



AB KAUNO ENERGIJA
CONDENSED INTERIM SET OF CONSOLIDATED AND PARENT COMPANY'S
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD, ENDED
30 SEPTEMBER 2019, PREPARED ACCORDING TO INTERNATIONAL
FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN
UNION

(UNAUDITED)

Management's Statement to the Shareholders of AB Kauno Energija and the Bank of Lithuania

Pursuant to Article 24 of the Law on Securities of the Republic of Lithuania and to Information Disclosure Rules approved by the decision of the Board of the Bank of Lithuania, we, the management of AB Kauno Energija - Vaidas Šleivys, the Director of Production and Interim Director General, Edmundas Damanskis, Chief Finance Officer, and Inga Šliačkuvienė, Chief Accountant, confirm that, to the best of our knowledge, the interim financial statements for the 9 month period of 2019 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and give a true and fair view of the Company's assets and liabilities, its financial position, profit (loss) and cash flows.

Director of Production,
and Interim Director General

Vaidas Šleivys

Chief Finance Officer

Edmundas Damanskis

Chief Accountant

Inga Šliačkuvienė

Condensed Interim Statements of Financial Position

		Group		Company	
	Notes	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
ASSETS					
Non-current assets					
Intangible assets		79	22	79	22
Property, plant and equipment					
Land and buildings	6	7,730	8,087	6,435	6,677
Structures		87,299	88,762	86,766	88,181
Machinery and equipment		20,866	21,053	18,419	18,214
Vehicles		439	460	426	448
Devices and tools		2,341	2,888	2,339	2,885
Construction in progress and prepayments		18,891	3,588	18,891	3,588
Investment property		435	439	168	172
Total property, plant and equipment		138,001	125,277	133,444	120,165
Right-of-use assets	4	1,266	-	1,058	-
Non-current financial assets					
Investments into subsidiaries		-	-	2,064	2,064
Loans to the group companies		-	-	-	-
Other financial assets		1	1	1	1
Total non-current financial assets		1	1	2,065	2,065
Total non-current assets		139,347	125,300	136,646	122,252
Current assets					
Inventories and prepayments					
Inventories	7	1,629	1,584	1,569	1,516
Prepayments		878	1,259	795	1,187
Total inventories and prepayments		2,507	2,843	2,364	2,703
Amounts receivable within one year					
Trade receivables	8	1,872	10,188	1,872	10,188
Loans to the group companies	17	-	-	443	443
Other receivables	8	579	969	544	938
Total accounts receivable		2,451	11,157	2,859	11,569
Cash and cash equivalents	11	6,759	8,761	6,553	8,673
Assets held for sale		-	205	-	205
Total current assets		11,717	22,966	11,776	23,150
Total assets		151,064	148,266	148,422	145,402

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Condensed Interim Statements of Financial Position (continued)

		Group		Company	
	Notes	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
EQUITY AND LIABILITIES					
Equity					
Share capital	1	74,476	74,476	74,476	74,476
Legal reserve	12	7,447	6,435	7,447	6,435
Other reserve	12	2,900	100	2,900	100
Retained earnings (deficit)					
Profit for the current year		(866)	3,963	(1,005)	4,414
Profit (loss) for the prior year		4,074	4,993	4,206	4,674
Total retained earnings (deficit)		3,208	8,956	3,201	9,088
Total equity		88,031	89,967	88,024	90,099
Payable amounts and liabilities					
Amounts payable after one year and other long-term liabilities					
Non-current financial liabilities	9	22,283	19,257	20,582	17,556
Financial lease obligations		1,323	81	1,113	81
Deferred tax liability		5,458	5,458	5,693	5,693
Grants and subsidies		23,006	18,235	22,157	17,265
Employee benefit liability		565	704	557	698
Non-current trade liabilities		7	2	7	2
Total non-current liabilities		52,642	43,737	50,109	41,295
Current liabilities					
Current portion of non-current borrowings and financial lease	9	1,662	4,483	1,654	3,916
Current borrowings		-	-	-	-
Trade payables		6,786	7,650	6,741	7,751
Employment-related liabilities		856	790	838	771
Advances received		549	877	550	877
Taxes payable		149	392	147	357
Derivative financial instruments	10	18	16	-	-
Current portion of employee benefit liability		116	155	116	154
Interest liabilities		-	-	-	-
Accruals and deferred income		139	137	127	120
Other current liabilities		116	62	116	62
Total current liabilities		10,391	14,562	10,289	14,008
Total liabilities		63,033	58,299	60,398	55,303
Total equity and liabilities		151,064	148,266	148,422	145,402

(the end)

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statements of Profit (Loss) and Other Comprehensive Income

Group	Notes	2019 III quarter	2019 I - III quarter	2018 III quarter	2018 I - III quarter
Revenue					
Sales income	13	3,968	38,405	3,527	41,741
Other operating income		120	664	314	1,160
Total operating income		4,088	39,069	3,841	42,901
Expenses					
Fuel and heat acquired		(2,445)	(23,390)	(2,934)	(24,478)
Salaries and social security		(1,652)	(5,346)	(1,576)	(5,605)
Depreciation and amortization	6	(1,714)	(5,139)	(1,746)	(5,266)
Repairs and maintenance		(262)	(675)	(368)	(823)
Change in impairment of accounts receivable	8	383	322	365	500
Taxes other than income tax		(449)	(1,238)	(333)	(1,128)
Electricity		(205)	(912)	(166)	(786)
Raw materials and consumables		(114)	(402)	(113)	(403)
Water		(258)	(798)	(246)	(789)
Change in net realisable value and impairment of non-current assets	7	(120)	(120)	27	(30)
Other operating expenses	14	(475)	(1,632)	(354)	(1,670)
Other activities expenses		(70)	(269)	(133)	(287)
Total expenses		(7,381)	(39,599)	(7,577)	(40,765)
Operating profit (losses)		(3,293)	(530)	(3,736)	2,136
Other interest and similar income		61	170	65	184
Impairment financial assets and short-term investments		-	-	-	-
Interest and other similar expenses		(116)	(387)	(154)	(445)
Finance cost, net		(55)	(217)	(89)	(261)
Profit before income tax		(3,348)	(747)	(3,825)	1,875
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
Net profit (loss) of the reporting period		(3,348)	(747)	(3,825)	1,875
Employee benefit liability (accumulation), which will be reclassified subsequently to profit or loss when specific conditions are met		(118)	(119)	(1)	(187)
Comprehensive income		(3,466)	(866)	(3,826)	1,688
Net profit (loss) of the reporting period attributable to net owners of the Company		(3,348)	(747)	(3,825)	1,875
Total comprehensive income attributable to owners of the Company		(3,466)	(866)	(3,826)	1,688
Basic and diluted earnings per share (EUR)	15	(0.08)	(0.02)	(0.09)	0.04

