2018

LIETUVOS ENERGIJA, UAB

CONSOLIDATED AND COMPANY‘S CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE II QUARTER OF 2018 AND 6 MONTHS PERIOD ENDED 30 JUNE 2018 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)

Lietuvos energija

Group of energy companies | www.le.lt

CONTENT

CONDENSED INTERIM FINANCIAL INFORMATION

Translation note:

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

Condensed interim financial information was approved on 31 August 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	**Darius Kašauskas**	**Giedruolė Guobienė**
Chief Executive Officer	Head of Finance and Investment Management Department	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 six-month period ended 30 June 2018

All amounts in thousands of euro unless otherwise stated

	Notes	Group		Company	
		As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
ASSETS					
Non-current assets					
Intangible assets	5	80,611	36,360	1,874	-
Property, plant and equipment	6	1,832,236	1,761,082	417	421
Prepayments for non-current assets		24,178	21,911	4,709	3,899
Investment property		5,515	14,878	-	-
Investments in subsidiaries	7	-	-	1,169,858	1,148,917
Amounts receivable after one year	8	169,852	170,488	525,400	492,938
Other financial assets		1,130	426	1,130	426
Other non-current assets		5,980	3,239	-	-
Deferred income tax asset		4,471	7,084	522	549
Total non-current assets		**2,123,973**	**2,015,468**	**1,703,910**	**1,647,150**
Current assets					
Inventories	9	48,639	56,866	-	-
Prepayments		28,438	38,119	37	42
Trade receivables	10	100,433	112,563	-	-
Other amounts receivable		20,296	27,800	2,488	5,322
Other current assets		1,758	1,093	-	-
Prepaid income tax		3,442	2,102	157	147
Short-term loans		-	-	223,877	169,395
Cash and cash equivalents	11	130,796	171,756	228	52,517
		333,802	**410,299**	**226,787**	**227,423**
Non-current assets held for sale	12	94,520	79,301	4,782	14,717
Total non-current assets		**428,322**	**489,600**	**231,569**	**242,140**
Current assets		**2,552,295**	**2,505,068**	**1,935,479**	**1,889,290**
EQUITY AND LIABILITIES					
Equity					
Share capital	13	1,212,156	1,212,156	1,212,156	1,212,156
Reserves		105,314	99,380	19,811	14,516
Retained earnings (deficit)		(95,515)	(13,706)	67,885	117,103
Equity attributable to owners of the parent		**1,221,955**	**1,297,830**	**1,299,852**	**1,343,775**
Non-controlling interests		44,068	45,796	-	-
Total equity		**1,266,023**	**1,343,626**	**1,299,852**	**1,343,775**
Liabilities					
Non-current liabilities					
Non-current borrowings	14	601,937	480,068	565,124	433,668
Finance lease liabilities		117	187	-	-
Grants and subsidies	15	207,866	200,311	-	-
Deferred income tax liabilities		28,269	36,049	-	-
Provisions	16	30,878	1,893	5,402	2,903
Deferred income	17	115,960	54,509	-	-
Other non-current amounts payable and liabilities		8,312	7,306	98	9,807
Total non-current liabilities		**993,339**	**780,323**	**570,624**	**446,378**
Current liabilities					
Current portion of long-term debts	14	80,568	119,599	57,401	95,013
Current borrowings	14	5,769	14,082	5,770	2,794
Current portion of finance lease liabilities		140	145	-	-
Trade payables		58,570	98,338	381	506
Advance amounts received		40,766	27,765	50	1
Income tax liabilities		3,020	3,695	-	-
Provisions	16	2,108	2,498	-	-
Other current amounts payable and liabilities		101,306	114,663	1,401	823
		292,247	**380,785**	**65,003**	**99,137**
Liabilities directly attributable to Non-current assets held for sale	12	686	334	-	-
Total current liabilities		**292,933**	**381,119**	**65,003**	**99,137**
Total liabilities		**1,286,272**	**1,161,442**	**635,627**	**545,515**
TOTAL EQUITY AND LIABILITIES		**2,552,295**	**2,505,068**	**1,935,479**	**1,889,290**

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2018

All amounts in thousands of euro unless otherwise stated

	Notes	Group				Company			
		2018 Q1–2	2018 Q2	2017 Q1–2	2017 Q2	2018 Q1–2	2018 Q2	2017 Q1–2	2017 Q2
Revenue									
Sales revenue	18,24	592,710	248,130	524,073	221,248	1,512	724	1,490	859
Other income	24	33,284	19,564	12,897	6,102	681	103	1	1
Dividends income	19	-	-	-	-	41,052	6,219	75,170	13,647
Total revenue		**625,994**	**267,694**	**536,970**	**227,350**	**43,245**	**7,046**	**76,661**	**14,507**
Operating expenses									
Purchases of electricity, gas for trading and related services		(297,896)	(135,936)	(233,472)	(104,390)	-	-	-	-
Purchases of gas and heavy fuel oil		(159,783)	(51,449)	(140,156)	(43,541)	-	-	-	-
Depreciation and amortisation	5,6,12,15	(42,711)	(21,471)	(42,685)	(22,347)	(4)	(2)	-	-
Wages and salaries and related expenses		(40,995)	(20,054)	(38,604)	(18,419)	(2,428)	(1,281)	(2,094)	(1,111)
Repair and maintenance expenses		(7,557)	(4,320)	(9,014)	(5,134)	-	-	-	-
Impairment of investments in subsidiaries		-	-	-	-	(1,570)	(1,570)	(4,944)	(4,944)
Impairment of trade receivables and loans receivables		453	654	1,249	(336)	-	-	(4,392)	(4,392)
Impairment of Property, plant and equipment		150	66	(1,074)	12	-	-	-	-
Other expenses	20	(8,381)	(5,131)	(17,107)	(6,090)	(4,629)	(3,296)	(874)	(514)
Total operating expenses		**(556,720)**	**(237,641)**	**(480,863)**	**(200,245)**	**(8,631)**	**(6,149)**	**(12,304)**	**(10,961)**
Operating profit (loss)		**69,274**	**30,053**	**56,107**	**27,105**	**34,614**	**897**	**64,357**	**3,546**
Finance income	21	764	533	1,360	737	4,232	2,214	1,148	642
Finance costs	22	(5,061)	(2,604)	(3,102)	(1,677)	(4,239)	(2,092)	(679)	(314)
Gain (loss) attributable to derivative financial instruments		(244)	(244)	-	-	(244)	(244)	-	-
Profit (loss) before tax		**64,733**	**27,738**	**54,365**	**26,165**	**34,363**	**775**	**64,826**	**3,874**
Current year income tax expense		(1,532)	328	(2,683)	817	5	-	2	(12)
Deferred income tax (expense)/benefit		(4,878)	(1,857)	221	2,902	(26)	148	126	107
Net profit (loss) from continuing operations		**58,323**	**26,209**	**51,903**	**29,884**	**34,342**	**923**	**64,954**	**3,969**
Profit (loss) from discontinued operations		-	-	165	165				
Net profit (loss)		**58,323**	**26,209**	**52,068**	**30,049**	**34,342**	**923**	**64,954**	**3,969**
Attributable to:									
Owners of the parent		56,793	25,687	49,349	28,951	34,342	923	64,954	3,969
Non-controlling interests		1,530	522	2,719	1,098	-	-	-	-
Other comprehensive income (loss)									
Items that will not be reclassified subsequently to profit or loss)									
Gain (loss) on revaluation of non-current assets	5	5,528	1,318	-	-	-	-	-	-
Impact of accounting policy changes adapting new IFRSs	2	(62,793)	(25)	-	-	-	-	-	-
Items that will not be reclassified subsequently to profit or loss, total		**(57,265)**	**1,293**	**-**	**-**	**-**	**-**	**-**	**-**
Items that will be reclassified subsequently to profit or loss									
Recalculation of foreign net investment in Group's presentation currency		31	37	(3)	(3)		-	-	-
Items that will be reclassified subsequently to profit or loss, total		**31**	**37**	**(3)**	**(3)**	**-**	**-**	**-**	**-**
Other comprehensive income (loss)		**(57,234)**	**1,330**	**(3)**	**(3)**	**-**	**-**	**-**	**-**
Total comprehensive income (loss) for the year		**1,089**	**27,539**	**52,065**	**30,046**	**34,342**	**923**	**64,954**	**3,969**
Attributable to:									
Owners of the parent		2,499	26,952	49,346	28,948	34,342	923	64,954	3,969
Non-controlling interests		(1,410)	587	2,719	1,098	-	-	-	-

