

# 2018

## LIETUVOS ENERGIJA UAB

THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SECOND QUARTER OF 2018 AND SIX-MONTH PERIOD ENDED 30 JUNE 2018, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT



Group of energy  
companies

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Translation note:

*This version of the accompanying documents 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 the accompanying documents takes precedence over this translation.*

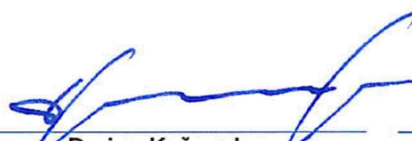
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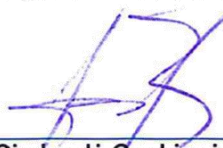
## CONDENSED INTERIM FINANCIAL INFORMATION

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The condensed interim financial information was approved on 5 September 2018 by Lietuvos Energija UAB Chief Executive Officer, Head of Finance and Investment Management Department, and Head of Accounting Services Centre of Verslo Aptarnavimo Centras UAB (acting under Order No IS18-77 of 13 August 2018).

  
**Darius Maikštėnas**  
Chief Executive Officer

  
**Darius Kašauskas**  
Finance and Treasury Director

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



## Independent auditor's report

To the shareholder of Lietuvos energija, UAB

### Our opinion

In our opinion, the condensed interim financial information of Lietuvos energija, UAB ("the Company") present fairly, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting* as adopted by the European Union.

#### *What we have audited*

The Company's condensed interim financial information ("the financial information") comprise:

- the condensed interim statement of financial position as at 30 June 2018;
- the condensed interim statements of comprehensive income for the three and six month periods then ended;
- the condensed interim statement of changes in equity for the six month period then ended;
- the condensed interim statement of cash flows for the six month period then ended; and
- the notes to the condensed interim financial information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial information in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

### Responsibilities of management and those charged with governance for the financial information

Management is responsible for the preparation and fair presentation of the financial information in accordance with International Accounting Standard 34 *Interim financial reporting* as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

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PricewaterhouseCoopers UAB, company code 111473316, is a private company registered with the Lithuanian Register of Legal Entities.

In preparing the financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial information**

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, reading "Radzevičienė", written in a cursive script.

Rasa Radzevičienė

Partner

Auditor's Certificate No.000377

Vilnius, Republic of Lithuania  
5 September 2018



## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		Company	
	Note	At 30 June 2018	At 31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		1,874	-
Property, plant, and equipment		417	421
Prepayments for non-current assets		4,709	3,899
Investments in subsidiaries	5	1,169,858	1,148,917
Amounts receivable after one year	6	525,400	492,938
Other financial assets		1,130	426
Deferred income tax assets		522	549
<b>Total non-current assets</b>		<b>1,703,910</b>	<b>1,647,150</b>
<b>Current assets</b>			
Prepayments and deferred expenses		37	42
Other amounts receivable	7	2,488	5,322
Prepaid income tax		157	147
Short-term loans	8	223,877	169,395
Cash and cash equivalents	9	228	52,517
		<b>226,787</b>	<b>227,423</b>
Non-current assets held for sale	10	4,782	14,717
<b>Total current assets</b>		<b>231,569</b>	<b>242,140</b>
<b>TOTAL ASSETS</b>		<b>1,935,479</b>	<b>1,889,290</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	1,212,156	1,212,156
Reserves	12	19,811	14,516
Retained earnings (deficit)		67,885	117,103
<b>Total equity</b>		<b>1,299,852</b>	<b>1,343,775</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current borrowings and bonds	13	565,124	433,668
Provisions		-	2,903
Other non-current amounts payable and liabilities	14	98	9,807
<b>Total non-current liabilities</b>		<b>565,222</b>	<b>446,378</b>
<b>Current liabilities</b>			
Current portion of non-current borrowings	13	57,401	95,013
Current borrowings	13	5,770	2,794
Trade payables		381	506
Prepayments received		50	1
Provisions		5,402	-
Other current amounts payable and liabilities		1,401	823
<b>Total current liabilities</b>		<b>70,405</b>	<b>99,137</b>
<b>Total liabilities</b>		<b>635,627</b>	<b>545,515</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,935,479</b>	<b>1,889,290</b>

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

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Company			
		Q1-2 2018	Q2 2018	Q1-2 2017	Q2 2017
<b>Revenue</b>					
Sales revenue	15	1,512	724	1,490	859
Other income		681	103	1	1
Dividend income	16	41,052	6,219	75,170	13,647
<b>Total revenue</b>		<b>43,245</b>	<b>7,046</b>	<b>76,661</b>	<b>14,507</b>
<b>Operating expenses</b>					
Depreciation and amortisation		(4)	(2)	-	-
Wages and salaries and related expenses		(2,428)	(1,281)	(2,094)	(1,111)
(Impairment)/reversal of impairment of investments in subsidiaries		(1,570)	(1,570)	(4,944)	(4,944)
Reversal of (impairment) of amounts receivable and loans		-	-	(4,392)	(4,392)
Other expenses	17	(4,629)	(3,296)	(874)	(514)
<b>Total operating expenses</b>		<b>(8,631)</b>	<b>(6,149)</b>	<b>(12,304)</b>	<b>(10,961)</b>
<b>Operating profit/(loss)</b>		<b>34,614</b>	<b>897</b>	<b>64,357</b>	<b>3,546</b>
Finance income	18	4,232	2,214	1,148	642
Finance costs	19	(4,239)	(2,092)	(679)	(314)
Results of the revaluation and closing of derivative financial instruments		(244)	(244)	-	-
<b>Profit/(loss) before income tax</b>		<b>34,363</b>	<b>775</b>	<b>64,826</b>	<b>3,874</b>
Current year income tax (expenses)/benefit		5	-	2	(12)
Deferred income tax (expenses)/benefit		(26)	148	126	107
<b>Net profit for the period</b>		<b>34,342</b>	<b>923</b>	<b>64,954</b>	<b>3,969</b>
<b>Other comprehensive income/(loss)</b>					
Items that will not be reclassified to profit or loss		-	-	-	-
Items that will be reclassified subsequently to profit or loss		-	-	-	-
<b>Total other comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>34,342</b>	<b>923</b>	<b>64,954</b>	<b>3,969</b>

