.

Fair value of financial assets and financial liabilities

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

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

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

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

All amounts in EUR thousands unless otherwise stated

4 Intangible assets and Property, plant and equipment

Group	Intangible assets	Property, plant and equipment
Net book value as at 1 January 2018	36,360	1,761,082
Acquisitions	31,392	251,263
Disposals	(2)	(1,313)
Write-offs	(22)	(3,479)
Revaluation	-	(14)
Impairment	-	(10,356)
Reversal of impairment	-	141
Emission allowances utilised	(908)	-
Revaluation of emission allowances	24,993	-
Grant received (emission allowances)	2,554	-
Reclassification (to) from Property, plant and equipment and, intangible assets	1,957	(1,957)
Reclassification to assets held for sale	(8)	(11,792)
Reclassification from (to) investment property	-	(5,093)
Reclassification (to) from inventories	-	(334)
Reclassification to finance lease	-	(1,671)
Amortisation / depreciation	(4,231)	(66,928)
Net book value as at 30 September 2018	92,085	1,909,550

During January – September of 2018 the Group accounted for EUR 15,207 thousand of revaluation of emission allowances and related EUR 2,281 thousand deferred tax liability in other comprehensive income.

At 30 March 2018 the Company accounted for EUR 1,874 thousand in "Other intangible assets" category of intangible assets, that comprise future synergies identified at 12 October 2017 during acquisition of TE-3 assets from AB „Vilniaus šilumos tinklai“. The benefits of synergies will be realized by ensuring the connection of the Vilnius cogeneration power plant and other objects of the Group to the Vilnius city heat transfer infrastructure.

In assessing the effect of applying IFRS 15, Customer Revenue, for the first time, the Group's management has determined that the recognition of new customers' connection revenues in accordance with the new standard negatively affects the recoverable amount of property, plant and equipment used in gas distribution activities as it becomes less than the carrying amount of the asset. Against this background, the Group in 1 January 2018 accounted for EUR 10,356 thousand impairment of "Gas distribution pipelines, Gas technological equipment and structures".

The Company's intangible assets and property, plant and equipment movements during January – September of 2018:

Company	Intangible assets	Property, plant and equipment
Net book value as at 1 January 2017	-	421
Acquisitions	-	3
Reclassification to assets held for sale	1,874	-
Amortisation / depreciation	-	(5)
Net book value as at 30 September 2017	1,874	419

5 Investments in subsidiaries and other investments

Movement in the Company's investments in subsidiaries:

Bendrovė	2018, I-III Q	2017
As at 1 January	1,148,917	1,172,187
Increase in share capital of subsidiaries	41,038	28,375
Decrease in share capital of subsidiaries	-	(50,862)
Acquisition of shares of non-controlling interest	-	4,284
Disposal of investments	-	(123)
Contributions against losses	698	4,470
Impairment of investments into subsidiaries	(1,570)	(9,414)
Closing net book amount	1,189,083	1,148,917

Increase/decrease in share capital, acquisitions of subsidiaries

The table below shows increase/(decrease) in share capital, coverage of operating losses, payment for share capital during the period from 1 January to 30 September 2018 and balances of unpaid share capital as at 30 September 2018.

	Date of issue	Number of newly issued shares*	Nominal value per share	Total issue value	Paid amount	Unpaid portion	Date of a new version of the Articles of Association
UAB Kauno kogeneracinė jėgainė	2018-01-19	8,160,000	1.00	8,160	8,160	-	2018-01-19
UAB Vilniaus kogeneracinė jėgainė	2017-12-21	53,781,379	0.29	15,597	11,697	-	2018-01-05
UAB „Energetikos paslaugų ir rangos organizacija“	2018-01-30	345,600	4.34	1,500	1,500	-	2018-02-08
UAB Energijos sprendimų centras	2018-01-29	600,000	1.50	900	900	-	2018-04-10
UAB Elektroninių mokėjimų agentūra	2018-02-21	370,000	1.00	370	370	-	2018-02-27
<i>Increase of authorized capital by non-cash contribution</i>							
„Lietuvos energijos gamyba“, AB	2018-03-30	12,919,014	0.62	8,062	8,062	-	2018-03-31
NT valdos, UAB	2018-08-01	222,725	28.96	6,450	6,450	-	2018-08-17
<i>Prepayments settled</i>							
UAB Vilniaus kogeneracinė jėgainė	2017-12-21	53,781,379	0.29	15,597	3,899	11,698	2018-01-05
Total				56,636	41,038	11,698	

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

On 21 December 2017, the Company and its subsidiary Vilniaus Kogeneracinė Jėgainė UAB entered into Share Subscription Agreement, under which the subsidiary's share capital was increased by EUR 15,597 thousand by way of issuing additional 53,781,379 ordinary registered shares with the nominal value of EUR 0.29 each. Based on the Agreement, the Company's initial contribution represented 1/4 of the subscribed value of shares or EUR 3,899 thousand. The increase in the subsidiary's share capital had not been registered with the Centre of Registers at 31 December 2017, therefore, the Company's contribution of EUR 3,899 thousand was accounted for as the Company's prepayments. On 31 August 2018 the Company paid EUR 11,698 thousand of the subsidiary Vilniaus Kogeneracinė Jėgainė UAB shares. The amendment to the subsidiary's Articles of Association were registered on 5 January 2018.

On 19 January 2018, the share capital of the Company's subsidiary Kauno Kogeneracinė Jėgainė UAB was increased from EUR 24,000 thousand to EUR 40,000 thousand by issuing 16,000 thousand ordinary shares with the nominal value of EUR 1 each. The Company was granted the right to acquire (subscribe) 8,160,000 new shares and FORTUM HEAT LIETUVA UAB was granted the right to acquire 7,840,000 new shares. On 16 January 2018 the Company paid EUR 2,040 thousand of new share issue. As at 31 March 2018 the new issue of shares is not fully paid and, therefore, new wording of the subsidiary's Articles of Association is not registered with the Centre of Registers.

