Qualified Electronic Signature
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Purpose: Signature

Kvalifikuotas elektroninis parašas
GIEDRUOLĖ GUOBIENĖ
2020-04-22 15:57:19 GMT+3
Paskirtis: Parašas

Kvalifikuotas elektroninis parašas
DARIUS MAIKŠTĖNAS
2020-04-22 16:04:30 GMT+3
Paskirtis: Parašas

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS

for the year ended 31 December 2018
prepared in accordance with International Financial Reporting Standards, as adopted by the European Union,
presented together with the independent auditor's report

The Company's and the Group's consolidated financial statements were approved by UAB Ignitis Grupė management and signed on 22 April 2020:

Darius Maikštėnas	**Darius Kašauskas**	**Giedruolė Guobienė**
Chief Executive Officer	Finance and Treasury Director	Ignitis grupės paslaugų centras UAB, Head of Accounting Department acting under Order No IS-88-20 of 10 April 2020

Independent auditor's report

To the shareholder of Ignitis Grupė UAB

Our opinion

In our opinion, the two years separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Lietuvos energija UAB (changed name to Ignitis Grupė UAB in 2019) ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018 and 2017, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the years ended as at 31 December 2018 and 2017 respectively in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's and the Group's two years separate and consolidated financial statements comprise:

- the Company's and the Group's statements of financial position as at 31 December 2018 and 2017;
- the Company's and the Group's statement of profit or loss and other comprehensive income for each of the two years then ended;
- the Company's and the Group's statements of changes in equity for each of the two years then ended;
- the Company's and the Group's statement of cash flows for each of the two years then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory 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 statements* 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 and the Group 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 separate and consolidated financial statements 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.

Emphasis of matter

We draw attention to Note 3.3 to these reissued two years separate and consolidated financial statements, which describes the reason for the reissuance of the 2018 and 2017 separate and consolidated financial statements. Our opinion is not modified in respect of this matter.

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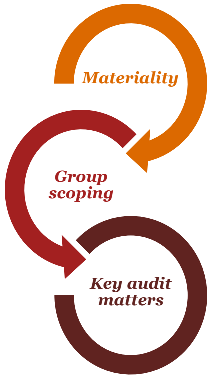
Our audit approach

Overview



Materiality

For 2018:

- Overall Company materiality is EUR 4.1 million
- Overall Group materiality is EUR 4.9 million

For 2017:

- Overall Company materiality is EUR 5.0 million
- Overall Group materiality is EUR 5.3 million

Audit Scope

For 2018:

- We conducted audit work at 6 reporting units, all of them are in Lithuania
- Our full scope audit addressed 87% of group assets and 95% of revenue.

For 2017:

- We conducted audit work at 8 reporting units, all of them are in Lithuania
- Our full scope audit addressed 94 % of group assets and revenue.

Key Audit matters

Group:

- Correction of errors and policy changes
- Property, plant and equipment accounted for at revalued amount

Company:

- Impairment of investments in subsidiaries

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements (together “the financial statements”). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, is any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	EUR 4.1 million (2017: EUR 5.0 million)
Overall Group materiality	EUR 4.9 million (2017: EUR 5.3 million)
How we determined it	Overall Company materiality for 2018 and 2017 represents 5% of average profit before tax for 3-year period (2018: for the years 2016-2018; 2017: for the years 2015-2017) Overall Group materiality for 2018: represents 5% of average adjusted profit before tax for the years 2016-2018: 2017 profit before tax was adjusted for impairment losses of property, plant and equipment (EUR 32 million) and one-off recalculation of revenue from regulated activities (EUR 17 million); and 2018 profit before tax was adjusted for the impact of connection fees accounting policy changes on revenue (EUR 12 million), correction of an error in regulatory activities revenue (EUR 7 million), revaluation loss (EUR 68 million) and impairment (EUR 3 million) of property, plant and equipment. Overall Group materiality for 2017: represents 5% of profit before tax adjusted for one-off losses of impairment of property, plant and equipment (EUR 32 million) and one-off revenue from regulated activities (EUR 17 million).
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark for the Company and the Group because, in our view, it is the generally accepted measure and it is the measure against which the performance of the Company and the Group is most commonly assessed. The Company's current year performance depends on results of its subsidiaries in the current and prior periods, and on subsequent dividend payments, thus we chose average figure to eliminate unusual deviations. The Group's profit before tax depends on approved tariffs for regulated activities, which incorporate gas and electricity prices in the current and prior periods. Because of the specifics how tariffs are regulated in the market, we chose average of 3 years to eliminate the impact of annual fluctuations. We eliminated certain amounts as described above as in our view they had significant impact on earnings reported which caused profits before tax in these years volatile. We chose 5%, which is within the range of acceptable quantitative materiality thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Correction of errors and accounting policy changes (refer to notes 3.3, 4) The Group has corrected errors relating to accounting for regulatory and trading activities, as the result group revenue had decreased by EUR 28.9 million and net profit for the year improved by EUR 5.2 million The Group has changed accounting methods for new customer connection fees and, had reassessed its role with respect to certain revenue transactions concluded itself being an agent. As the result of these changes in accounting methods, group revenue has decreased by EUR 155.3 million and net loss increased by EUR 19.2 million. Correction of errors, accounting policy changes and planned capital market transactions are the reasons for reissue of these financial statements.	We have discussed the nature of errors and the nature and reasons for the accounting policy changes with the management and successor auditor. We have consulted with our internal IFRS experts whether correction of errors and accounting policy changes are compliant with IFRS and existing application practices and whether the treatments are properly disclosed in the financial statements. The have performed audit tests for the adjustments the extend applicable: • Traced adjustments to supporting evidence obtained during 2018 full scope audit of Group subsidiaries; • Performed audit tests for adjustments related to subsidiaries outside our full scope audit for Group reporting purposes. We also considered the adequacy of disclosures in Notes 2, 3.3, 4 and in the other affected notes.

Key audit matter	*How our audit addressed the key audit matter*
Property, plant and equipment accounted at revalued amount (refer to notes 4, 6, 24) Property, plant and equipment is the most significant item of assets on the consolidated statement of financial position and amounted to EUR 2,091 million as at 31 December 2018. The property, plant and equipment accounted for at revalued amount had a net book value of EUR 1,318 million and the most significant component was the electricity distribution network with a net book value of EUR 1,206 million. In 2018, the Group's management performed a valuation of the assets attributed to the electricity distribution network. Valuation was performed as at 31 August 2018 with reference to the valuation report delivered by independent valuers. Based on the valuation performed, management has determined that fair	Our procedures in relation to property, plant and equipment revaluation included as follows: • We evaluated the independent external valuers' competence, capabilities and objectivity. • We obtained the cash flow model used by the management to determine the value of assets employed in electricity businesses. • We tested the model as to whether it is mathematically accurate, discussed with management key inputs and assumptions, traced them to external or Group's internal information, where appropriate, and assessed sensitivity of the cash flow model to changes in selected assumptions. • We also involved PwC valuation expert who assessed the appropriateness of the model, inputs, assumptions used as the basis of the valuation and the

value of the property, plant and equipment of the electricity distribution network is higher than the net book value as at 31 December 2018 by EUR 46.3 million and accounted for it: increase of EUR 122.6 million was recognised directly in equity and decrease of EUR 76.3 million (net of write-off of grants of EUR 8.9 million) was recognised in profit or loss. The total revaluation gain of the group amounted to EUR 45.7 million, of which increase of EUR 122.3 million was recognised directly in equity and decrease of EUR 76.6 million (net of write-off of grants of EUR 8.9 million) was recognised in profit or loss.

Valuation of electricity distribution network assets was carried out in the following stages: (i) replacement cost of new assets (RCN) was estimated; (ii) physical and functional obsolescence of assets was determined; (iii) economic obsolescence of assets was assessed (using the income method).

In determining the replacement cost, the external valuers took into account property- specific current information such as cost of materials, installation works, labour, transportation and handling fees, overall costs of contractor, also indirect costs, such as engineering and design costs.

Then physical and functional obsolescence of assets was determined to estimate depreciated replacement cost (DRC) for each individual asset.

Finally, income method was used to determine the economic obsolescence of assets. Based on the results of the economic obsolescence test, the values of assets determined by DRC method were reduced on a pro rata basis, except for assets for which such allocation would have resulted in a value lower than the asset's regulated asset base (hereinafter – RAB) value. For such assets the RAB value was considered to be its fair value. The amount of reduction that would otherwise have been allocated to an asset was allocated pro rata to the other assets.

Assessment of fair values of property, plant and equipment is an area of significant management judgements, and they are, therefore, given special audit attention.

reasonableness of the discount rate applied.

- We obtained the model for calculating the replacement cost new (RCN) and depreciated replacement cost (DRC), tested the reasonableness of inputs used and the determination of physical and functional obsolescence of assets for selected items, by comparing to recent construction prices of comparable new assets and verifying formulas and data used to arrive from RCN to DRC.
- We also checked the allocation of fair value surplus or reduction to individual items based on economic obsolescence principles and performed detailed allocation testing for selected items.

We also considered whether or not there was bias in determining fair value.

We also considered the adequacy of disclosures in Notes 4 and 6.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of investments in subsidiaries (refer to notes 4, 8) The carrying value of investments in subsidiaries (EUR 1,207 million) as at 31 December 2018 represents 58% of total assets of the Company in the separate financial statements. During the year ended 31 December 2018, the Company has recognised an impairment loss of investments in subsidiaries of EUR 6.8 million. The management of the Company applied significant judgement is assessment whether impairment indications exist and made significant assumptions in determining recoverable amounts of investments using discounted cash flows analysis or net asset value. We focused on this area because of the magnitude of the balances and significant dividends paid by subsidiaries, which might be considered as impairment indicator.	We obtained understanding of the management's process for the monitoring of the performance of the subsidiaries and for assessment of the recoverable value of investments in subsidiaries. We have obtained the management's assessment whether impairment indicators exist, analysed and discussed it with the management. For those entities, where impairment indicators were identified, we obtained impairment tests, discussed with management the basis for expected future performance, analysed the major inputs in the calculations including profitability, discount rate assumptions and sensitivity to selected assumptions. When assessing impairment indicators and analysing the inputs used in the impairment tests, we leveraged our knowledge from audit of subsidiaries and audit procedures applied to property, plant and equipment as discussed in key audit matter below.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises more than 20 subsidiaries which operate in Lithuania, Latvia, Estonia and Poland (refer to note 8).

For 2018:

For Group audit purposes, based on our risk and materiality assessment we determined that a full scope audit was required for the following Group entities:

- Lietuvos Energija UAB
- Energijos Skirstymo Operatorius AB
- Lietuvos Energijos Gamyba AB
- Energijos Tiekimas UAB
- Litgas UAB
- Lietuvos Energijos Tiekimas UAB

The audit of these entities was performed by PwC Lithuania and covered 95% of Group's revenue and 87% of Group's assets. In addition, the group engagement team carried out selected audit procedures on significant remaining items such as property, plant and equipment held by subsidiaries Vilniaus Kogeneracinė Jėgainė UAB and Kauno Kogeneracinė Jėgainė UAB in the amount of EUR 108 million, and assessed other significant areas that may impact consolidated financial statements, such as compliance with debt covenants by Vilniaus Kogeneracinė Jėgainė UAB. For other subsidiaries, the Group audit team performed group level analytics to obtain sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

For 2017:

For Group audit purposes, based on our risk and materiality assessment we determined that a full scope audit was required for the following Group entities:

- Lietuvos Energija UAB
- Energijos skirstymo operatorius AB
- Lietuvos energijos gamyba AB
- NT Valdos UAB
- Energetikos paslaugų ir rangos organizacija UAB
- Energijos tiekimas UAB
- Litgas UAB
- Lietuvos dujų tiekimas UAB

The audit of these entities was performed by PwC Lithuania and covered 94 % of Group's revenue and assets. For other subsidiaries, the Group audit team performed group level analytics to obtain sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group'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 and the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 these financial statements.

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 statements, 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 and the Group'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 and the Group'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 statements 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

On behalf of PricewaterhouseCoopers UAB

Radzevičienė

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
22 April 2020

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania
STATEMENT OF FINANCIAL POSITION
At 31 December 2018
(All amounts in EUR thousands unless otherwise stated)

	Notes	Group	
		At 31 December 2018 (restated*)	At 31 December 2017**
ASSETS			
Non-current assets			
Intangible assets	5	106,330	36,360
Property, plant, and equipment	6	2,091,386	1,761,082
Prepayments for non-current assets	14	23,621	21,911
Investment property	7	6,494	14,878
Amounts receivable after one year	9,10	160,606	170,488
Other financial assets	11	2,008	426
Other non-current assets	12	6,094	3,239
Deferred income tax assets	23	14,468	7,084
Total non-current assets		**2,411,007**	**2,015,468**
Current assets			
Inventories	13	43,137	56,866
Prepayments and deferred expenses	14	30,655	38,119
Trade receivables	15	143,120	112,563
Other amounts receivable	16,10	25,436	27,800
Other current assets		2,147	1,093
Prepaid income tax		4,192	2,102
Other financial assets	11	656	-
Cash and cash equivalents	18	127,835	171,756
		377,178	**410,299**
Non-current assets held for sale	19,10	65,706	79,301
Total current assets		**442,884**	**489,600**
TOTAL ASSETS		**2,853,891**	**2,505,068**

	Notes	Group	
		At 31 December 2018 (restated*)	At 31 December 2017**(restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	20	1,212,156	1,212,156
Reserves	21	212,802	99,380
Retained earnings (deficit)		(169,994)	(13,706)
Equity attributable to owners of the parent		**1,254,964**	**1,297,830**
Non-controlling interest		47,558	45,796
Total equity		**1,302,522**	**1,343,626**
Liabilities			
Non-current liabilities			
Non-current borrowings and bonds	22	735,410	480,068
Finance lease liabilities	22	14,334	187
Grants and subsidies	24	208,874	200,311
Deferred income tax liability	23	36,409	36,049
Provisions	26	35,355	7,367
Deferred revenue	25	136,438	54,509
Other non-current amounts payable and liabilities	27	1,887	1,832
Total non-current liabilities		**1,168,707**	**780,323**
Current liabilities			
Current portion of non-current borrowings	22	61,819	119,599
Current borrowings	22	47,727	14,082
Current portion of finance lease liabilities	22	5,220	145
Trade payables	28	93,237	98,338
Advance amounts received	25	49,766	27,765
Income tax liabilities		4,545	3,695
Provisions	26	5,558	2,498
Deferred revenue	25	9,122	5,242
Other current amounts payable and liabilities	29	102,682	109,421
		379,676	**380,785**
Liabilities related to non-current assets held for sale		2,986	334
Total current liabilities		**382,662**	**381,119**
Total liabilities		**1,551,369**	**1,161,442**
TOTAL EQUITY AND LIABILITIES		**2,853,891**	**2,505,068**

** Part of amounts does not agree with the financial statements of 2018 due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*
*** Reclassified upon enactment of IFRS 15 as of 1 January 2018 (Note 2.1)*

Lietuvos Energija UAB, company code 301844044, address: Žvejų g. 14, LT-09310, Vilnius, Lithuania
STATEMENT OF FINANCIAL POSITION
At 31 December 2018
(All amounts in EUR thousands unless otherwise stated)

	Notes	Company At 31 December 2018	Company At 31 December 2017
ASSETS			
Non-current assets			
Intangible assets	5	1,874	-
Property, plant, and equipment	6	427	421
Prepayments for non-current assets	14	816	3,899
Investments in subsidiaries	8	1,206,921	1,148,917
Amounts receivable after one year	9.10	679,593	492,938
Other financial assets	11	2,008	426
Deferred income tax assets	23	1,077	549
Total non-current assets		**1,892,716**	**1,647,150**
Current assets			
Prepayments and deferred expenses	14	62	42
Other amounts receivable	16.10	631	5,322
Prepaid income tax		15	147
Short-term loans	17	189,324	169,395
Cash and cash equivalents	18	231	52,517
		190,263	**227,423**
Non-current assets held for sale	19.10	7,141	14,717
Total current assets		**197,404**	**242,140**
TOTAL ASSETS		**2,090,120**	**1,889,290**

	Notes	Company At 31 December 2018	Company At 31 December 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	20	1,212,156	1,212,156
Reserves	21	19,811	14,516
Retained earnings (deficit)		78,231	117,103
Total equity		**1,310,198**	**1,343,775**
Liabilities			
Non-current liabilities			
Non-current borrowings and bonds	22	671,245	433,668
Provisions	26	-	2,903
Other non-current amounts payable and liabilities	27	378	9,807
Total non-current liabilities		**671,623**	**446,378**
Current liabilities			
Current portion of non-current borrowings	22	57,401	95,013
Current borrowings	22	47,721	2,794
Trade payables	28	947	506
Prepayments received	25	51	1
Provisions	26	806	-
Other current amounts payable and liabilities	29	1,373	823
Total current liabilities		**108,299**	**99,137**
Total liabilities		**779,922**	**545,515**
TOTAL EQUITY AND LIABILITIES		**2,090,120**	**1,889,290**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018
All amounts in EUR thousands unless otherwise stated

	Notes	Group		Company	
		2018 (restated*)	2017**	2018	2017
Revenue from contracts with customers	30	1,024,278*	1,081,219**	3,188	2,972
Other income	31	45,782	19,612**	703	516
Dividend income	37	-	-	67,378	124,704
		1,070,060	**1,100,831**	**71,269**	**128,192**
Operating expenses					
Purchases of electricity, gas for trade, and related services	32	(768,462)*	(712,298)	-	-
Purchases of gas and heavy fuel oil		(26.545)	(28,193)	-	-
Depreciation and amortisation	5,6,19,24	(87,664)*	(87,357)	(7)	(3)
Wages and salaries and related expenses		(79,741)	(81,336)	(5,067)	(4,105)
Repair and maintenance expenses		(21,200)	(21,318)	-	-
Result of revaluation of property, plant and equipment	6,7,24	(67,671)	(7,103)	-	-
(Impairment)/reversal of impairment of investments in subsidiaries		-	-	(6,815)	(9,414)
Reversal (impairment) of amounts receivable and loans (expected credit losses)		(9,876)	1,003	(11,198)	(2,701)
Impairment of property, plant and equipment	6.19	(3,151)*	(33,387)	-	-
Other expenses	33	(26,143)	(33,709)	(1,357)	(5,810)
Total operating expenses		**(1,090,453)**	**(1,003,698)**	**(24,444)**	**(22,033)**
Finance income	34	1,621	2,163	10,069	3,588
Finance costs	35	(14,899)	(9,098)	(12,169)	(4,291)
Results of the revaluation and closing of derivative financial instruments		(573)	-	(572)	-
Profit/(loss) before income tax		**(34,244)**	**90,198**	**44,153**	**105,456**
Current year income tax (expenses)/benefit	36	(4,604)*	(2,682)	7	2
Deferred income tax (expenses)/benefit	36	16,877*	6,009	528	456
Profit (loss) for the year		**(21,971)**	**93,525**	**44,688**	**105,914**
Attributable to:					
Owners of the parent		(22,440)*	89,103	44,688	105,914
Non-controlling interest		469*	4,422	-	-

	Notes	Group		Company	
		2018 (restated*)	2017*	2018	2017
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Gain/(loss) on revaluation of property, plant and equipment		123,139	259	-	
Recalculation of the defined benefit plan obligation, net of deferred income tax		77	(187)		
Items that will not be reclassified subsequently to profit or loss, total		**123,216**	**72**	**-**	**-**
Items that will be reclassified subsequently to profit or loss					
Translation of net investments in foreign operations into the Group's presentation currency		(26)	42		-
Items that will be reclassified subsequently to profit or loss, total		**(26)**	**42**	**-**	**-**
Total other comprehensive income		**123,190**	**114**	**-**	**-**
Total comprehensive income for the period		**101,219**	**93,639**	**44,688**	**105,914**
Attributable to:					
Owners of the parent		94,964*	89,217	44,688	105,914
Non-controlling interest		6,255*	4,422	-	-

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*
*** Reclassified upon enactment of IFRS 15 as of 1 January 2018 (Note 2.1)*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018
All amounts in EUR thousands unless otherwise stated

Group	Notes	Equity attributable to owners of the Company						Non-controlling interest	Total
		Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Subtotal		
Balance as at 1 January 2017		**1,212,156**	**34,696**	**57,475**	**-**	**(35,952)**	**1,268,375**	**51,172**	**1,319,547**
Revaluation of property, plant and equipment, net of deferred income tax effect		-	-	218	-	-	218	41	259
Translation of net investments in foreign operations into the Group's presentation currency		-	-	-	42	-	42	-	42
Result of change in actuarial assumptions						(187)	(187)	-	(187)
Total other comprehensive income (loss)		**-**	**-**	**218**	**42**	**(187)**	**73**	**41**	**114**
Profit for the reporting period		-	-	-	-	89,103	89,103	4,422	93,525
Total comprehensive income for the period		**-**	**-**	**218**	**42**	**88,916**	**89,176**	**4,463**	**93,639**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(4,867)	-	4,867	-	-	-
Transfer to reserves and movement in reserves		-	11,816	-	-	(11,816)	-	-	-
Dividends	37	-	-	-	-	(59,752)	(59,752)	(5,598)	(65,350)
Change in non-controlling interest due to changes in the Group's structure		-	-	-	-	31	31	(31)	-
Acquisition of shares from non-controlling interest in Eurakras UAB		-	-	-	-	-	-	(5,182)	(5,182)
Increase in share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	972	972
Balance as at 31 December 2017		**1,212,156**	**46,512**	**52,826**	**42**	**(13,706)**	**1,297,830**	**45,796**	**1,343,626**
Balance as at 1 January 2018		**1,212,156**	**46,512**	**52,826**	**42**	**(13,706)**	**1,297,830**	**45,796**	**1,343,626**
Effect of change in accounting policies following the adoption of new IFRS	2	-	-	-	-	(59,647)	(59,647)	(3,144)	(62,791)
Restated balance as at 1 January 2018 (restated*)		**1,212,156**	**46,512**	**52,826**	**42**	**(73,353)**	**1,238,183**	**42,652**	**1,280,835**
Revaluation of non-current assets, net of deferred income tax effect		-	-	117,357	-	-	117,357	5,781	123,138
Translation of net investments in foreign operations into the Group's presentation currency		-	-	-	(26)	-	(26)	-	(26)
Result of change in actuarial assumptions		-	-	-	-	73	73	4	77
Total other comprehensive income (loss)		**-**	**-**	**117,357**	**(26)**	**73**	**117,404**	**5,785**	**123,189**
Net (loss) for the reporting period (restated*)	3.3	-	-	-	-	(22,440)*	(22,440)	469*	(21,971)
Total comprehensive income for the period(restated*)		**-**	**-**	**117,357**	**(26)**	**(22,367)**	**94,964**	**6,254**	**101,218**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(6,746)	-	6,746	-	-	-
Emission allowances utilised		-	-	(473)	-	473	-	-	-
Depreciation of the revaluation reserve of emission allowances		-	-	(29)	-	29	-	-	-
Transfer to reserves, movement in reserves		-	3,339	-	-	(3,339)	-	-	-
Dividends	37	-	-	-	-	(78,265)	(78,265)	(2,596)	(80,861)
Increase in share capital of Kauno Kogeneracinė Jėgainė UAB		-	-	-	-	-	-	1,172	1,172
Acquisition of subsidiary		-	-	-	-	82	82	-	82
Part of the increase in the authorised share capital of Lietuvos Energijos Gamyba AB by way of in-kind contribution attributable to non-controlling interest		-	-	-	-	-		76	76
Balance as at 31 December 2018 (restated*)		**1,212,156**	**49,851**	**162,935**	**16**	**(169,994)**	**1,254,964**	**47,558**	**1,302,522**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2018
All amounts in EUR thousands unless otherwise stated