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

All amounts in EUR thousands unless otherwise stated

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Company	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2017</b>		<b>1,212,156</b>	<b>9,758</b>	<b>-</b>	<b>75,699</b>	<b>1,297,613</b>
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	-	-
<b>Total other comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit for the reporting period		-	-	-	64,954	64,954
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>64,954</b>	<b>64,954</b>
Transfer to legal reserve	12	-	4,758	-	(4,758)	-
Dividends	16	-	-	-	(59,752)	(59,752)
<b>Balance at 30 June 2017</b>		<b>1,212,156</b>	<b>14,516</b>	<b>-</b>	<b>76,143</b>	<b>1,302,815</b>
<b>Balance at 1 January 2018</b>		<b>1,212,156</b>	<b>14,516</b>	<b>-</b>	<b>117,103</b>	<b>1,343,775</b>
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	-	-
<b>Total other comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit for the reporting period		-	-	-	34,342	34,342
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>34,342</b>	<b>34,342</b>
Transfer to legal reserve	12	-	5,295	-	(5,295)	-
Dividends	16	-	-	-	(78,265)	(78,265)
<b>Balance at 30 June 2018</b>		<b>1,212,156</b>	<b>19,811</b>	<b>-</b>	<b>67,885</b>	<b>1,299,852</b>

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



All amounts in EUR thousands unless otherwise stated

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	Company	
		Q1–2 2018	Q1–2 2017
<b>Cash flows from operating activities</b>			
Net profit for the period		34,342	64,954
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation expenses		4	-
Impairment/(reversal of impairment) of financial assets		-	4,392
Impairment/(reversal of impairment) of investments in subsidiaries	5	1,570	4,944
Increase (decrease) in provisions		2,499	-
Income tax expenses		21	(128)
<b>Elimination of results of investing activities:</b>			
- Dividend (income)	16	(41,052)	(75,170)
- (Gain)/loss on disposal/write-off of property, plant and equipment		-	-
- Results of the revaluation and closing of derivative financial instruments		244	-
<b>Elimination of results of financing activities:</b>			
- Interest (income)	18	(4,232)	(1,004)
- Interest expenses	19	4,208	364
- Other (income)/expenses of financing activities		31	171
<b>Changes in working capital:</b>			
(Increase) decrease in trade receivables and other amounts receivable		1,938	(150)
(Increase) decrease in inventories, prepayments and other current assets		52	(438)
Increase (decrease) in amounts payable, deferred income and advance amounts received		49	312
Income tax (paid)		-	(128)
<b>Net cash flows used in operating activities</b>		<b>(326)</b>	<b>(1,881)</b>
<b>Cash flows from investing activities</b>			
(Purchase) of property, plant and equipment and intangible assets		(4,709)	(7)
Loans (granted)		(165,796)	(4,000)
Loans repayments received		82,829	35,004
(Acquisition)/disposal of investments in subsidiaries		(10,550)	(7,076)
Interest received		1,257	618
Dividends received	16	40,915	75,170
Other increases (decreases) in cash flows from investing activities		(703)	-
<b>Net cash flows generated from/(used in) investing activities</b>		<b>(56,757)</b>	<b>99,709</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(66,351)	(37,511)
Interest paid		(944)	(395)
Payment of dividends	16	(78,265)	(59,752)
Other increases (decreases) in cash flows from financing activities	14	(9,699)	-
<b>Net cash flows used in financing activities</b>		<b>(155,259)</b>	<b>(97,658)</b>
<b>Increase (decrease) in cash and cash equivalents (including overdraft)</b>		<b>(212,342)</b>	<b>170</b>
Cash and cash equivalents (including overdraft) at the beginning of the period		52,517	73
<b>Cash and cash equivalents (including overdraft) at the end of period</b>		<b>(159,825)</b>	<b>243</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1 General information

Lietuvos Energija UAB (hereinafter "the Company") 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 profit-seeking entity of limited civil liability, which was registered with the Register of Legal Entities managed by the public institution the Centre of Registers on 28 August 2008. The Company's code is 301844044, VAT payer's code LT100004278519. The Company has been established for indefinite period.

The Company is a parent company, which is responsible for the management and coordination of the activities of the group companies engaged in electric power and heat production (as well as electric power production using renewable energy resources) and supply, electric power import and export, distribution and trade, natural gas distribution and supply as well as in the service and development of the electric power industry.

The Company analyses the activities of group companies, represents the whole group, implements its shareholder's 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 the 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	At 30 June 2018		At 31 December 2017	
	Share capital (EUR '000)	%	Share capital (EUR '000)	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212,156	100%	1,212,156	100.00

As at 30 June 2018, the Company had 111 (31 December 2017: 104) employees.

On 30 May 2018, the international rating agency S&P Global Ratings approved the valid BBB+ credit rating with a stable perspective.

The Company's management approved this interim financial information on 5 September 2018.

### 2 Summary of significant accounting policies

This interim financial information for the period ended 30 June 2018 has been prepared according to International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

This condensed interim financial information contains condensed interim financial information of Lietuvos Energija, UAB as a separate entity. This condensed interim financial information has been prepared according to the requirements of Article 60<sup>1</sup> of the Lithuanian Law on Companies.

For a better understanding of data contained in this interim condensed financial information, the Company's condensed interim financial statements for the first half of 2018 should be read in conjunction with the annual consolidated financial statements of Lietuvos Energija UAB and the Company's financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the consolidated condensed interim financial information (unaudited) for the six-month period ended 30 June 2018, which has been announced publicly.

When preparing these financial statements the Company adopted for the first time revenue recognition accounting policies consistent with the requirements of IFRS 15 *Revenue from contracts with customers* and accounting policies of financial instruments consistent with the requirements of IFRS 9 *Financial instruments*. The other accounting policies applied in the preparation of the condensed interim financial information are consistent with those that were applied in the preparation of the annual financial statements for 2017.

#### Income tax

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

#### New and amended standards, and interpretations

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

#### Revenue recognition

When entering into the customer management services agreement the seller assumes an obligation to provide to the customer a number of interrelated services, the aggregate of which comprises the Company's performance obligation to provide the customer with the integrated package of management services. Performance obligations to the customer are carried out over a period and progress in carrying performance obligations is measured by assessing actual quantities of services rendered that are established on the basis of working hours spent by the seller's employees. The Company receives a fixed fee for management services that have been actually rendered. For revenue recognition purposes, compensations of expenses incurred by the Company, which are to be covered by the customer, are not regarded as a part of consideration paid to the seller. The Company recognises revenue on the basis of invoices presented to customers for actually rendered management services by taking into consideration time required for the provision of services

All amounts in EUR thousands unless otherwise stated

by the Company's employees, their qualification and fees established in the agreement. Expenses incurred by the Company in performing the agreement concluded with the customer that are not compensated by the customer and that are not recorded under the provisions of other accounting standards are accounted for as assets and amortised over the validity period of the agreement.