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the six-month period ended 30 June 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	Subtotal		
Balance at 1 January 2017		**1,212,156**	**34,696**	**57,475**	**-**	**(35,952)**	**1,268,375**	**51,172**	**1,319,547**
Recalculation of foreign net investment in Group's presentation currency		-	-	-	(3)	-	(3)	-	(3)
Total other comprehensive income (loss)		**-**	**-**	**-**	**(3)**	**-**	**(3)**	**-**	**(3)**
Net profit for the period		-	-	-	-	49,349	49,349	2,719	52,068
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**(3)**	**49,349**	**49,346**	**2,719**	**52,065**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(2,569)	-	2,569	-	-	-
Transfer to reserves and movement in reserves		-	11,700	-	-	(11,700)	-	-	-
Dividends	19	-	-	-	-	(59,752)	(59,752)	(3,181)	(62,933)
Change in non-controlling interest due to changes in Group's structure		-	-	-	-	1	1	(16)	(15)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	972	972
Balance at 30 June 2017		**1,212,156**	**46,396**	**54,906**	**(3)**	**(55,485)**	**1,257,970**	**51,666**	**1,309,636**
Balance at 1 January 2018		**1,212,156**	**46,512**	**52,826**	**42**	**(13,706)**	**1,297,830**	**45,796**	**1,343,626**
Impact of accounting policy changes adapting new IFRSs	2	-	-	-	-	(59,652)	(59,652)	(3,141)	(62,793)
Restated balance at 1 January 2018		**1,212,156**	**46,512**	**52,826**	**42**	**(73,358)**	**1,238,178**	**42,655**	**1,280,833**
Revaluation of non-current assets, net of deferred income tax effect		-	-	5,328	-	-	5,328	201	5,529
Recalculation of foreign net investment in Group's presentation currency		-	-	-	31	-	31	-	31
Result of change in actuarial assumptions		-	-	-	-	(110)	(110)	(6)	(116)
Total other comprehensive income (loss)		**-**	**-**	**5,328**	**31**	**(110)**	**5,249**	**195**	**5,444**
Net profit for the period		-	-	-	-	56,793	56,793	1,530	58,323
Total comprehensive income (loss) for the period		**-**	**-**	**5,328**	**31**	**56,683**	**62,042**	**1,725**	**63,767**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(2,764)	-	2,764	-	-	-
Transfer to reserves and movement in reserves		-	3,339	-	-	(3,339)	-	-	-
Dividends	19	-	-	-	-	(78,265)	(78,265)	(1,488)	(79,753)
Increase of share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	1,176	1,176
Balance at 30 June 2018		**1,212,156**	**49,851**	**55,390**	**73**	**(95,515)**	**1,221,955**	**44,068**	**1,266,023**

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

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		-	-	-	64,954	64,954
Total comprehensive income for the period		**-**	**-**	**-**	**64,954**	**64,954**
Transfer to reserves		-	4,758	-	(4,758)	-
Dividends	19	-	-	-	(59,752)	(59,752)
Balance at 30 June 2017		**1,212,156**	**14,516**	**-**	**76,143**	**1,302,815**
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		-	-	-	34,342	34,342
Total comprehensive income for the period		**-**	**-**	**-**	**34,342**	**34,342**
Transfer to reserves		-	5,295	-	(5,295)	-
Dividends	19	-	-	-	(78,265)	(78,265)
Balance at 30 June 2018		**1,212,156**	**19,811**	**-**	**67,885**	**1,299,852**

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the six-month period ended 30 June 2018

All amounts in thousands of euro unless otherwise stated

	Note	Group		Company	
		2018 Q1–2	2017 Q1–2	2018 Q1–2	2017 Q1–2
Cash flows from operating activities					
Net profit (loss) for the year		58,323	52,068	34,342	64,954
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses	5,6,12	47,468	53,034	4	-
Impairment of PP&E/reversal of impairment		(150)	1,074	-	-
Change in fair value of trade derivatives		(689)	1,183	244	-
Impairment of financial assets		(453)	-	-	4,392
Impairment of investments in subsidiaries and associates/(reversal)		-		1,570	4,944
Income tax expenses		6,410	2,462	21	(128)
Depreciation) of grants		(4,757)	(9,925)	-	-
Increase (decrease) in provisions		(463)	(13,188)	2,499	-
Inventory write-down to net realisable value		(344)	(19)	-	-
Emission allowance revaluation expenses/(income)		(8,357)	3,025	-	-
Emission allowances utilised		908	933	-	-
Elimination of results of investing activities:					
- Dividend income	19	-		(41,052)	(75,170)
- Gain) loss on disposal/write-off of property, plant and equipment		(9)	1,494	-	-
Elimination of results of financing activities:					
- Interest income	21	(732)	(1,011)	(4,232)	(1,004)
- Interest expenses	22	4,771	2,658	4,208	364
- Other finance (income) costs	21,22	3,376	95	31	171
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		23,021	26,374	1,938	(150)
(Increase) decrease in inventories, prepayments and other current assets		18,157	(6,793)	52	(438)
Increase (decrease) in amounts payable, deferred income and advance amounts received		(31,350)	(37,680)	49	312
Income tax (paid)		(3,622)	(6,850)	-	(128)
Net cash flows from (used in) operating activities		**111,508**	**68,934**	**(326)**	**(1,881)**
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(171,368)	(87,491)	(4,709)	(7)
Disposal of property, plant and equipment and intangible assets		12,817	3,491	-	-
Loans (granted)		-	-	(165,796)	(4,000)
Loan repayments received		-	35,004	82,829	35,004
(Acquisition) of subsidiaries		-	-	(10,550)	(7,076)
Grants received	15	9,797	233	-	-
Interest received		-	565	1,257	618
Dividends received	19	-	-	40,915	75,170
Other increase (decrease) of cash flows from investing activities		(703)	-	(703)	-
Net cash flows from (used in) investing activities		**(149,457)**	**(48,198)**	**(56,757)**	**99,709**
Cash flows from financing activities					
Proceeds from borrowings		-	31,761	-	-
Repayments of borrowings		(77,989)	(91,715)	(66,351)	(37,511)
Finance lease payments		(80)	(76)	-	-
Interest paid		(2,427)	(2,513)	(944)	(395)
Dividends paid	19	(79,753)	(62,734)	(78,265)	(59,752)
Increase of share capital of Kauno KogeneracinėJjėgainė UAB		7,840	6,487	-	-
Other increase (decrease) of cash flows from financing activities				(9,699)	
Net cash flows from (used in) financing activities		**(152,409)**	**(118,790)**	**(155,259)**	**(97,658)**
Increase (decrease) in cash and cash equivalents (including overdraft)		**(190,358)**	**(98,054)**	**(212,342)**	**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	11	**(29,257)**	**80,511**	**(159,825)**	**243**

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

All amounts in thousands of euro unless otherwise stated

1 General information

This financial information contains unaudited condensed interim financial information of Lietuvos Energija UAB (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) for a six-month period ended 30 June 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 June 2018		As at 30 June 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

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

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

As at 30 June 2018 the Group had 4,049 employees (31 December 2017 – 4,513), the Company had 111 employees (31 December 2017 – 104).

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

The Company‘s management approved this condensed interim financial information on 31 August 2018.

All amounts in thousands of euro unless otherwise stated

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 the II quarter of 2018 and 6 months period ended 30 june 2018 are summarised below.

2.1 Basis of preparation

This condensed interim financial information for a six-month period ended 30 June 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 accouting 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 six months period ended 30 June 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 not significantly affected the timing and extent of the Coapny’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 six months period ended 30 June 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.

b) Impact of new standards’ adoption on the 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:

	Notes	31 December 2017	15 IFRS	9 IFRS	1 January 2018
ASSETS					
Non-current assets					
Property, plant and equipment	6	1,761,082	(10,356)	-	1,750,726
Deferred income tax asset		7,084	12,552	-	19,636
Current assets					
Trade receivables	10	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	17	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 June 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*, 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.

In view of 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 intended for the provision of services. The costs incurred by the Company in executing a contract with customers that the client will not reimburse and which are not accounted for under other accounting standards are accounted for as assets and amortized over the contractual period.

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.

Electricity sales revenue is regulated.

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 defered 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 June 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.

By 31 December 2017 the fees paid by consumers for the connection to the gas system were recorded in the statement of financial position as defered 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.

All amounts in thousands of euro unless otherwise stated

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 Financial risk management

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

Fair values of financial instruments

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

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

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

Group	At 30 June 2018			At 31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Contingent part of the price for shares of Litgrid AB	-	-	(4,679)	-	-	(4,679)
Derivative financial instruments' assets	-	1,716		-	1,084	-
Derivbative financial instruments' liabilities	-	(244)		-	(57)	-
	-	**1,472**	**(4,679)**	**-**	**1,027**	**(4,679)**

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

Company	At 30 June 2018			At 31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Contingent part of the price for shares of Litgrid AB	-	-	(4,679)	-	-	(4,679)
Interest rate swap contract	-	(224)	-	-	-	-
	-	**(224)**	**(4,679)**	**-**	**-**	**(4,679)**

Liquidity risk

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

As at 30 June 2018, the Group's current ratio (total current assets / total current liabilities) was 1.462 (31 December 2017: 1,285); quick ratio ((total current assets – inventories) / total current liabilities) – 1,296 (31 December 2017: 1,135). As at 30 June 2018, the Group's current assets exceeded its current liabilities by EUR 135,386 thousand (31 December 2017: EUR 108,481 thousand).

The Groups operating cash flows for first half of 2018 are positive and amount to EUR 111,508 thousand (31 June 2017: EUR 68,934 thousand). In the opinion of the the Groups management cash flows from operating activities and available credit facilities are sufficient to cover current liabilities. At 30 June 2018 credit facilities available to the Group amounts to EUR 9,947 thousand (31 December 2017: EUR 382,645 thousand). The Group's management believes that cash flows from operating activities and borrowing opportunities will be sufficient to cover short-term liabilities. The Group's management considers as appropriate application of the going concern principle to the Company's financial statements.