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statements of Profit (Loss) and Other Comprehensive Income

Company	Notes	2019 III quarter	2019 I - III quarter	2018 III quarter	2018 I - III quarter
Revenue					
Sales income	13	3,968	38,411	3,528	41,750
Other operating income		97	580	286	1,072
Total operating income		4,065	38,991	3,814	42,822
Expenses					
Fuel and heat acquired		(2,543)	(24,264)	(2,933)	(24,997)
Salaries and social security		(1,628)	(5,247)	(1,554)	(5,505)
Depreciation and amortization	6	(1,573)	(4,715)	(1,599)	(4,824)
Repairs and maintenance		(243)	(647)	(360)	(809)
Change in impairment of accounts receivable	8	378	322	313	435
Taxes other than income tax		(443)	(1,219)	(328)	(1,110)
Electricity		(184)	(811)	(160)	(686)
Raw materials and consumables		(111)	(394)	(112)	(397)
Water		(257)	(796)	(246)	(787)
Change in net realisable value and impairment of non-current assets	7	(120)	(120)	27	(30)
Other operating expenses	14	(466)	(1,597)	(349)	(1,635)
Other activities expenses		(49)	(207)	(105)	(201)
Total expenses		(7,239)	(39,695)	(7,406)	(40,546)
Operating profit (losses)		(3,174)	(704)	(3,592)	2,276
Other interest and similar income		62	173	61	181
Impairment financial assets and short-term investments		-	-	-	-
Interest and other similar expenses		(110)	(356)	(144)	(410)
Finance cost, net		(48)	(183)	(83)	(229)
Profit before income tax		(3,222)	(887)	(3,675)	2,047
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
Net profit (loss) of the reporting period		(3,222)	(887)	(3,675)	2,047
Employee benefit liability (accumulation), which will be reclassified subsequently to profit or loss when specific conditions are met		(118)	(118)	-	(185)
Comprehensive income		(3,340)	(1,005)	(3,675)	1,862
Basic and diluted earnings per share (EUR)	15	(0.08)	(0.02)	(0.09)	0.05

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Changes in Equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
Balance as of 31 December 2017		74,476	3,267	100	11,500	89,343
Transferred to reserves		-	3,168	100	(3,268)	-
Transferred from reserves		-	-	(100)	100	-
Dividends		-	-	-	(3,339)	(3,339)
Net profit (loss) of the reporting period		-	-	-	1,875	1,875
Other comprehensive income		-	-	-	(187)	(187)
Balance as of 30 September 2018		74,476	6,435	100	6,681	87,692
Net profit (loss) of the reporting period		-	-	-	2,127	2,127
Other comprehensive income		-	-	-	148	148
Balance as of 31 December 2018		74,476	6,435	100	8,956	89,967
Transferred to reserves	12	-	1,012	2,900	(3,912)	-
Transferred from reserves	12	-	-	(100)	100	-
Dividends	1	-	-	-	(1,070)	(1,070)
Net profit (loss) of the reporting period		-	-	-	(747)	(747)
Other comprehensive income		-	-	-	(119)	(119)
Balance as of 30 September 2019		74,476	7,447	2,900	3,208	88,031

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Changes in Equity

Company	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
Balance as of 31 December 2017		74,476	3,267	100	11,181	89,024
Transferred to reserves		-	3,168	100	(3,268)	-
Transferred from reserves		-	-	(100)	100	-
Dividends		-	-	-	(3,339)	(3,339)
Net profit (loss) of the reporting period		-	-	-	5,739	5,739
Other comprehensive income		-	-	-	(185)	(185)
Balance as of 30 September 2018		74,476	6,435	100	10,228	91,239
Net profit (loss) of the reporting period		-	-	-	(1,288)	(1,288)
Other comprehensive income		-	-	-	148	148
Balance as of 31 December 2018		74,476	6,435	100	9,088	90,099
Transferred to reserves	12	-	1,012	2,900	(3,912)	-
Transferred from reserves	12	-	-	(100)	100	-
Dividends	1	-	-	-	(1,070)	(1,070)
Net profit (loss) of the reporting period		-	-	-	(887)	(887)
Other comprehensive income		-	-	-	(118)	(118)
Balance as of 30 September 2019		74,476	7,447	2,900	3,201	88,024