#### Accounting policies of financial instruments

##### *Financial assets*

Following the adoption of IFRS 9, *Financial instruments* from 1 January 2018, the Company classifies its financial assets into the following three new categories:

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

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company 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 management regarding separate instruments has no effect on the applied business model. The Company 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 undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Company 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 recognises a financial asset in its statement of financial position when, and only when, the Company 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 measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of a financial asset.

Transaction costs comprise all charges and commission that the Company 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.

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

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

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

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 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 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 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 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*

All amounts in EUR thousands unless otherwise stated

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 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 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 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 expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company 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 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 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 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 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 borrower, the Company 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 borrower 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 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 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.

On 1 January 2018, the Company's management assessed expected credit losses of trade receivables, loans granted and the amount receivable for the sale of shares of LITGRID AB. Management has carried out the analysis of a general nature, the objective of which, in view of both historical and prospective qualitative and quantities information, is to determine whether loans granted and the amount receivable for the sale of shares of LITGRID AB are of low credit risk according to the data of 31 December 2017. Having determined no significant increase in credit risk, the Company calculated the amount of 12-month expected credit losses and assessed it as immaterial and consequently, did not report this amount in the statements of financial position and comprehensive income. Management has assessed expected credit losses of trade receivables as immaterial and therefore has not reported them in the statements of financial position and comprehensive income.

#### *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 derecognises financial assets in case of the following:

- the rights to receive cash flows from the asset have expired;
- the Company 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 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 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 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 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 has not retained control. In all other cases, the Company has retained control.

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

*Financial liabilities*

The first-time adoption of IFRS 9, *Financial instruments* had no impact on the measurement and classification of the Company's financial liabilities.

### 3 Financial risk management

In performing its activities 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 Company seeks to mitigate the effect of factors which could make a negative impact on the financial performance of the Company.

Fair values of financial instruments

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 recognised expected credit losses.

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 carrying amount of the Company's financial assets and financial liabilities measured at amortised cost approximates their fair value and is attributed to Level 3 in the fair value hierarchy.

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 Company's current ratio (total current assets / total current liabilities) was 3.29 (31 December 2017: 2.44). As at 30 June 2018, the Company's current assets exceeded its current liabilities by EUR 161,164 thousand (31 December 2017: EUR 143,003 thousand).

In the opinion of the Company's management, available lending facilities will be sufficient to cover current liabilities. As at 30 June 2018, the Company's balance of lending facilities from banks not withdrawn amounted to EUR 9,947 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 (Note 23). On 22 May 2018, the Company signed the agreement with Swedbank AB for the granting of the overdraft of EUR 100,000 thousand with the repayment term expiring on 22 May 2020. On 14 July 2017, the Company issued bonds worth of EUR 300 million at the Luxembourg Stock Exchange. On 3 July 2018, Lietuvos Energija placed a EUR 300 million worth 10 years' duration green bond issue.

In the opinion of the Company's management, credit facilities will be sufficient to cover current liabilities and therefore the going concern principle has been properly applied in the preparation of the Company's financial statements.



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

Estimates and judgements are continually evaluated 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 statements according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on these separate financial statements of the Company.

### Impairment tests in respect of investments in subsidiaries and amounts receivable

As at 30 June 2018, the Company assessed whether there are indications that investments in subsidiaries may be impaired. 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 has considered other information from external and internal sources and having established indications of impairment of investments in the subsidiaries, has tested the recoverable amounts and recognised impairment of investments, the description of which is presented below.

As at 30 June 2018, the Company tested for impairment its investment in subsidiary VAE SPB UAB and recognised impairment of EUR 70 thousand (2017: EUR 263 thousand). Following the recognition of impairment, the investment's recoverable amount (which is equivalent to its fair value) is equal to EUR 0 as at (31 December 2017: EUR 0). On 18 April 2018, the Company passed a decision to liquidate dormant subsidiary VAE SPB UAB. The Ministry of Finance, which is a shareholder of the Company, approved the decision to liquidate VAE SPB UAB. The Ministry of Energy has also approved the discontinuance of activities of the company. The Acting Managing Director of the subsidiary acts as a liquidator of the subsidiary. The liquidation procedures are expected to be completed within six months.

On 13 April 2018, the Company's Board passed a decision regarding the discontinuance of non-core contract activity. In the coming months consistent measures will be taken to discontinue the contract activity which is performed by the Group company Energetikos Paslaugų ir Rangos Organizacija UAB (EnePRO) that provides construction, reconstruction, repair and maintenance services of energy facilities. EnePRO will finalise the performance of existing contracts, will not accept new orders and will settle with suppliers. Following the reduction of the activity volumes to the minimal level, the company will implement the most important projects that have been started. The closure of existing contracts with customers will have no negative effect on the maintenance of the electricity network or the quality of services rendered by the electricity distribution operator. EnePRO's obligations to customers will be fulfilled in the shortest possible time and at the highest possible level of quality, and in individual cases contractual relationship with customers will be finalised by mutual agreement between the parties.

On 30 June 2018, the Company tested for impairment its investment in subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB and recognised impairment of EUR 1,500 thousand (2017: EUR 5,926 thousand) (Note 5), which was mainly caused by the decision passed by the Company's Board on 13 April 2018 to discontinue non-core contract activity. In the coming months consistent measures will be taken to discontinue the provision of the services of construction, reconstruction, repair and maintenance of energy facilities by Energetikos Paslaugų ir Rangos Organizacija UAB (EnePRO). Energetikos Paslaugų ir Rangos Organizacija UAB will finalise the performance of existing contracts, will not accept new orders and will settle with suppliers. Following the recognition of impairment, the investment's recoverable amount (which is equivalent to its fair value) is equal to EUR 191 thousand (31 December 2017: EUR 191 thousand).

As at 30 June 2018 and 31 December 2017, impairment of EUR 2,701 thousand (Note 8) was calculated in respect of loans and interest receivable by the Company from Energetikos Paslaugų ir Rangos Organizacija UAB.

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

### Deferred payment for transferred shares of Litgrid AB (Note 6)

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

The independent valuer determined the market value in respect of 97.5% of shares of Litgrid AB using the income approach. The purchase-sale agreement of shares of Litgrid AB provides for a premium to the final price, the amount of which depends on the return on regulated assets of the electricity transmission activity in 2014–2018. As at 30 June 2018 and 31 December 2017, the Company assessed the premium to the final price and determined that according to the purchase-sale agreement of shares of Litgrid AB the value of the premium to the final price was negative as at 30 June 2018 and equal to EUR 4,679 thousand (31 December 2017: EUR 4,679 thousand).