On 30 January 2018 the Company and its subsidiary UAB „Energetikos paslaugų ir rangos organizacija“ entered into share subscription agreement and increased the authorized capital of the subsidiary from EUR 1,000 thousand up to EUR 1,100 thousand issuing additional 345,600 ordinary shares with a par value of EUR 0.29 each, and the price of one share equals to EUR 4.34. The nominal value of issued shares is EUR 1,500 thousand. On 31 January 2018 the Company paid the whole price of the new share issue. The amendment to the subsidiary's Articles of Association were registered on 8 February 2018.

On 15 February 2018 the Company's subsidiary UAB "Transporto valdymas" started its operations and at 1 March 2018 took over transport activities carried out by this date by another subsidiary, NT Valdos, UAB. The authorized capital of the subsidiary was formed by transferring non-monetary contribution, which formed the assets of NT Valdos, UAB. The Company's investments into UAB Transporto Valdymas amounts to EUR 2,359 thousand, and investments into NT Valdos, UAB are reduced by the corresponding amount.

On 26 March 2018 ordinary general meeting of shareholders of the subsidiary Lietuvos Energija Gamyba AB adopted decision to increase the authorized capital of the subsidiary issuing new shares that will be paid by the Company in a non-monetary contribution transferring ownership of the property complex of the Vilnius Thermal Power Plant to the subsidiary. At 30 March 2018 the Company and the subsidiary entered into a share subscription agreement, which stipulates that the Company transfer ownership rights to the assets of the Third Thermal Power Plant of Vilnius from 31 March 2018. Registration of the new Articles of Association of the subsidiary at the Register of Legal Entities at 31 March 2018 was not completed (Note 15), therefore, EUR 8,061 thousand of transferred non-monetary contribution are accounted for in the statement of financial position of the Company in the non-current assets's item "Other financial assets".

On 1 August 2018 the Company paid EUR 450 thousand of the subsidiary UAB Energijos sprendimų centras shares.

On 1 August 2018 the Company and its subsidiary NT Valdos, UAB, entered into a share subscription agreement for the issue of 222,725 new ordinary shares with a par value of 28.96 EUR each. The Company acquired all shares of the new issue for 6,450 thousand. Eur paying the issue price by non-monetary contribution. On 17 August 2018 new articles of association of the subsidiary has been registered with the Register of Legal Entities.

Contributions against losses and impairment

Contributions against losses of the Group companies and impairment of investments into subsidiaries during nine month period ended 30 September 2018:

Subsidiary	Carrying amount at 31 December 2017	Increase of share capital	Contributions against losses	Impairment	Carrying amount at 30 September 2018
UAB „Energetikos paslaugų ir rangos organizacija“	191	1,500	628	(1,500)	819
UAB VAE SPB	-	-	70	(70)	-
	191	1,500	698	(1,570)	819

On 28 September 2018 the Company adopted decision to cover the operating losses of Energetikos Paslaugų ir Rangos Organizacija UAB by offsetting them against loans and interest payable by the subsidiary. In the Company's accounts offsetted loans and interest receivables were impaired by respectively EUR 2,508 thousand and EUR 101 thousand. The carrying amount of offsetted loans and interest less accumulated impairment losses on 28 September 2018 respectively amounted to EUR 605 thousand and EUR 23 thousand.

Duomenų Logistikos Centras UAB

In November 2016, the Company's shareholder made a decision to initiate disposal of Duomenų Logistikos Centras UAB, thereby contributing to further attempts of identifying clearly the Group's activities and focusing on the main ones. On 7 August 2017, the Company informed that together with Litgrid AB it entered into the Agreement on Sale/Purchase of Shares with Telia Lietuva. Lietuvos Energija sold 79.64%, whereas Litgrid sold 20.36% of shares of Duomenų Logistikos Centras. The Competition Council of the Republic of Lithuania (hereinafter referred to as the "Competition Council") in 1 March 2018 started review of the transaction in order to issue permit for concentration. On 21 September 2018 the Competition Council terminated the merger proceedings after receiving Telia Lietuva, AB announcement of plans to abandon the concentration. In the Company's statement of financial position as at 30 September 2018 investment into Duomenų Logistikos Centras UAB, that amounts to EUR 4,705 thousand, was classified as non-current assets held for sale.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

for the nine-month period ended 30 September 2018

All amounts in EUR thousands unless otherwise stated

As at 30 September 2018, 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:						
AB Energijos skirstymo operatorius	710,921	-	-	710,921	94.98	94.98
„Lietuvos energijos gamyba“, AB	307,997	-	-	307,997	96.82	96.82
NT valdos, UAB	45,209	(9,036)	-	36,173	100.00	100.00
Energijos tiekimas, UAB	23,906	-	-	23,906	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	36,600	-	-	36,600	100.00	100.00
UAB EURAKRAS	18,735	-	-	18,735	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20,400	-	-	20,400	51.00	51.00
UAB LITGAS	12,641	(4,010)	-	8,631	100.00	100.00
UAB „Lietuvos dujų tiekimas“	8,369	-	-	8,369	100.00	100.00
Tuuleenergia OÜ	6,659	-	-	6,659	100.00	100.00
UAB Technologijų ir inovacijų centras	3,219	-	-	3,219	50.00	97.91
UAB "Transporto valdymas"	2,359	-	-	2,359	100.00	100.00
UAB Elektroninių mokėjimų agentūra	1,428	-	-	1,428	100.00	100.00
UAB Energijos sprendimų centras	2,570	-	-	2,570	100.00	100.00
UAB „Verslo aptarnavimo centras“	10,637	(14,746)	4,928	819	100.00	100.00
UAB „Energetikos paslaugų ir rangos organizacija“	295	-	-	295	51.00	98.41
Lietuvos energijos paramos fondas	3	-	-	3	100.00	100.00
VšĮ Energetikų mokymų centras	-	-	-	-	100.00	100.00
UAB VAE SPB	1,116	(1,701)	585	-	100.00	100.00
apvalinimo paklaida		(1)		(1)		
	1,213,064	(29,494)	5,513	1,189,083		