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statements of Cash Flows

	Notes	Group		Company	
		2019 I - III quarter	2018 I - III quarter	2019 I - III quarter	2018 I - III quarter
Cash flows from (to) operating activities					
Comprehensive income		(866)	1,688	(1,005)	1,862
Adjustments for non-cash items:					
Depreciation and amortization	6	6,403	6,537	5,843	5,962
Change in impairment of accounts receivable	8	(323)	(497)	(322)	(432)
Interest expenses		385	433	356	398
Change in fair value of derivatives	10	2	(4)	-	-
Loss (profit) from sale and write-off of property, plant and equipment		(254)	-	(254)	-
(Amortization) of grants and subsidies		(988)	(999)	(867)	(877)
Change in net realisable value and impairment of non-current assets	7	120	30	120	30
Change employee benefit liability		119	187	118	185
Changes in the value of the lease		-	-	-	-
Corporate income tax expense		-	-	-	-
Change in accruals		3	9	7	88
Impairment of investment in subsidiary		-	-	-	-
Elimination of other financial and investing activity results		(170)	(168)	(173)	(168)
Total adjustments for non-cash items:		5,297	5,528	4,828	5,186
Changes in working capital:					
(Increase) decrease in inventories	7	(191)	(151)	(198)	(209)
(Increase) decrease in prepayments		381	50	392	68
(Increase) decrease in trade receivables	8	8,651	8,275	8,652	8,290
(Increase) decrease in other receivables	8	378	(245)	380	(313)
(Decrease) increase in non-current trade payables		5	9	5	3
(Decrease) increase in trade payables and advances received		(802)	(4,642)	(947)	(4,648)
(Decrease) increase in employment-related liabilities		(231)	(258)	(230)	(269)
Increase (decrease) in tax payable		(243)	(325)	(210)	(305)
Increase (decrease) in received prepayments		(390)	-	(390)	-
Increase (decrease) in other current liabilities		54	-	54	8
Total changes in working capital:		7,612	2,713	7,508	2,625
Net cash flows from operating activities		12,043	9,929	11,331	9,673

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Condensed Interim Statements of Cash Flows (continued)

	Notes	Group		Company	
		2019 I - III quarter	2018 I - III quarter	2019 I - III quarter	2018 I - III quarter
Cash flows from (to) the investing activities					
Acquisition of property, plant, equipment and intangible assets		(19,143)	(2,872)	(19,142)	(2,872)
Proceeds from sale of property, plant and equipment		490	2	490	2
Interest received		170	180	173	180
Loans granted		-	-	-	(288)
Net cash flows from investing activities		(18,483)	(2,690)	(18,479)	(2,978)
Cash flows from (to) financing activities					
Proceeds from loans		3,306	2,942	3,306	2,942
Repayment of loans		(3,203)	(2,903)	(2,636)	(2,336)
Interest paid		(267)	(284)	(244)	(252)
Lease payments		(87)	(98)	(87)	(98)
Penalties and fines paid		-	(12)	-	(12)
Dividends paid		(1,070)	(3,338)	(1,070)	(3,338)
Received grants		5,759	290	5,759	290
Net cash flows from financing activities		4,438	(3,403)	5,028	(2,804)
Net (decrease) increase in cash and cash equivalents		(2,002)	3,836	(2,120)	3,891
Cash and cash equivalents at the beginning of the period	11	8,761	6,610	8,673	6,511
Cash and cash equivalents at the end of the period	11	6,759	10,446	6,553	10,402

(the end)

The accompanying notes are an integral part of these financial statements.

Condensed interim explanatory notes to financial statements

1. General information

AB Kauno Energija (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Raudondvario Rd. 84, Kaunas, Lithuania. Data about the Company is collected and stored in the Register of Legal Entities.

The Company is involved in heat and hot water supplies, electricity generation and distribution and also involved maintenance of manifolds. The Company are also involved in maintenance of heating systems. The Company was registered on 1 July 1997 after the reorganization of AB Lietuvos Energija, the Company code 235014830. The Company's shares are traded on the Baltic Secondary List of the AB Nasdaq Vilnius Stock Exchange.

As of 30 September 2019 and as of 31 December 2018, the shareholders of the Company were as follows:

	As of 30 September 2019		As of 31 December 2018	
	Number of shares owned (unit)	Percentage of ownership (percent)	Number of shares owned (unit)	Percentage of ownership (percent)
Kaunas city municipality	39,736,058	92.84	39,736,058	92.84
Kaunas district municipality	1,606,168	3.75	1,606,168	3.75
Jurbarkas district municipality	746,405	1.74	746,405	1.74
Other minor shareholders	713,512	1.67	713,512	1.67
	42,802,143	100.00	42,802,143	100.00

The authorised share capital of AB Kauno Energija is in the amount of EUR 74.475.728,82 and it is divided into 42,802,143 ordinary nominal shares with the par value of 1.74 euros. As of 30 September 2019 and 31 December 2018, the Company did not hold any own shares. All shares were fully paid as of 30 September 2019 and as of 31 December 2018.

On 26 April 2019 the Annual General Meeting of Shareholders has made a decision to pay EUR 1,070 thousand, i.e. at 2.5 cents a share in dividends from the profit of the year 2018.

As of 30 September 2019, the Company and the subsidiaries UAB Kauno Energija NT and UAB Petrašiūnų Katilinė comprise the Group (hereinafter – the Group):

Company	Principal place of business	Share held by the Group	Cost of investment	Profit (loss) for the year	Total equity	Main activities
UAB Kauno energija NT	Savanorių Ave. 347, Kaunas	100 percent	1,330	5	1,071	Rent
UAB Petrašiūnų Katilinė	R. Kalantos st. 49, Kaunas	100 percent	1,894	258	500	Heat production

As of 30 September 2019, the average number of employees in the Group was 425 (466 employees as of 30 September 2018). As of 30 September 2019, the average number of employees at the Company was 410 (454 employees as of 30 September 2018).

1. General information (continued)

Legal Regulations

According to the Law on Heat Industry of the Republic of Lithuania, the Company's activities are licensed and regulated by the National Commission for Energy Control and Prices (hereinafter the Commission). On 26 February 2004, the Commission granted the Company the heat supply license. The license has indefinite maturity, but is subject to meeting certain requirements and may be revoked based on the respective decision of the Commission. The Commission also sets price cap for the heat supply. On 13 September 2018, the Commission adopted a decision No. 03E-283, by which new heating price components have been determined for the Company for the period till 30 September 2021.

2. Basis of the preparation of financial statements

Condensed interim financial statements of the Company and the Group for the nine months ended 2019 September 30 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and applied to interim financial reporting (International Accounting Standard (IAS) 34 Interim Financial Reporting). This unaudited financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

These financial statements do not include all the information required to prepare a complete set of consolidated and separate financial statements. However, the selected explanatory notes are included to clarify events and transactions that are material to the understanding of changes in the financial position and financial performance of the Group and the Company.