From 1 January 2018, the amount receivable for the sale of shares of Litgrid is measured at fair value through profit or loss. Before 1 January 2018, the amount receivable for the sale of shares of Litgrid was measured using the amortised cost for the basic sale price and fair value through profit or loss for the premium to the basic sale price.

### Intangible assets (Note 10)

As at 30 March 2018, the Company accounted for non-current intangible assets which show future synergies that had been identified in the acquisition of assets of TE-3 from Vilniaus Šilumos Tinklai AB on 12 October 2017. Benefits of synergies will be realised by ensuring the connection of Vilnius co-generation power plant constructed by the Group as well as other objects of the Group to the heat distribution infrastructure of Vilnius city.



## 5 Subsidiaries and other investments

The table below shows the movements in the Company's investments in the subsidiaries during the period from 1 January to 30 June 2018.

Company	Q1-2 2018	2017
<b>Opening net book amount</b>	<b>1,148,917</b>	<b>1,172,187</b>
Increase in share capital of subsidiaries	22,441	28,375
Decrease in share capital of subsidiaries	-	(50,862)
Acquisition of shares from non-controlling interest	-	4,284
Disposal of investments	-	(123)
Contributions against losses	70	4,470
(Impairment) of investments in subsidiaries	(1,570)	(9,414)
<b>Closing net book amount</b>	<b>1,169,858</b>	<b>1,148,917</b>

### Increase/decrease in share capital, acquisitions of subsidiaries

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

Subsidiary	Issue date	Number of newly issued shares*	Issue price per share, EUR	Total issue price	Amount paid up	Amount not paid up	Date of amendment to Articles of Association
Kauno Kogeneracinė Jėgainė UAB	19 January 2018	8,160,000	1.00	8,160	8,160	-	19/01/2018
Energetikos Paslaugų ir Rangos Organizacija UAB	30 January 2018	345,600	4.34	1,500	1,500	-	8/02/2018
Energijos Sprendimų Centras UAB	29 January 2018	600,000	1.50	900	450	450	10/04/2018
Elektroninių Mokymų Agentūra UAB	21 February 2018	370,000	1.00	370	370	-	27/02/2018
<i>Increase in authorised share capital by way of in-kind contribution</i>							
Lietuvos Energijos Gamyba AB	30 March 2018	12,919,014	0.624	8,062	8,062	-	31/03/2018
<i>Offsetting of prepayments</i>							
Vilniaus Kogeneracinė Jėgainė UAB	21 December 2017	53,781,379	0.29	15,597	3,899	11,698	5/01/2018
<b>Total</b>				<b>34,589</b>	<b>22,441</b>	<b>12,148</b>	

\* Newly issued shares attributable to the Company

On 21 December 2017, the Company and its subsidiary Vilniaus Kogeneracinė Jėgainė UAB entered into Share Subscription Agreement and increased the subsidiary's share capital 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. Accordingly, 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 amended Articles of Association of the subsidiary were registered with the Register of Legal Entities on 5 January 2018.

On 19 January 2018, the share capital of the Company's subsidiary Kauno Kogeneracinė Jėgainė UAB was increased from EUR 24,000 thousand to EUR 40,000 thousand by issuing 16,000 thousand ordinary shares with the nominal value of EUR 1 each. The Company was granted the right to acquire (subscribe) 8,160,000 new shares and FORTUM HEAT LIETUVA UAB was granted the right to acquire 7,840,000 new shares. On 16 January 2018, the Company paid a EUR 2,040 thousand part of the new issue of shares. The amended Articles of Association of the subsidiary were registered with the Register of Legal Entities on 19 January 2018.

On 30 January 2018, the Company and its subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB entered into Share Subscription Agreement and increased the subsidiary's share capital from EUR 1,000 thousand to EUR 1,100 thousand by way of issuing additional 345,600 ordinary registered intangible shares with the nominal value of EUR 0.29 each and the issue price per share equal to EUR 4.34. The nominal issue price of all newly issued shares is EUR 1,500 thousand. On 31 January 2018, the Company fully paid up the total price of the new issue of shares. The amended Articles of Association of the subsidiary were registered with the Register of Legal Entities on 8 February 2018.

On 15 February 2018, the Company established subsidiary Transporto Valdymas UAB that starting from 1 March 2018 took over the transport activity that was conducted by another subsidiary NT Valdys UAB until that date. The share capital of the subsidiary was formed by transferring to the established company an in-kind contribution that comprised the assets of NT Valdys UAB. The Company's investments in Transporto Valdymas UAB amount to EUR 2,359 thousand and investments in NT Valdys UAB were reduced by the respective amount.

The ordinary general meeting of shareholders of the Company's subsidiary Lietuvos Energijos Gamyba AB was held on 26 March 2018, during which a decision was passed to increase the share capital of the subsidiary by issuing new shares and paying for shares by the Company's in-kind contribution by way of transferring the set of assets of the third co-generation power plant in Vilnius to the ownership of the subsidiary. On 30 March 2018, the Company and the subsidiary entered into the Share Subscription Agreement which stipulates that the Company transfers the ownership right to the set of assets of the third co-generation power plant in Vilnius (TE-3) with effect from 31 March 2018. The amended Articles of Association of the subsidiary were registered with the Register of Legal Entities on 11 April 2018.

### Contributions against losses and impairment

Contributions against losses of the Group companies and impairment of investments in the subsidiaries during the period from 1 January to June 2018:

Subsidiary	Carrying amount at 31 December 2017	Increase in share capital	Contributions against losses	(Impairment)/reversal of impairment	Carrying amount at 30 June 2018
Energetikos Paslaugų ir Rangos Organizacija UAB	191	1,500	-	(1,500)	191
VAE SPB UAB	-	-	70	(70)	-
	<b>191</b>	<b>1,500</b>	<b>70</b>	<b>(1,570)</b>	<b>191</b>

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

All amounts in EUR thousands unless otherwise stated

As at 30 June 2018, the Company's investments in subsidiaries and other entities were as follows:

	Acquisition cost	Impairment	Contributions against losses	Carrying amount	The Company's ownership interest, %
<b>Subsidiaries:</b>					
Energijos Skirstymo Operatorius AB	710,921	-	-	710,921	94.98
Lietuvos Energijos Gamyba AB	307,997	-	-	307,997	96.82
NT Valdosa UAB	38,759	(9,036)	-	29,723	100.00
Energijos Tiekimas UAB	23,906	-	-	23,906	100.00
Vilniaus Kogeneracinė Jėgainė UAB	24,903	-	-	24,903	100.00
EURAKRAS UAB	18,735	-	-	18,735	100.00
Kauno Kogeneracinė Jėgainė UAB	20,400	-	-	20,400	51.00
LITGAS UAB	12,641	(4,010)	-	8,631	100.00
Lietuvos Dujų Tiekimas UAB	8,369	-	-	8,369	100.00
Tuuleenergia OÜ	6,659	-	-	6,659	100.00
Technologijų ir Inovacijų Centras UAB	3,219	-	-	3,219	50.00
Transporto Valdymas UAB	2,359	-	-	2,359	100.00
Elektroninių Mokėjimų Agentūra UAB	1,428	-	-	1,428	100.00
Energijos Sprendimų Centras UAB	2,120	-	-	2,120	100.00
Verslo Aptarnavimo Centras UAB	295	-	-	295	51.00
Energetikos Paslaugų ir Rangos Organizacija UAB	10,637	(14,746)	4,300	191	100.00
Sponsorship Fund of Lietuvos Energija	3	-	-	3	100.00
VAE SPB UAB	1,116	(1,701)	585	-	100.00
<i>rounding error</i>		(1)		(1)	
	<b>1,194,467</b>	<b>(29,494)</b>	<b>4,885</b>	<b>1,169,858</b>	

As at 31 December 2017, the Company's investments in subsidiaries and other entities were as follows:

Name	Acquisition cost	Impairment	Contributions against losses	Carrying amount	Interest held (%)
<b>Subsidiaries:</b>					
Energijos Skirstymo Operatorius AB	710,921	-	-	710,921	94.98
Lietuvos Energijos Gamyba AB	299,936	-	-	299,936	96.75
NT Valdosa UAB	41,117	(9,036)	-	32,081	100.00
Energijos Tiekimas UAB	23,906	-	-	23,906	100.00
Vilniaus Kogeneracinė Jėgainė UAB	21,003	-	-	21,003	100.00
EURAKRAS UAB	18,735	-	-	18,735	100.00
Kauno Kogeneracinė Jėgainė UAB	12,240	-	-	12,240	51.00
LITGAS UAB	12,640	(4,010)	-	8,630	100.00
Lietuvos Dujų Tiekimas UAB	8,369	-	-	8,369	100.00
Tuuleenergia OÜ	6,659	-	-	6,659	100.00
Technologijų ir Inovacijų Centras UAB	3,219	-	-	3,219	50.00
Elektroninių Mokėjimų Agentūra UAB	1,058	-	-	1,058	100.00
Energijos Sprendimų Centras UAB	1,670	-	-	1,670	100.00
Verslo Aptarnavimo Centras UAB	296	-	-	296	51.00
Energetikos Paslaugų ir Rangos Organizacija UAB	9,137	(13,246)	4,300	191	100.00
Sponsorship Fund of Lietuvos Energija	3	-	-	3	100.00
VAE SPB UAB	1,117	(1,632)	515	-	100.00
	<b>1,172,026</b>	<b>(27,924)</b>	<b>4,815</b>	<b>1,148,917</b>	

## 6 Amounts receivable after one year

	Company	
	At 30 June 2018	At 31 December 2017
Amount receivable for sale of LITGRID AB	169,856	169,856
Loans granted to related parties	358,223	325,744
Other non-current amounts receivable	22	39
<b>Total</b>	<b>528,101</b>	<b>495,639</b>
Less: impairment	(2,701)	(2,701)
<b>Carrying amount</b>	<b>525,400</b>	<b>492,938</b>

On 28 February 2018, the Company and Energijos Skirstymo Operatorius AB signed an additional arrangement to the Proportional Transfer Agreement for Green Bonds of 13 October 2017, under which the Company granted an additional green bonds based loan amounting to EUR 66,288 thousand that will be used to finance the long-term investment plan of Energijos Skirstymo Operatorius AB.

On 13 October 2017, the Company and Energijos Skirstymo Operatorius AB signed the Proportional Transfer Agreements for Green Bonds. A non-current portion of the loan amounted to EUR 277,235 thousand as at 30 June 2018.

On 12 October 2017, the Company and NT Valdosa UAB signed the agreement on the extension of the term for the payment for share capital reduction whereby the non-current portion of the debt amounted to EUR 13,000 thousand as at 30 June 2018, and the non-current portion of the debt of Transporto Valdymas UAB, which took over a part of the debt, amounted to EUR 20,336 thousand as at 30 June 2018.

On 17 October 2017, the Company and Eurakras UAB signed the loan agreement. Non-current portions of the loans amounted to EUR 24,354 thousand as at 30 June 2018.

In February 2017, the Company extended the repayment term of loans granted to Tuuleenergia OÜ and included interest of EUR 224 thousand accrued until 13 February 2017 into the outstanding balance of the loans granted. A non-current portion of this loan amounted to EUR 1,477 thousand as at 30 June 2018. On 3 November 2017, the Company and Tuuleenergia OÜ signed another loan agreement. A non-current portion of this loan amounted to EUR 19,119 thousand as at 30 June 2018.

All amounts in EUR thousands unless otherwise stated

## 7 Other amounts receivable

	Company	
	At 30 June 2018	At 31 December 2017
Value added tax	868	1,775
Accrued interest and guarantee fees	820	1,207
Amount receivable due to adjustment to the price of shares of Kauno Energetikos Remontas UAB	-	1,056
Amount receivable for the disposal of Public Institution Centre of Training for Energy Specialists	65	55
Dividends receivable (Note 16)	137	-
Management fee receivable	588	518
Other amounts receivable	10	711
<b>Total</b>	<b>2,488</b>	<b>5,322</b>
Less: impairment of other receivables	-	-
<b>Carrying amount</b>	<b>2,488</b>	<b>5,322</b>

## 8 Loans granted

Short-term loans comprised as follows:

	Company	
	At 30 June 2018	At 31 December 2017
Current portion of long-term loans	57,852	98,312
Short-term loans	162,050	71,083
Accrued interest and guarantee fees	3,975	-
<b>Carrying amount</b>	<b>223,877</b>	<b>169,395</b>

All short-term loans of the Company accounted for as at 30 June 2018 have been issued to the subsidiaries with a variable interest rate, which is set by adding an interest margin to the basic interest rates linked with EURIBOR.