As at 31 December 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:						
AB Energijos skirstymo operatorius	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	(9,036)	-	32,081	100.00	100.00
Energijos tiekimas, UAB	23,906	-	-	23,906	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	21,003	-	-	21,003	100.00	100.00
UAB EURAKRAS	18,735	-	-	18,735	100.00	100.00
UAB Kauno kogeneracinė jėgainė	12,240	-	-	12,240	51.00	51.00
UAB LITGAS	12,640	(4,010)	-	8,630	100.00	100.00
UAB „Lietuvos dujų tiekimas“	8,369	-	-	8,369	100.00	100.00
Tuuleenergia OÜ	6,659	-	-	6,659	100.00	100.00
UAB Technologijų ir inovacijų centras	3,219	-	-	3,219	50.00	97.89
UAB Elektroninių mokėjimų agentūra	1,058	-	-	1,058	100.00	100.00
UAB Energijos sprendimų centras	1,670	-	-	1,670	100.00	100.00
UAB „Verslo aptarnavimo centras“	296	-	-	296	51.00	98.40
UAB „Energetikos paslaugų ir rangos organizacija“	9,137	(13,246)	4,300	191	100.00	100.00
Lietuvos energijos paramos fondas	3	-	-	3	100.00	100.00
UAB VAE SPB	1,117	(1,632)	515	-	100.00	100.00
	1,172,026	(27,924)	4,815	1,148,917		

6 Cash and cash equivalents

As at 30 September 2018 and 31 December 2017 the Group's and the Company's cash and cash equivalents consists of the following elements:

	Group		Company	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Cash in bank	189,209	171,756	34,290	52,517
Carrying amount	189,209	171,756	34,290	52,517

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

	Group		Company	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Cash and cash equivalents	189,209	171,756	34,290	52,517
Bank overdrafts	-	(10,655)	-	-
Carrying amount	189,209	161,101	34,290	52,517

7 Non-current assets held for sale

As at 30 September 2018 and 31 December 2017 the Group's and the Company's Non-current assets held for sale were as follows:

	Group		Company	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Property, plant, and equipment	49,965	56,359	77	10,012
Disposal group	20,881	22,942	-	-
Investments in subsidiaries	-	-	4,705	4,705
	70,846	79,301	4,782	14,717

The assets of the transport activity of the subsidiary Transporto Valdymas UAB, which the Group intends to transfer, are accounted for as Disposal group. Liabilities related to Disposal group of EUR 923 thousand are accounted for in statement's of financial position item "Liabilities related to non-current assets held for sale". On 11 December 2017 December the Group approved plan to transfer assets and liabilities related to the transport activities from NT Valdys, UAB to UAB Transporto Valdymas.

8 Share capital

As at 30 September 2018 and 31 December 2017, the Company's share capital amounted to EUR 1,212,156,294. As at 30 September 2018 and 31 December 2017, the share capital was divided into 4,179,849,289 ordinary registered shares with a nominal value of EUR 0,29 each.

As at 30 September 2018 and 31 December 2017, all shares were fully paid.

9 Borrowings

As at 30 September 2018 and 31 December 2017 Group's and Company's Borrowings were as follows:

	Group		Company	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Non-current				
Bank borrowings	138,750	186,087	96,597	139,687
Bonds issued	568,218	293,981	588,739	293,981
Current				
Current portion of non-current borrowings	77,641	119,599	57,401	95,013
Current borrowings	-	-	-	-
Bank overdrafts	-	10,655	-	-
Accrued interest	3,537	3,427	2,530	2,794
Total borrowings	788,146	613,749	745,267	531,475

Non-current borrowings analyzed by maturity:

	Group		Company	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Between 1 and 2 years	48,482	66,124	44,778	57,362
Between 2 and 5 years	33,152	73,039	22,208	48,587
After 5 years	625,334	340,905	618,350	327,719
Total	706,968	480,068	685,336	433,668

On 29 August 2018 the Company and its subsidiary AB „Energijos skirstymo operatorius“ entering into the Contract on the Proportional Transfer of the obligations arising from the Green Bonds issue under which the Company will borrow to the subsidiary EUR 250,000 thousand. The borrowing is granted for the financing of renewal of the electricity network in accordance with the Green Bond Schedule. The contractual term for the discharge of the obligations is no later than by 10 July 2028. The fixed interest rate of the contract is 2.11% and coincides with the effective interest rate of the Green Bonds issue. The essential terms of the Contract are consistent with the terms and conditions of the Green Bonds placement. This Contract does not provide any other additional security measures (guarantees, suretyship, pledges, etc.).

On 3 July 2018 the Company issued 10-year senior unsecured Green Eurobonds in the principal amount of EUR 300 million. Bonds will pay fixed coupon of 1.875 % annually, yield 2.066 % p.a. The Notes have been assigned an issue credit rating of BBB+ by S&P Global Ratings. The Notes will be listed on Luxembourg and Nasdaq Vilnius Stock Exchanges. The issue was brokered by the banking group BNP Paribas, J.P. Morgan and SEB bankas. Net cash inflows make up 98.290% of the nominal value of the bond issue or 294,345,618.87 EUR. With the funds raised, Lietuvos Energija plans to continue financing its investments in wind energy, increasing the efficiency of the electricity distribution network, and developing projects related to recycling waste and biomass. The Company has committed to use the funds attracted by the Green Bonds only to finance investments into green energy projects.

On 11 July 2018 the Company repaid EUR 160,053 thousand overdraft, that was accounted for in 30 June 2018 the Company's statement of financial position as long-term financial debt.

On 4 July 2018 the Company signed an additional agreement on the amendment and extension of the terms and conditions of the overdraft agreement with Swedbank, which increased the overdraft amount from EUR 100,000 thousand up to EUR 130,000 thousand.