Company	Note	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2017		**1,212,156**	**9,758**	**-**	**75,699**	**1,297,613**
Change in fair value of available-for-sale financial assets, net of deferred income tax		-	-	-	-	-
Total other comprehensive income/(loss)		**-**	**-**	**-**	**-**	**-**
Net profit for the reporting period		-	-	-	105,914	105,914
Total comprehensive income for the period		**-**	**-**	**-**	**105,914**	**105,914**
Transfers to legal reserve		-	4,758	-	(4,758)	-
Dividends	37	-	-	-	(59,752)	(59,752)
Balance as at 31 December 2017		**1,212,156**	**14,516**	**-**	**117,103**	**1,343,775**
Balance as 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		-	-	-	-	-
Total other comprehensive income/(loss)		**-**	**-**	**-**	**-**	**-**
Net profit for the reporting period		-	-	-	44,688	44,688
Total comprehensive income for the period		**-**	**-**	**-**	**44,688**	**44,688**
Transfer to legal reserve		-	5,295	-	(5,295)	-
Dividends	37	-	-	-	(78,265)	(78,265)
Balance as at 31 December 2018		**1,212,156**	**19,811**	**-**	**78,231**	**1,310,198**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

All amounts in EUR thousands unless otherwise stated

	Notes	Group 2018 (restated*)	Group 2017 (restated)	Company 2018	Company 2017
Cash flows from operating activities					
Net profit for the period		(21,971)*	93,525	44,688	105,914
Adjustments for non-cash items:					
Depreciation and amortisation expenses	5,6,19	96,934*	107,579	7	3
Impairment of property, plant and equipment	6.19	3,151*	106,259	-	-
Grants designated for property, plant and equipment in respect of which impairment and/or revaluation was recognised	24	(10,003)	(72,872)	-	
Result of revaluation of property, plant and equipment	6	76,617	(1,379)		-
Result of revaluation of investment property	7	(18)	3,929		-
Revaluation of derivatives		(354)	(2,165)		-
Impairment/(reversal of impairment) of financial assets		9,876	(1,003)	11,198,	2,701
Impairment/(reversal of impairment) of investments in subsidiaries		-	-	6,815	9,414
Income tax expenses	36	(12,273)*	(3,327)	(535)	(458)
(Depreciation) of grants	24	(9,270)	(20,222)	-	-
Increase (decrease) in provisions		2,484*	(5,888)	(2,097)	2,903
Inventory write-down allowance/(reversal)		(718)	(98)	-	-
Expenses/(income) of revaluation of emission allowances		(8,933)*	(2,296)	-	-
Emission allowances utilised		908	932	-	-
Elimination of results of investing activities:					
- Dividend (income)	37	-		(67,378)	(124,704)
- (Gain)/loss on disposal and/or write-off of property, plant and equipment		477	2,258	-	-
- (Gain) loss on disposal of investments in subsidiaries and associates		-	(352)	-	(24)
Results of the revaluation and closing of derivative financial instruments		-	-	572	-
Other (income)/expenses of investing activities		82	-	15	217
Elimination of results of financing activities:					
- Interest (income)	34	(1,427)	(1,520)	(10,040)	(3,147)
- Interest expenses	35	12,442	7,858	11,217	3,802
- Other (income)/expenses of financing activities		2,263	597	924	48
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		(21,603)	3,672	106	(891)
(Increase) decrease in inventories, prepayments and other current assets		18,896	(55,678)	(20)	(32)
Increase (decrease) in amounts payable, deferred income and advance amounts received		47,281*	(15,586)	(463)	347
Income tax (paid)		(6,309)	(9,663)	-	15
Net cash flows generated from (used in) operating activities		**178,532**	**134,560**	**(4,991)**	**(3,892)**

	Notes	Group 2018 (restated*)	Group 2017	Company 2018	Company 2017
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets	5,6	(416,205)	(232,548)	(6,454)	(10,011)
Disposal of property, plant and equipment and intangible assets		48,162	5,525	-	-
Loans granted		-	-	(351,160)	(218,983)
Loan repayments received		-	34,759	140,117	51,091
(Acquisition) disposal of investments in subsidiaries	8	(23,509)	62	(46,254)	(19,060)
Grants received	24	25,523	7,798	-	-
(Acquisition) of bonds		-	-	-	-
Interest received		1,105	1,498	5,389	1,910
Dividends received		-	-	67,378	124,704
Other increases (decreases) in cash flows from investing activities		(1,582)	-	(1,582)	-
Net cash flows used in investing activities		**(366,506)**	**(182,906)**	**(192,566)**	**(70,349)**
Cash flows from financing activities					
Proceeds from borrowings	22	57,810	97,305	-	-
Issue of bonds	22	294,346	293,759	294,346	293,759
Repayments of borrowings	22	(155,421)	(284,904)	(95,052)	(106,662)
Finance lease payments	22	(544)	(158)	-	-
Interest paid	22	(10,402)	(4,436)	(7,746)	(786)
Dividends paid		(80,608)	(65,350)	(78,265)	(59,752)
Increase in share capital of Kauno Kogeneracinė Jėgainė UAB	8	7,840		-	
Redemption of shares from non-controlling interest		-	(4,284)		-
Result of the closing of derivative financial instruments		(573)	(1,050)	(572)	126
Other increases (decreases) in cash flows from financing activities		-	-	(9,699)	-
Net cash generated from financing activities		**112,448**	**30,882**	**103,012**	**126,685**
Increase (decrease) in cash and cash equivalents (including overdraft)		**(75,526)**	**(17,464)**	**(94,546)**	**52,444**
Cash and cash equivalents (including overdraft) at the beginning of the period		161,101	178,565	52,517	73
Cash and cash equivalents (including overdraft) at the end of period	18	**85,575**	**161,101**	**(42,029)**	**52,517**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

1 General information

Lietuvos Energija UAB (hereinafter "the Company") is a private limited liability company registered in the Republic of Lithuania. The Company's registered office address is Žvejų g. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-oriented entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044, VAT payer's code LT10004278519. The Company has been founded for an indefinite period.

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

The Company analyses the activities of 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 others.

The Company seeks to ensure effective operation of 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 31 December 2018		At 31 December 2017	
	Share capital, in EUR '000	%	Share capital, in EUR '000	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212,156	100	1,212,156	100

As at 31 December 2018, the Group and the Company had 3,813 and 125 employees, respectively (31 December 2017: 4,513 and 104 employees, respectively).

During 2019 the Company and its subsidiaries changed their legal names as stated below:

New name	Former name
UAB "Ignitis grupė"	Lietuvos Energija, UAB
AB „Ignitis gamyba"	Lietuvos Energijos Gamyba AB
UAB „Ignitis"	Lietuvos Energijos Tiekimas UAB (former Lietuvos Dujų Tiekimas UAB)
UAB „Ignitis grupės paslaugų centras"	Technologijų ir Inovacijų Centras UAB
Ignitis Eesti OÜ	Geton Energy OÜ
Ignitis Latvija SIA	Geton Energy SIA
Ignitis Polska Sp.z.o.o.	Geton Energy Sp. z o.o.

All references to subsidiaries in this financial statement are retained in former names.

The Company's management approved these financial statements on 20 April 2020. These financial statements have been prepared for the special purpose of debt transaction and are not subject for approval by the Company's shareholders.

2 Summary of significant accounting policies

These financial statements have been prepared for the purpose of potential debt or equity capital market transaction / debt or equity fund raising.

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These Group's consolidated financial statements and certain notes herein have been restated to correct misstatements and to present changes in accounting policies retrospectively and reissued and supersede consolidated financial statements versions previously issued and dated 16 April 2019 for the year ended 31 December 2018. The Group concluded that its previously issued audited financial statements and related notes contained misstatements for the matters described. The group also changed accounting policies in 2019 and applies these retrospectively to 2018 figures for matters described below.

The management of the Group during 2019 have corrected errors and changed accounting treatment applied for:

- presentation of revenue received from new customers connection fees (Note 3.3)
- presentation of revenue relating to rendering of Public Service Obligations (hereinafter "PSO services") (Note 3.3)
- presentation of incomes of Liquefied Natural Gas Terminal's (hereinafter "LNGT") security component collected from customers (Note 3.3) and
- presentation of incomes of electricity transfer (includes both transmission and distribution) and gas distribution services in Latvia (Note 3.3)
- accounting principles for revenue, receivables and payables related to regulated activities (Note 3.3)
- presentation of revenue and costs related to electricity trading exchange market through the forward and future contracts (Note 3.3)

Correction of errors and change of accounting treatment for the Group's financial statements for the year ended 31 December 2019 are applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, therefore comparative figures of year 2018 are subject to correction and restatement in Group's financial statements for the year 2019.

Following the above the Company issues these special purpose financial statements to reflect those corrections of errors and changes of accounting treatments (Note 3.3) in these consolidated financial statements prepared for the year ended 31 December 2018. In these financial statements the figures in the statement of financial position, profit or loss and other comprehensive income, cash flows and other relevant explanatory notes are presented as corrected and restated.

These separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The separate and consolidated financial statements for financial years ending 31 December 2018, 31 December 2017 in this report have been prepared in accordance with International Financial Reporting

All amounts in EUR thousands unless otherwise stated

Standards as adopted by the European Union and its interpretations and amendments ("IFRS") that were effective as at 31 December 2018 and 31 December 2017, accordingly.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group's and the Company's financial statements as at and for the year ended 31 December 2018 have been prepared on a historical cost basis, except for property, plant and equipment measured at revaluated amount, investment property, emission allowances and certain financial instruments measured at fair value.

a) Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

IFRSs and their amendments adopted by the Group and the Company for the first time in the financial year ended 31 December 2018 are as follows:

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018). The main features of the new standard are as follows:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

On 1 January 2018, the Group and the Company adopted IFRS 9, *Financial Instruments* for the first time.

The Company estimated expected credit losses on trade receivables and loans receivable by assessing the clients on an individual basis as all services are provided to the subsidiaries and the loans are also mainly granted to the subsidiaries. The Company's management assessed the impact of the adoption of IFRS 9, *Financial Instruments* and amendments thereto on the Company's financial statements and established that the requirements of the new standard do not have a significant impact on the measurement results of trade receivables and loans receivable that were applied prior to the effective date of this standard.

The Group accounted for the impact of the first-time adoption of IFRS 9 starting from 1 January 2018 using the modified retrospective approach. The first-time adoption of the standard had no impact on the measurement of financial assets and financial liabilities, except that impairment of amounts receivable, which was recalculated under the requirements of the new standard, increased by EUR 471 thousand. The impact of the adoption of this standard was reported in the statement of financial position of 2018 by reducing retained earnings and recognising additional impairment of amounts receivable.

On 1 January 2018, the Group and the Company assessed debt financial assets compliance to criteria "solely payments of principle and interest on the principal amount outstanding" and, which business models are applied to financial assets held and reclassified financial instruments into respective categories established by IFRS 9.

The main impact of this reclassification for Company and Group is as follows:

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

FAAC – financial assets subsequently measured at amortised cost;
FAFVOCI – financial assets subsequently measured at fair value through other comprehensive income;
FAFVPL – financial assets subsequently measured at fair value through profit or loss.

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

IFRS 15, Revenue from Contracts with Customers.
As at 1 January 2018, the Group and the Company adopted for the first time IFRS 15, *Revenue from Contracts* with Customers and amendments thereto. The Group and the Company accounted for the

All amounts in EUR thousands unless otherwise stated

impact of the adoption of IFRS 15 starting from 1 January 2018 using the modified retrospective approach.
The Group's management assessed the impact of the adoption of IFRS 15, *Revenue from Contracts with Customers* and amendments thereto on the Group's financial statements and established that the requirements of the new standard will affect the recognition of revenue from new customer connection. Following the application of IFRS 15 with respect to revenue from new customer (NC) connection to the electricity system, the Group recognises such revenue over time, unlike the approach applied until 1 January 2018 (where revenue is recognised upon the fulfilment of an obligation). As effective legal acts require that a new customer conclude the transmission or public/guaranteed supply agreement with the Group, it means that a customer's connection to the network is not a separate performance obligation under IFRS 15, but it is interdependent with the electricity transmission service, therefore, NC connection revenue should be recognised over a period during which the electricity distribution service is provided. In view of this change, accrued NC connection revenue that had been recognised as revenue immediately between the period from 2 July 2009 and 31 December 2017 has been recalculated retrospectively and recognised over the estimated period of the provision of electricity distribution services to NC. Such a method of revenue recognition reduced the Group's retained earnings by EUR 73,318 million and will increase deferred revenue by a respective amount. The tax impact was estimated to be equal to EUR 10,997 thousand and was accounted for within retained earnings as well. The entry into force of IFRS 15 did not affect revenue from NC connection to the electricity networks that was accrued before 1 July 2009, because such revenue was recognised over time. Following the transfer of electricity public supply activities of Energijos Skirstymo Operatorius AB to Lietuvos Energijos Tiekimas UAB as of 1 October 2018, new customer connection is treated as a separate performance obligation under IFRS 15. This entails that inflows received from new customers will from 1 October 2018 be recognised as revenue upon connecting the customer to electricity distribution networks.

As a result of the application of IFRS 15 to the NC connection to gas network service revenue that was accrued and recognised in the statement of financial position over the useful life of property, plant and equipment created during the connection (i.e. deferred revenue) will from 1 January 2018 be recognised upon fulfilment of the connection obligation. Such estimation made by management is based on the fact that the Company's customers have a possibility to ensure the provision of natural gas distribution services by concluding a supply agreement with a natural gas supply company. A majority of the Group's customers make use of such a possibility. Consequently, the sole agreement concluded with the consumer is the NC connection agreement, under which all obligations assumed with respect to the consumer are deemed to be fulfilled when the connection service has been provided. Such a method of revenue recognition increased the Group's retained earnings by EUR 10,356 thousand and reduced deferred revenue by a respective amount. However, deferred NC connection revenue had an impact on the value of property, plant and equipment used in the gas segment (i.e. the impairment test showed that deferred NC connection revenue increased the carrying amount of property, plant and equipment used of the gas distribution network. As a result, such an accounting treatment of revenue had an impact on the carrying amount of property, plant and equipment used in the gas segment as it had exceeded the recoverable value, and value adjustment was reported within the Group's retained earnings (deficit) upon the initial adoption of IFRS 15. The total amount of these reclassifications in the gas segment, including a tax impact, is equal to zero.

The impact of the first-time adoption of IFRS 9 and IFRS 15 on the items of the Group's statement of financial position is shown in the table below:

	At 31 December 2017	IFRS 15	IFRS 9	At 1 January 2018
ASSETS				
Non-current assets				
Property, plant, and equipment	1,761,082	(10,356)	-	1,750,726
Deferred income tax assets	7,084	10,997	-	18,081
Current assets				
Trade receivables	112,563		(471)	112,092
EQUITY AND LIABILITIES				
Equity				
Retained earnings (deficit)	(13,706)	(59,194)	(453)	(73,353)
Non-controlling interest	45,796	(3,127)	(18)	42,651
Non-current liabilities				
Deferred revenue	54,509	63,839	-	118,348
Current liabilities				
Other current amounts payable and liabilities	114,663	(877)		113,786
Deferred revenue	*5,243*	*(877)*	-	*4,366*

The adoption of IFRS 15 affected the classification and presentation of the Group's revenue under contracts with customers and other income, therefore, as of 1 January 2018, income items *Repair services*, *IT and communications services*, and *Electricity equipment relocation income* are included within *Revenue under contracts with customers* in the statement of comprehensive income; comparative figures for 2017 have been also reclassified. Upon the enactment of the standard, the line item *Other income* of the statement of comprehensive income also comprises income from derivative financial instruments; comparative figures for 2017 have been also reclassified.

Statement of profit or loss and other comprehensive income

The impact of IFRS 15 on the comparative figures as at 31 December 2017 of the Group's statement of profit or loss and other comprehensive income due to the reclassification is presented in the table below:

	At 31 December 2017	IFRS 15	Reclassified as at 31 December 2017
Revenue from contracts with customers	1,064,459	16,760	1,081,219
Other income	36,372	(16,760)	19,612
	1,100,831	**-**	**1,100,831**

The application of IFRS 15 affected the presentation of the current portion of the Group's deferred revenue liabilities related to the connection of new customers to the gas and electricity distribution networks in the statement of financial position. As described in Note 2.20, revenue from the connection of new customers to the electricity and/or gas distribution networks is recognised immediately upon completion of the connection works. Therefore, the largest portion of the Group's deferred revenue as presented in the statement of financial position comprises liabilities recognised until 1 October 2018. Based on estimates of the Group, current deferred revenue liabilities comprise a significant portion of the Group's liabilities and are therefore presented separately from other amounts payable and liabilities in the statement of financial position at 31 December 2018. In this respect, current deferred revenue liabilities of the comparative period are presented in the Group's statement of financial position also separately from other amounts payable and liabilities.

All amounts in EUR thousands unless otherwise stated

The impact of IFRS 15 on the comparative figures as at 31 December 2017 of the Group's statement of financial position due to the reclassification is presented in the table below:

	At 31 December 2017	IFRS 15	Reclassified as at 31 December 2017
Deferred revenue	-	5,242	5,242
Other current amounts payable and liabilities	114,663	(5,242)	109,421

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2018; on 26 February 2018, the European Commission approved the application of the amendment in the European Union for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows: (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Group and the Company did not conduct share-based payment transactions during 2018. According to the Group's and the Company's management, the first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements.

Annual improvements to IFRSs 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2017 (changes to IFRS 12) or on or after 1 January 2018 (changes to IFRS 1 and IAS 28). On 7 February 2018, the European Commission, ensuring compliance with other accounting standards, approved the application of the improvements in the European Union retrospectively). The improvements impact three standards. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method. According to the Group's and the Company's management, the first-time adoption of the improvements did not have any significant impact on the Group's and the Company's financial statements.

Transfers of Investment Property – Amendments to IAS 40 (effective for annual periods beginning on or after 1 January 2018; on 14 March 2018, the European Commission approved the application of the amendment in the European Union for annual periods beginning on or after 1 January 2018). The amendment clarified that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence; a change in intention, in isolation, is not enough to support a transfer. According to the Group's and the Company's management, the first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018; on 28 March 2018, the European Commission approved the application of the interpretation in the European Union for annual periods beginning on or after 1 January 2018). The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The Group and the Company do not conduct significant settlements in foreign currencies, therefore, the amendment to the interpretation has no impact on the Group's and the Company's financial statements. According to the Group's and the Company's management, the first-time adoption of the interpretation did not have any significant impact on the Group's and the Company's financial statements.

Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts – Amendments to IFRS 4 (effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply the temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply overlay approach). The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches. (1) The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued ('overlay approach'). In addition, the amended standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. The amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility. This standard will have no impact on the Group's and the Company's financial position or results of operations as insurance services are not provided.

IFRS 16: Leases (New)
(published 31 January 2016, effective from 1 January 2019)

The Company and the Group first-time adopted IFRS 16 Lease in the financial year ended 31 December 2019, which had a significant impact on the Company's and the Group's financial statements.

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 are required to recognize:

All amounts in EUR thousands unless otherwise stated

(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 statement of profit or loss and other comprehensive income 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. When the Group/Company is a lease, the value of assets being transferred under the lease agreement and related lease liabilities is stated in the Group and the Company's statement of financial position.

The Company and the Group accounted for the impact of the first-time adoption of IFRS 16 starting from 1 January 2019 using the modified retrospective approach.

The Company and the Group performed the calculation of assets transferred according to the lease agreement and related liabilities under IFRS 16. At 1 January 2019, the Company and the Group recognized assets and liabilities managed under the right-of-use, which indicates the impact of the first-time adoption of IFRS 16 on the Group's and the Company's financial statements.

The impact of the first-time adoption of IFRS 16 on the items of the Group's statement of financial position is shown in the table below:

	As at 31 December 2018	IFRS 16	As at 1 January 2019
ASSETS			
Non-current assets	**2,411,007**	**14,566**	**2,425,573**
Property, plant and equipment	2,091,386	(35,969)	2,055,417
Right-of-use assets	-	50,535	50,535
Current assets	**442,884**	**-**	**442,884**
TOTAL ASSETS	**2,853,891**	**14,566**	**2,868,457**
EQUITY AND LIABILITIES			
Equity	**1,302,522**	**-**	**1,302,522**
Retained earnings (deficit)	(169,994)	-	(169,994)
Non-current liabilities	**1,168,707**	**12,281**	**1,180,988**
Non-current lease liabilities	14,334	12,281	26,615
Current liabilities	**382,662**	**2,285**	**384,947**
Lease liabilities	5,220	2,285	7,505
TOTAL EQUITY AND LIABILITIES	**2,853,891**	**14,566**	**2,868,457**

The impact of the first-time adoption of IFRS 16 on the Company's financial statements is shown in the table below:

	As at 31 December 2018	IFRS 16	As at 1 January 2019
ASSETS			
Non-current assets	**1,892,716**	**1,024**	**1,893,740**
Right-of-use assets	-	1,024	1,024
Current assets	**197,404**	**-**	**197,404**
TOTAL ASSETS	**2,090,120**	**1,024**	**2,091,144**
EQUITY AND LIABILITIES			
Equity	**1,310,198**	**-**	**1,310,198**
Retained earnings (deficit)	78,231	-	78,231
Non-current liabilities	**671,623**	**253**	**671,876**
Non-current lease liabilities	-	253	253
Current liabilities	**108,299**	**771**	**109,070**
Lease liabilities	-	771	771
TOTAL EQUITY AND LIABILITIES	**2,090,120**	**1,024**	**2,091,144**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows::

	Group	Company
The future minimum lease payments under irrevocable operating lease agreements as at 31 December 2018 are as follows:	**21,464**	**1,033**
Less: Commitments relating to short-term leases	(23)	-
Less: Commitments relating to leases of low-value assets	(6)	-
Corrected future minimum lease payments under irrevocable operating lease agreements as at 31 December 2018 are as follows:	21,435	1,033
The weighted average interest rate as at 1 January 2019, %	3,44	0,42
The lease liability is recognized on 1 January 2019 by applying the interest rate	14,566	1,024
Lease liabilities as at 1 January 2019	**14,566**	**1,024**
whereof:		
Short-term lease liabilities	2,285	771
Long-term lease liabilities	12,281	253

Practical expedient when the Group and the Company is a lessee:
Upon adoption of IFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The following specific transition requirements and available practical expedients that the standard provides were applied by the Group and the Company:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics,
- For initial application applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date and to leases for which a new underlying asset is of low value amounted to thousand 3 EUR or less,
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019; on 23 October 2018, the European Commission approved the application of the interpretation in the European Union for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgements or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgement or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgements and estimates required by the Interpretation. The first-time adoption of the interpretation did not have any significant impact on the Group's and the Company's financial statements for twelve-month period ended 31 December 2019.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019; on 22 March 2018, the European Commission approved the application of the amendment in the European Union for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements for twelve-month period ended 31 December 2019.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements for twelve-month period ended 31 December 2019.