## 9 Cash and cash equivalents

The Company's cash and cash equivalents as at 30 June 2018 and 31 December 2017 comprised as follows:

	Company	
	At 30 June 2018	At 31 December 2017
Cash at bank	228	52,517
<b>Carrying amount</b>	<b>228</b>	<b>52,517</b>

Cash, cash equivalents and a bank overdraft include the following for the purposes of the cash flow statement:

	Company	
	At 30 June 2018	At 31 December 2017
Cash and cash equivalents	228	52,517
Bank overdraft (Note 13)	(160,053)	-
<b>Carrying amount</b>	<b>(159,825)</b>	<b>52,517</b>

## 10 Non-current assets held for sale

The Company's non-current assets held for sale as at 30 June 2018 and 31 December 2017 comprised as follows:

	Company	
	At 30 June 2018	At 31 December 2017
Intangible assets, property, plant and equipment and investment property	77	10,012
Investments in subsidiaries	4,705	4,705
	<b>4,782</b>	<b>14,717</b>

As at 31 December 2017, the Company recorded assets of TE-3 amounting to EUR 9,935 thousand that were transferred as an in-kind contribution for the payment of newly issued shares of subsidiary Lietuvos Energijos Gamyba AB with the acquisition cost of EUR 8,061 thousand, under the Share Subscription Agreement dated 30 March 2018. The difference of EUR 1,874 thousand between the acquisition cost of the set of assets of TE-3 and the in-kind contribution for newly issued shares of Lietuvos Energijos Gamyba AB indicates the value of the right to connect to the heat networks, i.e. future synergies that had been identified in the acquisition of assets from Vilniaus Šilumos Tinklai UAB on 12 October 2017 and that will be realised by ensuring the connection of Vilnius co-generation power plant, which is constructed by the Group, and other objects of the Group to the heat distribution infrastructure of Vilnius city.

## 11 Equity

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.

## 12 Reserves

The legal reserve is a compulsory reserve under Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the share capital. The legal reserve cannot be used for the payment of dividends and it is formed to cover future losses only.

All amounts in EUR thousands unless otherwise stated

As at 30 June 2018, the Company's legal reserve amounted to EUR 19,811 thousand (31 December 2017: EUR 14,516 thousand). During the period from 1 January 2018 to 30 June 2018, transfers to the legal reserve amounted to EUR 5,295 thousand (first half of 2017: EUR 4,758 thousand).

### 13 Non-current and current borrowings

Non-current borrowings comprised as follows:

	Company	
	At 30 June 2018	At 31 December 2017
Bank borrowings	110,946	139,687
Bank overdraft	160,053	-
Bonds issued	294,125	293,981
<b>Total</b>	<b>565,124</b>	<b>433,668</b>

Current borrowings comprised as follows:

	Company	
	At 30 June 2018	At 31 December 2017
Current portion of non-current borrowings	57,401	95,013
Accrued interest	5,770	2,794
<b>Total</b>	<b>223,224</b>	<b>97,807</b>

On 22 May 2018, the Company signed the agreement with Swedbank AB for the granting of the overdraft of EUR 100,000 thousand. The credit has to be repaid by 22 May 2020.

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

### 14 Non-current amounts payable and liabilities

Non-current amounts payable and liabilities comprised as follows:

	Company	
	At 30 June 2018	At 31 December 2017
Amounts payable for acquired shares of LITGRID	-	33
Non-current amounts payable for acquired shares of subsidiaries	-	9,666
Other	98	108
<b>Total</b>	<b>98</b>	<b>9,807</b>

On 29 March 2018, the Company paid the amount owed of EUR 9,699 thousand for shares of NT Valdys UAB that were acquired from LESTO AB, Lietuvos Energijos Gamyba AB, Duomenų Logistikos Centras UAB and Litgrid AB in April 2015.

### 15 Sales revenue

Sales revenue for the six-month period comprised as follows:

	Company	
	At 30 June 2018	At 30 June 2017
Management fee	1,512	1,490
<b>Total</b>	<b>1,513</b>	<b>1,490</b>

### 16 Dividends

#### Dividend income

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 are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the Company
13/03/2018	EURAKRAS UAB	the year 2017	10.5900	1,690	1,690
20/03/2018	Energijos Tiekimas UAB	the year 2017	0.17401	3,000	3,000
26/03/2018	Lietuvos Energijos Gamyba AB	second half of 2017	0.01400	8,891	8,602
30/03/2018	Energijos Skirstymo Operatorius AB	second half of 2017	0.02535	22,679	21,541
4/04/2018	Lietuvos Dujų Tiekimas UAB	the year 2017	0.15837	4,571	4,571
5/04/2018	Verslo Aptarnavimo Centras UAB	the year 2017	0.00026	268	137
11/04/2018	Technologijų ir Inovacijų Centras UAB	the year 2017	0.00666	148	74
17/04/2018	LITGAS UAB	the year 2017	0.02654	1,194	1,194
27/04/2018	Duomenų Logistikos Centras UAB	the year 2017	0.02200	306	243
				<b>42,747</b>	<b>41,052</b>

As at 30 June 2018, dividends of Verslo Aptarnavimo Centras UAB amounting to EUR 137 thousand were included in other amounts receivable.

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 are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the Company
24/03/2017	Energijos Skirstymo Operatorius AB	second half of 2016	0.05786	51,763	49,166
24/03/2017	Lietuvos Energijos Gamyba AB	second half of 2016	0.02000	12,702	12,289
29/03/2017	Verslo Aptarnavimo Centras UAB	the year 2016	0.06690	134	68
3/04/2017	LITGAS UAB	the year 2016	0.06700	3,000	3,000
4/04/2017	Energijos Tiekimas UAB	the year 2016	0.58000	10,000	10,000
7/04/2017	Duomenų Logistikos Centras UAB	the year 2016	0.00500	76	60
7/04/2017	Technologijų ir Inovacijų Centras UAB	the year 2016	0.01280	284	143
5/05/2017	EURAKRAS UAB	the year 2016	2.12000	592	444
				<b>78,551</b>	<b>75,170</b>

#### Dividends paid

	Q1–2 of 2018		Q1–2 of 2017	
	(EUR '000)	Dividends per share	(EUR '000)	Dividends per share
Lietuvos Energija UAB	78,265	0.0187	59,752	0.0143

## 17 Other expenses

Other expenses for the six-month period comprised as follows:

	Company	
	At 30 June 2018	At 30 June 2017
Provision for guarantees for the fulfilment of obligations of the subsidiaries	2,499	-
Utility services	736	39
Consulting services	372	194
Taxes	181	21
Public relations and marketing	159	69
Telecommunications and IT services	151	130
Business support services	142	133
Personnel development	115	47
Lease	96	96
Transport	75	57
Business trips	39	34
Other expenses	64	54
<b>Total</b>	<b>4,629</b>	<b>874</b>