As at 30 June 2018, the Company's current ratio (total current assets / total current liabilities) was 3.562 (31 December 2017: 2.442). As at 30 June 2018, the Company's current assets exceeded its current liabilities by EUR 166,566 thousand (31 December 2017: EUR 143,003 thousand). As at 30 June 2018, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 9,947 thousand (31 December 2017: EUR 180,000 thousand).

On 10 August 2017, the Company signed the overdraft agreement with OP Corporate Bank for the granting of the limit of EUR 70,000 thousand with the repayment term expiring on 10 August 2019. On 22 May 2018 the Company entered into EUR 100,000 thousand overdraft agreement repayable by 22 May 2020 with "Swedbank". On 14 July 2017, the Company issued bonds worth of EUR 300,000 thousand at the Luxembourg Stock Exchange. On 3 July 2018 the Company issued 10-year senior unsecured Green Eurobonds in the principal amount of EUR 300,000 thousand.

All amounts in thousands of euro unless otherwise stated

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

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

The preparation of financial information according to International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosures of contingencies. Changes in the underlying assumptions, estimates and judgments may have a material effect on this financial information. The accounting estimates applied in preparing the condensed interim financial information are consistent with those used in preparing the annual financial statements for the year ended 31 December 2017.

Revaluation and impairment of assets

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

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

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

In 2017 the Group performed a separate assessment for buildings, structures and machinery and construction in progress which are used in electricity supply and distribution activities performed by subsidiary Energijos Skirstymo Operatorius AB, i.e. assessed whether there was an indication that the market value of these assets had changed significantly due to internal or external factors. The test was completed by compiling cash flow forecast for the period until 2057, because the electricity supply activity is regulated on the basis of regulated asset base, which mostly consists of assets with long useful life – electricity lines (useful life of 40 years). The Group's management concluded that there would be an immaterial increase (up to 5%) in the carrying amount of property, plant and equipment used in the electricity operating segment as at 31 December 2017. Accordingly, the Group's management decided not to make any adjustments to the fair value of assets. During 2018 there have not been any changes that could cause the impairment of assets. The Group plans to perform valuation of assets and to account for changes in value as at 31 December 2018. An asset valuation process is initiated on the date of the financial statements.

The Group's property, plant and equipment of Gas distribution pipelines, Gas technological equipment and installations owned by the Company's subsidiary Energijos Skirstymo Operatorius, AB at 31 December 2017 were tested for impairment by making forecast of Energijos Skirstymo Operatorius AB cash flow in natural gas distribution activities for the period until 2072, because the gas distribution activity is regulated on the basis of regulated asset base, which mainly consists of assets with long useful life – gas pipelines (useful life of 55 years); after 2072 calculated continuous cash flow. The results of the test were affected by the adoption impact of IFRS 15 "Revenue from contracts with customers". During the impairment test, deferred revenues from new customers decreased the carrying amount of the long-term tangible assets of the gas segment, which resulted in a negative impact on the carrying amount of the non-current tangible assets of the segment, which was higher than the recoverable amount. Taking into account the results of the test, the Group's management has recorded an additional EUR 10,356 thousand impairment (Note 6).

Impairment tests in respect of investments in subsidiaries and amounts receivable

Although the shares of the Company's subsidiaries Energijos Skirstymo Operatorius AB and Lietuvos Energijos Gamyba AB are traded on Vilnius Stock Exchange, the Group's management believes this market is not active enough so that the quoted stock prices could be treated as equivalent to the fair value of investments in subsidiaries at the reporting date.

As at 30 June 2018, the Company tested for impairment its investments in subsidiaries. The Company considered information received from external and internal sources. During the reporting period there were no significant changes in the technological, market, economic and legal environment in which the subsidiaries operate that could have a negative effect and such changes are not expected to occur in near future. Internal reports contain information on results of operations of the subsidiaries, indicators of their internal budgets and financial plans. The Company considered other information received from external and internal information sources and having identified indicators of impairment of investments in the subsidiaries tested the recoverable amounts and recognised impairment of investments as at 30 June 2018 as described below.

As at 30 June 2018, the Company carried out impairment test in respect of its investment in subsidiary VAE SPB UAB and recognised impairment of EUR 70 thousand for the investment (2017: EUR 263 thousand). Following the recognition of impairment, the recoverable amount (i.e. the value in use) of investment was EUR 0 (31 December 2017: EUR 0 thousand). On 18 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. The acting chief executive office of VAE SPB is appointed as its liquidator. The liquidation procedures are expected to be completed within no more than six months.

On 13 April 2018 the Board of the Company addopted a decision on discontinue of secondary contracting activities. In the coming months, coherent action will be taken to abandon the contracting activities of one of the group's company UAB „Energetikos paslaugų ir rangos organizacija“ (EnePRO), which provides energy equipment construction, reconstruction, repair and maintenance services. EnePRO will complete the existing contracts, will not accept new orders and complete settelment of outstanding payabless to suppliers. By minimizing the volume of activities, the company will implement the most important projects launched. Completion of existing contracts with customers will not have negative consequences for the maintenance of the electricity network or the quality of the services provided by the electricity distribution company. EnePRO's commitments to customers will be fulfilled as soon as possible and with maximum quality, and in individual cases the contractual relations with the customers will be completed by agreement of the parties.

As at 30 June 2018, the Company carried out impairment test in respect of its investment in subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB and recognised impairment of EUR 1,500 thousand (2017: EUR 5,926 thousand) for the investment, which was largely caused by 13 april 2018 the Company's management to discontinue secondary contracting activities. Over the next few months consistent action will be taken to renounce the construction, reconstruction, repair and maintenance of energy equipment services. EnePRO will complete the existing contracts, will not accept new orders and complete settelment of outstanding payabless to suppliers. By minimizing the volume of activities, the company will implement the most important projects launched. EnePRO's commitments to customers will be fulfilled as soon as possible and with maximum quality, and in individual cases the contractual relations with the customers will be completed by agreement of the parties. Following the recognition of impairment, the recoverable amount (i.e. the value in use) of investment was EUR 191 thousand (31 December 2017: EUR 191 thousand).

As at 30 June 2018 the Company estimated impairment of EUR 2,701 thousand (31 December 2017: EUR 2,701 thousand) for loans receivable from Energetikos Paslaugų ir Rangos Organizacija UAB.

As at 30 June 2018 there were no indications of impairment of other the Company's investments in subsidiaries.

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, June 30 the price premium was negative and amounted to 4,679 thousand. Eur. As at 30 June 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 June 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 June 2018, the Group recognised PSO funds of EUR 6,491 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 was recognised within 'Other financial income'. Discounting effect was not adjusted as at 30 June 2018 as the effect of change was immaterial.

As at 30 June 2018, receivable amount of EUR 4,484 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 June 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 1,534 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 June 2018, the Company also accounted for EUR 145 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 June 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 thousands of euro unless otherwise stated

5 Intangible assets

Group	Patents and licenses	Computer software	Emission allowances	Other intangible assets	Goodwill	Total
At 31 December 2016						
Acquisition cost	17,957	13,572	11,838	1,435	1,461	46,263
Accumulated amortisation	(2,803)	(10,716)	(4)	(479)	-	(14,002)
Net book amount	**15,154**	**2,856**	**11,834**	**956**	**1,461**	**32,261**
Net book value as at 1 January 2017	**15,154**	**2,856**	**11,834**	**956**	**1,461**	**32,261**
Acquisitions	483	316	-	4,376	-	5,175
Reclassified from/to PP&E	89	3,202	-	(3,000)	-	291
Write-offs/Emission allowances utilised	-	(2)	(932)	-	-	(934)
Revaluation of emission allowances	-	-	2,808	-	-	2,808
Grant received (emission allowances)	-	-	1,128	-	-	1,128
Reclassification to assets held for sale	-	(15)	-	-	-	(15)
Amortisation	(1,668)	(2,631)	-	(55)	-	(4,354)
Net book value as at 31 December 2017	**14,058**	**3,726**	**14,838**	**2,277**	**1,461**	**36,360**
At 31 December 2017						
Acquisition cost	19,370	17,002	14,838	2,773	1,461	55,444
Accumulated amortisation	(5,312)	(13,276)	-	(496)	-	(19,084)
Net book amount	**14,058**	**3,726**	**14,838**	**2,277**	**1,461**	**36,360**
Net book value as at 1 January 2018	**14,058**	**3,726**	**14,838**	**2,277**	**1,461**	**36,360**
Acquisitions	5	181	-	30,559	-	30,745
Reclassified from/to PP&E	31	1,145	-	729	-	1,905
Write-offs/Emission allowances utilised	-	-	(908)	(1)	-	(909)
Disposals	-	1	-	-	-	1
Revaluation of emission allowances	-	-	12,837	-	-	12,837
Grant received (emission allowances)	-	-	2,554	-	-	2,554
(Impairment) / Reversal of impairment	-	-	-	1	-	1
Reclassification to assets held for sale	-	(12)	-	(5)	-	(17)
Amortisation	(759)	(2,044)	-	(63)	-	(2,866)
Net book value as at 30 June 2018	**13,335**	**2,997**	**29,321**	**33,497**	**1,461**	**80,611**
At 30 June 2018						
Acquisition cost	19,408	18,252	29,321	34,038	1,461	102,480
Accumulated amortisation	(6,073)	(15,255)	-	(541)	-	(21,869)
Net book amount	**13,335**	**2,997**	**29,321**	**33,497**	**1,461**	**80,611**

During first half of 2018 the Group accounted for EUR 5,993 thousand of revaluation of emission allowances and related EUR 899 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 sinergies 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.