Annual Improvements to the IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The first-time adoption of the improvements did not have any significant impact on the Group's and the Company's financial statements prepared for twelve-month period ended 31 December 2019.

Conceptual Framework for Financial Reporting (published on 29 March 2018; effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The Framework sets out the fundamental concepts for the preparation of financial statements that guide the publisher of the standards in developing the International Financial Reporting Standards. The Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction and helps stakeholders to understand and interpret the Standards. The revised Framework establishes the definitions of assets and liabilities as well as criteria for recognising assets and liabilities in financial statements. The Framework sets out the following improvements:

a) Measurement. Revisions have been made to the concepts on the measurement of the elements constituting financial statements, including factors to be considered when selecting a measurement basis;
b) Presentation and disclosure. Revisions have been made to the concepts on presentation and disclosure, including when to classify income and expenses in comprehensive income;
c) Derecognition. Revisions have been made to the guidance on when assets and liabilities are to be removed from financial statements.

The revised Framework provides additional explanations related to the principles of prudence and substance over form, measurement uncertainty, and management's stewardship of the entity's economic resources. According to the Group's and the Company's management, the first-time adoption of the updated Framework did not have any significant impact on the Group's and the Company's financial statements.

Definition of a Business – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The amendment to the standard was prepared with an aim to facilitate companies in determination whether they have acquired a business or a group of assets. The amendment confirms that a business is comprised of inputs and processes and clarifies that these processes must be substantial, and that inputs and processes must be used together to contribute to the ability to create outputs. The amendment narrows the definition of a business by focusing on goods and services provided to customers and other income from ordinary activities, rather than the provision of dividends or other benefits to investors or reduction of costs. In performing an assessment on the activities and assets acquired, companies may apply a test that permits a conclusion on whether an acquired group of assets is not a business if substantially the value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. According to the Group's and the Company's management, the first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
(published 7 February 2018, effective from 1 January 2019)
The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements for twelve-month period ended 31 December 2019.

Amendments to IAS 1 and IAS 8: Definition of a Material
(published 31 October 2018, effective from 1 January 2020)
The amendments are effective annual reporting periods beginning on or after 1 January 2020. 1 January. or later with the option to apply earlier. The amendments clarify the definition of 'material' and how it should be applied. New definition clarifies that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRSs. The amendments have not yet been endorsed by the EU. According to the Group's and the

Company's management, the first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published 26 September 2019, effective from 1 January 2020)
Amendments to IFRS 9, IAS 39 and IFRS 7 conclude phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. According to the Group's and the Company's management, the first-time adoption of the amendment did not have any significant impact on the Group's and the Company's financial statements.

b) <u>New standards, amendments and interpretations that are not yet effective</u>

Other new standards, amendments and interpretations that are mandatory for annual periods beginning on 1 January 2019 or later and that have not been adopted when preparing these financial statements:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Group and the Company are currently assessing the impact of these amendments to the standards on their financial statements.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. This standard will have no impact on the Group's and the Company's financial position or results of operations as insurance services are not provided.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(published 11 September 2014)
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IFRS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that adoption of new standard will have no significant effect on financial statements of the Company and the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
(published 23 January 2020, effective from 1 January 2022)
The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The management of the Group is currently assessing the impact of this amendment on their financial statements. These Amendments have not yet been endorsed by the EU.

2.2 Consolidation

<u>Consolidation</u>

The consolidated financial statements of the Group include the financial statements of the parent company Lietuvos Energija UAB and its directly and indirectly controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the parent company. On consolidation, all inter-company transactions, balances and unrealized gains and/or losses on transactions among the Group companies are eliminated.

Non-controlling interest represents a part of profit or loss and net assets which is not controlled by the Group. Non-controlling interest is reported separately in the consolidated statement of comprehensive income. The share of equity attributable to the non-controlling interest and to the owners of the parent is shown separately in the consolidated balance sheet.

Business combinations

Acquisition of subsidiaries which are not part of the Company's group are accounted for using the acquisition method. The consideration transferred is measured as the fair value of the assets transferred, the equity interest issued and liabilities incurred or assumed at the date of exchange. All acquisition-related costs are expensed when incurred. The acquirer's assets acquired, liabilities and contingent liabilities meeting recognition criteria laid down in IFRS 3 'Business Combinations' are identified. They are recognised at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit (loss). Afterwards, decrease/increase in contingent consideration is accounted through profit (loss).

Non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportional share of the fair value of the net assets, liabilities and contingent liabilities recognised.

Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Investments in subsidiaries (Company)

A subsidiary is an entity directly or indirectly controlled by a parent company. In the parent company's balance sheet investments in directly controlled subsidiaries are stated at acquisition cost less impairment loss, where the investment's carrying amount in the parent company's balance sheet exceeds its estimated recoverable amount. Contingent consideration is included to acquisition cost at its fair value as at acquisition date. Afterwards, decrease / increase in consideration payable is accounted through profit (loss) and trigger impairment test for investment in the subsidiary.

2.4 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the parent company's balance sheet investments in associates are stated at acquisition cost less impairment loss, where the investment's carrying amount in the parent's balance sheet exceeds its estimated recoverable amount.

In the consolidated financial statements of the Group results of operations, assets and liabilities of associates are accounted for using an equity method, except when the investment is classified as held-for-sale and it is recognised according to IFRS 5 'Non-current assets held for sale and discontinued operations'. Under the equity method, investments in associates at initial recognition are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investee, less any impairment in the value of individual investments. Profit and other distributions received by the Group from an associate reduce the carrying amount of the investment in the associate. Adjustments to the investment's carrying amount are also performed for changes in the Group's share of the net assets in the associate arising from changes in the associate's other comprehensive income

Losses of an associate in excess of the Group's share of assets in that associate are not recognised, unless the Group had incurred legal or indirect obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as deemed goodwill. The goodwill is included in the net book amount of the investment and is assessed for impairment as part of the investment. Any excess of the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. Where the Group company conducts transactions with an associate of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the relevant entity.

2.5 Foreign currency translation

(*a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the euros (EUR), which is the Company's functional and presentation currency as from 1 January 2015.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the profit (loss).

2.6 Property, plant, and equipment

Property, plant and equipment is stated at cost or revalued amount. Property, plant and equipment, including categories of assets of the Hydro Power Plant, Pumped Storage Power Plant, structures and machinery of Thermal Power Plant (Combined Cycle Unit and Reserve Power Plant), gas distribution pipelines, gas technological equipment, wind power plants, as well as IT and telecommunication equipment, is accounted for at cost less accumulated depreciation and impairment. All other property, plant and equipment are shown at revaluated amounts, based on periodic valuations by external independent valuers or by the Group's management, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment. All other repairs and maintenance costs charged to the statement of comprehensive income as incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated to the revaluation reserve in shareholders' equity. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases in the carrying amount of an asset arising on revaluation are recognised in profit or loss; decreases that offset previous increases of the same asset area recognised in other comprehensive income and charged against the revaluation reserve. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) is charged to profit or loss and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred income tax.

All amounts in EUR thousands unless otherwise stated

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost/revalued amounts to their residual values over their estimated useful lives (number of years), as follows:

Category of property, plant and equipment	Useful lives (number of years)
Buildings	8-75
Structures and machinery	
- electricity and communications equipment	20-25
- electricity distribution equipment	15-45
- electricity equipment	15-35
- other equipment	5-50
Wind power plants	20
Assets of Hydro Power Plant, Pumped Storage Power Plant, Reserve Power Plant and Combined Cycle Unit	
Assets of Hydro Power Plant and Pumped Storage Plant:	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25-40
- other equipment	8-15
Assets of Reserve Power Plant:	
- structures and infrastructure	10-70
- thermal and electricity equipment	10-60
- measuring devices and equipment	5-30
- other equipment	8-15
Assets of Combined Cycle Unit:	
- structures and infrastructure	20-50
- electricity lines	20-40
- electricity generation equipment	20-50
Gas distribution pipelines and their equipment	18 - 55
Motor vehicles	2-35
IT and telecommunication equipment	3-10
Other property, plant and equipment:	
- tools, other property, plant and equipment	4-10

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets (Note 2.17).

When property is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognized and any related gains or losses are included in profit or loss. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the book value of assets disposed. When revalued assets are disposed, the corresponding portion of revaluation reserve is transferred to retained earnings (deficit).

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the Company and the costs can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognised as expenses in profit or loss during the financial period in which they are incurred.

Construction in progress is transferred to appropriate categories of property, plant and equipment when it is completed and ready for its intended use

2.7 Intangible assets

(a) Patents and licenses

Patents and licenses are stated at cost. Trademarks and licenses acquired in business combination are recognised at fair value at the date of acquisition. Trademarks and licenses are accounted for at cost less accumulated amortisation. Amortisation is calculated using a straight-line basis over the estimated useful life of 3 to 5 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis.

For the license acquired in a business combination (license to produce electricity with incentive tariff), useful life is determined to be 12 years.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 4 years).

(c) Emission allowances

For detailed description of accounting policy for emission allowances see Note 2.22.

(d) Other intangible assets

Intangible assets expected to provide economic benefits in future periods are valued at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years.

2.8 Impairment of non-financial assets

At each reporting date, the Group/Company reviews the book values of its property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit.

2.9 Investment property

Investment property, which consists of the Group's buildings and structures, is held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and subsequently at fair value which is determined by independent properly valuers. Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Certain immovable property may be occupied by the Group, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Group can be sold separately, the Group accounts for such property separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held to earn rentals is accounted for under IAS 40.

2.10 Non-current assets held for sale

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs of disposal if the carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.11 Financial assets

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

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/Group would not have paid if it had not entered into an agreement on the financial instrument.

Following the adoption of IFRS 9 *Financial instruments* from 1 January 2018, the Company and the Group classify their financial assets into the following three 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 value through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company/Group applies when managing its financial assets and characteristics of cash flows from these 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/Group. The intentions of the Company's/Group's management regarding separate instruments has no effect on the applied business model. The Company/Group may apply more than one business model to manage its financial assets.

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/Group, amounts receivable, and cash and cash equivalents 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. These assets are stated at amortised cost using the effective interest method. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. Effective interest rate method is a method applied to allocate interest income over the relevant period so as to achieve a constant periodic rate of interest (effective interest) on the carrying amount. The effective interest rate exactly discounts estimated future cash inflows or outflows (excluding future expected credit losses) to gross carrying amount of the financial instrument over the expected life of the financial instrument or a shorter period, if necessary.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the preparation of the statement of financial position, in which case they are classified as non-current assets.

Assets held in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) are carried at amortised cost. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the statement of profit or loss and other comprehensive income. Impairment losses are accounted for as impairment and write-off expenses in the statement of profit or loss and other comprehensive income.

Financial assets at fair value through profit or loss

Debt instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at fair value through other comprehensive income (FVOCI) are stated as financial assets to be measured at fair value through profit or loss (FVPL).

To this category, the Company/Group attributes amounts receivable from disposal of business or equity instruments that do not meet the SPPI conditions. The Company/Group attributes financial assets to assets measured at fair value through profit or loss, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss in the period in which it arises.

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/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/Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Impairment of financial assets – expected credit losses

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the Company/Group are calculated as the difference between all contractual cash flows that are due to the Company/Group in accordance with the contract and all the cash flows that the Company/Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company/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 are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

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/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 information, including future-oriented information.

For short-term trade receivables without a significant financing component the Company/Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.
The Company/Group assesses all material amounts receivable individually, and all immaterial amounts collectively.

The Company’s/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/Group assesses the debt on a collective basis.

For the purpose of determining the lifetime expected credit losses of amounts receivable, the Company/Group uses the loss coefficient matrix (on a collective basis). The loss coefficient matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss coefficients are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years or of customer types. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics. The non-recoverability analysis is conducted for the last several years in order to determine the general default ratio. As regards different groups of consumers, a different loss coefficient matrix is used.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Company’s/Group’s management performs 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.

Recognition stages of expected credit losses:
1. Upon granting of a loan or concluding a finance lease agreement, the Company/Group recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
2. Upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Company/Group accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from loans (finance leases) is calculated on the carrying value of the financial assets, without adjusting it by the amount of expected credit losses.
3. Where the Company/Group establishes that the recovery of the loan is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Company/Group classifies this loan (finance lease receivables) as credit-impaired financial assets (doubtful loans and other receivables). Interest income from the loan (finance lease) is

calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Company/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/Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

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 for more than 90 days;
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.

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

Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
    - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
    - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained 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, control is not retained. In all other cases, control is retained.

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

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, expect for natural gas and liquefied natural gas, the cost of which is determined using the weighted average costing method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group and the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less attributable variable selling expenses.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under liabilities within current borrowings in the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity.

When an entity acquires its own shares, the shares acquired are deducted from equity. For the purpose of the statement of comprehensive income, no gain or loss is recognised on the purchase, sale, issue or cancellation of the entity's own equity instruments.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

2.15 Trade payables

Trade payables are recognised when the other party has performed its obligations under the contract. Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

2.16 Financial liabilities and equity instruments issued

Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Company/Group after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings and bonds issued at the moment of initial recognition, are recognised at fair value, less transaction costs.

In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

Financial liabilities are classified as current liabilities unless the Company/Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

2.17 Income tax and deferred income tax

Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the balance sheet date.

Current income tax is calculated on profit before tax. Calculation of income tax is based on requirements of the Lithuanian regulatory legislation on taxation.

In 2018 and 2017, a standard income tax rate of 15 per cent was applicable to the companies in Lithuania.

Tax losses can be carried forward for indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company terminates the activities that caused these losses, except when the Company discontinues its activities due to the reasons that are beyond the Company's control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred income tax

Deferred income tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. Deferred income tax assets and liabilities are not recognised when temporary differences arise from goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The group recognised deferred taxes on investment credits.

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred income tax assets could be utilised in full or in part. Deferred income tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Current and deferred income tax

Current and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

2.18 Employee benefits

Social security contributions

The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

Actuarial gains or losses arising from adjustments based on experience or from changes in actuarial assumptions are recognised immediately within the Group's and the Company's other comprehensive income. All past service costs are recognised immediately.

Long-term employee benefits

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the balance sheet. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

2.19 Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recorded in loss, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for servitudes

Provisions for servitudes are recognised only when the Group and the Company have a legal obligation or irrevocable commitment as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provision for servitudes are recognised as non-current intangible assets in view of amounts to be compensated. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions for onerous contracts

Provisions for onerous contracts represent unavoidable costs of meeting contractual obligations in excess of the economic benefits expected to receive. Provisions are measured at present value using the effective interest rate method.

2.20 Revenue and expense recognition

Revenue from contracts with customers

The Group and the Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

(i) customer can benefit from the good or service on its own or with other readily available resources and
(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

Group's major distinct performance obligations identified in the contracts with customers are: sale of electricity and gas, supply, transmission, distribution, new customers connection fees, provision of Public Service Obligations (hereinafter "PSO services") and provision of Liquefied Natural Gas Terminal Security Component Obligations (hereinafter "LNGT services"). PSO services are described in this Note under heading "Public Service Obligations", LNGT services – under heading "LNGT security component".

Where contracts with customers include variable consideration, the Group and the Company estimate such considerations over the life of the respective contracts and updates that estimate at each reporting period

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Group and 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.

Revenue from sale of electricity

The Group's sale of electricity to end customers includes production, distribution, supply, electricity-related services, Public Service Obligations Fee (hereinafter "PSO fee") and other services rendered in the process of sale of electricity.

Revenue from sale of electricity to household customers is recognised in each reporting period according to issued invoices, in which the volume of electricity consumed is calculated. The volume of electricity consumed is calculated on the basis of declared or actual readings. If declared or actual readings are not available, revenue from sale of electricity is recognised based on the average method. Revenue from sale of electricity to business customers is recognised upon sale of electricity based on the actual consumption of electricity which is determined according to the readings of electricity meters. Revenue from electricity distribution services is recognised on a monthly basis referring to the readings of measuring devices as submitted by customers.

Electricity tariff

Final electricity tariff to end customers comprise of the following components:
(a) Electricity price itself (import or price of manufactured)
(b) Electricity supply services' price
(c) Electricity transfer services' price, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid
(d) PSO fee

Tariffs for electricity transmission, distribution and PSO fee are regulated by National Commission for Energy Control and Prices (hereinafter "NERC") by establishing the upper limit for tariffs of the transmission and distribution services and prices for PSO fee. Specific prices for the transmission and distribution and PSO fee are established by the supplier of the service within the limits approved by the NERC.

Tariffs of electricity sold by the producers and independent suppliers of electricity as well as tariffs for assurance of capacity reserves are not regulated, except the cases when the producer or supplier is recognised as an undertaking with significant power following the respective market research by NERC. In that case, the procedure for tariff setting is established by NERC. Tariffs for imported and exported electricity are not regulated.

Electricity supply is provided by the Group and the revenue from them is recognised over time based on the actual electricity supplied. Electricity transmission services are provided by transmission system operator which is not a part of Group. The Group collects electricity transmission fees from business customers and private individuals and transfer them to transmission system operator. In Lithuania the Group having contracts with end users, where it is clearly stated that for operations of electricity transfer services (includes transmission and distribution) and meters is responsibility of the Group, consider itself as a Principal and therefore the revenue from transmission services is recognized on a gross basis (Note 4). In Latvia for the operations of electricity transmission and distribution services and meters is responsibility of the transmission/distribution system operator which is not a part of the Group, therefore in relation of these services the Group consider itself as an Agent (see Note 4). In Lithuania electricity distribution services are provided by the Group.

Public Service Obligations

The purpose of PSO services' provision is to implement the strategic objectives of the energy, economic and environmental policy of the Republic of Lithuania, ensuring the implementation of the interests of all electricity consumers. Under the public service obligation scheme approved by Ministry of Energy PSO fees are collected by electricity suppliers from end users through the electricity tariff and transferred then to the budget, from which the Public Service Obligation Funds (hereinafter "PSO funds") are distributed (i.e. disbursed) to PSO service providers. The list of services supported by PSO is determined by the Government of the Republic of Lithuania.

Collection of PSO fees

PSO fee is an integral part of electricity tariff to the customer. As well as transmission service fees the Group collects PSO fees from business customers and private individuals, connected to electricity distribution grid, and transfer them to the operator of energy exchange Baltpool UAB, which also acts as the administrator of PSO services and is engaged in the collection of PSO fees, payments and administration of PSO funds.

The Group acting as an electricity supplier, who collects PSO fees through the electricity tariff from end users and then transfers them to operator of electricity exchange, consider itself as an Agent due to lack of control over PSO fees and therefore the income of PSO fees is recognized on a net basis (Note 4), i.e. an income and disbursements of PSO fees are recognized under the "Purchases of electricity, gas for trade and related services" item in a statement of profit or loss and other comprehensive income.

Revenue from PSO service provision

The Group provides PSO services that are approved by the Government of the Republic of Lithuania and is entitled to the PSO funds. PSO funds are recognized as revenue under the "Revenue from contracts with customers' item in a statement of profit or loss and other comprehensive income. The Group obtains the income of PSO funds from the provision of the following PSO services:

(i) 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 power system reserves in predetermined power plants, the activity of which is essential for the purpose of ensuring energy security of the state (see Note 4). 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 entering into an 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 providing the service, the provision of which ensures the electricity system reserve.
    In the agreement concluded with the customer, the consideration received by the Group comprises the fixed part paid in equal portions over the duration of the provision of the service.

(ii) the Group produces electricity from renewable energy sources which are public interest services and is qualified for subsidies financed by the PSO fund budget. The support is granted over a period of 12 years at a premium to the market price. The revenue of PSO funds is calculated according to factual produced volume of electricity. PSO funds are paid under a public service obligations scheme based on pre-determined annual quantities and prices of services set by NERC. The tariff is established by NERC based on the estimates of variable electricity production costs provided by the producers.

Revenue from sale of electricity

Sales of self - generated electricity

The sales of electricity produced using own resources are conducted at the Power Exchange (hereinafter ‘the Exchange’) by submitting electricity sale offers to the Exchange. On the 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 seller’s performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller’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 payable at a flat rate. 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 deducted by trading intermediaries representing the Group at the Exchange.

Electricity trading on stock exchange

Revenues from the sale of electricity are recognized in the period in which the buy / sell transaction took place on the stock exchange. Revenues from the sale of electricity on stock exchanges are recognized in accordance with IFRS 9 and presented as the balance within the costs of energy purchase.

The Group participates in electricity trading exchange market through forward and future contracts. The purpose of these deals is to earn profits from short-term fluctuations in electricity prices on the exchange. In such deals the Group does not provide supply of electricity to final customers. Settlements are made by settling liabilities between the Group and the other party to the exchange transaction, and by making a cash payment for the remaining outstanding debt. The Group accounts for contract balances in the financial statements at fair value, and income and expenses are presented in one item “Purchases of electricity, gas for trade, and related services” in Profit or loss and other comprehensive income as profit or loss. Presentation of revenue and costs in one item is based on the fact that, under IFRS 9, transactions made by the Group cannot be classified under the own use' exception, and therefore only the result of those transactions should be recognized in profit or loss. (Note 4).

Revenue from electricity-related services

Other revenue from the services related to energy supply comprises the following:
1) revenue from generation of electricity of the active capacity reserve,
2) revenue from assurance of the capacity reserve,
3) revenue from reactive power and voltage management services,
4) system recovery after the total accident, including isolated operation testing (hereinafter ‘the 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. The services are rendered per customer. 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 electricity and 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, including the service of isolated operation testing, 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, including isolated operation testing, throughout the term of validity of the agreement, i.e. within one year.