On 28 February 2018 the Company and AB „Energijos skirstymo operatorius“ concluded an additional agreement amending 13 October 2017 agreement for the proportional transfer agreement of the Green Bond obligations, according to which AB „Energijos skirstymo operatorius“ additionally took over 66,288 thousand. Eur Green Bonds, which will be used to finance the long-term investment plan of AB „Energijos skirstymo operatorius“.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

for the nine-month period ended 30 September 2018

All amounts in EUR thousands unless otherwise stated

On 14 July 2017, the Company issued bonds worth EUR 300 million at Luxembourg Stock Exchange, ISIN code of bonds: XS1646530565. The Company pays 2.000% interest per annum on the issued bonds. Net cash inflows related to the issued bonds amounted to EUR 293,834 thousand. Bonds will be redeemed on 14 July 2027. In the statement of financial position as at 31 December 2017, the Company accounted for the bond issue debt of EUR 293,981, the fair value of which was EUR 297,680 thousand. In 2017, expenses related to interest on the issued bonds totalled EUR 3,017 thousand. The accrued amount of coupon payables as at 30 September 2018 amounted to EUR 5,769 thousand (31 December 2017: EUR 2,794 thousand).

On 8 November 2017, the Company, its subsidiary Energijos Skirstymo Operatorius AB, and the creditors of the subsidiary, i.e. OP Corporate Bank Plc and SEB Bankas AB, signed trilateral agreements on the transfer of debt and rights and obligations. Under these agreements, the Company takes over from the subsidiary its entire debt obligation to creditors arising from loan agreements, together with all other rights and obligations arising from loan agreements. Refinanced borrowings bear variable interest rate with repricing period up to 3 months. No assets are provided as collateral for borrowings. The agreements provide partly quarterly repayments.

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 2018 and 31 December 2017.

10 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 nine month period of 2018 and during 2017 year were as follows:

Group	Asset-related grants			Total
	Other projects of the Group	Projects for renovation, improvement of environmental and security standards	Grants for emission allowances	
Balance at 31 December 2016	43,279	241,143	507	284,929
Depreciation of property, plant and equipment	(1,446)	(18,776)	-	(20,222)
Grants received	7,724	74	1,128	8,926
Emission allowances utilised	-	-	(436)	(436)
Grants reversed due to recognised impairment of PP&E and other reasons	(14)	(72,872)	-	(72,886)
Balance at 31 December 2017	49,543	149,569	1,199	200,311
Depreciation of property, plant and equipment	(1,077)	(5,981)	-	(7,058)
Grants received	14,007	-	2,555	16,562
Emission allowances utilised	-	-	(163)	(163)
Balance at 30 September 2018	62,473	143,588	3,591	209,652

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.

11 Provisions

As at 30 September 2018 and 31 December 2017 Group's Provisions consists of the following key elements:

	Group		Company	
	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017
Non-current	30,892	1,893	-	2,903
Current	2,581	2,498	5,402	-
Carrying amount	33,473	4,391	5,402	2,903

Details of Group's provisions movements during nine month period of 2018 and during 2017 year:

Group	Provisions for onerous contracts	Emission allowance liabilities	Provisions for employee benefits	Other provisions	Total
At 31 December 2016	10,292	1,316	4,529	-	16,137
Increase during the period	-	913	537	-	1,450
Utilised during the period	(10,292)	(1,316)	(1,369)	-	(12,977)
Revaluation of used emission allowances	-	(384)	-	-	(384)
Decrease/increase on change of assumptions	-	-	187	-	187
Reclassified to liabilities related to assets held for sale	-	-	(22)	-	(22)
At 31 December 2017	-	529	3,862	-	4,391
Increase during the period	-	1,111	300	28,766	30,177
Utilised during the period	-	(545)	(293)	-	(838)
Revaluation of used emission allowances	-	(379)	-	-	(379)
Decrease/increase on change of assumptions	-	-	122	-	122
At 30 September 2018	-	716	3,991	28,766	33,473

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees. The balance of provisions at the reporting date is reviewed with reference to actuarial calculations to ensure that estimation of retirement benefit liabilities is as much accurate as possible. The liabilities are recognised at discounted value using the market interest rate.

As at 30 September 2018, the Company accounted for a provision of EUR 5,402 thousand (31 December 2017: EUR 2,903 thousand) related to borrowings of EUR 6,466 thousand (31 December 2017: EUR 6,824 thousand) obtained by the subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB at the Group's cashpool account. The provision was established on the grounds that the cash flow forecasts of the Company's subsidiary show that a 50% probability exists that the subsidiary will not be able to repay a full amount of funds borrowed. Therefore, the Company formed a provision as it acts as a guarantor for the repayment of funds lent to the participants of the Group's cashpool account.

In 2018 The Group has accounted for EUR 28,725 thousand the provision for one-time compensations to third parties for the remuneration of statutory servitude effective as of 10 July 2004.

12 Sales revenue

The Groups sales revenue during January – September of 2018 were as follows:

2018, I-III Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments		Total
					Parent company	Other segments	
Revenue from sale of electricity and related services	411,494	87,166	-	114,471	-	-	613,131
Revenue from sale of gas and related services	5,132	-	221,310	98	-	-	226,540
Other sales revenue	7,710	2,650	827	4,240	-	341	15,768
Total	424,336	89,816	222,137	118,809	-	341	855,439

The Groups sales revenue during January – September of 2017 were as follows:

2017, I-III Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments		Total
					Parent company	Other segments	
Revenue from sale of electricity and related services	398,812	78,710	-	70,991	-	-	548,513
Revenue from sale of gas and related services	5,150	-	194,762	-	-	-	199,912
Other sales revenue	6,516	2,681	1,367	3,869	-	78	14,511
Total	410,478	81,391	196,129	74,860	-	78	762,936

During January – September of 2018 and 2017, the Company's revenues from contracts with customers comprised income from advisory and management services provided to subsidiaries (Note 15).