The financial year of the Company coincides with the calendar year.

As of 1 January 2019, the Company and the Group has adopted IFRS 16 *Leases* for the first time. For more information on the impact of changes in accounting policies on the Group's and the Company's financial statements, see Note 4.

All other accounting policies used in preparing the condensed interim financial information are the same as those applied for the preparation of the annual financial statements for 2018.

Management of the Company approved these interim financial statements on 24 October 2019.

3. Use of estimates and judgements for preparation of financial statements

The preparation of the financial statements in accordance with IFRS as adopted by the EU, requires management to make judgements, estimates on assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The principal future assumptions and other significant sources of estimation uncertainty at the interim financial reporting date that pose a significant risk that may require a significant adjustment to the carrying amounts of assets or liabilities for the next financial year are the same as those described in the last annual separate and consolidated financial statements. Except for new assumptions and estimates related to lease accounting under IFRS 16, which is described in more detail in Note 4.

4. Changes in accounting policies

Except as set out below, the accounting policies used to prepare these interim condensed financial statements are the same as those described in the last separate and consolidated financial statements.

It is expected that changes in accounting policies will have an impact on the Group's and the Company's financial statements for the year ended 31 December 2019.

The Group and the Company has adopted IFRS 16 Leases as of 1 January 2019. The comparative information for 2018 were not adjusted. Other new standards that came into force as of 1 January 2019 do not have material effect of the financial statements of the Group and the Company.

IFRS 16 replaces IAS 17 *Leases* and related interpretations. IFRS 16 introduces a single lease accounting model in the statement of financial position. The lessee recognizes the right-of-use assets that represent its right to use the underlying asset and the lease liability that reflects its obligation to pay the lease payments.

On initial recognition of IFRS 16, the Group elected to use a modified retrospective approach. Accordingly, the comparative information has not been recalculated and in these financial statements is presented in accordance with IAS 17 and related interpretations of standards.

Lease definition

Until 1 January 2019, when signing contracts, the Group and the Company assessed whether the contract meets the definition of a lease in accordance with IFRIC 4 *Determining whether an arrangement contains a lease*.

From 1 January 2019, upon the conclusion of the contract, an assessment of whether the contract is a lease or contains a lease is made on the basis of the new definition. Under IFRS 16, a contract is a lease or contains a lease, if it grants the right to control the use of the identified asset for a specified period in return for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company is a lessee, the Group and the Company have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group and the Company – as a lessee

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on the assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group and the Company recognise right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

The Group and the Company present right-of-use assets in 'property, plant and equipment' (as at 30 September 2019: 1,266 thousand EUR and 1,058 thousand EUR, respectively).

Recognized lease liabilities in the statement of financial position are presented under the current part of lease (finance leases) and long-term financial liabilities and leasing (financial leases) items.

Significant accounting policies

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated

4. Changes in accounting policies (continued)

depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's and the Company's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group and the Company have applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group and the Company are reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group and the Company classified property leases as operating leases under IAS 17. These included land and vehicles.

For leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's and the Company's incremental borrowing rate as at 1 January 2019.

The right-of-use assets are valued at an amount equal to the lease liability adjusted for the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all leases.

The Group and the Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group's and Company's assets under finance leases consist of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 at the application date of the new policy.

The Group and the Company – as a lessor

The Group and the Company have reassessed the classification of lease and sublease where they act as a lessor. The Group and the Company lease out its investment property, including right-of-use assets. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on

4. Changes in accounting policies (continued)

transition to IFRS 16 for leases in which it acts as a lessor. The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Group and the Company do not have any sublease contracts.

Impacts on financial statements

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities. These liabilities were stated at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group at 1 January 2019. The incremental borrowing rate of the Group applied for discounting the lease payments as at 1 January 2019 was 3.58 %.

As a result of initially applying IFRS 16 in relation to the leases that were previously classified as operating leases, the Group and the Company recognised 990 thousand EUR and 819 thousand EUR of right-of-use assets (including investment property), 990 thousand EUR and 819 thousand EUR of lease liabilities, respectively.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the 9 months ended 30 September 2019, the Group recognised 24 thousand EUR of depreciation charges and 31 thousand EUR of interest costs from these leases. The Company recognised 21 thousand EUR of depreciation charges and 26 thousand EUR of interest costs from these leases.

5. Fair value determination

On the initial recognition, the transaction price of the acquired asset or liability, assumed in the exchange transaction for a specific asset or liability, is the price paid for the acquisition of the asset or the receipt of the liability (acquisition cost). For comparison, the fair value of an asset or liability is the price that would be received on the sale of the asset or paid on disposal of the liability (sale / disposal price).

If the Company initially estimates its asset or liability at fair value and the transaction price is different from its fair value, the difference is recognized as a gain or loss unless otherwise stated in IFRSs.

The fair value measurement is based on the assumption that the transaction for the sale of the asset or disposal of the liability will be effected either:

- in the underlying asset or liability market, or
- where there are no core markets, the most favourable market for a particular asset or commitment.

When there are no directly observable variables available to the Company on the valuation day, i. e. the quoted prices (unadjusted) in the active markets for identical assets or liabilities are measured at fair value using the directly monitored variables. Adjusted variables are:

- prices declared for similar assets or liabilities in active markets;
- prices declared for identical or similar assets or liabilities in markets that are not active markets;
- variables other than quoted prices are monitored for a specific asset or liability;
- market-validated variables.

When there are no observable (directly or indirectly) variables, the fair value is determined by the non-observable variables that the Group and the Company create using valuation techniques.

The fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by utilizing the specific asset to the maximum and best or by selling it to another market participant that will use it to the maximum and best.

5. Fair value determination (continued)

The fair value of the liability reflects the impact of the inactivity risk. The risk of inactivity includes, among other things, the credit risk of the entity itself. In determining the fair value of a liability, an entity shall measure the impact of its credit risk (financial position) and other factors that may affect the likelihood that the liability will or will not be settled.