Revenue from supply and transfer of electricity

Revenue from supply and transfer (includes both transmission and distribution) of electricity to household customers is recognised in each reporting period according to issued invoices, in which the presented volume of electricity consumed is calculated on the basis of declared or actual readings, i.e. determined upon inspection or received via smart meters. If declared or actual meter readings are not available, revenue from supply and transfer of electricity is recognised based on the average usage estimation method.

Revenue from supply and transfer of electricity to business customers is recognised over time based on the actual electricity supplied which is determined according to the readings of electricity meters.

The Group has concluded that it is acting as an Agent in the provision of (i) electricity transfer, which includes both transmission and distribution in Latvia and (ii) gas distribution services, provided in Latvia because the Group has no control over these service obligations (Note 4).

Tariffs for electricity transmission, distribution and supply are regulated by regulation institutions by establishing the upper limit for tariffs of the transmission, distribution and supply services. Specific prices for the transmission, distribution, supply are established by the supplier of the service within the limits approved by regulation institution.

Revenue from electricity-related services: electricity balancing services

Revenue from electricity balancing services is recognized when the services are provided. In order to balance the electricity supply schedule, the Group provides service of electricity balancing: provides the missing electricity to or accept the excess from electricity transmission system, thus ensuring the optimal amount of electricity in the transmission system.

Revenue from electricity balancing services is recognized as income in the statement of profit or loss and other comprehensive income on a monthly basis based on monthly reported amounts of electricity received / supplied.

Revenue from supply of thermal energy

Under the agreements concluded with the customers, 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 fixed 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 NERC.

Revenue from sale of natural gas

The Group's sale of natural gas to end customers includes gas price, distribution, supply, LNGT security component and other services rendered in the process of sale of natural gas.

Natural gas tariff

Final natural gas tariff to end customers comprise of the following components:

(a) Cost of gas import
(b) Natural gas transfer cost, which includes transmission over high-pressure and distribution over medium and low pressure grids costs
(c) LNGT security component

In Lithuania natural gas distribution services are provided by the Group and the revenue from them is recognised over time based on the actual natural gas supplied. In Latvia natural gas distribution services are provided by the operator of distribution system which is not a part of the Group. Natural gas transmission services are provided by the gas transmission system operator.

LNGT security component

The Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania (Article 5.2) provides that contribution so-called security component related to the following securities of natural gas supply shall be collected from end users and added to the natural gas transmission price:

- for the installation of LNGT, its infrastructure and connection and all fixed operating costs that are not included in other state regulated prices, and
- to compensate for the reasonable costs of supplying the minimum quantity required to ensure the necessary operation of the LNGT

Similarly to PSO services, LNGT security component is collected by natural gas suppliers from end users through the natural gas tariff and transferred then to the budget, from which the LNGT funds are distributed (i.e. disbursed) to LNGT service providers.

The Group acts as a natural gas supplier that collects LNGT security component from end users and as designated liquefied natural gas (hereinafter "LNG") supplier the function of which is to ensure the necessary operation of the LNGT by supplying the minimum quantity of natural gas.

Group's action as natural gas supplier to end users

LNGT security component and natural gas transmission services are an integral part of natural gas tariff to the customer. Payments for LNGT security component and gas transmission services are collected directly from customers or natural gas suppliers, if the customers don't have a direct contract with the operator of transmission system. Collected amounts of LNGT security component are transferred to operator of transmission system AB Amber Grid which is appointed to perform the function of administering the LNGT security component. In accordance of IFRS 15 the Group in providing these services consider itself by acting as an Agent and recognises the revenue on a net basis, because the Group is not exposed to any inventory risk, as well as the Group has no legal power to establish pricing of this component. The income of LNGT security component is recognized on a net basis (Note 4), i.e. an income and disbursements of LNGT security component are recognized under the 'Purchases of electricity, gas for trade and related services' item in a statement of profit or loss and other comprehensive income.

Group's action as designated LNG supplier to gas market

In order to maintain the LNG Terminal infrastructure in minimum mode, a certain amount of natural gas, which is to be supplied through the LNG Terminal, is required for filling, regasification or transshipment and supply to the Lithuanian natural gas system or the international LNG market.

The Law on the LNG Terminal and the Description of the Natural Gas Supply Diversification Procedure determines that the required quantity shall be supplied by the designated supplier (nominated by the Ministry of Energy for 10 years) by concluding a contract with the LNG supplier.

To ensure the operation of LNG terminal the designated supplier shall sell the required quantity on a competitive market and therefore its costs which due to the nature of its activities are exclusively borne (whereas other suppliers don't incur) are compensated by operator of transmission system paying LNGT funds that are paid from the budget of LNGT security component collected by natural gas suppliers from end customers. Therefore the Group receives the revenue of these LNGT funds. LNGT funds are recognized as revenue under the "Revenue from contracts with customers' item in a statement of profit or loss and other comprehensive income.

Revenue from distribution of natural gas

Revenue from non-household customers for the distribution of natural gas is recognised over time based on to the readings of measuring devices provided by users or, if users did not provide the readings of measuring devices, referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, as agreed with NERC (an accrual basis).

Revenue from household customers is recognised over time based on the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, i.e. the calculation of revenue takes into account mismatches between quantities of gas declared by household customers and quantities of gas distributed to them (an accrual basis). Revenue from household consumers does not form a significant part of revenue from natural gas distribution activities.

In relation of distribution services provided in Latvia the Group considers itself as an Agent. The Group is not responsible for development/maintenance of gas distribution network in Latvia, accordingly not responsible that these funds are used for their intended purpose. The Company is not exposed to any inventory risk, as well as the Group has no legal power to establish the pricing of gas distribution services provided in Latvia (Note 4).

Revenue from supply of natural gas

Revenue from supply of natural gas to non-household customers is recognised on a monthly basis referring to the readings of measuring devices provided by them and verified by the distribution system operator (an accrual basis). Revenue from supply of natural gas to household customers is recognised on a monthly basis referring to the readings of measuring devices provided by them and adjustments to estimated mismatches between quantities of gas declared by household customers and quantities of gas used by them (an accrual basis).

Liquefied natural gas is sold to regulated (supervised) energy producers at the market price set and approved by NERC. Non-regulated sales of natural gas are conducted at the prices agreed between the parties. Revenue is recognised on a monthly basis according to quantity supplied.

Revenue from gas-related services: gas balancing services

The transaction of the balancing of natural gas provides two parts: the transmission of liquefied natural gas at the fixed value of natural gas as established in the agreement with an obligation to repurchase it, and the balancing service, which comprises the supplied/accepted quantity of natural gas at the fee established in the agreement. The recipient of the service assumes the natural gas price risk.

Since the Group has an obligation to repurchase the transmitted quantity of gas or to return the accepted quantity of gas, such a transaction is not regarded as a sale of goods, and revenue is recognised only for the balancing service rendered.

Revenue from sale of services for the quantity of natural gas supplied/accepted, i.e. the balancing service, is recognised as sales revenue in the statement of profit or loss and other comprehensive income each month with reference to the data on the quantity of natural gas accepted/supplied each month submitted on a monthly basis.

Natural gas price risk is recognised as revenue or cost in the statement of profit or loss and other comprehensive income by each time accepting the returned quantity of natural gas. The change in price is assessed on the basis of the fixed value of natural gas as established in the agreement and the actual gas price prevailing in the market at the moment of the return.

Revenue from gas-related services: gas reload and storage services

The Group, acting as an intermediary in the provision of LNG reloading and storage services, is not exposed to the risk of stock price fluctuations, and therefore does not register LNG gas purchased for reloading purposes as its own inventory, and recognizes the service income in the statement of profit or loss and other comprehensive income.

Regulation of tariffs and profitability

Profitability of some individual Group companies and their individual activities is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

Actual costs of regulated activities incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, actual earnings from regulated activities may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

The Group does not recognise assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level, provided the difference will be recovered/refunded only through the provision of services in the future.

Tariffs for electricity and gas distribution are regulated by NERC by establishing the price caps. The specific prices for the distribution services are established by the Group company, which is a distribution network operator, within the limits approved by NERC.

Sale of liquefied gas to regulated consumers is regulated through setting the sale prices.

Tariffs for electricity transmission and PSO services are regulated by NERC by establishing the price caps for the services. The specific prices and tariffs for the transmission and PSO services are established by the operator of transmission system that is not part of the Group and within the limits approved by NERC.

Tariffs of electricity sold by the producers and independent suppliers as well as tariffs for capacity reserve services are not regulated, except when the producer or independent supplier holds more than 25% of the market, in which case the procedure for tariff setting is established by NERC.

Tariffs for import and export of electricity are not regulated.

Revenue from new customers connection fees

Until 1 January 2018

Fees paid by new customers for connection to the electricity network were recognised upon the connection of the customer's equipment to the electricity distribution networks. Payments made by users for the connection to the Group's gas system are recorded as deferred income in the statement of financial position and recognised as income over the depreciation period of the capitalised property, plant and equipment concerned. This revenue is included in the statement of comprehensive income as revenue from customers

From 1 January 2018

From 1 January 2018 to 30 September 2018, fees received for the connection of new customers were recognised as income for the period in which the Group ensured the connection of a new customer to the electricity distribution networks. Following the transfer of electricity public supply activities as of 1 October 2018, new customer connection in electricity segment was reconsidered as a separate performance obligation under IFRS 15, accordingly related revenue from 1 October 2018 was recognized when connection service was fully provided.

From 1 January 2018, the fees paid by new customers for the connection to the Group's gas system are recognised as revenue upon connecting the customer to the gas distribution pipeline.

In 2019 year management has applied a significant judgment and as further discussed in Note 4 concluded that all gas and electricity connection fees should be deferred over the useful lives of the related assets.

Other revenue sources

Interest income

Interest income is recognised on accrual basis using the effective interest rate method. For the purpose of the cash flow statement, interest received is attributed to investing activities, whereas for the purpose of the statement of profit or loss and other comprehensive income, interest received is recognised as finance income.

Dividend income

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows. Dividends of subsidiaries, attributable to the parent company, are eliminated in the consolidated financial statements.

Lease income

Lease income is recognised on a proportionate basis over the lease period.

Expense recognition

Expenses are recognised in the statement of comprehensive income as incurred by the accrual method.

2.21 Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'cap' and 'trade' basis. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan. A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

Intangible assets

The EU emission allowances are treated as intangible assets that were provided by the state or acquired by an entity in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

After the initial recognition emission allowances are carried using the revaluation method using the active market prices. Increases in the carrying amount arising on the revaluation of emission allowances are presented in other comprehensive income and credited against revaluation reserve directly to equity and decreases in excess of the previously accumulated amount in the revaluation reserve are recognised in the profit or loss in the statement of comprehensive income. Upon the realisation of emission units, the positive balance in the revaluation reserve is recognised directly within retained earnings.

Government grant

The EU emission allowances provided to the Group at no consideration are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to emission allowances utilised during the validity period of emission allowances or upon their disposal.

Provision for the utilisation of emission allowances

As the Group makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred by the Group for the settlement of liability at financial reporting date. The liability can be offset against intangible assets only when the actual quantity of emissions is approved by an appropriate regulatory state authority. Changes in the value of liability are recognised in the profit or loss.

Lending of emission allowances

Lending of emission allowances is a sale transaction during which assets is disposed and the right to receive emission allowances is acquired. The right to receive emission allowances is recognised as other non-current assets. Such assets are initially recognised at acquisition cost, and subsequently such assets are tested for impairment as described in Note 2.8.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where substantially all the risks and rewards of ownership of assets leased are transferred to the lessee are classified as finance lease. An operating lease is a lease other than a finance lease.

Where the Company and (or) the Group are lessors

Finance leases are presented as amounts receivable at an amount equal to the net investment in the lease; payments received are treated as repayments of principle and finance income. Finance income is recognized based on a constant periodic rate of return on net investment in the finance lease.

Operating lease income is recognised on a straight-line basis over the lease term. Initial direct costs are added to the carrying amount of the asset leased and recognised over the lease term similarly as lease income.

Where the Company and (or) the Group are lessees

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the property leased and at the present value of the minimum lease payments. Respective finance lease liability is recorded in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the outstanding balance of the liability. Finance charges are charged to profit or loss.

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2.23 Grants and subsidies

Asset-related grants

Government and the EU asset-related grants comprise grants received in the form of non-current assets or in the form of cash intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised in profit or loss by reducing the depreciation charge of the related asset over the expected useful life of the asset.

Upon the revaluation of non-current assets grants related to non-current assets in respect of which impairment was recognised on revaluation are written off.

Income-related grants

Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. These grants are presented as a credit in the statement of comprehensive income.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.26 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in the notes to the financial statements.

2.27 Related parties

Related parties are defined as shareholders, heads of administration and their deputies, their close family members, state-owned enterprises and companies that directly or indirectly (through the intermediary) control the Group or are controlled by, or are under common control with the Group, provided such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

2.28 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

2.29 Fair value

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. There are three levels in the fair value hierarchy:

Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value of assets is based on other observable market data, directly or indirectly.

Level 3: fair value of assets is based on non-observable market data.

2.30 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2.31 Financial guarantee contracts

The Company provides financial guarantees in relation to loans or other liabilities of the subsidiaries for compensation, which is recognised in profit and loss on an accrual basis. The financial liability is initially measured at fair value, and subsequently at the higher of the amount determined in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised.

2.32 Put option arrangements

The Group has a written put option over the equity of subsidiary UAB Kauno Kogeneracinė Jėgainė which permit the holder to put their shares in the subsidiary back to the group in a deadlock situation at the value of funds invested (period of construction and one year after the end of construction) and the market price (one year after start-up) less 15 %. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to non-controlling interest in equity, The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

All amounts in EUR thousands unless otherwise stated

3 Financial risk management

3.1 Financial risk factors

The Group and the Company are exposed to a variety of financial risks in their operations: 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 companies seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance results.

Market risk

Foreign exchange risk

As from 1 January 2015, Lithuania adopted the euro as its official currency. The sale/purchase contracts of the Group and the Company are mainly denominated in the euro. Foreign exchange risk is mainly characteristic to contracts concluded by the Company's subsidiaries for the purchase of natural gas from third parties. Aiming to reduce foreign exchange risk the agreement on natural gas purchase and supply is concluded in the same currency. As foreign exchange risk is insignificant to the Group - sensitivity analysis information is not provided.

In 2017, the Company's subsidiary Energijos Tiekimas UAB established in Poland a company controlled by the Group Geton Energy Sp. z o.o. whose assets and liabilities are recorded in Polish zloty. The expansion of the subsidiary's activities in the future may expose the Group to foreign exchange risk due to fluctuations in exchange rates of the Polish zloty against the euro.

Interest rate risk

The Group's income and cash flows are affected by fluctuations in market interest rates because the Group's loans and borrowings had fixed and variable interest rates as at 31 December 2018. The Company has financial liabilities measured at amortised costs with fixed interest rates, therefore, its exposure to interest rate risk is limited. .

Interest rate risk is substantially related to the risk that the interest rate of the credits held by the Group might be subjected to adverse changes In managing its financial liabilities, the Group aims to keep the average maturities of the Group's non-current liabilities to not be less than 10 years. In exceptional cases relating to the specific nature of the business of projects being implemented, a shorter maturity of non-current liabilities assumed is also available.

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount (in the context of the Company or the Group), interest rate derivatives are used for the purpose of interest management, including interest rate swaps, interest rate options, interest rate collars, and interest rate swaptions. The aim must be that non-current borrowings with fixed interest rates comprised no less than 50% of the Group's consolidated long-term loan portfolio.

The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in in interest rates of investments is not actively managed. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

The following table demonstrates the sensitivity of the Group's and the Company's profit to potential shift in interest rates.

Group	Increase/decrease, percentage points	(Decrease)/increase in profit
2018	0.3/-0.3	(40)/40
2017	0.3/-0.3	(65)/65

Company	Increase/decrease, percentage points	(Decrease)/increase in profit
2018	0.3/-0.3	52/(52)
2017	0.3/-0.3	60/(60)

As at 31 December 2018, the Group and the Company had no significant valid interest rate swaps.

Fair values of financial instruments

The Company's and the Group's derivative financial instruments (Levels 1 and 2), the Company's and the Group's equity instruments (Level 1), the Company's and the Group's price premium payable and amounts receivable in relation to acquisitions of subsidiaries (Level 3) are measured at fair value.

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 Group's and the Company's financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts and debt obligations to OP Corporate Bank Plc and SEB Bankas AB taken over from Energijos Skirstymo Operatorius AB.

The bond issue debt of EUR 588,999 thousand (31 December 2017: EUR 293,981 thousand) (Note 22), the fair value of which was equal to EUR 599,261 thousand as at 31 December 2018 (31 December 2017: EUR 297,680 thousand), was reported in the Company's statement of financial position at 31 December 2018. The fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the payment of EUR 300,000 thousand on 14 July 2027, as well as the payment of EUR 300,000 thousand on 10 July 2028. The cash flows were discounted using a discount rate of 1.9%. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

As at 31 December 2017, the fair value of the Company's amounts receivable related to EUR 100,000 thousand green bond amounts receivable of the subsidiary Energijos Skirstymo Operatorius AB was approximately equal to EUR 101,283 thousand as at 31 December 2017. The fair value is estimated by discounting cash flows with reference to the interest rate observable in the market – 2,0865%.

All amounts in EUR thousands unless otherwise stated

As at 31 December 2018, the fair value of the Company's amounts receivable related to EUR 366,288 thousand green bond amounts receivable of the subsidiary Energijos Skirstymo Operatorius AB was approximately equal to EUR 372,238 thousand as at 31 December 2018. The fair value is estimated by discounting cash flows with reference to the interest rate observable in the market – 2,143%.

On 8 November 2017, the Company took over debt liabilities of its subsidiary Energijos Skirstymo Operatorius AB to creditors, i.e. the banks OP Corporate Bank Plc and SEB AB. As at 31 December 2018, the subsidiary's debt to the Company amounted to EUR 136,649 thousand (31 December 2017: EUR 234,700 thousand) (Notes 9 and 17). Accordingly, the carrying amount of debt liabilities to OP Corporate Bank Plc and SEB Bankas AB that were taken over by the Company was equal to EUR 136,649 thousand as at 31 December 2018 (31 December 2017: EUR 234,700) (Note 22). The fair value of financial assets and financial liabilities related to the debts taken over, which is calculated by discounting future cash flows with reference to the interest rate observable in the market, is equal to EUR 141,881 thousand. The cash flows were discounted using a discount rate of 0.809%. The measurement of financial assets and financial liabilities related to the debts taken over is attributed to Level 2 of the fair value hierarchy.

The carrying amount of the loans of Lietuvos Energijos Gamyba AB was equal to EUR 38,036 thousand (31 December 2017: EUR 55,247 thousand). The fair value of these borrowings was approx. EUR 34,655 thousand as at 31 December 2018 (31 December 2017: EUR 50,064 thousand). The fair value was measured as present value of discounted cash flows at a discount rate of 3.22% (31 December 2017: 2.37%).

As at 31 December 2018, the Group and the Company accounted for an amount receivable for the sale of Litgrid AB at fair value through profit or loss. The carrying amount of the amount receivable was equal to EUR 158,658 thousand. Their fair value is attributed to Level 3 in the fair value hierarchy. As at 31 December 2017, the carrying amount of the Group's and the Company's amounts receivable for the sale of Litgrid AB (Note 9) was equal to EUR 169,856 thousand. Their fair value approximated their carrying amount. Fair value was estimated on the basis of discounted cash flows using the rate of 0.614%.

Credit risk

The Group's and the Company's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (cash and cash equivalents, loans granted).

The Group is not exposed to significant credit risk concentration related to trade receivables and other amounts receivable. Principally all loans granted, trade receivables and other amounts receivable of the Company are due from related parties (see Note 39). As at 31 December 2018 and 2017, other receivables of the Group principally consisted of the EPSO-G outstanding receivables for the sale of Litgrid AB shares in 2012 (Note 9).

The priority objective of the Group's and the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions with a long-term credit rating (in foreign currency) not lower than "A-" according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk as at 31 December 2018 and 2017 is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

	Note	Group		Company	
		At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Financial assets measured at amortised cost:					
Amounts receivable after one year	9	489	632	520,935	323,082
Trade receivables	15	143,120	112,563	-	-
Other amounts receivable	16	11,814	22,007	629	3,547
Short-term loans	17	-	-	189,324	169,395
Cash and cash equivalents	18	127,835	171,756	231	52,517
Amounts receivable under finance lease agreements					
Non-current portion	10	10,904	8,062	-	-
Current portion	10	3,029	3,217	-	-
Financial assets at fair value through profit or loss in the statement of comprehensive income					
Amount receivable on disposal of Litgrid AB (Notes 2,3,4)	9	158,658	169,856	158,658	169,856
Investments into convertible bonds	11	500	-	500	-
Derivative financial instruments	29	2,046	1,084	-	-
Total		**458,395**	**489,177**	**870,277**	**718,397**
Open guarantees issued	38	-	-	98,845	15,428
Total		**458,395**	**489,177**	**969,122**	**733,825**

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 31 December 2018, the Group's current liquidity ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.157 and 1.045, respectively (31 December 2017: 1.285 and 1.135). As at 31 December 2018, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 469,939 thousand (31 December 2017: EUR 382,645 thousand).

As at 31 December 2018, the Company's current ratio (total current assets / total current liabilities) was 1.823 (31 December 2017: 2.442). As at 31 December 2018, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 157,740 thousand (31 December 2017: EUR 180,000 thousand).

The Company issued securities and guarantees in the amount of EUR 98,845 thousand as at 31 December 2018 (31 December 2017: EUR 15,428 thousand) to secure the fulfilment of obligations of the Group companies to credit institutions and other creditors (Note 38).