All amounts in thousands of euro unless otherwise stated

6 Property, plant and equipment

In 2018 and 2017, the Group's property, plant and equipment (excluding structures and machinery of Hydro Power Plant, Pumped Storage Power Plant and Thermal Power Plant (Combined Cycle Unit, Reserve Power Plant), Wind power plants and its equipment, gas distribution pipelines, gas technological equipment and IT and telecommunications equipment) were stated at revalued amount.

Group	Land	Buildings	Struc-tures and machi-nery	Gas distribu-tion pipelines, Gas technolo-gical equipment and structures	Assets of Hydro Power Plant, Pumped Storage Power Plan and Lithuanian Power Plant	Wind power plants and its equipment	Structures and machinery of Thermal Power Plant	Motor vehicles	IT and telecom-munication equipment	Other PP&E	Construction in progress	Total
Net book value as at 1 January 2017	**2,376**	**58,282**	**805,602**	**124,926**	**119,249**	**60,345**	**520,231**	**17,242**	**18,975**	**7,042**	**36,544**	**1,770,814**
Acquisitions	-	130	3,387	(118)	22	-	139	4,814	3,120	843	235,314	247,651
Revaluation	-	(642)	1,113	-	-	-	-	-	-	-	-	471
Disposals	-	(414)	(265)	(11)	-	-	-	(455)	(4)	(1)	(35)	(1,185)
Write-offs	-	(24)	(4,329)	(89)	-	-	(11)	(13)	(30)	(8)	(60)	(4,564)
Reclassification between categories	-	1,760	164,035	29,911	835	-	1,265	-	1,483	3,119	(202,408)	-
Reclassification to assets, intangible assets	-	2	(13)	-	-	-	-	67	(71)	(3)	(217)	(235)
Reclassification to assets held for sale	(52)	(23,261)	(456)	(781)	(1)	-	-	(9,825)	(345)	(265)	-	(34,986)
Reclassification to investment property	-	(1,601)	-	-	-	-	-	-	-	-	(1,264)	(2,865)
Reclassification to finance lease	-	-	-	-	-	-	-	(4,579)	-	-	-	(4,579)
Reclassification (to) from inventories	-	-	(1)	-	(19)	-	(3)	20	(5)	-	-	(8)
Impairment	-	(87)	(388)	-	-	-	(105,352)	-	-	-	(513)	(106,340)
Reversal of impairment	-	98	-	-	-	-	45	-	-	-	-	143
Depreciation	-	(2,635)	(40,128)	(4,720)	(7,296)	(1,311)	(37,180)	(3,874)	(3,713)	(2,368)	-	(103,225)
Decrease due to disposal of subsidiary	-	-	-	-	-	-	-	(4)	(3)	(3)	-	(10)
Net book value as at 31 December 2017	**2,324**	**31,608**	**928,557**	**149,118**	**112,790**	**59,034**	**379,134**	**3,393**	**19,407**	**8,356**	**67,361**	**1,761,082**
Net book value as at 1 January 2018	**2,324**	**31,608**	**928,557**	**149,118**	**112,790**	**59,034**	**379,134**	**3,393**	**19,407**	**8,356**	**67,361**	**1,761,082**
Acquisitions	-	-	283	-	-	-	3,882	587	1,139	301	139,533	145,725
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(72)	(269)	(30)	-	-	(8)	306	(16)	(7)	(163)	(259)
Write-offs	-	(2)	(2,275)	(42)	-	-	(20)	(29)	(40)	(2)	(31)	(2,441)
Reclassification between categories	-	509	71,888	17,430	-	-	21	-	1,102	1,111	(92,061)	-
Reclassification to assets, intangible assets	-	-	-	-	-	-	-	-	(31)	-	(1,874)	(1,905)
Reclassification to assets held for sale	-	(13,130)	(2,672)	(443)	-	-	-	(479)	(231)	(306)	-	(17,261)
Reclassification to investment property	-	(823)	(3)	-	-	-	-	-	-	-	2,654	1,828
Reclassification to finance lease	-	-	-	-	-	-	-	(240)	-	-	-	(240)
Reclassification (to) from inventories	-	-	1	-	15	-	(221)	-	(1)	-	-	(206)
Impairment	-	-	-	(10,356)	-	-	-	-	-	-	-	(10,356)
Reversal of impairment	-	25	86	-	-	-	22	-	-	-	-	133
Depreciation	-	(711)	(22,231)	(2,511)	(3,645)	(842)	(9,850)	(875)	(1,934)	(1,265)	-	(43,864)
Net book value as at 30 June 2018	**2,324**	**17,404**	**973,365**	**153,166**	**109,160**	**58,192**	**372,960**	**2,663**	**19,395**	**8,188**	**115,419**	**1,832,236**

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 Group has significant commitments related to acquisitions of property, plant and equipment that will be required to be carried out in subsequent years. At 30 June 2018 the Group's commitments to acquire and build long-term tangible assets amount to EUR 421,811 thousand. Eur (31 December 2017 – EUR 294,177 thousand).

On 30 June 2018 the Group has pledged to banks property, plant and equipment for EUR 306,553 thousand. Eur (31 December 2017 – EUR 316,136 thousand) ensuring repayment of EUR 46,641 thousand (31 December 2017 – EUR 55,247 thousand) loans payables to banks by subsidiary’s „Lietuvos energijos gamyba“, AB.

All amounts in EUR thousands unless otherwise stated

The Company's property, plant and equipment movement:

Bendrovė	Kitas ilgalaikis materialusis turtas	Nebaigta statyba	Iš viso
As at 1 January 2016			
Acquisition cost	28	345	373
Accumulated amortisation	(25)	-	(25)
Net book amount	**3**	**345**	**348**
Net book value as at 1 January 2017	**3**	**345**	**348**
Acquisitions	40	36	76
Depreciation	(3)	-	(3)
Net book value as at 31 December 2017	**40**	**381**	**421**
As at 31 December 2017			
Acquisition cost	69	381	450
Accumulated amortisation	(29)	-	(29)
Net book amount	**40**	**381**	**421**
Net book value as at 1 January 2018	**40**	**381**	**421**
Acquisitions	-	-	-
Depreciation	(4)	-	(4)
Net book value as at 30 June 2018	**36**	**381**	**417**
As at 30 June 2018			
Acquisition cost	68	381	449
Accumulated amortisation	(32)	-	(32)
Net book amount	**36**	**381**	**417**

7 Investments in subsidiaries and other investments

Movement in the Company's investments in subsidiaries:

Bendrovė	2018, I-II Q	2017
As at 1 January	**1,148,917**	**1,172,187**
Increase in share capital of subsidiaries	22,441	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	70	4,470
Impairment of investments into subsidiaries	(1,570)	(9,414)
Closing net book amount	**1,169,858**	**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 June 2018 and balances of unpaid share capital as at 30 June 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 „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	450	450	2018-04-10
UAB Elektroninių mokėjimų agentūra	2018-02-21	370,000	1,00	370	370	-	2018-02-27
Increase of authorized capital by non-cash contribution							
„Lietuvos energijos gamyba“, AB	2018-03-30	12,919,014	0,624	8,062	8,062	-	2018-03-31
Prepayments settled							
UAB Vilniaus kogeneracinė jėgainė	2017-12-21	53,781,379	0,29	15,597	3,899	11,698	2018-01-05
Total				**27,273**	**12,075**	**15,000**	

** 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 ¼ 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. The remaining subscribed value of shares of EUR 11,698 thousand will be paid by the Company within 12 months after the date of the Share Subscription Agreement. 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

All amounts in EUR thousands unless otherwise stated

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 it's 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. On31 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 it's operastions 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 transfering 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".

Contributions against losses and impairment

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

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

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 Ligrid 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 June 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 June 2018 investment into Duomenų Logistikos Centras UAB, that amounts to EUR 4,705 thousand, was classified as non-current assets held for sale.