The Group and the Company must increase the use of relevant observable variables and reduce the use of unobserved variables to achieve fair value measurement - to calculate the price at which the liability or equity instrument would be transferred under a legally settled transaction between market participants on the value determination day at the prevailing market conditions.

The assets and liabilities that are measured at fair value in the statement of financial position or the fair value of which is not determined, but the information about which is disclosed, are classified by the Group and the Company according to the fair value hierarchy, where the variables are divided into three levels, depending on their availability:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, available for the Company as at the value determination day;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

6. Property, plant and equipment

During the 9 months period of the year 2019, non-current assets acquired by the Group and the Company amounted to 19,253 and 19,252 thousand EUR, the carrying amount of the disposals amounted to 237 thousand EUR.

As at 30 September 2019, depreciation of the Group's and the Company's property, plant and equipment amounts to 5,376 thousand EUR and 4,938 thousand EUR, respectively (at 31 December 2018: 7,302 thousand EUR and 6,704 thousand EUR, respectively). The Group's and the Company's depreciation charges of 5,330 thousand EUR and 4,906 thousand EUR (at 31 December 2018: 7,244 thousand EUR and 6,662 thousand EUR) were included in the operating expenses in the statements of Profit (loss) and Other Comprehensive Income. The remaining depreciation costs of 46 thousand EUR and 32 thousand EUR (at 31 December 2018: 58 thousand EUR and 42 thousand EUR) are stated under other activity expenses in the statements of Profit (loss) and Other Comprehensive Income.

The management of the Group and the Company, having assessed the internal and external features, has not determined an additional impairment of property, plant and equipment in 2019 (recognised 42 thousand EUR of additional impairment during 2018). During the 9 months period of the year 2019, the management of the Group and the Company reversed the impairment of 26 thousand EUR (129 thousand EUR – during 2018).

As of 30 September 2019, part of the property, plant and equipment of the Group with acquisition cost of 57,742 thousand EUR (55,102 thousand EUR as of 31 December 2018) and the Company –

EUR 57,630 thousand EUR were fully depreciated (54,945 thousand EUR as of 31 December 2018), but were still in active use.

As of 30 September 2019 and as of 31 December 2018, the major part of the Group's and the Company's construction in progress consisted of reconstruction and overhaul works of boiler-houses equipment and heat supply networks.

As of 30 September 2019, property, plant and equipment of the Group with the carrying amount of 55,067 thousand EUR (49,624 thousand EUR as of 31 December 2018) and the Company of 51,862 thousand EUR (46,005 thousand EUR as of 31 December 2018) was pledged to banks to secure the loans.

7. Inventories

	Group		Company	
	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
Technological fuel	1,143	1,358	1,083	1,291
Spare parts	727	415	727	415
Materials	531	437	531	436
	2,401	2,210	2,341	2,142
Less: write-down to the net realisable value of inventory at the end of the period	(772)	(626)	(772)	(626)
Carrying amount of inventories	1,629	1,584	1,569	1,516

Revaluation of the Group's and the Company's inventories to net realisable value as at 30 September 2019 amounted to 772 thousand EUR (at 31 December 2018: 626 thousand EUR). Change in the revaluation of the inventories to net realisable value in the Group's and the Company's statements of Profit (Loss) and Other Comprehensive Income is included in the change of impairment of the realisable value of inventories and the value of property, plant and equipment.

8. Current accounts receivable

	Group		Company	
	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
Trade receivables, gross	9,469	18,734	9,469	18,736
Less: expected credit losses	(7,597)	(8,546)	(7,597)	(8,548)
	1,872	10,188	1,872	10,188

Change in the impairment of doubtful receivables as at 30 September 2019 and 31 December 2018 is included in the caption of write-offs and change in allowance for accounts receivables in the Group's and the Company's statements of Profit (loss) and Other Comprehensive Income. Impairment of doubtful receivables is estimated based on the expected credit losses.

8. Current accounts receivable (continued)

Change in expected credit losses of the Group's and the Company's receivables were as follows:

	Group	Company
Balance as of 31 December 2017	10,012	10,031
Expected credit losses recognised	(770)	(787)
Write-off	(696)	(696)
Balance as of 31 December 2018	8,546	8,548
Expected credit losses recognised	(335)	(337)
Write-off	(614)	(614)
Balance as of 30 September 2019	7,597	7,597

Analysis of the Group's net trade receivables as at 30 September 2019 and 31 December 2018:

	Trade receivables not past due	Trade receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2019	1,290	144	93	178	62	105	1,872
2018	8,670	611	74	65	115	653	10,188

Analysis of the Company's net trade receivables as at 30 September 2019 and 31 December 2018:

	Trade receivables not past due	Trade receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2019	1,290	144	93	178	62	105	1,872
2018	8,670	611	74	65	115	653	10,188

Trade receivables of the Group and the Company are interest-free and their settlement is normally 30 days or agreed on individual basis.

As of 30 September 2019 and 31 December 2018, the Group's and the Company's other receivables included taxes receivable from the state budget, compensations from municipalities for low income families, receivables for sold inventories (metal scrap, heating equipment) and services supplied (maintenance of manifolds and similar services).

8. Current accounts receivable (continued)

Other receivables of the Group and the Company:

	Group		Company	
	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
Taxes	439	490	439	490
Other receivables	445	772	466	795
Less: expected credit losses	(305)	(293)	(361)	(347)
	579	969	544	938

Movement in impairment of other receivables of the Group and the Company:

	Group	Company
Balance as of 31 December 2017	303	362
Expected credit losses recognised	(10)	(15)
Write-off	-	-
Balance as of 31 December 2018	293	347
Expected credit losses recognised	12	14
Write-off	-	-
Balance as of 30 September 2019	305	361

The ageing analysis of the Group's other receivables (excluding receivable taxes) as of 30 September 2019 and as of 31 December 2018 is as follows:

	Other receivables not past due	Other receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2019	62	19	14	29	12	4	140
2018	380	65	15	8	5	6	479

8. Current accounts receivable (continued)

The ageing analysis of the Company's other receivables (excluding receivable taxes) as of 30 September 2019 and as of 31 December 2018 is as follows:

	Other receivables not past due	Other receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2019	27	19	14	29	12	4	105
2018	349	65	15	8	5	6	448

The Group's and the Company's other receivables are non-interest bearing and the payment terms are usually 30 – 45 days.