All amounts in EUR thousands unless otherwise stated

The table below summarises the Group's and the Company's financial liabilities by category:

	Note	Group		Company	
		At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Amounts payable measured at amortised cost					
Borrowings	22	844,956	613,749	776,367	531,475
Finance lease liabilities	22	19,554	332	-	-
Non-current trade payables	27	729	852	-	-
Trade payables	28	93,236	98,338	947	506
Other current amounts payable and liabilities	29	73,575	80,387	1,045	108
Financial liabilities at fair value through profit or loss in the statement of comprehensive income					
Amounts payable for shares acquired		-	-	-	9,699
Derivative financial instruments	29	35	57	-	-
Off-balance sheet commitments:					
Open guarantees issued	38	-	-	98,845	15,428
Total		**1,032,085**	**793,715**	**877,204**	**557,216**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

Group	2018				Total
	Less than 3 months	3 months to 1 year	1 to 5 years	After 5 years	
Borrowings and finance lease liabilities	31,112	98,796	162,130	703,095	995,133
Trade payables and non-current amounts payable to suppliers	23,309	69,928	729	-	93,966
Other amounts payable	18,488	55,464	-	-	73,952
Derivative financial instruments	35	-	-	-	35
At 31 December 2018	**72,944**	**224,188**	**162,859**	**703,095**	**1,163,087**

Group	2017				Total
	Less than 3 months	3 months to 1 year	1 to 5 years	After 5 years	
Borrowings and finance lease liabilities	34,864	104,592	167,633	378,140	685,229
Trade payables and non-current amounts payable to suppliers	24,585	73,754	852	-	99,191
Other amounts payable	20,097	60,290	-	-	80,387
Derivative financial instruments	57	-	-	-	57
At 31 December 2017	**79,603**	**238,636**	**168,485**	**378,140**	**864,864**

Company	2018				Total
	Less than 3 months	3 months to 1 year	1 to 5 years	After 5 years	
Borrowings and finance lease liabilities	28,411	90,694	106,245	675,111	900,460
Trade payables and non-current amounts payable to suppliers	947	-	378	-	1,325
Open guarantees issued	18,475	55,426	5,147	19,796	98,845
At 31 December 2018	**47,833**	**146,120**	**111,770**	**694,907**	**1,000,630**

Company	2017				Total
	Less than 3 months	3 months to 1 year	1 to 5 years	After 5 years	
Borrowings and finance lease liabilities	25,815	77,445	132,629	364,585	600,474
Trade payables and non-current amounts payable to suppliers	506	-	108	-	614
Amounts payable for shares acquired	-	-	9,699	-	9,699
Open guarantees issued	15,428	-	-	-	15,428
At 31 December 2017	**41,749**	**77,445**	**142,436**	**364,585**	**626,215**

3.2 Capital management

Pursuant to the Lithuanian Republic Law on Companies, the authorised share capital of a public limited liability company must be not less than EUR 40 thousand, the authorised share capital of a private limited liability company must be not less than EUR 2.5 thousand, and the shareholders' equity must be not lower than 50% of the company's authorised share capital. As at 31 December 2018, the Company and all the companies of the Group, except for VVP Investment UAB, complied with these requirements. On 31 December 2018, VVP Investment UAB obtained a confirmation from the Company certifying that financial support will be provided for not less than 12 months after the approval of its financial statements. As at 31 December 2017, the Company and all the companies of the Group complied with these requirements.

When managing the capital risk in a long run, the Group seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

The Board of Lietuvos Energija UAB Group approved a common dividend policy, which sets uniform principles for the payment of dividends for all the group companies. The dividend policy is one of capital risk management tools. Based on the newly approved policy, distribution of dividends proposed by the Company and the Group companies will depend on the ratio of return on equity and net profit earned. According to dividend policy, appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. Between 60% and 85% of net profit is appropriated for the payment of dividends, depending on the ratio of return on equity at the end of the reporting period.

- A company is not obliged to distribute dividends only when it incurs net loss. A company will not pay any dividends when its financial debts at the end of the reporting period are equal to or exceed four times EBITDA amount for the last twelve months as from the end of the reporting period.
- Dividends will not be paid if the Group company's equity (after the payment of dividends) becomes lower than the sum of its share capital, legal reserve, revaluation reserve and reserve for acquisition of own shares, and also if a company becomes insolvent or would become insolvent upon payment of dividends. A company will also be able not to pay dividends if its ratio of financial debts to equity becomes equal to or exceeds 1.0.

3.3 Change in management judgment on applying accounting methods and corrections of errors

Change in management judgment on applying accounting methods

Connection fees

Group accounted for the impact of the first-time adoption of IFRS 15 starting from 1 January 2018 using the modified retrospective approach. Due to adoption of IFRS 15 the Group reduced its retained earnings to EUR 73 million (which represented the deferred new customers connection fees for electricity segment) and increased deferred revenue to EUR 118 thousand and additional impairment loss of EUR 10 million was recognised for Property, plant and equipment. Increase of deferred tax asset equal to EUR 11 million was accounted for within retained earnings as well.

Upon initial application of IFRS 15 with respect to revenue from new customer connection the Group assessed the existence of separate performance obligation from the legal point of view, i.e. if the distribution service provider had a new connection contract with a customer and the distribution as a service was provided to the end customer through the customer's contract with a supply company (not the distribution service provider itself), the new connection contract was treated as a separate performance obligation. Accordingly, consideration received from the customer was recognized as revenue, when the connection service was provided. In case the distribution service provider signed two separate agreements with the customer – one for connection service, another for distribution service, these two were treated as a single contract and a single performance obligation. Accordingly, the connection fees paid by customers were deferred as contract liability and recognized as revenue through the useful life of the new infrastructure created.

Following this aproach starting from January 2018 the connection fees in gas segment were recognized when connection service was provided and completed. In electricity segment from 1 January 2018 to 1 October 2018 connection fees were deferred over the period of estimated customer relationship, which was determined based on the useful life of the related newly created connection infrastructure.

Following 1 October 2018 new customer connection in electricity segment was reconsidered as a separate performance obligation under IFRS 15, accordingly related revenue from 1 October 2018 was recognized when connection service was provided. The accumulated deferred connection fee for electricity segment as at 1 October 2018 continued to be recognized over time.

Management of the Group has extensively analysed IFRS 15 accounting policies, which were also reviewed by the Bank of Lithuania as an oversight body of listed entities, also auditors were involved in the discussions. The accounting policy applied upon initial adoption of IFRS 15 was assessed as appropriate after evaluating management judgement made in a number of areas. However, one year after mandatory implementation of the new standard, the Group observed the development of relevant industry practice, referred to the developing guidance on IFRS 15 implementation and application, analysed "implied contract" concept (as per IFRS 15 requirements), and consulted with its auditors, and as a result the Group has reconsidered its accounting treatment for connection services.

The Group changed the accounting treatment of new customer connection fees by deferring all gas and electricity fees over the useful lives of the related assets (which represents the best management estimate for customer relationship period). According to the management such accounting treatment would more fairly reflect the Group financial performance and ongoing provision of access to distribution service to its customers, as well as will allow the Group to be better comparable to its peers within the industry. Adjustments to the Group restated the statement of financial position as at 1 January 2018 (see 1st table of this note), restated the statement of financial position as at 31 December 2018 (see 2nd table of this note) and restated the statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (see 3rd table of this note) are recoded under caption "Change in judgment on Connection fees".

Public Service Obligations

PSO fee is an integral part of electricity tariff to the customer.
Final electricity tariff to end customers comprise of the following components:
(a) Electricity price itself (import or price of manufactured)
(b) Electricity supply services' price
(c) Electricity transfer services' price, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid
(d) PSO fee

Invoice to private customers contain the one united tariff with no further split, the customer does not see in invoice the split of the final electricity tariff by which is calculated total payment for electricity consumed.

Electricity supply and distribution services are provided by the Group and the revenue from them is recognised over time based on the actual electricity supplied. Electricity transmission services are provided by transmission system operator which is not a part of the Group. The Group collects electricity transmission fees from business customers and private individuals and transfer them to transmission system operator. The Group having contracts with end users, where is clearly stated that for network operations and meters is responsible the Group, consider itself as principal and therefore the revenue from transmission services is recognized on a gross basis (Note 4).

As well as transmission service fees the
Group collects PSO fees from business customers and private individuals, connected to electricity distribution grid, and transfer them to the operator of energy exchange Baltpool UAB, which also acts as the administrator of PSO fees and is engaged in the payments and administration of PSO funds. PSO funds are used to support and promote local production from renewable energy sources, to secure reserves of the electricity system at designated power plants, which is necessary for ensuring the state's energy security and to ensure other services related to the public interest. The list of services supported by PSO is determined by the Government of the Republic of Lithuania.

PSO fee as an integral part of the distribution service tariff was not identified as a separate performance obligation. The distribution service as a whole, including transmission, distribution and PSO was treated as one performance obligation (PSO fee cannot be separated). PSO fee generally is treated as a tax collected from customers, however this tax cannot be treated as sales tax, or value-added tax (VAT), since: (1) PSO fee is exposed based on production or distributed energy unit, rather than sales amount, as is applied in VAT case; (2) the Group cannot claim a refund of the tax in the event the respective customer fails to pay for the services being sold; (3) the Group is exposed to the price risk - in case of illegal consumption, the Group's settlement amount as PSO fee to Baltpool UAB will be determined based on current period's prices, however, the customer will be charged based on historical prices. Following the above, management originally treated the Group as a Principal in relation to PSO fee.

During the year 2019 the Group changed the method of accounting for PSO fee by treating the Group as an agent in relation to the PSO fee (Note 4). Such decision has been taken after extensive analysis of relevant industry practice and taking into consideration the facts, that the Group is not responsible for PSO projects / initiatives, accordingly not responsible that collected PSO fees are used for their intended purpose. The Group is not exposed to any inventory risk, as well as the Group has no legal power to establish pricing of this component.

The changed accounting methods allows the Group to be better comparable to its peers within the electricity industry (especially, where such PSO fee is excluded from the final electricity tariff). This change in accounting treatment is applied retrospectively from 1 January 2018 with adjustments presented in the tables below.

Liquefied natural gas terminal (hereinafter "LNGT") security component

The Group acts as a natural gas supplier which collects LNGT security component from the users and as a designated liquefied natural gas supplier, which ensures the operation of LNGT and consequently its costs due to the nature of its activities are exclusively borne (whereas other suppliers don't incur) are compensated by gas transmission system operator paying LNGT funds from the budget consisting of collected LNGT security component.

The Group acts as a natural gas supplier which collects LNGT security component from the users and as designated liquefied natural gas supplier, which ensures the operation of LNGT and consequently its costs due to the nature of its activities are exclusively borne (whereas other suppliers don't incur) are compensated by gas transmission system operator paying LNGT security component that are collected by it from suppliers of natural gas to end customers.

LNGT security component is an integral part of natural gas tariff to the customer. Final natural gas tariff to end customers comprise of the following components:

(a) Cost of gas import
(b) Natural gas transfer cost, which includes transmission over high-pressure and distribution over medium and low-pressure grids costs
(c) LNGT security component

Invoice to private customers contain the one united tariff with no further split, the customer does not see in invoice the split of the final gas tariff by which is calculated total payment for gas consumed.

In Lithuania natural gas distribution services are provided by the Group and the revenue from them is recognised over time based on the actual natural gas supplied.

Pursuant to Article 5.2 of the Law on the LNGT, all users of the natural gas distribution system, including end-users, have to pay an additional security component along with other payments for natural gas distribution services. As a natural gas supplier to end users the Group collects payments for LNGT security component directly from private individuals or business customers (other natural gas suppliers), if the customers don't have a direct contract with the transmission system operator. The Group acting as a natural gas supplier to end users collects LNGT security component from them and transfers it to transmission system operator.

LNGT security component as integral part of gas tariff originally was not identified as a separate performance obligation. The distribution service as a whole, including transmission, distribution and LNGT component was treated as one performance obligation (LNGT component was not be separated). LNGT component generally was treated as a tax collected from customers, however this tax cannot be treated as sales tax, or value-added tax (VAT), since: (1) LNGT component is charged based on production or distributed energy unit, rather than sales amount, as is applied in VAT case; (2) the Group cannot claim a refund of the tax in the event the respective customer fails to pay for the services being sold; (3) the Group is exposed to the price risk - in case of illegal consumption, the Group's settlement amount as LNGT component to Amber Grid UAB will be determined based on current period's prices, however, the customer will be charged based on historical prices. Following the above, management treated the Group as principal in relation to LNGT component. This LNGT security component collected from end users was recognised by the Group in the statement of profit or loss and other comprehensive income under the item "Revenue", and at the same time under the caption "Expense".

In year 2019, the Group changed the method of accounting for the LNGT security component by treating the Group as an Agent in relation to LNGT security component (Note 4). Such decision has been taken after extensive analysis of relevant industry practice and taking into consideration the fact, that:

(i) the Group is not responsible for LNGT projects/initiatives, because scheme for collection of money to finance strategic projects is approved by the Government,
(ii) the Group is not responsible how LNGT security component is used for its intended purpose, because the scheme, how the costs of the Group are compensated due to function of designated gas supplier, is approved by Government (i.e. the scheme by which costs are compensated by paying LNGT funds is established and approved by Government),
(iii) the Group is not exposed to any inventory risk as there is no service to be obtained and controlled before delivery to customers,
(iv) the Group has no legal power to establish the price of LNGT security component, because the price is approved by Regulator and the Group has no latitude in establishing this component to end tariff.

The change in accounting treatment allows the Group to be better comparable to its peers within the gas industry (especially, where LNGT security component is excluded from the final gas tariff). The change in accounting treatment was applied retrospectively from 1 January 2018 with adjustments shown in the tables below.

Electricity transfer (includes both transmission and distribution) and gas distribution services in Latvia

In Latvia electricity transfer, which includes transmission and distribution, and gas distribution services are provided by the company which is not a part of the Group. Electricity transmission and distribution services are an integral part of electricity tariff to end users. Gas distribution services are an integral part of gas tariff to end users. Providing the provision of electricity and gas services as a whole to end users in Latvia, the Group did not identified electricity transfer and gas distribution services as a separate performance obligations. The Group considered itself as a principal which provides one performance obligation by treating that customer cannot benefit alone from supplied electricity without transfer and gas without distribution and vice versa. As well as the Group considered itself as providing a significant service of integrating the electricity transfer and gas distribution services promised in the contract with customers into a bundle of services that represent the combined output for which the customer has contracted.

In the course of its electricity and gas trading activities in Latvia, the Group collects funds from customers for the electricity transfer and gas distribution service and transfers these funds to the operator of electricity transfer network and operator of gas distribution system. The Group recognised these funds in the statement of Profit or Loss and Other Comprehensive Income under the caption "Revenue", and at the same time under the caption "Expense".

In year 2019, in relation of collected funds for electricity transfer which includes both transmission and distribution and gas distribution service in Latvia the Group changed the method of accounting for these funds in Latvia by treating itself as an agent (Note 4). Such decision has been taken after extensive analysis of relevant industry practice and taking into consideration the fact, that the Group is not responsible for development/maintenance of electricity transfer and gas distribution network in Latvia, accordingly not responsible that these funds are used for their intended purpose. Moreover, the Group is not exposed to any inventory risk, as well as the Group has no legal power to establish the pricing of electricity transfer and gas distribution services provided in Latvia.

The change in the accounting treatment allows better comparison of the Group's performance with that of similar entities (especially when the electricity transfer and natural gas distribution components are excluded from the tariff). This change in the accounting treatment was applied retrospectively from 1 January 2018 with corrections presented in the tables below.

Corrections of errors

Regulatory activities

In 2019, the Group reviewed accounting principles for recognition of revenues, receivables, and payables related to secondary active capacity reserve, tertiary capacity reserve, accident prevention and mitigation, and power handling services (hereinafter 'the Regulatory activities'), which prices are regulated by the NERC, in financial statements. Tariffs for these regulatory activities for the next calendar (financial) year are set by NERC based on the Group expenses forecasted for the next financial year, taking into account planned and factual revenue and expense differences in the prior financial year period.

When preparing its annual Financial statements for the year ended 31 December 2018, the Group reported these regulatory activities revenues in the financial statements using the accrual principle based on factual expenses incurred, i.e. regulatory activities' revenues were recognized by the Group in such amount, which, under NERC revenue calculation methodology, are permissible to take into consideration, by also taking into account permissible return on investment and factual expenses incurred for services provided during the period. Difference between the amount set by NERC and factual revenue and expenses incurred was recognized as the Group's payables or receivables. As at 31 December 2018, the Group recognised amounts payable related to regulated services in the amount of EUR 4,603 thousand within the other non-current payables and liabilities and EUR 2,789 thousand within the non-current advances received.

As of 31 December 2018, the Methodology by-laws did not contain any legal provisions if and how the Group should meet its obligation raised from coverage of amount payable and how the Group should be reimbursed in the event when the same regulated services were no longer provided in the following financial year. When preparing financial statements for the year ended 31 December 2018, the Group's management applied the principle of conservatism to recognise the difference between planned and actual revenues from 2017 to 2018 and costs and has recognized in its statement of financial position. Based on management's assessment, if the same regulated services cease to be provided in the coming periods, it is likely that legislative changes would be made that would determine a requirement to reimburse such obligation and would determine the principles based on which the Group should meet such obligation.

On 14 November 2019, NERC adopted a resolution No O3E–715 'On Approval of the Methodology for Establishing the Prices for Electricity, Capacity Reserve Services and Services Ensuring Isolated Operation of the Power System' (hereinafter 'the Methodology'). This Resolution stipulates that entities that discontinue capacity reserve services shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator if the costs actually incurred by the entity were less than the revenues received from the transmission system operator. If the actual costs incurred by the entity were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the entity.

The Group's management has reassessed how the provisions of International Financial Reporting Standards and the applicable regulatory framework for regulated services, including the Methodology, should have been applied in financial statements for the year ended 31 December 2018. Given that there was no provision in the legislation in force prior to the approval of the updated Methodology on how/if the Group should refund or recover any difference between the planned and actual revenues and expenses of the regulated services for past periods, if the services are not provided prior to the entry into force of the Methodology, the Group's management concluded that there was no basis to recognise this difference as an asset or a liability under the financial reporting framework and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. When correcting this error additional regulatory revenue of EUR 7,392 thousand was recognised in the statement of profit or loss and other prehensive income for the year ended 31 December 2018, respectively reducing liabilities by the same amount. Together with this adjustment related current and deferred income tax corrections were made in 2018.

In addition to the above, the Group identified that in previously issued financial statements, the Group had classified as financial liabilities certain regulatory amounts (related to public service obligations), which by their nature, should have been classified as provisions as at 31 December 2018. Due to this, when correcting an error in these re-issued financial statements 'Provisions' in non-current liabilities in the statement of financial position were increased by EUR 4,784 thousand, and 'Provisions' in current liabilities were increased by EUR 2,770 thousand, while 'Other non-current payables and liabilities' and 'Advances received' in the statement of financial position were reduced by corresponding amounts as at 31 December 2018.

For the financial statements to be comparable, the group has also reclassified EUR 5,474 thousand from other non-current liabilities to non-current provisions as at 31 December 2017.

Electricity trading revenue

The Group company Geton Energy sp.z.o.o. based in Poland, participates in electricity trading at commodity exchange market through forward and futures contracts. The purpose of these deals is to earn profits from short-term fluctuations in electricity prices on the exchange. Geton Energy sp.z.o.o. does not provide supply of electricity to final customers. Settlements are made by settling liabilities between the company and the other party to the exchange transaction, and by making a cash payment for the remaining outstanding liability. Geton Energy sp.z.o.o. measures outstanding contract balances in the financial statements at fair value, and income and expenses were presented in the separate line items of Profit or loss and other comprehensive income (on a gross basis). After reviewing contracts of Geton Energy sp.z.o.o. the Group has determined that gains or losses should be reported in the statement of Profit or loss and other comprehensive income as gain or loss on a net basis. Management's decision to amend presentation of income and costs is based on the fact that, under IFRS 9, transactions made by Geton Energy sp.z.o.o. cannot be classified under the 'own use' exception, and therefore only the net result (gain or loss) of those transactions should be recognized in profit or loss. Adjustment to the Group restated Statement of profit or loss and other comprehensive income for the year ended 31 December 2018 is recoded under caption "Correction in Electricity trading" (see the 3rd table of this note)

All amounts in EUR thousands unless otherwise stated

Effect of change in judgment on accounting of Connection fees is applied to the Group restated Statement of financial position as at 1 January 2018 following adoption of IFRS 15 and IFRS 9:

	At 31 December 2017	Effect of IFRS 15 adoption	Effect of IFRS 9 adoption	At 1 January 2018	Change in judgment on Connection fees revenue recognition	At 1 January 2018 restated
ASSETS						
Non-current assets						
Intangible assets	36.360			36.360		36.360
Property, plant, and equipment	1.761.082	(10.356)		1.750.726	10.356	1.761.082
Prepayments for non-current assets	21.911			21.911		21.911
Investment property	14.878			14.878		14.878
Amounts receivable after one year	170.488			170.488		170.488
Other financial assets	426			426		426
Other non-current assets	3.239			3.239		3.239
Deferred income tax assets	7.084	10.997		18.081		18.081
Total non-current assets	**2.015.468**	**641**	**-**	**2.016.109**	**10.356**	**2.026.465**
Current assets						
Inventories	56.866			56.866		56.866
Prepayments and deferred expenses	38.119			38.119		38.119
Trade receivables	112.563		(471)	112.092		112.092
Other amounts receivable	27.800			27.800		27.800
Other current assets	1.093			1.093		1.093
Prepaid income tax	2.102			2.102		2.102
Cash and cash equivalents	171.756			171.756		171.756
	410.299	**-**	**(471)**	**409.828**	**-**	**409.828**
Non-current assets held for sale	79.301			79.301		79.301
Total current assets	**489.600**	**-**	**(471)**	**489.129**	**-**	**489.129**
TOTAL ASSETS	**2.505.068**	**641**	**(471)**	**2.505.238**	**10.356**	**2.515.594**
EQUITY AND LIABILITIES						
Equity						
Share capital	1.212.156			1.212.156		1.212.156
Reserves	99.380			99.380		99.380
Retained earnings (deficit)	(13.706)	(59.194)	(453)	(73.353)		(73.353)
Equity attributable to owners of the parent	**1.297.830**	**(59.194)**	**(453)**	**1.238.183**	**-**	**1.238.183**
Non-controlling interest	45.796	(3.127)	(18)	42.651		42.651
Total equity	**1.343.626**	**(62.321)**	**(471)**	**1.280.834**	**-**	**1.280.834**
Liabilities						
Non-current liabilities						
Non-current borrowings and bonds	480.068			480.068		480.068
Finance lease liabilities	187			187		187
Grants and subsidies	200.311			200.311		200.311
Deferred income tax liability	36.049			36.049		36.049
Provisions	1.893			1.893		1.893
Deferred revenue	54.509	63.839		118.348	10.356	128.704
Other non-current amounts payable and liabilities	7.306			**7.306**		**7.306**
Total non-current liabilities	**780.323**	**63.839**	**-**	**844.162**	**10.356**	**854.518**
Current liabilities						
Current portion of non-current borrowings	119.599			119.599		119.599
Current borrowings	14.082			14.082		14.082
Current portion of finance lease liabilities	145			145		145
Trade payables	98.338			98.338		98.338
Advance amounts received	27.765			27.765		27.765
Income tax liabilities	3.695			3.695		3.695
Provisions	2.498			2.498		2.498
Deferred revenue	5.242	(877)		4.365		4.365
Other current amounts payable and liabilities	109.421			109.421		109.421
	380.785	**(877)**	**-**	**379.908**	**-**	**379.908**
Liabilities related to non-current assets held for sale	334			334		334
Total current liabilities	**381.119**	**(877)**	**-**	**380.242**	**-**	**380.242**
Total liabilities	**1.161.442**	**62.962**	**-**	**1.224.404**	**10.356**	**1.234.760**
TOTAL EQUITY AND LIABILITIES	**2.505.068**	**641**	**(471)**	**2.505.238**	**10.356**	**2.515.594**