13 Dividends

Dividends declared by the Group companies

Dividends declared by the Group companies during the period from 1 January to 30 September 2018:

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
2018-03-13	UAB „EURAKRAS“	2017	10.59000	1,690	1,690	-
2018-03-20	Energijos tiekimas UAB	2017	0.17401	3,000	3,000	-
2018-03-26	„Lietuvos energijos gamyba“, AB	2017 III-IV Q	0.01400	8,891	8,602	283
2018-03-30	AB „Energijos skirstymo operatorius“	2017 III-IV Q	0.02535	22,679	21,541	1,138
2018-04-04	UAB „Lietuvos dujų tiekimas“	2017	0.15837	4,571	4,571	-
2018-04-05	UAB Verslo aptarnavimo centras	2017	0.00026	268	137	3
2018-04-11	UAB Technologijų ir inovacijų centras	2017	0.00666	148	74	2
2018-04-17	UAB LITGAS	2017	0.02654	1,194	1,194	-
2018-04-27	Duomenų logistikos centras	2017	0.02200	306	243	62
2018-09-28	AB „Energijos skirstymo operatorius“	2018 m. I-II Q	0.01400	12,525	11,896	628
2018-09-27	„Lietuvos energijos gamyba“, AB	2018 m. I-II Q	0.02300	14,904	14,430	474
				70,176	67,378	2,590

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
2017-03-24	AB „Energijos skirstymo operatorius“	2016 III-IV Q	0.05786	51,763	49,166	2,597
2017-03-24	„Lietuvos energijos gamyba“, AB	2016 III-IV Q	0.02000	12,702	12,289	413
2017-03-29	UAB Verslo aptarnavimo centras	2016	0.06690	134	68	2
2017-04-03	UAB LITGAS	2016	0.06700	3,000	3,000	-
2017-04-04	Energijos tiekimas UAB	2016	0.58000	10,000	10,000	-
2017-04-07	„Duomenų logistikos centras“	2016	0.00500	76	60	15
2017-04-07	UAB Technologijų ir inovacijų centras	2016	0.01280	284	143	6
2017-05-05	UAB „EURAKRAS“	2016	2.12000	592	444	148
2017-09-29	AB „Energijos skirstymo operatorius“	2017 m. I-II Q	0.04600	41,153	39,088	2,066
2017-09-29	„Lietuvos energijos gamyba“, AB	2017 m. I-II Q	0.01700	10,796	10,446	351
				130,500	124,704	5,598

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the nine-month period ended 30 September 2018

All amounts in EUR thousands unless otherwise stated

Dividends issued by the Company

Dividends declared by the Company during the period from 1 January to 30 September 2018:

	2018, I-III Q		2017, I-III Q	
	(EUR '000)	Dividends per share	(EUR '000)	Dividends per share
Lietuvos Energija UAB	78,265	0.0187	59,752	0.0143

14 Other expenses

Other expenses incurred by the Group and the Company during January – September of 2018 and 2017 were as follows:

	Group		Company	
	2018, I-III Q	2017, I-III Q	2018, I-III Q	2017, I-III Q
Taxes	4,348	4,770	213	103
Write-offs of property, plant and equipment	3,501	2,803	-	-
Customer service	3,104	2,949	-	-
Telecommunication and IT services	2,909	2,408	258	194
Motor vehicles	1,899	1,484	114	91
Utility services	1,867	1,572	752	57
Write-offs of non-current and current amounts receivable (bad debts)	1,284	-	-	-
Rent	1,048	518	143	144
Consulting services	908	747	504	282
Expenses of low-value inventory items	749	681	-	-
Public relations and marketing	753	412	182	90
Personnel development	728	501	141	76
Business trips	345	308	49	47
Business support services	-	0	212	196
Revaluation and provisions of emission allowances, including:	(10,784)	(1,507)	-	-
<i>Revaluation of accounts receivable for lent emission allowances</i>	1,851	(203)	-	-
<i>Revaluation of used emission allowances (Note 16)</i>	(379)	(384)	-	-
Impairment of other non-current assets (reversal)	-	-	-	-
Impairment of inventories (reversal)	(279)	31	-	-
Provision for guarantees for the fulfilment of obligations of the subsidiaries	-	-	2,499	-
Other expenses	3,587	4,999	132	77
	15,967	22,676	5,199	1,357

15 Transactions with related parties

As at 30 September 2018 and 31 December 2017 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 nine month period ended 30 September 2018 and balances outstanding as of 30 September 2018 comprised of the following:

Related party	Amounts receivable	Amounts payable	Sales	Purchases	Finance income (costs)
UAB "EPSO-G"	169,856	53	26	202	820
Litgrid AB	8,932	12,000	142,795	96,934	-
BALPOOL UAB	8,996	12,155	48,924	56,390	-
UAB "TETAS"	1,239	3,345	954	1,267	32
AB „Amber Grid“	2,680	5,657	19,862	40,417	-
LITGRID Power Link Service, UAB	-	-	61	-	-
GET Baltic	1,770	2	11,243	5,961	-
Associates and other related parties of the Group	348	-	286	240	-
Total	193,821	33,212	224,151	201,411	852

The Group's transactions with related parties for the nine month period ended 30 September 2017 and balances outstanding as of 31 December 2017 comprised of the following:

Related party	Amounts receivable	Amounts payable	Sales	Purchases	Finance income (costs)
UAB "EPSO-G"	170,136	-	26	0	1,060
Litgrid AB	5,468	12,090	39,310	82,028	(112)
BALPOOL UAB	14,943	13,886	60,933	53,338	-
UAB "TETAS"	786	4,793	1037	10,214	99
AB „Amber Grid“	2,273	6,888	18,903	49,468	-
LITGRID Power Link Service, UAB	10	-	166	0	-
GET Baltic	2	2	185	2541	-
Associates and other related parties of the Group	280	100	304	294	3
Total	193,898	37,759	120,864	197,883	1,050

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

for the nine-month period ended 30 September 2018

All amounts in EUR thousands unless otherwise stated

The Company's transactions with related parties during nine month period ended 30 September 2018 and balances outstanding as of 30 September 2018 were as follows:

Related parties	Amounts receivable 2018-09-30	Amounts payable 2018-09-30	Sales 2018, I-III Q	Purchases 2018, I-III Q	Finance income 2018, I-III Q	Finance costs 2018, I-III Q
Subsidiaries						
AB Energijos skirstymo operatorius	541,202	-	995	-	4,276	-
„Lietuvos energijos gamyba“, AB	14,479	-	375	19	-	-
UAB EURAKRAS	24,538	-	7	-	530	-
UAB „Lietuvos dujų tiekimas“	17,713	-	135	-	55	-
NT valdos, UAB	4,474	-	71	184	183	-
UAB Technologijų ir inovacijų centras	2,105	49	62	249	9	-
UAB Duomenų logistikos centras	1	-	13	-	-	-
UAB „Energetikos paslaugų ir rangos organizacija“	4,800	-	68	6,448	112	-
Tuuleenergia OU	21,200	-	4	-	572	-
Energijos tiekimas, UAB	21,656	-	109	149	66	-
UAB LITGAS	9	-	78	-	5	-
UAB "Transporto valdymas"	20,526	19	-	56	157	-
UAB Elektroninių mokėjimų agentūra	1	-	19	-	-	-
UAB „Verslo aptarnavimo centras“	19	52	115	387	1	-
UAB VAE SPB	-	-	3	-	-	-
UAB Vilniaus kogeneracinė jėgainė	18	-	77	255	9	-
UAB Energijos sprendimų centras	197	-	28	-	-	-
UAB Kauno kogeneracinė jėgainė	-	-	103	-	-	-
Other related parties						
UAB "EPSO-G"	169,856	-	-	-	820	-
Viso	842,794	120	2,262	7,747	6,795	-

At 30 September 2018 the Company recognised impairment of EUR 5,402 thousand (31 December 2017: EUR 2,903 thousand) in respect of the amount receivable from Energetikos Paslaugų ir Rangos Organizacija UAB, which is presented less impairment.

The Company's transactions with related parties during nine month period ended 30 September 2017 and balances outstanding as of 31 December 2017 were as follows:

Related parties	Amounts receivable 2017-12-31	Amounts payable 2017-12-31	Sales 2017, I-III Q	Purchases 2017, I-III Q	Finance income 2017, I-III Q	Finance costs 2017, I-III Q
Subsidiaries						
AB Energijos skirstymo operatorius	356,911	5,560	893	-	10	86
„Lietuvos energijos gamyba“, AB	1,135	4,067	340	-	-	90
UAB „Lietuvos dujų tiekimas“	24,930	-	124	-	11	4
NT valdos, UAB	43,191	27	101	262	-	11
UAB „Energetikos paslaugų ir rangos organizacija“	5,487	-	129	3	63	-
UAB „Verslo aptarnavimo centras“	1	-	102	219	-	-
Energijos tiekimas, UAB	12,937	64	130	-	17	-
UAB LITGAS	10	-	73	-	1	2
UAB Technologijų ir inovacijų centras	1,938	47	74	184	1	-
UAB VAE SPB	3,913	-	2	-	-	-
VšĮ Energetikų mokymų centras	10	-	9	-	-	-
Tuuleenergia OU	24,198	1	20	-	496	-
UAB Duomenų logistikos centras	1	57	21	-	-	-
UAB EURAKRAS	24,528	-	12	-	91	3
UAB Vilniaus kogeneracinė jėgainė	49	-	48	-	21	2
UAB Elektroninių mokėjimų agentūra	35	40	17	-	-	-
UAB Kauno kogeneracinė jėgainė	3	-	81	-	-	1
UAB Energijos sprendimų centras	-	-	22	-	-	-
Other related parties						
UAB "EPSO-G"	170,132	-	-	-	1,060	-
Viso	669,409	9,863	2,198	668	1,771	199

The Company's dividend revenue received from subsidiaries during January – September of 2018 and 2017 disclosed in Note 13.

Management compensation:

	Group		Company	
	2018, I-III Q	2017, I-III Q	2018, I-III Q	2017, I-III Q
Salaries and other short-term benefits	2,788	2,746	624	542
Whereof: Termination benefits and benefits to Board Members	294	295	92	41
Number of management staff	59	60	12	10

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

16 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 of directors that makes strategic decisions.

In management's opinion, the Group has three operating segments:

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

The following services and entities comprise the other segments:

- support services (NT Valdos UAB, Technologijų ir Inovacijų Centras UAB, Verslo Aptarnavimo Centras UAB and others);
- non-core activities (Energetikos Paslaugų ir Rangos Organizacija UAB, Duomenų Logistikos Centras UAB);
- special purpose entities which are responsible for implementation of special projects and construction of new cogeneration power plants (VAE SPB UAB, Kauno Kogeneracinė Jėgainė UAB and Vilniaus Kogeneracinė Jėgainė UAB);
- service entities (Elektroninių Mokėjimų Agentūra UAB, Energijos Sprendimų Centras);
- as well as parent company Lietuvos Energija UAB, which does not constitute a separate operating segment, however it is disclosed separately, as its net profit exceeds 10% of profit of all profit generating segments. The Group's support service entities and special purpose entities are aggregated to a single segment as none of them individually meet recognition criteria of an operating segment.

The Group has single geographical segment – the Republic of Lithuania, electricity sales in Latvia and Estonia are not significant for the Group. 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 adjusted EBITDA, which is calculated based on data presented in the financial statements prepared in accordance with IFRS as adjusted for selected items which are not recognised under IFRS. The Group's Board does not analyse assets and liabilities of the segments.