As to trade receivables and other receivables that are neither impaired nor past due, the management opinion is that there are no indications as of 30 September 2019, that the debtors will not meet their obligations.

9. Financial liabilities

All loans of the Group and the Company are accounted for and repaid in euros. Repayment terms of non-current loans are as follows:

	Group		Company	
	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
Non-current borrowings:	22,268	19,257	20,567	17,556
Payable in 2 to 5 years	14,171	11,780	12,470	10,079
Payable in more than 5 years	8,097	7,477	8,097	7,477
Current portion of non- current borrowings	1,365	4,272	1,365	3,705
	23,633	23,529	21,932	21,261

The Group and the Company accounted for interest payable to financial institutions by amounts of 15 thousand EUR, which were stated under non-current liabilities in the statement of financial position as at 30 September 2019.

9. Financial liabilities (continued)

Detailed information on the loans of the Group as of 30 September 2019:

	Credit institution	Date of contract	Effective interest rate	Sum EUR thousand	Term of maturity	Balance as of 30/09/2019 EUR thousand	A part of 2019, EUR thousand
1	MF Lithuania*	09/04/2010	1.017	2,410	15/03/2034	1,404	-
2	MF Lithuania*	26/10/2010	0.917	807	15/03/2034	577	-
3	MF Lithuania*	02/09/2011	0.332	1,672	01/09/2034	1,304	-
4	Luminor**	22/08/2012	1.213	3,403	29/04/2022	1,701	-
5	AB SEB Bank	03/06/2013	1.42	799	30/06/2020	100	33
6	AB SEB Bank	03/06/2013	1.32	1,228	30/06/2020	149	51
7	AB SEB Bank	10/09/2013	1.78	1,506	30/09/2020	251	63
8	Luminor**	27/09/2013	1.92	377	30/09/2020	7	2
9	MF Lithuania*	15/01/2014	3.36	793	01/12/2034	665	41
10	AB SEB Bank	31/03/2014	1.73	1,564	15/01/2021	333	65
11	MF Lithuania*	31/03/2014	3.342	7,881	01/12/2034	6,617	414
12	AB SEB Bank	09/03/2015	1.63	579	28/02/2022	246	24
13	AB SEB Bank	09/03/2015	1.63	579	28/02/2022	98	24
14	OP Corporate***	02/12/2015	0.98	4,842	02/12/2022	2,248	173
15	AB SEB Bank	09/05/2016	0.94	459	30/04/2023	274	19
16	AB SEB Bank	09/05/2016	0.96	1,000	30/04/2021	317	50
17	AB SEB Bank	09/05/2016	0.94	579	30/04/2023	346	24
18	Luminor**	25/10/2016	1.12	1,894	29/09/2023	1,137	71
19	AB SEB Bank	22/12/2016	0.79	4,127	30/11/2024	3,207	181
20	AB SEB Bank	26/07/2017	0.92	697	30/07/2024	576	31
21	Danske Bank A/S	18/12/2017	1.27	2,340	18/12/2024	2,076	99
						23,633	1,365

* LR Ministry of Finance; ** Luminor bank AB; *** OP Corporate Bank Plc Lithuanian branch.

According to loan agreement signed between Luminor Bank AB and the Group's subsidiary UAB Petrašiūnų Katilinė on 22 August 2012, the subsidiary has to comply with following covenants: equity capital ratio (including support granted by the Lithuanian Business Support Agency) at least 40 %, DSCR not less than 1.3, and total financial debt to EBITDA ratio should be not more than 3.0. UAB Petrašiūnų Katilinė does not comply with all financial ratios as determined by the bank. The mentioned loan is secured by issuing a guarantee to the bank as described in Note 16.

9. Financial liabilities (continued)

Detailed information on the loans of the Company as of 30 September 2019:

	Credit institution	Date of contract	Effective interest rate	Sum EUR thousand	Term of maturity	Balance as of 30/09/2019 EUR thousand	A part of 2019, EUR thousand
1	MF Lithuania*	09/04/2010	1.017	2,410	15/03/2034	1,404	-
2	MF Lithuania*	26/10/2010	0.917	807	15/03/2034	577	-
3	MF Lithuania*	02/09/2011	0.332	1,672	01/09/2034	1,304	-
4	AB SEB Bank	03/06/2013	1.42	799	30/06/2020	100	33
5	AB SEB Bank	03/06/2013	1.32	1,228	30/06/2020	149	51
6	AB SEB Bank	10/09/2013	1.78	1,506	30/09/2020	251	63
7	Luminor**	27/09/2013	1.92	377	30/09/2020	7	2
8	MF Lithuania*	15/01/2014	3.36	793	01/12/2034	665	41
9	AB SEB Bank	31/03/2014	1.73	1,564	15/01/2021	333	65
10	MF Lithuania*	31/03/2014	3.342	7,881	01/12/2034	6,617	414
11	AB SEB Bank	09/03/2015	1.63	579	28/02/2022	246	24
12	AB SEB Bank	09/03/2015	1.63	579	28/02/2022	98	24
13	OP Corporate***	02/12/2015	0.98	4,842	02/12/2022	2,248	173
14	AB SEB Bank	09/05/2016	0.94	459	30/04/2023	274	19
15	AB SEB Bank	09/05/2016	0.96	1,000	30/04/2021	317	50
16	AB SEB Bank	09/05/2016	0.94	579	30/04/2023	346	24
17	Luminor**	25/10/2016	1.12	1,894	29/09/2023	1,137	71
18	AB SEB Bank	22/12/2016	0.79	4,127	30/11/2024	3,207	181
19	AB SEB Bank	26/07/2017	0.92	697	30/07/2024	576	31
20	Danske Bank A/S	18/12/2017	1.27	2,340	18/12/2024	2,076	99
						21,932	1,365

* LR Ministry of Finance; ** Luminor bank AB; *** OP Corporate Bank Plc Lithuanian branch.