All amounts in EUR thousands unless otherwise stated

Effect of change in judgment on accounting of Connection fees and correction of errors related to the Regulatory activities applied to the Group restated Statement of financial position as at 13 December 2018:

	At 31 December 2018	Correction in Regulatory activities	Change in judgment on Connection fees	At 31 December 2018 corrected and restated
ASSETS				
Non-current assets				
Intangible assets	106,330			106,330
Property, plant, and equipment	2,091,590		(204)	2,091,386
Prepayments for non-current assets	23,621			23,621
Amounts receivable after one year	160,606			160,606
Other financial assets	2,008			2,008
Other non-current assets	6,094			6,094
Deferred income tax assets	14,468			14,468
Total non-current assets	**2,411,211**	**-**	**(204)**	**2,411,007**
Current assets				
Inventories	43,137			43,137
Prepayments and deferred expenses	30,655			30,655
Trade receivables	143,120			143,120
Other amounts receivable	25,436			25,436
Other current assets	2,147			2,147
Prepaid income tax	4,192			4,192
Other financial assets	656			656
Cash and cash equivalents	127,835			127,835
	377,178	**-**	**-**	**377,178**
Non-current assets held for sale	65,706			65,706
Total current assets	**442,884**	**-**	**-**	**442,884**
TOTAL ASSETS	**2,854,095**	**-**	**(204)**	**2,853,891**
EQUITY AND LIABILITIES				
Equity				
Share capital	1,212,156			1,212,156
Reserves	212,802			212,802
Retained earnings (deficit)	(156,763)	5,009	(18,240)	(169,994)
Equity attributable to owners of the parent	**1,268,195**	**5,010**	**(18,240)**	**1,254,964**
Non-controlling interest	48,356	165	(963)	47,558
Total equity	**1,316,551**	**5,174**	**(19,203)**	**1,302,522**
Liabilities				
Non-current liabilities				
Non-current borrowings and bonds	735,410			735,410
Finance lease liabilities	14,334			14,334
Grants and subsidies	208,874			208,874
Deferred income tax liability	38,688	1,109	(3,388)	36,409
Provisions	30,571	4,784		35,355
Deferred revenue	115,261		21,176	136,438
Other non-current amounts payable and liabilities	11,274	(9,387)		1,887
Total non-current liabilities	**1,154,412**	**(3,494)**	**17,788**	**1,168,707**
Current liabilities				
Current portion of non-current borrowings	61,819			61,819
Current borrowings	47,727			47,727
Current portion of finance lease liabilities	5,220			5,220
Trade payables	93,237			93,237
Advance amounts received	55,325	(5,559)		49,766
Income tax liabilities	3,436	1,109		4,545
Provisions	2,788	2,770		5,558
Deferred revenue	7,912		1,211	9,122
Other current amounts payable and liabilities	102,682			102,682
	380,146	**(1,680)**	**1,211**	**379,676**
Liabilities related to non-current assets held for sale	2,986			2,986
Total current liabilities	**383,132**	**(1,680)**	**1,211**	**382,662**
Total liabilities	**1,537,544**	**(5,174)**	**18,999**	**1,551,369**
TOTAL EQUITY AND LIABILITIES	**2,854,095**	**-**	**(204)**	**2,853,891**

All amounts in EUR thousands unless otherwise stated

Effect of change in management judgment on accounting methods and correction of errors applied to the Group corrected and restated Statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

			Change in management judgment on applying accounting methods				Corrections of errors		
		2018 initial	Change in judgment on Connection fees revenue recognition	Netting of PSO fee income and expenses	Netting of electricity transfer and gas distribution in Latvia	Netting of LNGT security component	Correction in Regulatory activities	Correction in Electricity trading	2018 corrected and restated
Revenue from contracts with customers	30	1,208,444	(12,031)	(118,530)	(4,841)	(19,904)	7,392	(36,252)	1,024,278
Other income	31	45,782							45,782
Dividend income	37	-							-
		1,254,226	**(12,031)**	**(118,530)**	**(4,841)**	**(19,904)**	**7,392**	**(36,252)**	**1,070,060**
Operating expenses									
Purchases of electricity, gas for trade, and related services	32	(947,989)		118,530	4,841	19,904		36,252	(768,462)
Purchases of gas and heavy fuel oil		(26,545)							(26,545)
Depreciation and amortisation	5,6,19,24	(87,460)	(204)						(87,664)
Wages and salaries and related expenses		(79,741)							(79,741)
Repair and maintenance expenses		(21,200)							(21,200)
Result of revaluation of property, plant and equipment	6,7,24	(67,671)							(67,671)
Reversal (impairment) of amounts receivable and loans		(9,876)							(9,876)
Impairment of property, plant and equipment	6,19	7,205	(10,356)						(3,151)
Other expenses	33	(26,143)							(26,143)
Total operating expenses		**(1,259,420)**	**(10,560)**	**118,530**	**4,841**	**19,904**	**-**	**36,252**	**(1,090,453)**
Finance income	34	1,621							1,621
Finance costs	35	(14,899)							(14,899)
Results of the revaluation of derivative financial instruments		(573)							(573)
Profit/(loss) before income tax		**(19.045)**	**(22,591)**	**-**	**-**	**-**	**7,392**	**-**	**(34,244)**
Current year income tax (expenses)/benefit	36	(3,495)					(1,109)		(4,604)
Deferred income tax (expenses)/benefit	36	14,598	3,388				(1,109)		16,877
Profit for the year		**(7,942)**	**(19,203)**	**-**	**-**	**-**	**5,174**	**-**	**(21,971)**
Attributable to:									
Owners of the parent		(9,209)	(18,240)				5,009		(22,440)
Non-controlling interest		1,267	(963)				165		469
Other comprehensive income (loss)									
Items that will not be reclassified to profit or loss									
Gain/(loss) on revaluation of property, plant and equipment		123,139							123,139
Recalculation of the defined benefit plan obligation, net of deferred income tax		77							77
Items that will not be reclassified subsequently to profit or loss, total		**123,216**	**-**	**-**	**-**	**-**	**-**	**-**	**123,216**
Items that will be reclassified subsequently to profit or loss									
Translation of net investments in foreign operations into the Group's presentation currency		(26)							(26)
Items that will not be reclassified subsequently to profit or loss, total		**(26)**	**-**	**-**	**-**	**-**	**-**	**-**	**(26)**
Total other comprehensive income/(loss)		**123,190**	**-**	**-**	**-**	**-**	**-**	**-**	**123,190**
Total comprehensive income (loss) for the period		**115,248**	**(19,203)**	**-**	**-**	**-**	**5,174**	**-**	**101,219**
Attributable to:									
Owners of the parent		108,195	(18,240)				5,009		94,964
Non-controlling interest		7,053	(963)				165		6,255

All amounts in EUR thousands unless otherwise stated

Effect of change in management judgment on accounting methods and correction of errors applied to the Group restated Statement of cash flows for the year ended 31 December 2018:

	2018	Effect of error correction in Regulatory activities	Change in judgment on Connection fees revenue recognition	2018 restated
Cash flows from (to) operating activities				
Net profit	(7,942)	5,174	(19,203)	(21,971)
Adjustments to non-cash items:		-	-	-
Depreciation and amortisation expenses	96,730	-	204	96,934
Impairment of property, plant and equipment	(7,205)	-	10,356	3,151
Grants designated for property, plant and equipment in respect of which impairment and/or revaluation was recognised	(10,003)	-	-	(10,003)
Revaluation of property, plant and equipment	76,617	-	-	76,617
Revaluation of investment property	(18)	-	-	(18)
Revaluation of derivatives	(354)	-	-	(354)
Impairment/(reversal of impairment) of financial assets	9,876	-	-	9,876
Corporate income tax expenses	(11,103)	2,218	(3,388)	(12,273)
(Depreciation) of grants	(9,270)	-	-	(9,270)
Increase (decrease) in provisions	404	2080	-	2484
Inventory write-down allowance/(reversal)	(718)	-	-	(718)
Expenses/(income) of revaluation of emission allowances	(8,933)	-	-	(8,933)
Emission allowances utilised	908	-	-	908
Elimination of results of investing activities:		-	-	-
- (Gain)/loss on disposal and/or write-off of property, plant and equipment	477	-	-	477
Other (income)/expenses of investing activities	82	-	-	82
Elimination of results of financing activities:		-	-	-
- Interest received	(1,427)	-	-	(1,427)
- Interest paid	12,442	-	-	12,442
- Other (income)/expenses of financing activities	2,263	-	-	2,263
Changes in working capital:			-	-
(Increase) decrease in trade receivables and other amounts receivable	(21,603)	-	-	(21,603)
(Increase) decrease in inventories, prepayments and other current assets	18,896	-	-	18,896
Increase (decrease) in amounts payable, deferred income and advance amounts received	44,722	(9472)	12,031	47,281
Corporate income tax (paid)	(6,309)	-	-	(6,309)
Net cash flows from (to) operating activities	**178,532**	**-**	**-**	**178,532**

	2018	Effect of error correction in Regulatory activities	Change in judgment on Connection fees revenue recognition	2018 restated
Cash flows from/(used in) financing activities				
(Purchase) of property, plant and equipment and intangible assets	(416,205)	-	-	(416,205)
Proceeds from sale of property, plant and equipment and intangible assets	48,162	-	-	48,162
Acquisition of investments in subsidiaries	(23,509)	-	-	(23,509)
Grants received	25,523	-	-	25,523
Interest received	1,105	-	-	1,105
Other increases (decreases) in cash flows from investing activities	(1,582)	-	-	(1,582)
Net cash flows used in investing activities	**(366,506)**	**-**	**-**	**(366,506)**
Cash flows from/(used in) financing activities				
Loans received	57,810	-	-	57,810
Issue of bonds	294,346	-	-	294,346
Repayments of borrowings	(155,421)	-	-	(155,421)
Lease payments	(544)	-	-	(544)
Interest paid	(10,402)	-	-	(10,402)
Dividends paid	(80,608)	-	-	(80,608)
Increase in issued capital of Kauno Kogeneracinė Jėgainė UAB	7,840	-	-	7,840
Redemption of shares from non-controlling interest	-	-	-	-
Result of the closing of derivative financial instruments	(573)	-	-	(573)
Other increases (decreases) in cash flows from financing activities	-	-	-	-
Net cash flows from (used in) financing activities	**112,448**	**-**	**-**	**112,448**
Increase (decrease) in cash and cash equivalents (including overdraft)	**(75,526)**	**-**	**-**	**(75,526)**
Cash and cash equivalents (including overdraft) at the beginning of the period	161,101	-	-	161,101
Cash and cash equivalents (including overdraft) at the end of period	**85,575**	**-**	**-**	**85,575**

All amounts in EUR thousands unless otherwise stated

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 consolidated financial statements of the Group and stand-alone financial statements of the Company.

Revaluation of property, plant and equipment

The Group accounts for Land, Buildings, Structures and machinery, Motor vehicles, Other property, plant and equipment and Construction in progress 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 revaluations performed
Land	2013
Buildings	2018
Structures and machinery	2018
Motor vehicles	2014
Other property, plant and equipment	2014
Construction in progress	2014

In 2018, the Group performed the revaluation of Buildings and Structures and machinery stated at revalued amount. Revaluations were performed by independent valuers using the cost approach and the income approach. Based on the revaluation results, increase in value in the amount of EUR 45,669 thousand was recognised. Detailed revaluation results are disclosed in Note 6.

As at 31 December 2018, other Group assets stated at revalued amounts were not revalued, because there were no indications of a significant difference between the net book amount and market value of assets stated at revalued amount.

In 2018, 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 carrying amount of the assessed assets was EUR 1,206 million as at 31 December 2018. The fair value of these assets was determined using the income approach and the cost approach. The fair value of these assets was tested by making cash flow forecast for the period until 2058, 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).

Key assumptions used in making cash flow forecast in 2018 were as follows:

- From 2019, the amount of electricity distributed will rise by half of the GDP, e.g. the projected GDP growth would be at 2,8%; therefore, the projected growth of the amount of electricity distributed would be at 1.4%;
- Setting the price cap of the electricity distribution service for 2019, in the Certificate of 17 October 2018, NERC approved the rate of return on investments equal to 5.04% for this period. This rate is used to determine the return on investments for the period of 2019–2020. For the upcoming regulatory period of 2021–2025, the return on investments is calculated as the average between the rate of return on investments of 3.59% that was newly established by NERC for the gas sector (for 2019–2023) and the rate of pre-tax return on investments of 5.96% that is estimated in the long term for the electricity sector. From 2026 (in the long term), the rate of return on investments of 5.96% is to be applied for the cash flow forecast period (as calculated according to the calculation data, which is publicly available on NERC's website, the WACC Methodology as approved by NERC, and projected market trends). In the long term, an assumption is made that the rate of return on investments will approximate the discount rate;
- The cash flows were discounted using a pre-tax discount rate of 5.96%;
- Operating expenses for 2019 are planned under the approved budget and operating expenses for 2020–2030 are planned on the basis of the planned directions for expense reduction set forth in the strategy of Energijos Skirstymo Operatorius AB. Starting from 2031, changes are planned referring to expected changes in the average annual consumer price index and remuneration prevailing during valuation;
- A part of operating expenses incurred is not included in the regulated prices of the electricity distribution and supply activity in accordance with the provisions of the Electricity Description;
- The calculation of the level of revenue does not involve estimates that additional profit would be earned as a result of the planned performance efficiency (such a possibility is established in the Electricity Methodology);
- Investments are shown under the ten-year investment plan for 2018–2027. More extensive investing is planned starting from 2028 and until 2035, i.e. all the investments that were not made in prior periods with reference to the amount calculated in accordance with the long-run average incremental cost (LRAIC) model approved by NERC ("the Model") are expected to be performed. It is planned that all items of technological assets that are currently depreciated or will become depreciated over the period until 2058 will be recovered until 2058;
- The cost of capital (return on investments and depreciation of non-current assets) is calculated and included when determining the prices of the distribution services for other regulatory periods in accordance with the Model approved by NERC and in view of paragraph 7 of the Electricity Methodology;
- The valuation provides that the difference in the level of revenue in the amount of EUR 26.5 million, which resulted from the fact that the calculations of the 2016–2017 return on investments in excess of the level set by NERC were based on the 2016–2017 actual historical return on investments and depreciation, rather than the actual return on investments and depreciation calculated on the basis of the LRAIC model, will be returned to Energijos Skirstymo Operatorius AB by NERC's Resolution of 17 October 2018 (establishing the price caps for electricity distribution services through medium and low voltage networks for 2019). These reduced amounts are expected to be returned to Energijos Skirstymo Operatorius AB during the upcoming regulatory period (starting from 2021). For the purposes of the calculation of return on investments for the year 2020 and upcoming periods, the rate of return on investments calculated on the basis of the LRAIC model will be applied.

The discount rate was determined using the Capital Asset Pricing Model (CAPM). It was assumed that the market player will not apply any unsystematic risk premium due to the following reasons:

- size of a business, if compared with the Lithuanian economy and other local companies (one of the largest companies in Lithuania);
- monopolised and securely regulated business;
- this model also complies with the current methodology defined in regulatory legislation, which does not provide for any additional risk premiums.

All amounts in EUR thousands unless otherwise stated

The after-tax WACC is equal to 5.07% (it was used when for discounting to present value), and the supposed pre-tax WACC is equal to 5.96%. The pre-tax WACC of 5.96% was used in estimating return on RAB (included in annual income) starting from 2026.
Having assessed all above-mentioned assumptions and having performed the fair value assessment, the Group has identified that the carrying amount of property, plant and equipment attributed to the Electricity Business Segment as at the reporting date of 31 December 2018 would increase materially. Consequently, the Company's management decided to make adjustments to the fair value of the assets. The Group performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs using the following scenarios:

1. By calculating the level of revenue and performing regular assessment of the adjustments of the return on investments arising between the actual return on investments, as calculated on the basis of the LRAIC model, and the actual (historical) return on investments, as calculated on the basis of the performance of investments, and depreciation, the value of property, plant and equipment would decrease by EUR 339 million;
2. If judicial authorities rejected the complaint concerning NERC's resolution under which the income from distribution services for 2019 of Energijos Skirstymo Operatorius AB was reduced by EUR 26.5 million and interest in the amount of EUR 0.5 million was additionally charged, and also having regard to the fact that return on investments and depreciation calculated on the basis of the LRAIC model will be applied in the calculations of the return on investments for upcoming regulatory periods, the income for the forecast period (2019–2058) would decrease by the said amounts of EUR 26.5 million and EUR 0.6 million and the fair value of PP&E would decrease to EUR 1,119 million;
3. Sensitivity analysis scenario: had NERC established the level of revenue starting from 2026 and applied a 20% lower rate of return on investments, i.e. equal to 4.78% (which is the average rate of return on investments effective for the electricity sector and the gas sector for the new regulatory period as established by NERC in respect of Energijos Skirstymo Operatorius AB), the fair value of property, plant and equipment would decrease by EUR 308 million;
4. Sensitivity analysis scenario: if the (pre-tax) discount rate was applied within the interval of -/+ 20%, the value of assets would correspondingly decrease or increase. The sensitivity of the value of assets to the discount rate is presented in the table below:

Change in discount rate (after-tax)	**-20%**	**-10%**	**0%**	**10%**	**20%**
Discount rate (pre-tax), %	4.78%	5.36%	5.96%	6.56%	7.15%
Discount rate (after-tax), %	4.06%	4.56%	5.07%	5.58%	6.08%
Change in value of property, plant and equipment	521	242	0	-205	-376

In 2017, the Group performed the revaluation of Buildings. The valuation was carried out by independent property valuers using the sales comparison approach and the income approach. Based on the revaluation results, loss in the amount of EUR 471 thousand was recognised.
As at 31 December 2018, other Group assets stated at revalued amounts were not revalued, because there were no indications of a significant difference between the net book amount and market value of assets stated at revalued amount.

Impairment test for assets carried at cost
The Group accounts for Gas distribution pipelines, Gas technological equipment and installations, Structures and machinery of Hydro Power Plant, Pumped Storage Power Plant, Structures and machinery of Thermal Power Plant, Wind power plants and IT and telecommunication equipment at cost. In 2018 and 2017, the Group considered impairment of property, plant and equipment as described below.

a) Impairment test for property, plant and equipment of Gas distribution pipelines, Gas technological equipment and installations in 2018

The Group's property, plant and equipment of Gas distribution pipelines, Gas technological equipment and installations with the carrying amount of EUR 201,453 thousand as at 31 December 2018 are owned by the Company's subsidiary Energijos Skirstymo Operatorius AB. In 2018, the recoverable amount of these assets was tested for impairment by making forecast of Energijos Skirstymo Operatorius AB cash flow in natural gas distribution activities for the period until 2073, 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).
Key assumptions used by the Group in making cash flow forecast in 2018 were as follows:

1. In setting the price cap of the gas distribution service for 2019–2023, NERC approved the rate of return on investments equal to 3.59% for this period; From 2024 (in the long term), the rate of return on investments of 5.96% is to be applied for the cash flow forecast period (as calculated according to the calculation data, which is publicly available on NERC's website, the WACC Methodology as approved by NERC, and projected market trends). In the long term, an assumption is made that the rate of return on investments will approximate the discount rate;
2. The cash flows were discounted using a pre-tax discount rate of 5.96%;
3. The Company's subsidiary Energijos Skirstymo Operatorius AB operating expenses for 2019 are planned under the approved budget and operating expenses for 2020–2030 are planned on the basis of the planned directions for expense reduction set forth in the strategy of Energijos Skirstymo Operatorius AB. Starting from 2031" changes are planned referring to expected changes in the average annual consumer price index and remuneration prevailing during valuation;
4. A part of operating expenses incurred by the Company's subsidiary Energijos Skirstymo Operatorius AB is not included in the regulated prices of the gas distribution activity in accordance with the provisions of the Gas Description;
5. The calculation of the level of revenue does not involve estimates that additional profit would be earned as a result of the planned performance efficiency (such a possibility is established in the Gas Methodology);
6. Investments are shown under the ten-year investment plan for 2018–2027. Starting from 2028 and until 2073, gradual decrease is expected to occur with each year.

Having assessed all above-mentioned assumptions and having performed the fair value assessment, the Company's subsidiary Energijos Skirstymo Operatorius AB has identified that the increase in the value of property, plant and equipment attributed to the gas distribution activity as at 31 December 2018 was equal to EUR 29.8 million. Since the group has EUR 0,6 million of accumulated impairment available for reversal in the Gas Business Segment, the whole amount was reversed in 2018.

The assessment was based on discounted cash flows and the requirements of legal acts and methodologies regulating gas distribution and supply activities effective as at the 31 December 2018.

b) Structures and machinery of Hydro Power Plant, Pumped Storage Power Plant and Structures and machinery of Thermal Power Plant

Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant, and Structures and machinery of Thermal Power Plant" are owned by the Company's subsidiary Lietuvos Energijos Gamyba AB.
As at 31 December 2017, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets, and identified impairment indications for the Group's property, plant and equipment category 'Structures and machinery of Thermal Power Plant' consisting of the Reserve Power Plant, Combined-Cycle Unit and new Biofuel and Steam Boiler Plants

(hereinafter "the Elektrėnai Complex"). No impairment indications were identified for the Group's property, plant and equipment category 'Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant' consisting of Kruonis Pumped Storage Power Plant and Kaunas Algirdas Brazauskas Hydroelectric Power Plant.

Considering the resolutions adopted by NERC in relation to the establishment of prices of PSO services for the year 2018, and in view of the position taken by the Ministry of Energy in relation to the scope and future demand for the PSO services rendered by Lietuvos Energijos Gamyba AB, the Group's management decided to divide the category 'Structures and Machinery of Thermal Power Plant' into two separate cash generating units: (1) the Elektrėnai Complex's Combined-Cycle Unit together with the Biofuel and Steam Boiler Plants, including the Elektrėnai Complex's commonly shared infrastructure necessary for electricity generation, and (2) the Elektrėnai Complex's Units 7 and 8. In addition, the Group's management decided to review the assumptions pertaining to the expected earnings from the Elektrėnai Complex's Units 7 and 8.