As at 30 June 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	38,759	(9,036)	-	29,723	100,00	100,00
Energijos tiekimas, UAB	23,906	-	-	23,906	100,00	100,00
UAB Vilniaus kogeneracinė jėgainė	24,903	-	-	24,903	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	2,120	-	-	2,120	100,00	100,00
UAB „Verslo aptarnavimo centras"	295	-	-	295	51,00	98,41
UAB „Energetikos paslaugų ir rangos organizacija"	10,637	(14,746)	4,300	191	100,00	100,00
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)		
	1,194,467	**(29,494)**	**4,885**	**1,169,858**		

All amounts in EUR thousands unless otherwise stated

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	95	95
„Lietuvos energijos gamyba“, AB	299,936	-	-	299,936	97	97
NT valdos, UAB	41,117	(9,036)	-	32,081	100	100
Energijos tiekimas, UAB	23,906	-	-	23,906	100	100
UAB Vilniaus kogeneracinė jėgainė	21,003	-	-	21,003	100	100
UAB EURAKRAS	18,735	-	-	18,735	100	100
UAB Kauno kogeneracinė jėgainė	12,240	-	-	12,240	51	51
UAB LITGAS	12,640	(4,010)	-	8,630	100	100
UAB „Lietuvos dujų tiekimas“	8,369		-	8,369	100	100
Tuuleenergia OÜ	6,659	-	-	6,659	100	100
UAB Technologijų ir inovacijų centras	3,219		-	3,219	50	98
UAB Elektroninių mokėjimų agentūra	1,058	-	-	1,058	100	100
UAB Energijos sprendimų centras	1,670	-	-	1,670	100	100
UAB „Verslo aptarnavimo centras“	296	-	-	296	51	98
UAB „Energetikos paslaugų ir rangos organizacija“	9,137	(13,246)	4,300	191	100	100
Lietuvos energijos paramos fondas	3	-	-	3	100	100
UAB VAE SPB	1,117	(1,632)	515	-	100	100
	1,172,026	**(27,924)**	**4,815**	**1,148,917**		

8 Amounts receivable after one year

As at 30 June 2018 and 31 December 2017 the Group’s and the Company’s Amounts receivable after one year consists of the following key elements:

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Amount receivable on disposal of Litgrid AB (3, 4 notes)	169,856	169,856	169,856	169,856
Deposited guarantees	9	9	-	-
Amounts receivable on emission allowances lent	119	103	-	-
Loan granted	435	470	358,223	325,744
Other non-current receivables	794	728	22	39
Total:	**171,213**	**171,166**	**528,101**	**495,639**
Less: impairment	(1,361)	(678)	(2,701)	(2,701)
Carrying amount	**169,852**	**170,488**	**525,400**	**492,938**

9 Inventories

As at 30 June 2018 and 31 December 2017 the Group’s and the Company’s inventories consists of the following elements:

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Natural gas	38,057	46,084	-	-
Consumables, raw materials and spare parts	7,805	8,493	-	-
Heavy fuel oil	4,585	4,585	-	-
Other	1,101	957	-	-
Total	**51,548**	**60,119**	**-**	**-**
Less: write-down to net realisable value	(2,909)	(3,253)	-	-
Carrying amount	**48,639**	**56,866**	**-**	**-**

10 Trade receivables

As at 30 June 2018 and 31 December 2017 Group’s and Company’s prepayments comprised of the following items:

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Receivables on sales of electricity in Lithuania	66,082	71,221	-	-
Receivables on sales of gas from non-household users	24,570	36,008	-	-
Receivables on sales of gas from household users	3,130	2,616	-	-
Receivables on contract works	1,661	2,325	-	-
Receivable for the sales of heat	3,591	1,071	-	-
Receivable for rent of property	1,351	1,742	-	-
Receivables on exports of electricity and electricity produced abroad	855	1,771	-	-
Receivables for information technology and telecommunications services	1,090	819	-	-
Other trade receivables	8,065	5,146	-	-
Carrying amount	**110,395**	**122,719**	**-**	**-**
Less: write-down to net realisable value	(9,962)	(10,156)	-	-
Carrying amount	**100,433**	**112,563**	**-**	**-**

All amounts in EUR thousands unless otherwise stated

Movement of impairment during first half of 2018 and during 2017 year:

	Group		Company	
	2018, I-II Q	2017	2018, I-II Q	2017
At 1 January	**10,156**	**11,075**	**-**	**-**
Effect of 9 IFRS adoption	473	-	-	-
Restated At 1 January	**10,629**	**11,075**	**-**	**-**
Impairment charge for the year	997	(1,145)	-	-
Write-down of doubtful receivables	(10)	(97)	-	-
(Reversal) of impairment	(1,654)	323	-	-
Net book amount at the end of period	**9,962**	**10,156**	**-**	**-**

11 Cash and cash equivalents

As at 30 June 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 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Cash in bank	130,796	171,756	228	52,517
Carrying amount	**130,796**	**171,756**	**228**	**52,517**

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

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Cash and cash equivalents	130,796	171,756	228	52,517
Bank overdrafts	(160,053)	(10,655)	(160,053)	-
Carrying amount	**(29,257)**	**161,101**	**(159,825)**	**52,517**

Under the loan agreements signed with the banks, the Group has pledged current and future cash inflows to bank accounts. As at 30 June 2018, the balance of cash pledged amounted to EUR 11,802 thousand (31 December 2017: EUR 12,610 thousand).

12 Non-current assets held for sale

As at 30 June 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 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Property, plant, and equipment	71,840	56,359	77	10,012
Disposal group	22,680	22,942	-	-
Investments in subsidiaries	-	-	4,705	4,705
	94,520	**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. Liebilities related to Disposal group of EUR 686 thousand are 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 transferre assets and liabilities related to the transport activities from NT Valdos, UAB to UAB Transporto Valdymas.

Depreciation of property, plant and equipment included in the disposal group during first half of2018 is 737 thousand. Eur.

13 Share capital

As at 30 June 2018 and 31 December 2017, the Company's share capital amounted to EUR 1,212,156,294. As at 30 June 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 June 2018 and 31 December 2017, all shares were fully paid.

All amounts in EUR thousands unless otherwise stated

14 Borrowings

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

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Non-current				
Bank borrowings	307,813	186,087	271,000	139,687
Bonds issued	294,124	293,981	294,124	293,981
Current				
Current portion of non-current borrowings	80,568	119,599	57,401	95,013
Current borrowings	-	-	-	-
Bank overdrafts	-	10,655	-	-
Accrued interest	5,769	3,427	5,770	2,794
Total borrowings	**688,274**	**613,749**	**628,295**	**531,475**

Non-current borrowings analyzed by maturity:

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Between 1 and 2 years	214,281	66,124	204,327	57,362
Between 2 and 5 years	54,996	73,039	36,074	48,587
After 5 years	332,660	340,905	324,723	327,719
Total	**601,937**	**480,068**	**565,124**	**433,668**

On 28 February 2018 the Company and AB „Energijos skirstymo operatorius" concluded an additional agreement ammeding 13 October 2017 ageement 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".

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 June 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.

As at 30 June 2018, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 9,947 thousand.

The loan agreements contain financial and non-financial covenants that the individual Group companies are obliged to comply with. All Group companies complied with the covenants as at 30 June 2018 and 31 December 2017.

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

15 Grants and subsidies

The balance of grants comprises grants to finance acquisition of assets, funds received from the International Fund for Support of Decommissioning of Ignalina Nuclear Power Plant, from the EU structural funds, and property, plant and equipment and intangible assets received in return for no consideration from the Government of the Republic of Lithuania. Movements on the account of grants during first half of 2018 and during 2017 year were as follows:

Group	Asset-related grants		Grants for emission allowances	Total
	Other projects of the Group	Projects for renovation, improvement of environmental and security standards		
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	(770)	(3,987)	-	(4,757)
Grants received	9,797	-	2,560	12,357
Emission allowances utilised	-	-	(45)	(45)
Balance at 30 June 2018	**58,570**	**145,582**	**3,714**	**207,866**

All amounts in EUR thousands unless otherwise stated

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

16 Provisions

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

	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Non-current	30,878	1,893	5,402	2,903
Current	2,108	2,498	-	-
Carrying amount	**32,986**	**4,391**	**5,402**	**2,903**

Details of Group's provisions movements during first half of 2018 and during 2017 year:

Group	Provisions for onerous contracts	Emission allowance liabilities	Provisions for employee benefits	Other provi-sions	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	-	-	72	28,725	28,797
Utilised during the period	-	(545)	(2)	-	(547)
Revaluation of used emission allowances	-	157	-	-	157
Decrease/increase on change of assumptions	-	-	188	-	188
At 30 June 2018	**-**	**141**	**4,120**	**28,725**	**32,986**

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 June 2018, the Company accounted for a provision of EUR 5,402 thousand (31 December 2017: EUR 2,903 thousand) related to borrowings of EUR 6,978 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 the provision for one-time compensations to third parties for the remuneration of statutory servitude effective as of 10 July 2004.

17 Deferred income

During first half of 2018 and 2017 year movement of the Groups deferred income accounts were as follows:

	Group		Company	
	2018, I-II Q	2017	2018, I-II Q	2017
At 1 January	**54,509**	**52,214**	**-**	**-**
Effect of 15 IFRS adoption of natural gas distribution activities	(10,356)	-		
Effect of 15 IFRS adoption of electricity distribution activities	74,195	-		
Restated at 1 January	**118,348**	**52,214**		
Received during the period	2,723	4,902	-	-
Utilised during the period	(5,111)	(2,607)	-	-
Net book amount at the end of period	**115,960**	**54,509**	**-**	**-**

Before 1 January 2018 fees paid by users for connection to the gas distribution system were accounted for as deferred revenue as revenue through the average useful life of the capitalized associated tangible non-current assets. This revenue was recorded in the Group' statements of comprehensive income item "Sales revenue". After 1 January 2018 contributions received are recognized as revenue immediately when the contractual obligation are fulfilled and are no longer accounted for as deferred revenue.