## 18 Finance income

Finance income for the six-month period comprised as follows:

	Company	
	Q1–2 of 2018	Q1–2 of 2017
Interest income	4,232	1,004
Other finance income	-	144
<b>Total</b>	<b>4,232</b>	<b>1,148</b>

## 19 Finance costs

Finance costs for the six-month period comprised as follows:

	Company	
	Q1–2 of 2018	Q1–2 of 2017
Interest expenses	4,208	364
Other finance costs	31	315
<b>Total</b>	<b>4,239</b>	<b>679</b>

## 20 Related-party transactions

As at 31 December 2017 and 30 June 2018, the parent company was the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosures comprise transactions and balances of these transactions with the parent company, subsidiaries, associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

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

All amounts in EUR thousands unless otherwise stated

The Company's transactions with related parties conducted during the period from 1 January to 30 June 2018 and balances arising on these transactions as at 30 June 2018 are presented below:

Related parties	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance costs	Purchases
	At 30 June 2018	At 30 June 2018	Q1–2 2018	Q1–2 2018	Q1–2 2018	Q1–2 2018
<b>Subsidiaries</b>						
Energijos Skirstymo Operatorius AB	-	443,369	2,531	645	-	-
Lietuvos Energijos Gamyba AB	-	56	-	241	-	19
Lietuvos Dujų Tiekimas UAB	-	21,073	41	94	-	-
NT Valdos UAB	-	13,438	157	48	-	158
Energetikos Paslaugų ir Rangos Organizacija UAB	18	6,147	63	51	-	-
Verslo Aptarnavimo Centras UAB	108	232	1	85	-	255
Energijos Tiekimas UAB	-	20,695	43	74	-	149
LITGAS UAB	-	8	5	55	-	-
Technologijų ir Inovacijų Centras UAB	29	3,512	6	43	-	144
VAE SPB UAB	-	0	-	3	-	-
Tuuleenergia OU	-	21,173	382	4	-	-
Duomenų Logistikos Centras UAB	-	2	-	10	-	-
EURAKRAS UAB	-	24,951	352	4	-	-
Vilniaus Kogeneracinė Jėgainė UAB	-	4,953	3	55	-	-
Elektroninių Mokėjimų Agentūra UAB	-	4	-	16	-	-
Kauno Kogeneracinė Jėgainė UAB	-	62	-	88	-	-
Transporto Valdymas UAB	20	20,444	89	-	-	31
Energijos Sprendimų Centras UAB	-	4	-	15	-	-
<b>Other related parties</b>						
EPSO-G UAB	-	170,676	544	-	-	-
<b>Total</b>	<b>175</b>	<b>750,802</b>	<b>4,217</b>	<b>1,531</b>	<b>-</b>	<b>756</b>

During the period from 1 January to 30 June 2018, the Company accounted for dividend income of EUR 41,052 thousand from subsidiaries in the statement of comprehensive income.

On 15 February 2018, the Company established subsidiary Transporto Valdymas UAB that starting from 1 March 2018 took over the transport activity that was conducted by another subsidiary NT Valdos UAB until that date.

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

Related parties	Amounts payable	Amounts receivable	Income from financing and investing activities	Sales	Finance costs	Purchases
	At 31 December 2017	At 31 December 2017	Q1–2 2017	Q1–2 2017	Q1–2 2017	Q1–2 2017
<b>Subsidiaries</b>						
Energijos Skirstymo Operatorius AB	5,560	356,911	49,166	613	58	-
Lietuvos Energijos Gamyba AB	4,067	1,135	12,289	228	66	-
EURAKRAS UAB	-	24,528	506	6	3	-
Lietuvos Dujų Tiekimas UAB	-	24,930	-	82	4	-
NT Valdos UAB	27	43,191	-	73	23	165
Technologijų ir Inovacijų Centras UAB	47	1,938	142	49	6	115
Duomenų Logistikos Centras UAB	57	1	60	14	1	-
Energetikos Paslaugų ir Rangos Organizacija UAB	-	5,487	33	83	-	-
Tuuleenergia OU	1	24,198	315	15	-	-
Energijos Tiekimas UAB	64	12,937	10,003	81	-	-
LITGAS UAB	-	10	3,000	49	2	-
Public Institution Training Centre for Energy Specialists	-	10	-	9	-	-
Elektroninių Mokėjimų Agentūra UAB	40	35	-	13	-	-
Verslo Aptarnavimo Centras UAB	-	1	68	64	1	147
VAE SPB UAB	-	3,913	-	2	-	-
Vilniaus Kogeneracinė Jėgainė UAB	-	49	-	29	2	-
Energijos Sprendimų Centras UAB	-	-	-	19	-	-
Kauno Kogeneracinė Jėgainė UAB	-	3	-	60	-	-
<b>Other related parties</b>						
EPSO-G UAB	-	170,132	736	-	-	-
<b>Total</b>	<b>9,863</b>	<b>669,409</b>	<b>76,318</b>	<b>1,489</b>	<b>166</b>	<b>427</b>

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 the guarantee issued to the subsidiaries for borrowings obtained by Energetikos Paslaugų ir Rangos Organizacija UAB at the Group's cashpool account.

Dividends declared by the subsidiaries during the first half of 2018 and the first half of 2017 are disclosed in Note 16.

Compensation to key management personnel:

	Company	
	At 30 June 2018	At 30 June 2017
Wages and salaries and other benefits to management personnel	410	342
Whereof: termination benefits and benefits to Board Members	73	-
Number of key management personnel at the end of reporting period	11	10

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



## 21 Contingent liabilities and commitments

Guarantees issued by the Company comprised as follows as at 30 June 2018:

Name of the subsidiary	Beneficiary of the guarantee	Date of issue of the guarantee	Maturity	Maximum amount of the guarantee	At 30 June 2018	At 31 December 2017
Vilniaus Kogeneracinė Jėgainė UAB	European Investment Bank	30/12/2016	6/12/2033	190,000	-	-
Kauno Kogeneracinė Jėgainė UAB	Swedbank AB	18/10/2017	18/10/2022	61,200	-	-
Energijos Sprendimų Centras UAB	Luminor (Nordea)	4/10/2016	30/09/2020	735	-	-
Companies of Lietuvos Energija UAB group	Companies of Lietuvos Energija UAB group	the year 2016	30/06/2019	-	20,278	15,428
				<b>251,935</b>	<b>20,278</b>	<b>15,428</b>

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 EUE 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 forecast 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.