The Elektrėnai Complex's Combined-Cycle Unit together with Biofuel and Steam Boiler Plants, including the Elektrėnai Complex's commonly shared infrastructure, are treated as a single cash generating unit based on the following:

1. The Elektrėnai Complex's commonly shared infrastructure, which is necessary for electricity generation facilities, is expected to be required only for the services rendered by the Combined-Cycle Unit as from 2020, and therefore, the major portion of cash flows generated from those commonly shared facilities will be linked only with the Combine-Cycle Unit in a long run perspective;
2. Without actively operating the Combined-Cycle Unit, the Elektrėnai Complex's commonly shared facilities would not be able to generate cash flows pertaining to electricity market services;
3. The electricity and thermal power generation as well as the provision of capacity reserve services at the Elektrėnai Complex are considered to be regulated activities;
4. The Biofuel and Steam Boiler Plants share the same infrastructure with other facilities of the Elektrėnai Complex (electricity connections, thermal power networks, other pipelines, pumps, chemical bar, etc.), which represents the major part of all assets operated by the Elektrėnai Complex. The steam boilers have been mounted in the same building, which is used for the services provided by Combined-Cycle Unit, and the main purpose of use of the boilers (99.3% of assets of the Steam Boiler Plant are attributed to this area) is to activate the electricity generation units of the Elektrėnai Complex from "cold" operation mode and to generate steam energy that is necessary to support the infrastructure of the Elektrėnai Complex;
5. The Biofuel and Steam Boiler Plants also supply thermal power that is necessary to support the infrastructure of the Elektrėnai Complex and to activate the electricity generation units of the Elektrėnai Complex.

Units 7 and 8 of the Elektrėnai Complex are treated as a single cash generating unit based on the following:

1. The Government has established the PSO service scope in respect of both Units 7 and 8 of the Elektrėnai Complex for the year 2018 in view of the projected performance of these facilities in the year 2019 and considering the information that the tertiary power reserve services are rendered by the Combined-Cycle Unit;
2. Units 7 and 8 of the Elektrėnai Complex share common infrastructure, which is not used by the Combined-Cycle Unit;
3. The Government's resolution regarding the establishment of the PSO service scope for the year 2018 stipulates that the facilities rendering PSO services (Units 7 and 8) and tertiary power reserve services shall not be treated as substitutable for one another;
4. Based on NERC's resolution regarding the establishment of the prices for the PSO services for the year 2018, the resulting projected negative cash flow generated from Unit 7 pertains to the provision of the PSO services. Accordingly, if Units 7 and 8 were assessed individually, in isolation, the cash flow generated from electricity generation facilities would be reflected inaccurately, i.e. relatively underestimated in terms of Unit 7, and relatively overestimated in terms of Unit 8;
5. In view of the position taken by the Ministry of Energy that Units 7 and 8 should be kept until the testing of operating mode to be carried out in 2019, and in view of the lack of an actively operating long-term strategic power reserve mechanism, in the Company's opinion, Units 7 and 8 are not likely to generate any revenue as from 2020.

The recoverable amount of cash generating units was estimated with reference to the value in use calculations. These calculations take into account the forecasts of financial performance results prepared by the management for the period of seven years. Continuous cash flow is estimated using the discounted cash flow in the seventh year.

The management estimated the projected operating profit in view of historical data, forecasts of market position and the legal acts in effect, as well as based on the relevant resolutions of NERC, the Ministry of Energy, and the Government. An impairment test was performed as at 31 December 2017. As at 31 December 2018 management checked presence of impairment indications and as no impairment indications were identified, no new tests performed. Key assumptions used in performing the impairment test as at 31 December 2017 were as follows:

1. The value in use was estimated with reference to the most up-to-date budget for the year 2018 and the management's forecast covering the period 2019-2024, the projected pre-tax discounted cash flows using a pre-tax weighted average capital cost (WACC) of 4.07%. The WACC was estimated with reference to long-term borrowing cost in the market, based on the terms and conditions of the new credit agreement, and equity cost;
2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. The forecast of revenue from regulated activities also take into account the depreciation expenses of property, plant and equipment and the return on investments, which is calculated on the value of assets used in the regulated activities. When estimating return on investments, the management used the rate of return on investments set by NERC for the year 2018, which was 4.95%. Cash flow forecasts were prepared in view of the position taken by the Ministry of Energy that Units 7 and 8 should be kept until the testing of operating mode to be carried out in 2019, and in view of the lack of an actively operating long-term strategic power reserve mechanism. For this reason, in the Company's opinion, Units 7 and 8 are not likely to generate any revenue as from 2020.

As a result of the analysis, the Group's management determined that it was necessary to account for an impairment loss as of 31 December 2017 based on the net book amount of assets attributed to Units 7 and 8 of the Elektrėnai Complex. The impairment loss relating to Units 7 and 8 of the EC amounted to EUR 31,384 thousand, impairment of assets amounted to EUR 104,256 thousand, and impairment of a grant, designated for assets in respect of which impairment was identified, amounted to EUR 72,872 thousand. Had the WACC (discount rate) increased/decreased by 0.5 p.p., the value in use of Units 7 and 8 of the Elektrėnai Complex would not change.

As at 31 December 2017, impairment test was carried out for property, plant and equipment of the Elektrėnai Complex's Combined-Cycle Unit and Biofuel and Steam Boiler Plants together with the Eelektrėnai Complex's commonly shared infrastructure. As a result of the impairment test, it was determined that the recoverable amount of assets exceeded their carrying amount of EUR 377,055 million. Accordingly, no impairment was recognised. Had the WACC (discount rate) increased/decreased by 0.5 p.p., the value in use of the Elektrėnai Complex's Combined-Cycle Unit and Biofuel and Steam Boiler Plants together with the Elektrėnai Complex's commonly shared infrastructure would significantly exceed the carrying amount of assets. The value in use is not sensitive to assumptions regarding the volume of investments, because any growth in the volume of investments would lead to growth of return on investments from assets used in the provision of

All amounts in EUR thousands unless otherwise stated

regulated services and growth of depreciation expenses (as well as growth of the respective cash flows).
As at 31 December 2017, impairment of EUR 1,096 thousand and reversal of impairment of EUR 45 thousand was recognised in respect of individual items of assets of Lietuvos Energijos Gamyba AB.

As at 31 December 2018, the independent property valuers APUS TURTAS UAB determined the market value of the assets of the Company's subsidiary Lietuvos Energijos Gamyba AB stated at revalued amount. The valuation was performed using the comparable prices or cost method.

Having assessed all assumptions and reviewed the value of the assets, the Group has determined impairment of property, plant and equipment amounting to EUR 660 thousand as at 31 December 2018. As the value had decreased materially, the Group decided to reverse the assets revaluation established in the previous periods.

As at 31 December 2018, the management of the Company's subsidiary Lietuvos Energijos Gamyba AB assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. No impairment indications were identified for property, plant and equipment accounted for using the cost method or, following the performance of the impairment test, it was determined that the recoverable amount exceeded its carrying amount, less grants.

Depreciation rates of property, plant and equipment

In assessing the remaining useful life of property, plant and equipment, the Group's management takes into account conclusions presented by the employees responsible for technical maintenance of assets.

In 2018 and in 2017, the Group's management reviewed the depreciation rates used for property, plant and equipment. As from 1 Januar Company recognised goodwill of EUR 1,461 thousand y 2018, new useful lives of energy units No 7 and 8 of the Reserve Power Plant were established. For the remaining categories of property, plant and equipment, for which useful lifes were not reduced for from 1 January 2017, these were reduced in view of technical depreciation of the units and introduction of more stringent environmental requirements applicable as from 2024.

Name	Previously applied useful life (number of years)	Newly established useful life (number of years)
High pressure steam boilers and equipment	40	13
Equipment for mechanical, chemical and electrical treatment of flue-gas	40	13
Other equipment of the boiler plant	40	13
Computerised technological systems	15	11

As a result of the application of new depreciation rates, depreciation of non-current assets, less depreciation of grants, increased by EUR 4,980 thousand, depreciation of grants increased by EUR 8,713 thousand, and depreciation, excluding grants, increased by EUR 13,693 thousand during 2018.

Impairment test for investments into subsidiaries and amounts receivable (note 8)

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

As at 31 December 2018, the Company's management carried out an impairment test to determine existence of indications of impairment for investments into subsidiaries and amounts receivable with reference to the external factors (changes in economic and regulatory environment, market composition, interest rate, etc.) and internal factors (return on investments, results of operations, etc.) that might have impact on impairment of investments into subsidiaries and amounts receivable.
Having identified impairment indications for investments in subsidiaries and amounts receivable as at 31 December 2018, the Company performed impairment testing for the following subsidiaries: Energijos Skirstymo Operatorius AB, Energijos Tiekimas UAB, Eurakras UAB, Tuuleenergia OÜ, Energetikos Paslaugų ir Rangos Organizacija UAB.

Energijos Skirstymo Operatorius AB
As at 31 December 2018, the Company performed an impairment test for investment into subsidiary Energijos Skirstymo Operatorius AB and determined no impairment for investments into Energijos Skirstymo Operatorius AB as at 31 December 2018.
As at 31 December 2018, the Company tested for impairment its investment in subsidiary Energijos Skirstymo Operatorius AB using the following key assumptions:

1. The cash flow of gas distribution activity forecast covered the period until 2073, with reference to the fact that gas distribution activity is focused on regulated activity property plant and equipment base with a long time useful life assets (55 years); after 2073 calculated terminal cash flow;
2. The cash flow of electricity distribution activity forecast covered the period until 2058, with reference to the fact that electricity distribution activity is focused on regulated activity property plant and equipment base with a long time useful life assets (40 years); after 2058 calculated terminal cash flow;
3. The cash flows forecasted with the Weighted Average Cost of Capital - WACC of 5.96 % (electricity since 2026 and gas since 2024). WACC calculated according public information and methods, approved by regulatory institution and planned market trends;
4. Discount rate of 5,07% (after tax) was used to calculate discounted cash flows;
5. Forecasted operating expenses for the year 2019 according to approved budget, for the year 2020-2030 period according to Energijos Skirstymo Operatorius AB strategy and expected reduction in operating costs (forecasted operating expenses reduction approximately lower by 16 % compared to the level approved by regulatory institution till 2030 (calculations based using forecasted macroeconomic assumptions: increase of payroll expenses and inflation also performance of activity excellence tools: process review, robotization, improvements and data-driven solution that will enable to run business more efficiently. Forecasted changes since 2031 according the projected average annual consumer price index (CPI) and wage developments;
6. Forecasted revenue level is not affected by the additional profit generated due to the planned efficiency of Energijos Skirstymo Operatorius AB;
7. Capital investments forecasted using approved 10 year capital investments plan, after 10 years using management assumptions provided.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs:

1. The discount rate change has a significant impact for the result of impairment test. The sensitivity analysis showed that a 0.5 p.p. change in the discount rate would result in a decrease of the investment by up to EUR 213,9 million (at discount rate of 5.57%) or would have no impact for the value of investments (at discount rate of 4.57%).

2. The WACC change has a significant impact for the result of impairment test. The sensitivity analysis showed that a 0.5 p.p. change in the WACC would result in a decrease of the investment by up to EUR 154,9 million (at WACC of 5.46%) or would have no impact for the value of investments (at WACC of 6.46%).

Energijos Tiekimas UAB

As at 31 December 2018, the Company performed an impairment test for investment into subsidiary Energijos Tiekimas UAB and determined no impairment for investments into Energijos Tiekimas UAB as at 31 December 2018.

As at 31 December 2018, the Company tested for impairment its investment in subsidiary Energijos Tiekimas UAB using the discounted cash flow method. Discount rate of 7,0% (after tax) was used to calculate discounted cash flows.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the value of investments into Energijos Tiekimas UAB.

Eurakras UAB

As at 31 December 2018, the Company performed an impairment test for investment into subsidiary Eurakras UAB and determined no impairment for investments into Eurakras UAB as at 31 December 2018.

Impairment test for goodwill in EURAKRAS UAB

In 2016, the Group recognised goodwill of EUR 1,461 thousand relating to the acquisition of EURAKRAS UAB. As at 31 December 2018, the Company performed an impairment test for goodwill on a value-in-use basis and determined no impairment for goodwill.

The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2045, with reference to the typical operational period of 30 years;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. During the first twelve months of operation, the price of electricity is set at 70.96 EUR/MWh based on the tariff established; After the expiry of the tariff, the electricity price forecast prepared by a third party is to be used.
4. The cash flows were discounted using a post-tax discount rate of 4.6%.

Based on the results of the tests performed as at 31 December 2018 and 31 December 2017, impairment of goodwill was not identified.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the value of investments into EURAKRAS UAB and goodwill.

Tuuleenergia OÜ

As at 31 December 2018, the Company performed an impairment test for investment into subsidiary Tuuleenergia OÜ and determined no impairment for investments into Tuuleenergia OÜ as at 31 December 2018.

The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2039;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. During the first twelve months of operation, the price of electricity is the market price plus 54.00 EUR/MWh feed-in premium;
4. The cash flows were discounted using a post-tax discount rate of 4.5%.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the value of investments into Tuuleenergia OÜ.

Energetikos Paslaugų ir Rangos Organizacija UAB

As at 31 December 2018, the Company performed an impairment test for investment into subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB and determined impairment for investments into Energetikos Paslaugų ir Rangos Organizacija UAB in the amount of EUR 6,723 thousand (2017: EUR 1,626 thousand). Following the recognition of impairment, the investment's recoverable amount (which is equivalent to its fair value) is equal to EUR 0 thousand (31 December 2017: EUR 191 thousand).

As at 31 December 2017, the Company calculated impairment of loans receivable from Energetikos Paslaugų ir Rangos Organizacija UAB. In 2018, the Company made a number of decisions to cover the operating losses of Energetikos Paslaugų ir Rangos Organizacija UAB against monetary contributions (Note 8) by offsetting them against loans repayable by Energetikos Paslaugų ir Rangos Organizacija UAB to the Company as per the statement of financial position. The loans offset and their impairment were recognised in the Company's statement of financial position as 'Investments into subsidiaries'.

Impairment was largely caused by the decision passed by the Company's Board on 13 April 2018 concerning the discontinuation of non-core contract activity. Following the decision, consistent measures were taken to discontinue the provision of the services of construction, reconstruction, repair and maintenance of energy facilities by Energetikos Paslaugų ir Rangos Organizacija UAB. Energetikos Paslaugų ir Rangos Organizacija UAB will finalise the performance of existing contracts, will not accept new orders, and will settle with suppliers.

As at 31 December 2018, the subsidiary had obtained a loan of EUR 1,945 thousand from the Group's cash pool account. Given that Energetikos Paslaugų ir Rangos Organizacija UAB repaid the largest portion of funds borrowed from the Company's subsidiaries, the provision was reduced and the provision of EUR 806 thousand was recognised in the Company's statement of financial position as at 31 December 2018 in relation to the execution of the cash pool agreement signed between the Company and the Group companies.

As at 31 December 2018, the Company tested for impairment its investment in subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB using the net assets view method. The value of the investment using the net assets view method determined this way: all current and non-current assets measured at market value and deducting from it all trade debts and all other liabilities.

The Company's other investments in subsidiaries

As at 31 December 2018, there were no indications of impairment in respect of other investments in the subsidiaries of the Company.

As at 31 December 2017, impairment testing was performed for the following subsidiaries: Energijos Skirstymo Operatorius AB, Lietuvos Energijos Gamyba UAB, Litgas UAB, VAE SPB UAB, Energetikos Paslaugų ir Rangos Organizacija UAB.

Energijos Skirstymo Operatorius AB and Lietuvos Energijos Gamyba AB

As at 31 December 2017, the Company tested for impairment its investments in the subsidiaries Energijos Skirstymo Operatorius AB and Lietuvos Energijos Gamyba AB and determined no impairment in respect of the investments in Energijos Skirstymo Operatorius AB and Lietuvos Energijos Gamyba AB as at 31 December 2017.

Litgas UAB

As at 30 June 2017, the Company tested for impairment its investment in subsidiary LITGAS UAB using the discounted cash flow method and recognised impairment of EUR 3,225.23 thousand, which largely resulted from the payment of dividends in 2017. As at 31 December 2017, the Company re-performed an impairment test for investment and determined no additional impairment. Following the impairment, the recoverable amount of the investment was equal to EUR 8,631 thousand as at 31 December 2017 (31 December 2016: EUR 11,586 thousand).

The impairment test of investment in LITGAS UAB as at 31 December 2017 was performed by the Company based on the following key assumptions:

1. The cash flows were discounted using a post-tax equity discount rate of 8.2%;
2. The assumption is used that the activities of the company are to be ceased as of 2025.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The changes in discount rates have a significant impact on the result of valuation. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would result in an increase in the value of the investment by up EUR 797 thousand (at discount rate of 7.2%) or decrease in the value of the investment by EUR 384 thousand (at discount rate of 9.2%).

VAE SPB UAB

As at 30 June 2017, the Company tested for impairment its investment in subsidiary VAE SPB UAB and recognised impairment of EUR 92 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 2018 and 2017. On 11 October 2018, the liquidation procedures of the subsidiary VAE SPB UAB were finalised and the Company's investment in VAE SPB UAB and the established impairment were fully written off.

Energetikos Paslaugų ir Rangos Organizacija UAB

As at 31 December 2017, the Company performed an impairment test for investment into subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB and determined impairment for investments into Energetikos Paslaugų ir Rangos Organizacija UAB in the amount of EUR 1,626 thousand. Following the recognition of impairment, the investment's recoverable amount (which is equivalent to its fair value) is equal to EUR 191 thousand.

As at 30 June and 31 December 2017, the Company estimated impairment of EUR 7,001 thousand in respect of amounts receivable from Energetikos Paslaugų ir Rangos Organizacija UAB. In 2017, the Company made a number of decisions to cover the operating losses of Energetikos Paslaugų ir Rangos Organizacija UAB against monetary contributions (Note 8) by offsetting them against EUR 4,300 thousand loans repayable by Energetikos Paslaugų ir Rangos Organizacija UAB to the Company as per the statement of financial position. The loans offset and their impairment were recognised in the Company‘s statement of financial position as ‘Investments into subsidiaries‘.

Impairment was largely caused by worse results of operations for 2017 than those projected, and accordingly, by more conservative forecasts.

As at 31 December 2017, the subsidiary had obtained a loan of EUR 6,824 thousand from the Group's cash pool account. Given that the forecast of future cash flows of the subsidiary showed that the subsidiary would not be able to repay the loan in full, provision of EUR 2,903 thousand was recognised in the Company‘s statement of financial position as at 31 December 2017 in relation to the execution of the cash pool agreement signed between the Company and the Group companies.

As at 31 December 2017, impairment test of Energetikos Paslaugų ir Rangos Organizacija UAB was based on the following key assumptions:

1. Discount rate of 9.5% (after tax) was used to calculate discounted cash flows.
2. Annual growth rate of 2.0% was used.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. Changes in discount rates have a significant impact on the establishment of the provision in relation to the execution of the cash pool agreement signed between the Company and the Group companies. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would result in a decrease of the provision by up to EUR 2,020 thousand (at discount rate of 8.5%) or increase in the provision by up to EUR 3,577 thousand (at discount rate of 10.5%).

Judgements and accounting estimates pertaining to control over Kauno Kogeneracinė Jėgainė UAB

As at 31 December 2018, the Company held 51% shareholding in Kauno Kogeneracinė Jėgainė UAB, and the remaining 49% of shares was held by FORTUM HEAT LIETUVA UAB (hereinafter "FORTUM").

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Company has an option to buy (call option) all the shares of KKJ held by FORTUM, whereas FORTUM has an option to sell (put option) to the Company its shareholding in KKJ, for the price, the calculation of which is defined in the Shareholders' Agreement.

In the Group's management view, the call option's exercise price that the Company will have to pay to FORTUM for buyout of KKJ shares owned by FORTUM, in case the Company opts to buy them, approximates the fair value of the shares within the limits of the materiality (materiality threshold is based on the best estimate practice, such as +/- 15% of the market value), and thus the call option gives to the Group control over KKJ.

At 31 December 2018, the Group accounted for EUR 16,660 thousand (31 December 2017: EUR 9,996 thousand) put option exercise liability (Note 29) measured as net present value of the single future cash outflow, which would be paid to FORTUM for KKJ shares in a deadlock situation in case the put option is exercised.

Deferred payment on disposal of shares of Litgrid AB

In 2012, the shares of Litgrid AB held by the Company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. 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. The Company assessed the price premium and concluded that according to the purchase-sale agreement of shares of Litgrid AB, the price premium was negative and amounted to EUR 4,679 thousand at 31 December 2018 (31 December 2017: EUR 4,679 thousand). UAB "EPSO-G" also prepared calculations and assessed that the price premium was negative and amounted to EUR 27,075 thousand. The Company disagrees with UAB " EPSO-G" prepared calculations. There is currently a debate on how to resolve the situation. For the purposes of the statement of financial position, the Company's management has conservatively assessed, on the basis of a pessimistic scenario, that the possible agreement between the parties would be the average value of the Company's and UAB "EPSO-G" calculations, i.e. to EUR 15,877 thousand. After this assumption the receivable on disposal of the shares of Litgrid AB was reduced by EUR 15,877 thousand as the sales price will be adjusted by the price premium. As at 31 December 2018, the amount receivable on disposal of the shares of Litgrid AB totalled EUR 158,658 thousand (31 December 2017: EUR 169,856) (Note 9). In the opinion of the Group's management, the amount of the price premium was calculated with prudency in the pessimistic scenario and can range between EUR 4,679 thousand and EUR 15,877 thousand. The deferred payment receivable is attributed to Level 3 of the fair value hierarchy. Refer note 42 for subsequent developments.

Provisions for compensations for servitudes
On 1 November 2017, amendments to the Law on Electricity of the Republic of Lithuania came into effect. The amendments set forth compensation for servitudes established for the construction of electricity networks in land not owned by the operator. The Electricity Law provides that the construction of electricity transmission and distribution networks or other types of electricity installations will be subject to the payment of one-off compensations for damages related with the establishment of statutory servitudes (which came into effect on 10 July 2004). The management of the Group did not have the possibility of reliably assessing and accounting for payments for servitudes as at 31 December 2017, i.e. upon enactment of the Amendments to the Law on Electricity of the Republic of Lithuania, since the methodology for the calculation of payments for servitudes, establishing the conditions for the payment of compensations, had not been approved yet. The methodology came into force as of 31 July 2018. Under this methodology, an estimated gross amount of payments for servitudes was assessed and accounted for in 2018.

According to the management of the Group, payments for servitudes were capitalised and recognised as intangible assets, since they give legal right to the Company's subsidiary Energijos Skirstymo Operatorius AB to access its distribution network and gives future benefit of free access to either repair or modify the network as and when needed. Consequently, in 2018, the Group recognised intangible assets in the amount of EUR 28,563 thousand. These assets are carried at cost less impairment, their useful life is indefinite, as, according to the management, the servitudes would be used for an indefinite period, since the rights to use the predefined land plots are granted for an indefinite period of time (pursuant to the Agreement on the Payments for Servitudes and Point 4.130 of the Civil Code).