After 1 January 2018 the contributions received for connection to the Group's electricity distribution system are accounted for as deferred revenue and are recognized as revenue through the average useful life of the capitalized non-current assets while the Group ensures the customer's connection to the electricity distribution networks. Before 1 January 2018 the contributions received were recognized as revenue immediately when the contractual obligation was fulfilled.

18 Sales revenue

The Groups sales revenue during first half of 2018 were as follows:

2018, I-II Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments: Parent company	Other segments: Other segments	Total
Revenue from sale of electricity and related services	275,918	53,954	-	73,423	-	-	403,295
Revenue from sale of gas and related services	4,588	-	173,732	-	-	-	178,320
Other sales revenue	5,112	2,373	813	2,653	-	144	11,095
Total	**285,618**	**56,327**	**174,545**	**76,076**	**-**	**144**	**592,710**

The Groups sales revenue during first half of 2017 were as follows:

2017, I-II Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments: Parent company	Other segments: Other segments	Total
Revenue from sale of electricity and related services	271,596	51,378	-	47,209	-	-	370,183
Revenue from sale of gas and related services	4,681	-	138,967	-	-	-	143,648
Other sales revenue	3,960	2,472	1,056	2,680	-	74	10,242
Total	**280,237**	**53,850**	**140,023**	**49,889**	**-**	**74**	**524,073**

In the first half of 2018 and 2017, the Company's revenues from contracts with customers comprised income from advisory and management services provided to subsidiaries (Note 23).

19 Dividends

Dividends declared by the Group companies

Dividends declared by the Group companies during the period from 1 January to 30 June 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-controling 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
				42,747	**41,052**	**1,488**

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

Date on which dividends were declared	Dividends declared by	Period for which dividends were allocated	Dividends per share, in EUR	Declared amount of dividends	Dividend income of the Company	Non-controling 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
				78,551	**75,170**	**3,181**

Dividends issued by the Company

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

	2018, I-II Q		2017, I-II Q	
	(EUR '000)	Dividends per share	(EUR '000)	Dividends per share
Lietuvos Energija UAB	78,265	0,0187	59,752	0,0143

All amounts in EUR thousands unless otherwise stated

20 Other expenses

Other expenses incurred by the Group and the Company during first half of 2018 and 2017 were as follows:

	Group		Company	
	2018, I-II Q	2017, I-II Q	2018, I-II Q	2017, I-II Q
Taxes	2,875	3,267	181	21
Write-offs of property, plant and equipment	2,441	1,632	-	-
Customer service	2,007	1,901	-	-
Utility services	1,455	1,113	736	39
Telecommunication and IT services	1,918	1,511	151	130
Motor vehicles	1,026	1,102	75	57
Write-offs of non-current and current amounts receivable (bad debts)	901	-	-	-
Consulting services	630	359	372	194
Rent	583	343	96	96
Expenses of low-value inventory items	564	361	-	-
Personnel development	529	348	115	47
Public relations and marketing	437	259	159	69
Business trips	207	228	39	34
Business support services	-	-	142	133
Revaluation and provisions of emission allowances, including:	(8,357)	3,025	-	-
Revaluation of accounts receivable for lent emission allowances	2,744	(606)	-	-
Revaluation of used emission allowances (Note 16)	(379)	384	-	-
Impairment of other non-current assets (reversal)	(1,851)	-	-	-
Impairment of inventories (reversal)	(344)	(19)	-	-
Provision for guarantees for the fulfilment of obligations of the subsidiaries	-	-	2,499	-
Other expenses	3,360	1,677	64	54
	8,381	**17,107**	**4,629**	**874**

21 Finance income

Finance income earned by the Group and the Company during first half of 2018 and 2017 consists of the following key elements:

	Group		Company	
	2018, I-II Q	2017, I-II Q	2018, I-II Q	2017, I-II Q
Interest income	732	865	4,232	1,004
Fines treated as interest	-	146	-	-
Other finance income	32	349	-	144
	764	**1,360**	**4,232**	**1,148**
	732	865	4,232	1,004

22 Finance costs

Finance costs incured by the Group and the Company during first half of 2018 and 2017 consists of the following items:

	Group		Company	
	2018, I-II Q	2017, I-II Q	2018, I-II Q	2017, I-II Q
Interest expense	4,771	2,658	4,208	364
Revaluation of derivatives costs	-	340	-	209
Other finance costs	290	104	31	106
	5,061	**3,102**	**4,239**	**679**

23 Transactions with related parties

As at 30 June 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 six month period ended 30 June 2018 and balances outstanding as of 30 June 2018 comprised of the following:

Related party	Amounts receivable	Amounts payable	Sales	Purchases	Finance income (costs)
UAB "EPSO-G"	170,680	-	18	-	544
Litgrid AB	1,194	10,477	1,415	58,488	-
BALTPOOL UAB	6,891	12,039	6	35,833	-
UAB "TETAS"	470	1,744	518	754	32
AB „Amber Grid“	2,977	3,357	13,841	14,912	-
LITGRID Power Link Service, UAB	15	-	55	-	-
GET Baltic	5,076	2,376	9,553	3,600	-
Associates and other related parties of the Group	210	-	230	159	-
Total	**187,513**	**29,993**	**25,636**	**113,746**	**576**

All amounts in EUR thousands unless otherwise stated

The Group's transactions with related parties for the six month period ended 30 June 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	-	865	1,527	736
Litgrid AB	5,468	12,090	33,607	52,264	(69)
BALTPOOL UAB	14,943	13,886	42,422	37,230	-
UAB "TETAS"	786	4,793	306	6,770	82
AB „Amber Grid“	2,273	6,888	3,420	34,394	-
LITGRID Power Link Service, UAB	10	-	24		
GET Baltic	2	2	185	279	
Associates and other related parties of the Group	280	100	257	131	3
Total	**193,898**	**37,759**	**81,086**	**132,595**	**752**

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

Related parties	Amounts receivable 2018-06-30	Amounts payable 2018-06-30	Sales 2018, I-II Q	Purchases 2018, I-II Q	Finance income 2018, I-II Q	Finance costs 2018, I-II Q
Subsidiaries						
AB Energijos skirstymo operatorius	443,369	-	645	-	2,531	-
„Lietuvos energijos gamyba“, AB	56	-	241	19	-	-
UAB EURAKRAS	24,951	-	4	-	352	-
UAB „Lietuvos dujų tiekimas“	21,073	-	94	-	41	-
NT valdos, UAB	13,438	-	48	158	157	-
UAB Technologijų ir inovacijų centras	3,512	29	43	144	6	-
UAB Duomenų logistikos centras	2	-	10	-	-	-
UAB „Energetikos paslaugų ir rangos organizacija“	6,147	18	51	-	63	-
Tuuleenergia OU	21,173	-	4	-	382	-
Energijos tiekimas, UAB	20,695	-	74	149	43	-
UAB LITGAS	8	-	55	-	5	-
UAB "Transporto valdymas"	20,444	20	-	-	89	-
UAB Elektroninių mokėjimų agentūra	4	-	16	-	-	-
UAB „Verslo aptarnavimo centras“	232	108	85	31	1	-
UAB VAE SPB	0	-	3	-	-	-
UAB Vilniaus kogeneracinė jėgainė	4,953	-	55	255	3	-
UAB Energijos sprendimų centras	4	-	15	-	-	-
UAB Kauno kogeneracinė jėgainė	62	-	88	-	-	-
Other related parties						
UAB "EPSO-G"	170,676	-	-	-	544	-
Viso	**750,802**	**175**	**1,531**	**756**	**4,217**	**-**

At 30 June 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 six month period ended 30 June 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-II Q	Purchases 2017, I-II Q	Finance income 2017, I-II Q	Finance costs 2017, I-II Q
Subsidiaries						
AB Energijos skirstymo operatorius	356,911	5,560	613	-	-	58
„Lietuvos energijos gamyba“, AB	1,135	4,067	228	-	-	66
UAB EURAKRAS	24,528	-	6	-	62	3
UAB „Lietuvos dujų tiekimas“	24,930	-	82	-	-	4
NT valdos, UAB	43,191	27	73	165	-	23
UAB Technologijų ir inovacijų centras	1,938	47	49	115	-	6
UAB Duomenų logistikos centras	1	57	14	-	-	1
UAB „Energetikos paslaugų ir rangos organizacija“	5,487	-	83	-	33	-
Tuuleenergia OU	24,198	1	15	-	315	-
Energijos tiekimas, UAB	12,937	64	81	-	3	-
UAB LITGAS	10	-	49	-	-	2
VšĮ Energetikų mokymų centras	10	-	9	-	-	-
UAB Elektroninių mokėjimų agentūra	35	40	13	-	-	-
UAB „Verslo aptarnavimo centras“	1	-	64	147	-	1
UAB VAE SPB	3,913	-	2	-	-	-
UAB Vilniaus kogeneracinė jėgainė	49	-	29	-	-	2
UAB Energijos sprendimų centras	-	-	19	-	-	-
UAB Kauno kogeneracinė jėgainė	3	-	60	-	-	-
Other related parties	-	-				
UAB "EPSO-G"	170,132	-	-	-	736	-
Viso	**669,409**	**9,863**	**1,489**	**427**	**1,149**	**166**

The Company's dividend revenue received from subsidiaries during first half of 2018 and 2017 disclosed in Note 19.