## 22 Segment reporting

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 34,342 thousand (net profit of EUR 64,954 thousand for the first half of 2017). The Company generates all its revenue from the provision of services to the controlled companies of the Lietuvos Energija UAB Group and this revenue represents 100% of its sales revenue. The Company is not engaged in significant activities in foreign markets, therefore a separate geographical segments is not distinguished.

## 23 Events after the reporting period

On 3 July 2018, Verslo Aptarnavimo Centras UAB paid to the Company dividends of EUR 136,500.48.

On 4 July 2018, the Company signed an additional arrangement amending and supplementing the terms of the overdraft agreement signed with Swedbank whereby the overdraft amount was increased from EUR 100,000 thousand to EUR 130,000 thousand.

On 3 July 2018, Lietuvos Energija placed a EUR 300 million worth 10 years' duration green bond issue ('the Issue'). Annual interest of 1.875% will be payable for bonds and they have been issued with the yield of 2.066%. The Issue has been assigned BBB+ rating by the rating agency S&P Global Ratings. Green bonds issued will be listed at the Luxembourg and Nasdaq Vilnius stock exchanges. J.P. Morgan, a bank part of the BNP Paribas Group, and SEB Bankas have acted as financial intermediaries of the Issue. Net cash inflows comprise 98.290% of the nominal value of the bond issue or EUR 294,345,618.87. Lietuvos Energija plans to use attracted funds for a continuous financing of investments in wind energy, increase of efficiency of the electricity distribution network and projects on energy production using waste and biomass. Lietuvos Energija is committed to use funds attracted through the issue of green bonds only for the financing of investments in green energy projects.

On 11 July 2018, the Company fully repaid the bank overdraft balance of EUR 160,053 thousand, which was reported under the line item of non-current borrowings in the Company's statement of financial position.

On 20 July 2018, the Company and Energetikos Paslaugų ir Rangos Organizacija UAB entered into the property purchase and sale agreement, under which the Company acquired real estate objects and movable items stored in them for a market price of EUR 6,450,140.48 established by the independent property valuer. The Company will transfer this property to the Group company NT Valdovs UAB, which is engaged in real estate management, as an in-kind contribution into the company's authorised share capital. The market value of the in-kind contribution amounting to EUR 6,450,140.48 is equivalent to the value of newly issued 222,725 shares of the Company's subsidiary NT Valdovs UAB.

On 31 July 2018, the National Commission for Energy Control and Prices ("the Commission") passed a decision on the termination of the validity of the energy activity licence issued to the Company's subsidiary Energijos Skirstymo Operatorius AB ('ESO'), which entitles ESO to engage in electricity public supply activity, with effect from 1 October 2018. The decision to apply to the Commission with the request to terminate the validity of the licence was passed by the Board of ESO on 10 July 2018. This application is part of the preparation for the separation of the public electricity supply activity. It is planned that the public electricity supply activity currently carried out by ESO will be transferred to another subsidiary of the Company Lietuvos Dujų Tiekimas UAB for a certain consideration (by way of sale of a part of the business). Following the separation of the public electricity supply activity, ESO will continue to engage in its principal activities, i.e. distribution of electricity and gas, maintenance of the distribution networks, removal of breakdowns in the networks, connection of new consumers, safeguarding the guaranteed supply.

On 6 August 2018, the Company approved the initiation of the reorganisation of Energijos Tiekimas UAB and Energijos Sprendimų Centras UAB by way of merging Energijos Sprendimų Centras UAB into Energijos Tiekimas UAB that continues its activities, and assigned the boards of these companies with a task of the preparation of reorganisation terms.

On 10 August 2018, the Company and Stemma Group UAB entered into the share purchase and sale agreement regarding the acquisition of 100% of shares of Vėjo Vatas UAB and Vėjo Gūsis UAB and the shareholder's claim rights. Vėjo Vatas UAB holds the wind power park with the capacity of 14.9 MW and Vėjo Gūsis UAB holds the wind power parks with the capacity of 10 MW and 9.1 MW. On 18 July 2018, the Company applied to the Commission for the Protection of Facilities of Importance to Ensuring National Security of the Republic of Lithuania (the Commission) regarding the verification of transactions. The Commission passed a decision not to start the verification of the transaction to establish its conformance to national security interests. The Company plans to apply to the Competition Council of the Republic of Lithuania on the issue of concentration.

As part of the implementation of the new strategy and gradual consolidation of electricity and natural gas trade and supply activities, on 17 August 2018, the Company decided to initiate the reorganisation of subsidiaries Lietuvos Dujų Tiekimas UAB and LITGAS UAB, which are engaged in natural gas supply and trade activities, by way of merger. This decision was approved by the owner of shares of Lietuvos

All amounts in EUR thousands unless otherwise stated

Energija – the Ministry of Finance of the Republic of Lithuania. The consolidation of trade and supply activities carried out by the Company's subsidiaries will create better conditions for the development of higher quality services and solutions, and will enable to provide them to customers more effectively and more easily.

On 29 August 2018, the Company and its subsidiary Energijos Skirstymo Operatorius AB (ESO) signed a Proportional Transfer Agreement for Green Bonds for the transfer of a EUR 250,000 thousand portion of the green bonds issue to ESO. Prior to the Company's issue of the green bonds worth of EUR 300,000 thousand, a portion of the issue's funds was foreseen to be used for financing ESO's long-term investment plan. Obligations assumed under the Agreement are to be fulfilled by 10 July 2028.

On 29 August 2018, in view of the positive opinion of the Company's Audit Committee, the Supervisory Board of the Company's subsidiary Energijos Skirstymo Operatorius AB (ESO) approved the decision of the ESO's Board regarding the conclusion of the purchase and sale agreement on the public electricity supply operations (hereinafter "the Business Segment") with Lietuvos Dujų Tiekimas UAB (hereinafter "LDT"). On the basis of the valuation conducted by an independent property valuer Ernst & Young Baltic UAB, the price of the Business Segment was set at EUR 30,520,000 that LDT shall pay to ESO. Under the provisions of the Agreement the ownership rights to the Business Segment being sold will be transferred on 1 October 2018 upon the signing of the transfer-acceptance act of the Business Segment between ESO and LDT.

On 31 August 2018, the Company paid up for a EUR 11,698 thousand unpaid amount of the authorised share capital of its subsidiary Vilniaus Kogeneracinė Jėgainė UAB (Note 5).

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