Group information about operating segments during January – September of 2018 is provided below:

2018, I-III Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments		Elimination of intercompany transactions and consolidation eliminations	Total
					Parent company	Other segments		
Revenue from external customers								
Sales revenue	424,336	89,816	222,137	118,809	-	341	-	855,439
Other revenue	5,886	1,708	284	18,458	525	13,824	-	40,685
Inter-segment revenue	25,359	10,937	46,463	5,385	69,794	41,688	(199,626)	-
Total revenue	455,581	102,461	268,884	142,652	70,319	55,853	(199,626)	896,124
Expenses	(440,159)	(65,413)	(258,050)	(138,089)	(10,480)	(55,529)	134,712	(833,008)
Whereof:	-	-	-	-	-	-	-	-
Depreciation and amortisation	(41,559)	(16,174)	(63)	(773)	(5)	(4,544)	(982)	(64,100)
Property, plant and equipment impairment and write-down	(3,280)	2	-	-	-	(2,450)	-	(5,728)
Revaluation of emission allowances	-	10,784	-	-	-	-	-	10,784
Management's adjustments	61,238	494	(1,168)	(7,792)	-	100	-	52,872
Adjusted EBITDA	121,499	42,930	9,729	(2,456)	59,844	7,418	(63,932)	175,032
Operating profit (loss)	15,422	37,048	10,834	4,563	59,839	324	(64,914)	63,116
Interest income	64	93	160	60	6,812	8	(6,112)	1,085
Interest (expenses)	(4,079)	(1,502)	(436)	(167)	(7,633)	(675)	6,090	(8,402)
Other income (expenses) of financing activities	(238)	(25)	24	(4)	(24)	14	4	(249)
Share of results of associates	268	184	-	-	-	-	(452)	-
Gain (loss) attributable to derivative financial instruments	-	-	-	-	(572)	-	-	(572)
Profit (loss) before tax	11,437	35,798	10,582	4,452	58,422	(329)	(65,384)	54,978
Income tax	(706)	(7,478)	(836)	(102)	(165)	(1,008)	(480)	(10,775)
Net profit (loss)	10,731	28,320	9,746	4,350	58,257	(1,337)	(65,864)	44,203
Assets as at 30 September 2018	1,411,208	725,105	135,511	79,685	2,075,828	229,054	(1,950,029)	2,706,363

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

for the nine-month period ended 30 September 2018

All amounts in EUR thousands unless otherwise stated

Group information about operating segments during January – September of 2017 is provided below:

2017, I-III Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments		Elimination of intercompany transactions and consolidation eliminations	Total
					Parent company	Other segments		
Continued operations								
Revenue from external customers								
<i>Sales revenue</i>	410,478	81,391	196,129	74,860	-	78	-	762,936
<i>Other revenue</i>	3,062	938	196	33	27	16,242	-	20,498
Inter-segment revenue	30,737	24,787	30,144	34,446	126,901	40,357	(287,372)	-
Total revenue	444,277	107,116	226,469	109,339	126,928	56,677	(287,372)	783,434
Expenses	(383,065)	(80,486)	(230,958)	(75,300)	(13,848)	(54,291)	138,381	(699,567)
Whereof:								
<i>depreciation and amortization</i>	(37,135)	(20,927)	(187)	(801)	(1)	(5,152)	(457)	(64,660)
<i>impairments and write-offs</i>	(1,910)	(947)	-	(144)	(9,436)	30	9,432	(2,975)
<i>Revaluation of emission allowances</i>	-	1,507	-	-	-	-	-	1,507
Management's adjustments	2,163	-	14,614	(660)	-	-	-	16,117
Adjusted EBITDA	102,420	46,997	10,312	34,324	122,517	7,508	(157,966)	166,112
Operating profit (loss)	61,212	26,630	(4,489)	34,039	113,080	2,386	(148,991)	83,867
Interest income	734	123	123	15	1,532	52	(710)	1,869
Interest (expenses)	(1,391)	(1,755)	(424)	(102)	(1,830)	(424)	659	(5,267)
Other income (expenses) of financing activities	140	117	53	(46)	226	(166)	(25)	299
Share of results of associates	281	195	-	-	-	-	(476)	-
Profit (loss) before tax	60,976	25,310	(4,737)	33,906	113,008	1,848	(149,543)	80,768
Income tax	(6,273)	(379)	2,179	(244)	295	(434)	224	(4,632)
Net profit (loss) from continuing operations	54,703	24,931	(2,558)	33,662	113,303	1,414	(149,319)	76,136
Profit (loss) from discontinued operations	-	-	-	-	-	914	-	914
Net profit (loss)	54,703	24,931	(2,558)	33,662	113,303	2,328	(149,319)	77,050
Assets as at 30 September 2017	1,190,449	799,017	74,097	57,196	1,657,011	212,816	(1,387,872)	2,602,714

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 January – September of 2018 amounted to EUR 57,829 thousand (January – September of 2017: EUR 113,303 thousand). The main service provided by the Company, which comprise the largest part of the Company's revenue earned from clients, is the management and coordination of activities. 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.

17 Events after the end of reporting period

On 1 October 2018 the Company's subsidiary UAB Lietuvos dujų tiekimas changed it's title to UAB Lietuvos energijos tiekimas.

On 1 October 2018 came into force the Company's subsidiaries AB „Energijos skirstymo operatorius“ (hereinafter - ESO) and UAB „Lietuvos energijos tiekimas“ (hereinafter - LET) on 21 September 2018 it concluded a transaction on sale purchase of business segment whereby ESO transfer the business segment of the public supply of electric energy with the related assets, rights and duties. Adjusted Business segment price – EUR 27,441,351. After The LET starts public supply of electric energy, the ESO continues its core business - supervises electricity and gas distribution networks, carries out network troubleshooting and connects new customers, and operates a guarantee service. On 1 October 2018, the Register of Legal Entities registered the amended Articles of Association of ESO.

On 2 October 2018 took place meeting of the Board of the Company's subsidiary AB „Energijos skirstymo operatorius“ which adopted a decision to elect Mindaugas Keizeris as the Chairman of the Board of, and and the Chief Executive Officer of the subsidiary. Duties of the Chief Executive Officer of the subsidiary Mindaugas Keizeris commence on 8 October 2018. Until that date Director of Finance and Administration Division of the subsidiary Augustas Dragūnas performed duties of the Chief Executive Officer of the subsidiary.