All amounts in EUR thousands unless otherwise stated

Management compensation:

	Group		Company	
	2018, I-II Q	2017, I-II Q	2018, I-II Q	2017, I-II Q
Salaries and other short-term benefits	1,873	1,893	410	377
Whereof: Termination benefits and benefits to Board Members	190	246	73	36
Number of management staff	62	66	11	10

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

24 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, VšĮ Energetikų Mokymo Centras);
– 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 EBIDTA, 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 firs half of 2018 is provided below:

2018, I-II 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	*285,618*	*56,327*	*174,545*	*76,076*	*-*	*144*	*-*	*592,710*
Other revenue	*3,369*	*1,058*	*260*	*19,878*	*529*	*8,190*	*-*	*33,284*
Inter-segment revenue	20,054	7,844	30,677	3,668	42,716	31,668	(136,627)	-
Total revenue	**309,041**	**65,229**	**205,482**	**99,622**	**43,245**	**40,002**	**(136,627)**	**625,994**
Expenses	(288,108)	(37,201)	(196,137)	(86,234)	(8,631)	(38,607)	98,198	(556,720)
Whereof:	-	-	-	-	-	-	-	-
Depreciation and amortisation	*(27,383)*	*(10,803)*	*(38)*	*(513)*	*(3)*	*(3,195)*	*(776)*	*(42,711)*
Property, plant and equipment impairment and write-down	*(2,353)*	*4*	*-*	*-*	*-*	*58*	*-*	*(2,291)*
Revaluation of emission allowances	*-*	*8,357*	*-*	*-*	*-*	*-*	*-*	*8,357*
Management's adjustments	**33,577**	**125**	**(1,979)**	**(14,117)**	**-**	**89**	**-**	**17,695**
Adjusted EBITDA	**84,246**	**30,595**	**7,404**	**(216)**	**34,617**	**4,621**	**(37,653)**	**123,614**
Operating profit (loss)	20,933	28,028	9,345	13,388	34,614	1,395	(38,429)	69,274
Interest income	47	60	111	42	4,232	6	(3,766)	732
Interest (expenses)	(2,447)	(1,007)	(294)	(101)	(4,208)	(470)	3,756	(4,771)
Other income (expenses) of financing activities	(236)	(18)	17	(3)	(31)	12	1	(258)
Share of results of associates	113	71	-	-	-	-	(184)	-
Gain (loss) attributable to derivative financial instruments	-	-	-	-	(244)	-	-	(244)
Profit (loss) before tax	**18,410**	**27,134**	**9,179**	**13,326**	**34,363**	**943**	**(38,622)**	**64,733**
Income tax	(673)	(4,162)	(573)	(167)	406	(783)	(458)	(6,410)
Net profit (loss)	**17,737**	**22,972**	**8,606**	**13,159**	**34,769**	**160**	**(39,080)**	**58,323**
Assets as at 30 June 2018	**1,341,112**	**707,943**	**103,646**	**78,340**	**1,935,479**	**233,127**	**(1,847,352)**	**2,552,295**

All amounts in EUR thousands unless otherwise stated

Group information about operating segments during firs half of 2017 is provided below:

2017, I-II Q	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments: Parent company	Other segments: Other segments	Elimination of intercompany transactions and consolidation eliminations	Total
Continued operations								
Revenue from external customers								
Sales revenue	*280,237*	*53,850*	*140,023*	*49,889*	*-*	*74*	*-*	*524,073*
Other revenue	*1,924*	*449*	*184*	*22*	*-*	*10,318*	*-*	*12,897*
Inter-segment revenue	24,306	16,022	28,244	23,626	76,661	25,547	(194,406)	-
Total revenue	**306,467**	**70,321**	**168,451**	**73,537**	**76,661**	**35,939**	**(194,406)**	**536,970**
Expenses	(255,953)	(55,516)	(176,469)	(50,938)	(12,304)	(35,040)	105,357	*(480,863)*
Whereof:								
depreciation and amortization	*(24,411)*	*(13,908)*	*(29)*	*(535)*	*-*	*(3,493)*	*(309)*	*(42,685)*
impairments and write-offs	*1,436*	*(1,283)*	*(32)*	*41*	*(9,336)*	*54*	*9,336*	*216*
Revaluation of emission allowances	*-*	*(3,025)*	*-*	*-*	*-*	*-*	*-*	*(3,025)*
Write-off of Property, plant and equipment, inventories and trade receivables	*(1,808)*	*(9)*	*(91)*	*(37)*	*-*	*(24)*	*-*	*(1,969)*
Unrealized gain (loss) attributable to derivative financial instruments	*-*	*-*	*-*	*(967)*	*-*	*-*	*-*	*(967)*
Management's adjustments	**(1,335)**	**-**	**16,371**	**-**	**-**	**-**	**-**	**15,036**
Adjusted EBITDA	**73,962**	**33,030**	**8,505**	**24,097**	**73,693**	**4,362**	**(98,076)**	**119,573**
Operating profit (loss)	50,514	14,805	(8,018)	22,599	64,357	899	(89,049)	56,107
Interest income	500	84	85	11	1,004	43	(716)	1,011
Interest (expenses)	(866)	(1,244)	(259)	(59)	(364)	(280)	414	(2,658)
Other income (expenses) of financing activities	144	197	(335)	(4)	(171)	(83)	157	(95)
Profit (loss) before tax	**50,292**	**13,842**	**(8,527)**	**22,547**	**64,826**	**579**	**(89,194)**	**54,365**
Income tax	(5,313)	189	2,583	(97)	128	(106)	154	(2,462)
Net profit (loss) from continuing operations	**44,979**	**14,031**	**(5,944)**	**22,450**	**64,954**	**473**	**(89,040)**	**51,903**
Profit (loss) from discontinued operations	**-**	**-**	**-**	**-**	**-**	**194**	**(29)**	**165**
Net profit (loss)	**44,979**	**14,031**	**(5,944)**	**22,450**	**64,954**	**667**	**(89,069)**	**52,068**
Assets as at 30 June 2017	**1,142,066**	**796,685**	**56,329**	**51,150**	**1,366,650**	**207,001**	**(1,299,369)**	**2,320,512**

The Company is treated as a single reporting segment as the Company's principal activities are related only to the management and coordination of the activities of the companies of Lietuvos Energija UAB group. The Company's net profit for the first half of 2018 amounted to EUR 36,841 thousand (first half of 2017: EUR 64,954 thousand). Information about the Company's products and services is presented in Note 14. The Company generates all its revenue from the provision of services to the controlled companies of Lietuvos Energija UAB group. The Company is not engaged in significant activities in foreign markets, therefore a separate geographical segments is not distinguished.

25 Commitments and contingencies

Guarantees issued by the Company as at 30 June 2018 and 31 December 2017:

Name of the subsidiary	Guarantee beneficiary	Guarantee issue date	Guarantee expiry date	Maximum amount of guarantee	As at 30 June 2018	As at 31 December 2017
UAB Vilniaus kogeneracinė jėgainė	European Investment Bank	2016-12-30	2033-12-06	190,000	-	-
UAB Kauno kogeneracinė jėgainė	"Swedbank", AB	2017-10-18	2022-10-18	61,200	-	-
UAB Energijos sprendimų centras	Luminor (Nordea)	2016-10-04	2020-09-30	735	-	-
Companies of Lietuvos Energija UAB group	Companies of Lietuvos Energija UAB group	2016 year	2019-06-30	-	20,278	15,428
				251,935	**20,278**	**15,428**

As at 30 June 2018, the Company accounted for a provision of EUR 5,402 thousand (31 December 2017: EUR 2,903 thousand) related to borrowings of EUR 6,978 thousand (31 December 2017: EUR 6,824 thousand) obtained by the subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB at the Group's cashpool account.

Capital expenditure commitments

As at 30 June 2018 the Group's capital expenditure commitments assumed under the signed contracts as at the date of the financial statements but not accounted for in the financial statements amounted to EUR 421,811 thousand (31 December 2017: EUR 294,177 thousand).

Litigations

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

On November 2014 and January 2015, Energijos Skirstymo Operatorius AB filed the complaints to Vilnius Regional Administrative Court requesting to annul the respective resolutions of the National Commission for Energy Control and Prices (the Commission), to oblige the Commission to eliminate the violations, as well as violations committed when determining the price caps for electricity distribution services provided by Energijos Skirstymo Operatorius AB through medium and low voltage networks for the upcoming period. Violations committed when determining the price caps for electricity distribution services resulted in lower revenue from public supply of electricity. Vilnius Regional Administrative Court passed the rulings whereby the claims were rejected in full. Energijos Skirstymo Operatorius AB appealed against the court rulings. The cases are currently under investigation by the court of appeals. On 13 March 2018 the Supreme Administrative Court of Lithuania (hereinafter referred to as the "Court") has decided to annul the parts of the Commission's decisions extending regulatory period 2011-2013 for 2015 and the price caps for 2015 have been re-calculated incorrectly. On 9 August 2018 Commission filed a request to the Court to clarify the Court's judgment of 13 March 2018. The Commission asks, in the context of the Court's judgment of 13 March 2018 the decision should be taken to measure the difference between the weighted average cost of capital or the change of regulatory period from 2016-2020 to 2015-2019.