AB SEB Bankas has determined that the Company must comply with the quarterly net financial debt / EBITDA ratio, which must not exceed 4.5. According to loan agreement between the Company and OP Corporate Bank Plc Lithuanian branch, the Company's own equity ratio (equity/total assets), shall not be lower than 35 %. The Company complied with financial covenants as at 30 September 2019 and 31 December 2018.

There are certain restrictions prescribed in the loan agreements. The Company cannot distribute dividends, issue or/and obtain new loans, provide charity, sell or rent pledged assets without banks written consent.

The immovable property (Note 6), bank accounts (Note 11) and land lease right of the Group and the Company were pledged as collateral for the borrowings.

10. Derivative financial instruments

On 16 December 2016, the Group entered into an interest rate SWAP agreement. According to the agreement, the Group pays to the bank a fixed interest rate (0.21 %), while the bank pays to the Group a variable interest rate of 6 months EURIBOR. The nominal value of the transaction was 1,701 thousand EUR as at 30 September 2019. This derivative instrument is recognized at fair value calculated by the bank as at 30 September 2019 – 18 thousand EUR (31 December 2018 –15 thousand EUR).

11. Cash and cash equivalents

	Group		Company	
	As of 30 September 2019	As of 31 December 2018	As of 30 September 2019	As of 31 December 2018
Cash in transit	90	154	90	154
Cash at bank	6,669	8,607	6,463	8,519
Cash on hand	-	-	-	-
	6,759	8,761	6,553	8,673

The Group's accounts in banks amounting to EUR 2,705 thousand as of 30 September 2019 (as of 31 December 2018 – EUR 2,332 thousand) and the Company's to EUR 2,544 thousand as of 30 September 2019 (as of 31 December 2018 – EUR 2,255 thousand) are pledged as collateral for the loans (Note 9).

12. Reserves

Legal and other reserves

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 percent of net profit until the reserve reaches 10 percent of the share capital. The legal reserve cannot be distributed as dividends but can be used to cover any future losses.

On 26 April 2019, the Company's shareholders took a decision to cancel other reserves (EUR 100 thousand) and to transfer EUR 1,012 thousand from retained earnings to the legal reserve and EUR 2,900 thousand to other reserves. A reserve of EUR 50 thousand was established for sponsorship purposes. A reserve of EUR 2,850 thousand was established for investments.

On 26 April 2018, the Company's shareholders took a decision to cancel other reserves (EUR 100 thousand) and to transfer EUR 3,168 thousand from retained earnings to the legal reserve and EUR 100 thousand to other reserves. A reserve of EUR 100 thousand was established for sponsorship purposes.

13. Sales income

The Group's and the Company's activities are heat supplies, maintenance of manifolds, electricity production and other activities. Starting from the year 2010, a part of inhabitants chose the Company as the hot water supplier. Those activities are inter-related, so consequently for management purposes the Group's and the Company's activities are organised as one main segment – heat energy supply.

The activity of the Group and the Company is seasonal because the major part of sales income is earned during the heating season, which starts in October and ends in April.

The Group's and the Company's sales income according to the activities are stated below.

Group	2019 I - III quarter	2018 I - III quarter	2018
Heat supplies	34,469	38,867	57,387
Hot water supplies	2,399	2,374	3,260
Maintenance of hot water meters	315	304	408
Maintenance of manifolds	188	188	250
Maintenance of heat and hot water systems	9	8	11
Sale of emission allowances	1,025	-	-
	38,405	41,741	61,316

Company	2019 I - III quarter	2018 I - III quarter	2018
Heat supplies	34,475	38,876	57,399
Hot water supplies	2,399	2,374	3,260
Maintenance of hot water meters	315	304	408
Maintenance of manifolds	188	188	250
Maintenance of heat and hot water systems	9	8	11
Sale of emission allowances	1,025	-	-
	38,411	41,750	61,328

Sales income by user groups:

Group	2019 I - III quarter	2018 I - III quarter	2018
Residents	28,817	31,769	46,511
Other users	4,623	4,049	5,949
Budgetary organizations financed from the state budget	2,720	3,191	4,774
Budgetary organizations financed from municipal budgets	1,861	2,214	3,343
Institutions funded by Territorial Health Insurance funds	195	254	371
Industrial users	189	264	368
	38,405	41,741	61,316

Company	2019 I - III quarter	2018 I - III quarter	2018
Residents	28,817	31,769	46,511
Other users	4,629	4,058	5,961
Budgetary organizations financed from the state budget	2,720	3,191	4,774
Budgetary organizations financed from municipal budgets	1,861	2,214	3,343
Institutions funded by Territorial Health Insurance funds	195	254	371
Industrial users	189	264	368
	38,411	41,750	61,328

14. Other expenses

Other expenses include:

	Group			Company		
	2019 I - III quarter	2018 I - III quarter	2018	2019 I - III quarter	2018 I - III quarter	2018
Equipment verification and inspection	170	318	406	170	316	404
Maintenance of manifolds	287	287	381	287	287	381
Cash collection expenses	132	150	195	132	150	195
Expenses of ash utilization	107	95	145	99	82	127
Information technology expenses	89	109	132	89	109	132
Consulting expenses	68	73	124	68	73	124
Employees related expenses	80	72	102	80	72	102
Customer bills issue and delivery expenses	75	35	98	75	35	98
Membership fee	68	68	84	68	68	84
Maintenance of long term assets and related services	50	64	76	50	64	76
Transport expenses	44	55	70	44	53	69
Debts collection expenses	74	38	60	74	38	60
Insurance	57	48	56	51	42	48
Communication expenses	31	39	51	31	39	50
Advertising expenses	44	36	44	44	36	44
Audit expenses	33	44	44	33	44	44
Rent of equipment and machinery	6	8	16	6	8	16
Sponsorship	1	5	5	1	5	5
Other expenses	216	126	200	195	114	184
	1,632	1,670	2,289	1,597	1,635	2,243