On 8 October 2018 the Company approved terms and conditions for the reorganisation of Energijos Tiekimas, UAB and Energijos Sprendimų Centras, UAB. According to terms of reorganisation Energijos Sprendimų Centras, UAB will be merged with Energijos Tiekimas, UAB that will continue its activities. Assets, rights and obligations of Energijos Sprendimų Centras will be transferred to Energijos Tiekimas, UAB which will continue it's operations. The reorganisation of the companies is scheduled to be completed early this November.

On 11 October 2018 there was completed liquidation procedures of the VAE SPB UAB subsidiary. On 14 April 2018 the Company adopted a decision to liquidate VAE SPB, UAB a Group company that has ceased its operations. The decision to liquidate VAE SPB was approved by the shareholder of the Company, the Ministry of Finance. The termination of VAE SPB's operations was also approved by the Ministry of Energy.

On 17 October, 2018 the National Control Commission for Prices and Energy established electricity distribution price caps for 2019: in medium - voltage networks 0,862 EUR ct/kWh, in low - voltage networks 1,871 EUR ct/kWh. The main influence on changes in the electricity distribution price caps is due to the planned compensation cost of servitudes and increased electricity price for the purchase of electricity for technological losses. Currently electricity distribution price cap in medium-voltage networks is 0,798 EUR ct/kWh, in low-voltage networks – 1,716 EUR ct/kWh.

All amounts in EUR thousands unless otherwise stated

On 22 October 2018 the Company announced plans to outsource the activity of optimizing the operation of electrical plants by Energijos Tiekimas UAB to a newly established company. It is planned that the Group's new enterprise, Gamybos Optimizavimas UAB, would commence its operation on 1 January. The Company will own 100 percent of Gamybos Optimizavimas UAB shares. Upon separating these activities, activities of Energijos Tiekimas UAB would be purified – the subsidiary would continue the sale of energy resources to customers as an independent supplier, whereas specific activity of optimizing the operation modes of electrical plants would be transferred to the newly planned company Gamybos Optimizavimas UAB. The planned separation of activities will have no effect on customers of Energijos Tiekimas UAB and all obligations assumed by Energijos Tiekimas UAB will be continued.

On 25 October 2018 The Seimas adopted Amendments to the Law on Waste Management which provide that waste management facilities containing incineration and recycling of municipal waste that has an energy value after sorting can be located not closer than 20 kilometers from the residential area. The amendment provides that the Government of the Republic of Lithuania will adopt decisions on the further implementation of waste incineration plant development projects that started before adoption of the law amendments. The subsidiaries of the Company UAB Vilniaus koeneracinė elektrinė and UAB Kauno chemijos gamybos elektrinė are currently developing cogeneration power plant projects.

On 26 October 2018 the National Commission for Energy Control and Prices (hereinafter – the Commission) adopted the Resolution “Regarding the Public Service Obligation Funds and the Setting of the Price for 2019” (hereinafter – the Resolution). The Resolution enforces decision that Strategic Reserve service during 2019 will not be provided by any single electricity production facility of the Company's subsidiary UAB Lietuvos energijos gamyba. The subsidiary will return to the PSO budget the sum of return on investment earned in 2017 in excess of the permitted amount set by the Commission, which totals EUR 2,765 million.

On 26 October, 2018 the National Control Commission for Prices and Energy (hereinafter – Commission) set the natural gas distribution price cap from 2019, which is Eur 5,32 per MWh (without VAT). Currently the natural gas distribution price cap is Eur 5,52 per MWh (without VAT). Based on the set natural gas distribution price cap, the Board of the Company's subsidiary AB „Energijos skirstymo operatorius“ will decide in the near future on specific natural gas distribution prices to take effect as from 1 January 2019. Specific prices will be submitted for Commission approval in accordance with the procedure and deadlines established by laws.

On 31 October 2018 the Company's subsidiary UAB Energetikos paslaugų ir rangos organizacija (hereinafter - EnePRO) has agreed to sell part of the business. The profitable EnePRO laboratory will be acquired by UAB TETAS. It is planned to complete this transaction and transfer the activity to the buyer this year. On completion of transaction EnePRO will transfer to the buyer laboratory that meets the requirements of LST EN ISO 17025, with all the equipment and highly qualified staff working there. Laboratory services include fault detection and troubleshooting, power transmission and distribution network equipment testing: transformer metrological inspection, power transformer measurements, transformer oil testing.

On 2 November 2018 the Company concluded conditional share sale-purchase agreement regarding 100 percent of shares and the shareholder claim rights of the wind farm project company Wento in Poland. The wind farm project is being developed in Poland, with its expected capacity of approximately 50 megawatt (MW). Wento is a developer of solar and wind farm projects in Poland. On the 15th October, 2018, the Company addressed the Commission for the Protection of Objects of Importance to Ensuring National Security of the Republic of Lithuania (hereinafter – the Commission) regarding the assessment of the transaction. The Commission adopted a decision not to commence the assessment process of transaction compliance with the interests of national security.

On 5 November 2018 the Company and UAB Stemma Group completed acquisition of 100 percent shares of UAB Vėjo Vatas and UAB Vėjo Gūsis and the shareholder's claim rights. The Company acquired 100 percent shares of UAB Vėjo Vatas and UAB Vėjo Gūsis and the shareholder's claim rights for the price of EUR 21.76 million. UAB Vėjo Vatas operates a wind farm of 14.9 MW and UAB Vėjo Gūsis operates wind farms with the capacities of 10 MW and 9.1 MW. On 18 July 2018, the Company appealed to the Commission for the Protection of Objects of Importance to Ensuring National Security of the Republic of Lithuania (hereinafter – the Commission) with a request to verify the transactions. The Commission adopted a decision not to commence a verification process of compliance of the transactions with the interests of national security. On 10 October 2018, the Competition Council issued permission to the Company to acquire 100 percent shares of UAB Vėjo Vatas and UAB Vėjo Gūsis and the shareholder's claim rights.