In July 2015, LESTO AB filed the complaint to Vilnius Regional Administrative Court with the request to annul the Commission's Resolution on the Violation of Terms and Conditions of the Regulated Activity by LESTO AB under which the violation made by LESTO AB in respect of the licensed activity was identified, i.e. LESTO AB unjustifiably allocated more costs to the regulated activities of electricity distribution and public supply than the amount that could have been actually allocated, and to recognise the imposed fine of EUR 300 thousand as ungrounded. The investigation of the case has been suspended until the ruling is passed in the administrative case where the Company disagrees with the results of the Commission's audit. On 25 October 2017, the court of first instance passed a ruling whereby it rejected ESO's complaint on audit results in its entirety. Disagreeing with the court's ruling, ESO filed an appeal. The case is currently under investigation by the court of appeals. The date of the court's hearing has not been set yet. If the court passed a judgment in favour of Energijos Skirstymo Operatorius AB, the price caps would increase, revenue for future periods would surge, and the fine of EUR 300 thousand which was accounted for in 2015 would be deemed unreasonable.

On 17 October 2017, the claimants Fatima Maria Islam, Birutė Šiokienė, and Pranas Šiokys filed a claim to Vilnius City District Court against the defendant Energijos Skirstymo Operatorius AB (hereinafter "ESO"); the third persons (employees of ESO) include Modestas Auryla and Virgilijus Zubavičius. The claimants seek an order that ESO, the defendant, pay EUR 260 thousand to Fatima Maria Islam, EUR 70 thousand to Birutė Šiokienė, and EUR 70 thousand to Pranas Šiokys (EUR 400 thousand in total) as compensation for the non-material damage caused to the claimants and cover the costs of the court proceedings. By order of 15 December 2017, the court decided to stay the civil proceedings until the enactment of the final procedural judgment in the criminal case wherein the afore-mentioned third persons, employees of ESO, are accused of having committed a homicide of two or more people through negligence. The criminal case is currently under investigation by the court of appeals in respect of the appeals by the prosecutor and the third persons. ESO is not involved as neither the accused, nor any other participant in the criminal proceedings. The Company has not accounted for respective obligations. It is likely it will be awarded to pay damages in the civil proceedings. The management is currently unable to reliably assess the amount thereof.

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

On 27 March 2014, UAB „Vilniaus energija" brought a claim before Vilnius Regional Court whereby it requested to award damages of EUR 10,712 thousand from Energijos Skirstymo Operatorius AB, to recognise the provisions of the agreement on the purchase and sale of electricity as null and void as of the moment of its conclusion, to oblige the respondent to purchase the supported production volume of electricity. The oral hearing in Vilnius Regional Court was scheduled to take place on 29 May 2017. The court's hearing was postponed to 28 August 2017 as the court decided to request that Energijos Skirstymo Operatorius AB provide additional evidence relating to electricity prices. On 18 September 2017 the court dismissed the action in its entirety. The applicant filed an appeal. Date of court hearing has not been set. If the court rules in favour of AB „Energijos skirstymo operatorius" it would prevent the additional costs of complying with the claim in the future.

UAB LITGAS litigation

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

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

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

„Lietuvos energijos gamyba", AB

There were no significant changes in litigation since 31 December 2017.

Legal disputes of Tuuleenergia

On 12 July 2018 the natural person filed a complaint with the Tallinn Administrative Court seeking annulment of production permits issued for an indefinite period at 31 May 2018, to apply interim measures (suspend the validity of these permits until the case is investigated or the activities of generators 1 and 2 are prohibited from 23:00 to 7:00 pm) and to pay the litigation costs. On 13 July 2018 the Tallinn Administrative Court dismissed the application for interim measures. On 24 July 2018 the Tallinn Administrative Court decided to hear the case by written procedure and ordered the plaintiff to clarify the claim by 3 December 2018, and Tuuleenergia OU to provide feedback by 10 December 2018. The court will issue judgement on 19 December 2018.

26 Events after the end of reporting period

On 3 July 2018 UAB Verslo aptarnavimo centras paid the Company a dividend of 136,500,48 Eur.

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 3 July 2018 the Company issued 10-year senior unsecured Green Eurobonds in the principal amount of EUR 300 million, with a fixed coupon of 1.875 % payable 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 Notes will be listed on Luxembourg and Nasdaq Vilnius Stock Exchanges. BNP Paribas, J.P. Morgan and SEB acted as Joint Lead Managers and Joint Bookrunners of the issue. Net cash inflows consist of 98.290% of the nominal value of the bond issue or EUR 294,345,618.87. The Company plans to use the funds attracted for the financing of investments in the wind energy sector, increase of efficiency of the electricity distribution network and projects on energy production from waste and biomass. The funds attracted by green bonds are committed by the Company only to finance investments in green energy projects.

On 3 July 2018 the Company's subsidiary AB „Energijos skirstymo operatorius" (hereinafter – ESO) entered into establishment agreement of the limited partnership "Platform for Financing Energy Efficiency" (hereinafter – the Partnership) with Public Investment Development Agency. The Partnership will allocate funds for implementation of various projects and measures contributing to reduction of final energy consumption and increase of generating consumers. ESO participates in the Partnership as a limited partner, i.e., is liable for a contribution of 10 million EUR to be paid, if necessary, for a period of 10 years.

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 20 July 2018 the Company and it's subsidiary UAB Energetikos paslaugų ir rangos organizacija concluded an agreement, according to which the Company acquired real estate objects and movable items for market price determined by independend valueation – EUR 6,450,140.48. This property will be transferred to other company's subsidiary NT Valdos, UAB as a non-cash contribution to the authorized capital of the company. The market value of the non-monetary contribution is EUR 6,450,140.48 Eur corresponding to the value of the newly issued 222,725 shares of the Company's subsidiary NT Valdos, UAB.

On 31 July 2018 the National Commission for Energy Control and Prices (hereinafter – NCC) has adopted a decision on revocation of the issued energy operations licence granting the right to the Company to engage in the activity of the public supply of electricity as of 1 October 2018. The decision to apply to the NCC regarding the revocation of the issued energy operations licence was passed by the Board of the Company on 10 July 2018 in preparation for the segregation of the public electricity supply activity. It is planned that the public electricity supply activity that the Company is currently engaged in will be for a consideration (by selling part of the business) transferred to UAB Lietuvos Dujų Tiekimas, another company governed by the Lietuvos Energija Group. Once the pubic electricity supply operations are segregated, ESO will continue to be engaged in its key activities – distribute electricity and gas, and maintain the distribution networks, will ensure elimination of any faults of the network, as well as the connection to the network of all new customers, and guaranteed supply.

On 6 August 2018 the Company approved merge of subsidiaries Energijos tiekimas UAB and UAB Energijos sprendimų centras, where Energijos tiekimas UAB will continuing to operate, and instructed the boards of these companies to prepare reorganization conditions.

On 10 August 2018 the Company and UAB "Stemma Group" concluded share sale-purchase agreements for the acquisition of 100 percent shares of UAB "Vėjo vatas" and UAB "Vėjo gūsis" and the shareholder's claim rights. 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. The Company is planning to appeal notification regarding assessment of concentration to the Competition Council of the Republic of Lithuania.

On 17 August 2018 the Company, for the purpose of implementing the new strategy of the Company and gradually consolidating the electricity and natural gas trading and supply activities, Lietuvos Energija has decided to initiate its daughter natural gas trading and supply companies reorganisation by merging UAB Lietuvos Dujų Tiekimas and UAB LITGAS. The shareholder of Lietuvos Energija – Finance Ministry of Republic of Lithuania, approved the decision. The consolidation of trading and supply operations of the Lietuvos Energija Group companies will improve the environment for developing and creating higher quality services and solutions and providing such services to customers faster and more efficiently.

On 29 August 2018 the signed a Proportional Transfer Agreement for Green Bonds (hereinafter referred to as the Agreement) with AB Energijos Skirstymo Operatorius (hereinafter – ESO) for 250 million EUR of the issue of green bonds transfer. Before issuing the EUR 300 million worth Green Bonds of Lietuvos Energija part of the proceeds was projected to be used for long-term investments of ESO. The contractual term for the discharge of the obligations is no later than by 10 July 2028.

On 29 August 2018 the Company's subsidiary's AB „Energijos skirstymo operatorius" (hereinafter – ESO) Supervisory Board, on the basis of positive opinion of the Company's Audit Committee, approved the conclusion of the contract on the sale of the public electricity supply operations (hereinafter – the Business segment) to Lietuvos Dujų Tiekimas, UAB (hereinafter – LDT). On the basis of the valuation conducted by an independent property valuer UAB Ernst & Young Baltic, the price of the Business segment being sold was set at EUR 30,520,000 (thirty million five hundred twenty thousand euros) that the LDT shall pay to ESO. According to the provisions of the Contract, the ownership rights to the Business segment shall be transferred to LDT on 1 October 2018, on the basis of the Statement on the Transfer-Acceptance of the Business segment signed by the Company and LDT.

On 31 August 2018 the Company paid EUR 11,698 thousand portion of UAB Vilniaus kogeneracinė jėgainė unpaid authorized capital (Note 7).

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