15. Basic and diluted earnings per share

Calculation of the basic and diluted earnings per share of the Group is as follow:

	Group		Company	
	2019 I - III quarter	2018	2019 I - III quarter	2018
Net profit (loss) of the reporting period	(747)	4,002	(887)	4,451
Number of shares (thousand), opening balance	42,802	42,802	42,802	42,802
Number of shares (thousand), closing balance	42,802	42,802	42,802	42,802
Average number of shares (thousand)	42,802	42,802	42,802	42,802
Basic and diluted earnings per share (EUR)	(0.02)	0.09	(0.02)	0.10

16. Commitments and contingencies

UAB Energijos Taupymo Centras has filed a claim against the Company regarding the annulment of the decision of the Public Procurement Commission on termination of the tender. Without the annulment of the decision, the plaintiff requests to adjudge 775 thousand EUR to cover the damage. The Court of First Instance, after reopening the case, decided to annul the decision that terminated the procurement. No decision on compensation of the damage was taken. After the placement of appeal, the Lithuanian Court of Appeal annulled the decision of the court of first instance by a decision of 13 June 2019 and rejected with the new decision the claim of UAB Energijos Taupymo Centras for annulment of AB Kauno Energija decision to terminate procurement and returned the claim for damages to the Court of First Instance for re-investigation. The Court of First Instance satisfied the claim of UAB Energijos Taupymo Centras in part by the decision of 29 July 2019 and ordered the Company to pay EUR 1,927.71 in damages. After the parties appealed, the Lithuanian Court of Appeal rejected the claim of UAB Energijos taupymo centras by its ruling of 8 October 2019. The judgement became effective.

On June 22, 2019, the Company placed a claim for the Kaunas Clinics (Kauno Klinikos) of the Lithuanian University of Health Sciences (hereinafter referred to as Kaunas Clinics) to pay compensation in amount of EUR 5,120,680 for heat reserve capacity ensured by the Company to Kaunas clinics starting from the year 2010 until May 2019. Kaunas Clinics did not agree with the claim. The company has placed a lawsuit against Kaunas Clinics regarding judgement of unpaid compensation for heat reserve power.

No provision for the mentioned amount has been established.

The Company provided support letters stating that it will provide financial support to its subsidiaries UAB Kauno Energija NT and UAB Petrašiūnų Katilinė during the period until 1 January 2020, and will ensure that the obligations of the subsidiaries were performed in due time.

Leasing and construction work purchase arrangements

Future liabilities of the Group and the Company under valid purchase arrangements as of 30 September 2019, amounted to 36,871 thousand EUR.

Guarantees

On 28 November 2016, the Company provided a guarantee in an amount of EUR 3,913 thousand to Luminor bank AB regarding the liabilities of the subsidiary UAB Petrašiūnų Katilinė to this bank according to credit agreement concluded on 22 August 2012, for the amount of EUR 3,403 thousand. On 28 November 2016, the Company provided guarantee in amount of EUR 95 thousand to Nordea Bank AB (publ) regarding liabilities of subsidiary UAB Petrašiūnų Katilinė to this bank according to transaction of derivative financial instruments, described in Note 10. As of 30 September 2019, the carrying amount of the loan is 1,701 thousand EUR.

17. Related parties transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

17. Related parties transactions (continued)

As of 30 September 2019 and 31 December 2018, the Group and the Company did not have any significant transactions with the other companies controlled by Kaunas city municipality, except for the purchases or sales of the utility services. The services provided to the Kaunas city municipality and the entities controlled by the Kaunas city municipality were executed at market prices.

A list of companies related to the Municipality of Kaunas can be found here:
<http://www.kaunas.lt/administracija/struktura-ir-kontaktai/pavaldzios-imones-ir-istaigos/>.

As of 30 September 2019 and 31 December 2018, the Group's and the Company's transactions with Jurbarkas city municipality, Kaunas city municipality and the entities, financed and controlled by the Municipality of Kaunas and their amounts receivable and payable at the end of the year were as follows:

30 September 2019	Purchases	Sales	Receivables	Payables
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	899	2,995	326	200
Jurbarkas city municipality	11	187	1	3
31 December 2018	Purchases	Sales	Receivables	Payables
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	1,228	5,520	6,693	237
Jurbarkas city municipality	15	465	40	2

Sales include amounts of compensations for deprived people for housing heating costs, cold and hot water and also wastewater costs.

As of 30 September 2019, the Group's and the Company's allowance for overdue receivables from entities financed and controlled by municipalities amounted to 258 thousand EUR (as of 31 December 2018 – EUR 265 thousand). The amounts outstanding are unsecured and will be settled in cash. No guarantees on receivables have been received.

As of 30 September 2019 and as of 31 December 2018, the Company's transactions with the subsidiaries and the inter-company balances at the end of the year were as follows:

UAB Petrašiūnų Katilinė	Purchases	Sales	Receivables	Payables
30 September 2019	1,612	9	443	28
31 December 2018	1,957	5	443	456
UAB Kauno Energija NT	Purchases	Sales	Receivables	Payables
30 September 2019	4	11	64	-
31 December 2018	5	11	64	-

Receivables from UAB Petrašiūnų Katilinė comprise a loan granted. There was no provision established for expected credit losses on the loan granted.

As of 30 September 2019, the Company has determined an impairment in amount of 64 thousand EUR (as of 31 December 2018, in amount of 64 thousand EUR) for the receivables from subsidiaries.

Remuneration of the management and other payments

As of 30 September 2019, the Group's and the Company's management team comprised 3 and 1 persons, respectively (as of 31 December 2018 – 3 and 1).

	Group		Company	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Key to management remuneration	54	169	34	128
Calculated post-employment benefits to management	1	3	1	1

In the year 2019 and 2018, the management of the Group and the Company did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

18. Subsequent events

There were no other events that would have a significant impact on or require disclosure in the financial statements subsequent to the reporting date.