The estimated amount of payments for servitudes was accounted for in the statement of financial position as a provision for non-current liability (under IAS 37) and was equal to EUR 28,725 thousand at initial recognition. The estimation of the amount of the provision took into account the expected time of settlement and the number of applicants. The provision was calculated at the discounted value. For the purpose of the calculation of the provision, the discount rate was applied with reference to the lending rate of similar liabilities and was equal to 1.135%. As at 31 December 2018, the amount of the provision was equal to EUR 27,982 (Note 26). The total amount of the provision is included in non-current liabilities pursuant to the provisions of the aforementioned methodology, according to which the one-off compensation for statutory servitudes is to be paid within 2 years from the date of the submission of an eligible application.

Accrued revenue
Revenue from household customers is recognised upon declaration of readings of the meters by customers and receipt of payments. Accordingly, at the end of each reporting period, the amount of income earned but not yet paid by household customers is estimated and accrued by the management of the Group. Accrued sales revenue is estimated as 1/3 of total payments for electricity received over the last month of the reporting period. Accrued revenue is based on past experience and average term of settlement for electricity, accrued revenue calculation metgodolgy does not include revenue recognised according to average invoices formed for household customers.
Moreover, with changes in electricity prices for household customers and unusual developments in the declared quantity of electricity, the Group measures the actually consumed quantity, determining the overdeclared or underdeclared quantity.

Impairment of amounts receivable (lifetime expected credit losses)
The Company's/Group's management decides on the performance of the assessment of amounts receivable 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. These estimates require significant judgement. Judgement is based on information about substantial financial difficulties experienced by the debtor, probability that the debtor will enter bankruptcy or any other reorganisation, default of delinquency in payments.

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/Group assesses the debt on a collective basis.
For the purpose of determining the lifetime expected credit losses of amounts receivable, the Company/Group uses the loss coefficient matrix (on a collective basis). The loss coefficient matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss coefficients are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years or of customer types. A different loss coefficient matrix is used for different groups of customers and within different subsidiaries of the Group.
These estimates require significant judgement. These estimates are based on the information on historical statistics, and annual reviews whether the provisioning rates used for collectively assessed receivables are in line with the historical data of impairment of receivables, and that the provisioning rates used for collectively assessed receivables are approved for the upcoming year.

Accrued revenue from PSO funds and regulated capacity reserve service fees

Accrued revenue from PSO funds

A part of funds received for PSO services and tertiary capacity reserve services is allocated for the maintenance of the infrastructure of the Elektrėnai Complex and for the covering of expenses related to the testing of the necessary 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 NERC in view of the projected costs of the Company's subsidiary Lietuvos energijos gamyba AB. In the Group's financial statements, income from these services is recognised on accrual basis based on actually incurred costs.

Regulated activity: regulatory provisions from capacity reserve and system services

The regulated activities are intended to eliminate the mismatches between the current year earnings and the regulated level, regardless whether the services will be provided in the future. As at 31 December 2018, the Group recognised PSO funds of EUR 7,554 thousand (whereof for non-current part – EUR 4,784 thousand and for current part – EUR 2,770 thousand) within the 'Provisions' (Note 26) to be refunded (31 December 2017: PSO funds of EUR 5,034 thousand to be refunded within Other payables, Note 27). PSO funds to be refunded arose from lower than established actual fixed and variable costs incurred in the provision of the regulated services. As at 31 December 2018, 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% (31 December 2017: 0.92%) was used, and the discounting effect of EUR 86 thousand (31 December 2017: EUR 51 thousand) was recognised within 'Other financial income'.

As at 31 December 2018, the amount payable of EUR 2,765 thousand (31 December 2017: the amount receivable of EUR 8,198 thousand), which will be compensated in 2019, was recognised within current amounts payable.

The Group's and the Company's non-current assets held for sale

The Group and the Company classify property, plant and equipment and disposal groups as held for sale, if their carrying amount is recovered through a disposal rather than through continuing use, the assets and disposal groups are available for immediate sale, and a sale is considered highly probable in their current condition and under the conditions that are usual for sale of such assets and disposal groups. The Group and the Company are committed to a plan to sell these assets and disposal groups, and initiate an active programme to locate a buyer. The sale of assets is to be performed within one year of classification as held for sale and there are no indications that the plan will be significantly changed or withdrawn.

The Group's non-current assets held for sale consist of property, plant and equipment and disposal group, which includes transport business of the subsidiary Transporto Valdymas UAB (Note 17). The transport business comprises motor vehicles, agreements on lease of motor vehicles that are expected to be disposed all together, as well as other assets and liabilities related to transport business. The transport business is classified in the Group's financial statements as assets held for sale based on the Group's management decision to sell the business and initiation of location of the future investor to enter into sale transaction of transport business.
The line item 'Disposal group' also includes the subsidiary Duomenų Logistikos Centras UAB, which is intended to be disposed of by the Group.

The Group's non-current assets held for sale comprise investments in the subsidiaries Duomenų Logistikos Centras UAB and Transporto Valdymas UAB.
In November 2016, the Company's shareholder made a decision to launch the sale process of the Company's subsidiary Duomenų Logistikos Centras UAB. On 7 August 2017, the Company announced it has signed the agreement on the sale and purchase of the company's shares. On 21 June 2018, the Competition Council terminated the procedure for treatment of certain concentrations following the notice of the buyer on the abandonment of concentration. The Company passed the decision to agree with the termination of the agreement with the buyer. The Company does not withdraw from its plans to sell the company and continues to seek for a potential buyer and has renewed the sale process of Duomenų Logistikos Centras UAB.
For the purposes of the Company's statement of financial position at 31 December 2018, the investment into Duomenų Logistikos Centras UAB in the amount of EUR 4,705 thousand (31 December 2017: EUR 4,705 thousand) was accounted for under the line item 'Non-current assets held for sale'.
In September 2018, the Company approved the decision to launch the sale process of the Company's subsidiary Transporto Valdymas UAB. In implementing its plans of selling the company, the Company seeks for a potential buyer and has renewed the sale process of Transporto Valdymas UAB.
For the purposes of the Company's statement of financial position at 31 December 2018, the investment into Transporto Valdymas UAB in the amount of EUR 2,359 thousand was accounted for under the line item 'Non-current assets held for sale'.

In 2019, the Group's and the Company's management plans to continue active sales of assets and expects the sale transactions started in 2017–2018 to be finalised in 2019.

Determining whether the Group acts as a principal or agent in relation to electricity transfer, which includes both transmission and distribution, and gas distribution services

Electricity transfer services

In providing electricity transfer service (includes both transmission and distribution) to end users, the Group in Lithuania and Latvia acquires electricity transmission services from transmission grid operator (not a part of the Group), and in Latvia acquires electricity distribution services from distribution grid operator which is not a part of the Group. Management of the Group analysed related contracts with electricity transmission and distribution grid operators and contracts with customers, also evaluated applicable regulatory environment for the conclusion whether the Group is acting as a Principal or as an Agent in relation of electricity transmission services in Lithuania and electricity transfer (includes both transmission and distribution) services in Latvia have considered arguments provided further:

- According to the legislation the electricity transfer service comprises of (i) electricity transmission over high voltage grid and (ii) distribution over low and mid-voltage grid services. Electricity distribution services are provided by the distribution grid operator. In Lithuania the distribution grid operator is the Group, in Latvia – a company which is not a part of the Group. Transmission services are provided by transmission system operator which is not a part of the Group.

- The Group controls transmission services in Lithuania before transferring it to the end customer on the following grounds:
  - The Group is primarily responsible against the end users for electricity transfer service towards end customers.
  - The Group bears a risk of loss in case of outage of electricity, regardless of whether there was transmission or distribution grid failure.
  - The Group has discretion in establishing the final distribution price and transmission component is not re-charged on a pass-through principle.

- The Group doesn't control transmission and distribution services in Latvia before transferring it to the end customer on the following grounds:
  - For all transfer services the Group is not ultimately responsible, since according to the laws and regulations and agreements with customers the owner of the transmission and distribution grid takes full responsibility;
  - The Group also does not bear inventory risk since price of transfer services is determined based on meter readings – i.e. transfer fee is charged to the Group only to the amount of electricity consumed by the end customer;
  - The prices of transfer components are determined by the grid operator, which is not a part of the Group, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgment concluded that the Group acts:

- as an Agent in relation to electricity transmission and distribution services acquired from the Latvian operator of electricity transfer system (Note 3.3),
- as a Principal in relation to electricity transmission services acquired from the Lithuanian operator of transmission system.

Gas distribution services

In providing gas distribution services to customers in Lithuania the Group uses its own distribution network, in Latvia – the Group acquires these services from the company which is not a part of the Group. Management of the Group analysed related contracts with the Latvian gas distribution grid operator and contracts with customers, also evaluated applicable regulatory environment and for the conclusion whether the Group is acting as a Principal or as an Agent in relation to gas distribution services in Latvia have considered arguments provided further:

- For gas distribution services the Group is not ultimately responsible, since according to the laws and regulations and agreements with customers the owner of the distribution grid takes full responsibility;
- The Group also does not bear inventory risk since price of distribution services is determined based on meter readings – i.e. distribution fee is charged to the Group only to the amount of gas consumed by the end customer;
- The price of distribution component is determined by the grid operator, which is not a part of the Group, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgment (see Note 3.3) and concluded that the Group acts as an Agent in relation to gas distribution services acquired from the Latvian operator of gas distribution system.

Determining whether the Group acts as a principal or agent in relation to PSO fees and LNGT security component

The management has applied a significant judgment (Note 3.3) and concluded that the Group acts as an agent in relation to collection of PSO fees and LNGT security component from customers due to the following argumentation:

1) the Group is not responsible for PSO and LNGT projects / initiatives, accordingly it is not responsible that PSO fees and LNGT security component are used for their intended purpose,
2) the Group is not exposed to any inventory risk,
3) the Group has no legal power to establish pricing of this component.

Determining whether connection of a new customer to the grid is a separate performance obligation from ongoing distribution service

Having considered that the Group has an ongoing distribution service contract with a new customer for both gas and electricity distribution, management of the Group also concluded that connection fees do not represent a separate performance obligation from the sale of ongoing distribution service (Note 3.3), since they are both highly interrelated due to the following:

- Majority of new customers pay the the connection fees with the only reason being to get an ongoing access to the grid, so from the perspective of a customer there is one single service the Group is providing to its customers, which is ongoing access to the grid,
- connection fee does not represent 100% of connection costs incurred by the Group and significant part of connection costs is collected by the Group through the distribution tariff,
- connection and ongoing distribution services are highly interdependent, as ongoing access can not be provided without providing the connection of the customer to the grid first.

Determining whether liquefied natural gas terminal security component fee is a separate performance obligation from ongoing gas transmission services

The Group elected to change the method of accounting for to LNG Fee component by treating the Group as an Agent (Note 3.3). Such decision has been taken after extensive analysis of relevant industry practice and taking into consideration the facts, that the Group is not responsible for LNG projects / initiatives accordingly not responsible that the funds are used for their intended purpose. The Group is not charged to any inventory risk, as well as the Group has no legal power to establish pricing of this component.

All amounts in EUR thousands unless otherwise stated

5 Intangible assets

Group	Patents and licences	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 amount at 1 January 2017	**15,154**	**2,856**	**11,834**	**956**	**1,461**	**32,261**
Additions	483	316	-	4,376	-	5,175
Reclassified to/from PP&E categories	89	3,202	-	(3,000)	-	291
Write-offs / Emission allowances utilised	-	(2)	(932)	-	-	(934)
Revaluation of emission allowances	-	-	2,808	-	-	2,808
Grant received on emission allowances	-	-	1,128	-	-	1,128
Reclassified to assets held for sale	-	(15)	-	-	-	(15)
Amortisation charge	(1,668)	(2,631)	-	(55)	-	(4,354)
Net book amount 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 amount at 1 January 2018	**14,058**	**3,726**	**14,838**	**2,277**	**1,461**	**36,360**
Additions	1,889	429	-	5,431	5,370*	13,119
Revaluation	-	-	31,816	-	-	31,816
Recognition of statutory servitudes				28,564	-	28,564
Reclassified to/from PP&E categories	36	3,517	-	(3,163)	-	390
Write-offs	-	(5)	-	(8)	-	(13)
Reclassifications between categories	-	737	-	(737)	-	-
Emission allowances utilised	-	-	(908)	-	-	(908)
Disposals	-	(2)	-	-	-	(2)
Grant received on emission allowances	-	-	2,555	-	-	2,555
Reclassified to/from assets held for sale	-	(5)	-	(5)	-	(10)
Amortisation charge	(1,506)	(3,989)	-	(46)	-	(5,541)
Net book amount at 31 December 2018	**14,477**	**4,408**	**48,301**	**32,313**	**6,831**	**106,330**
At 31 December 2018						
Acquisition cost	21,295	21,523	48,301	32,845	6,831	130,795
Accumulated amortisation	(6,818)	(17,115)	-	(532)	-	(24,465)
Net book amount	**14,477**	**4,408**	**48,301**	**32,313**	**6,831**	**106,330**

** Goodwill arising on business combination (Note 41)*

The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. At the end of each reporting period, emission allowances are measured with reference to year-end market prices.

In 2016, the Group accounted for patents and licences identified in business combination that comprise the licence to produce electricity with an incentive rate. The fair value of the licence, at the moment of business acquisition, was determined to be EUR 14,900 thousand, amortisation period of the licence was set to be 12 years. The net book amount of the licence was EUR 11,278 thousand at 31 December 2018 (31 December 2017: EUR 12,520 thousand).

The table below includes information on the results of revaluation of emission allowances conducted in 2018:

Group	Decrease in other comprehensive income and revaluation reserve in equity	Recognised in profit and loss	Total revaluation effect
Increase (decrease) in carrying amount	22,883	8,933	31,816
	22,883	**8,933**	**31,816**

All amounts in EUR thousands unless otherwise stated

Results of revaluation of emission allowances conducted in 2017:

Group	Decrease in other comprehensive income and revaluation reserve in equity	Recognised in profit and loss	Total revaluation effect
Increase (decrease) in carrying amount	1,167	1,641	2,808
	1,167	**1,641**	**2,808**

The Company's intangible assets

Company	Other intangible assets	Total
At 31 December 2017		
Acquisition cost	-	-
Accumulated amortisation	-	-
Net book amount	-	-
Net book amount at 1 January 2018	-	-
Reclassified (to) from assets held for sale	1,874	1,874
Amortisation charge	-	-
Net book amount at 31 December 2018	**1,874**	**1,874**
At 31 December 2018		
Acquisition cost	1,874	1,874
Accumulated amortisation	-	-
Net book amount	**1,874**	**1,874**

On 3 December 2018, in the intangible assets category 'Other intangible assets' the Company accounted for assets of EUR 1,874 thousand which indicate future synergies that were identified on the acquisition of assets of TE-3 from Vilniaus Šilumos Tinklai AB on 12 October 2017. The benefit of synergies 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.

All amounts in EUR thousands unless otherwise stated

6 Property, plant and equipment

The Group‘s property, plant and equipment:

Group	Land	Buildings	Structures and machinery	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant and Lithuanian Power Plant	Wind power plants and their installations	Structures and machinery of Thermal Power Plant	Motor vehicles	IT and telecommunication equipment	Other PP&E	Construction in progress	Total
At 31 December 2016												
Cost or revalued amount	2,376	65,579	876,992	134,046	206,492	62,029	888,633	27,725	39,315	10,904	36,767	2,350,858
Accumulated depreciation	-	(7,297)	(71,390)	(9,120)	(87,243)	(1,684)	(330,267)	(10,483)	(20,340)	(3,862)	-	(541,686)
Accumulated impairment	-	-	-	-	-	-	(38,135)	-	-	-	(223)	(38,358)
Net book amount	**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**
Net book amount 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**
Additions	-	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)
Reclassifications between categories	-	1,760	164,035	29,911	835	-	1,265	-	1,483	3,119	(202,408)	-
Reclassified to assets, intangible assets -	2	(13)	-	-	-	-	67	(71)	(3)	(217)	(235)	
Reclassified to assets held for sale	(52)	(23,261)	(456)	(781)	(1)	-	-	(9,825)	(345)	(265)	-	(34,986)
Reclassified from (to) investment property	-	(1,601)	-	-	-	-	-	-	-	-	(1,264)	(2,865)
Reclassified to finance lease	-	-	-	-	-	-	-	(4,579)	-	-	-	(4,579)
Reclassified from inventories	-	-	(1)	-	(19)	-	(3)	20	(5)	-	-	(8)
Impairment	-	(87)	(388)	-	-	-	(105,352)	-	-	-	(513)	(106,340)
Reversal of impairment	-	98	-	-	-	-	45	-	-	-	-	143
Depreciation charge	-	(2,635)	(40,128)	(4,720)	(7,296)	(1,311)	(37,180)	(3,874)	(3,713)	(2,368)	-	(103,225)
Decrease on disposal of subsidiary	-	-	-	-	-	-	-	(4)	(3)	(3)	-	(10)
Net book amount 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**
At 31 December 2017												
Cost or revalued amount	2,324	41,432	1,037,447	167,712	207,279	64,229	779,526	7,605	37,051	14,130	68,804	2,427,539
Accumulated depreciation	-	(9,824)	(108,890)	(18,019)	(94,489)	(5,195)	(293,722)	(4,212)	(17,644)	(5,774)	(1,108)	(558,877)
Accumulated impairment	-	-	-	(575)	-	-	(106,670)	-	-	-	(335)	(107,580)
Net book amount	**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**

(Cont'd on the next page)

All amounts in EUR thousands unless otherwise stated

(continued)

Group	Land	Buildings	Structures and machinery	Gas distribution pipelines, gas technological equipment and installations (restated*)	Assets of Hydro Power Plant, Pumped Storage Power Plant and Lithuanian Power Plant	Wind power plants and their installations	Structures and machinery of Thermal Power Plant	Motor vehicles	IT and telecommunication equipment	Other PP&E	Construction in progress	Total
At 31 December 2017												
Acquisition cost	2,324	41,432	1,037,447	167,712	207,279	64,229	779,526	7,605	37,051	14,130	68,804	2,427,539
Accumulated depreciation	-	(9,824)	(108,890)	(18,019)	(94,489)	(5,195)	(293,722)	(4,212)	(17,644)	(5,774)	(1,108)	(558,877)
Accumulated impairment	-	-	-	(575)	-	-	(106,670)	-	-	-	(335)	(107,580)
Net book amount	**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**
IFRS 15 adoption impact – impairment**	-	-	-	(10,356)	-	-	-	-	-	-	-	-
Change in judgment on Connection fees*	-	-	-	10,356*	-	-	-	-	-	-	-	-
Net book amount at 1 January 2018 (restated*)	**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**
Additions	-	1	710	-	10	-	804	2,100	1,823	971	360,030	366,449
Revaluation	(35)	10,306	36,587	-	-	-	(96)	8	(1,149)	48	-	45,669
Disposals	-	(31)	(361)	-	-	-	(829)	(32)	(15)	(1)	(427)	(1,696)
Write-offs	-	(6)	(4,575)	(112)	(5)	(1)	(38)	(30)	(83)	(16)	(35)	(4,901)
Reclassifications between categories	-	1,717	195,023	57,009	3,666	14	1,766	-	3,825	585	(263,605)	-
Reclassified to assets, intangible assets	-	-	-	-	-	-	-	-	(71)	(2)	(317)	(390)
Reclassified to assets held for sale	-	(9,166)	(3,764)	-	-	-	-	(548)	(1,693)	(2,196)	-	(17,367)
Reclassified from (to) investment property	-	(4,502)	183	-	-	-	-	-	-	-	-	(4,319)
Reclassified to finance lease	-	-	-	-	-	-	-	(824)	-	(1,086)	-	(1,910)
Reclassified from inventories	-	-	2	-	(116)	-	(192)	-	(4)	(60)	1,960	1,590
Impairment	-	(15)	(17)	-	-	-	(195)	(56)	-	(16)	(1,066)	(1,365)
Reversal of impairment (restated*)	-	25	388	575*	-	-	-	-	-	-	-	988
Depreciation charge (restated*)	-	(1,868)	(45,868)	(5,341)*	(7,130)	(2,061)	(20,071)	(984)	(4,336)	(1,893)	-	(89,552)
Acquisition of subsidiaries	1,089	-	7,316	-	-	27,653	-	-	-	1,050	-	37,108
Net book amount at 31 December 2018 (restated*)	**3,378**	**28,069**	**1,114,181**	**201,249**	**109,215**	**84,639**	**360,283**	**3,027**	**17,704**	**5,740**	**163,901**	**2,091,386**
At 31 December 2018												
Cost or revalued amount	3,378	28,504	1,274,877	238,940	210,834	92,922	774,145	5,643	29,611	7,955	165,302	2,832,111
Accumulated depreciation (restated*)	-	(435)	(160,696)	(37,691)*	(101,619)	(8,283)	(307,550)	(2,616)	(11,907)	(2,215)	-	(633,012)
Accumulated impairment	-	-	-	-	-	-	(106,312)	-	-	-	(1,401)	(107,713)
Net book amount (restated*)	**3,378**	**28,069**	**1,114,181**	**201,249**	**109,215**	**84,639**	**360,283**	**3,027**	**17,704**	**5,740**	**163,901**	**2,091,386**

** Restated due to changes in accounting methods as disclosed in Note 3.3.*
*** IFRS 15 adoption impact (Note 2.1)*

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), gas distribution pipelines, gas technological equipment, wind power plants, and IT and telecommunication equipment) was accounted for at revalued amount.

All amounts in EUR thousands unless otherwise stated

In the period from August to December 2018, the Group carried out the valuation of buildings, structures and machinery and construction in progress with the carrying amount of EUR 1,206 million as at 31 December 2018. Independent property valuer Ernst & Young Baltic UAB carried out the valuation of assets with the carrying amount of EUR 1,134,743 thousand using the cost and income methods. Independent property valuer APUS TURTAS UAB carried out the valuation of assets with the carrying amount of EUR 2,468 thousand using the comparable and cost method.

Results of the revaluation conducted in 2018 are given below:

Group	Decrease in other comprehensive income and revaluation reserve in equity	Recognised in profit and loss	Total revaluation effect
Increase (decrease) in carrying amount	122,286	(76,617)	45,669
	122,286	**(76,617)**	**45,669**

Results of the revaluation conducted in 2017 are given below:

Group	Decrease in other comprehensive income and revaluation reserve in equity	Recognised in profit and loss	Total revaluation effect
Increase (decrease) in carrying amount	(908)	1,379	471
	(908)	**1,379**	**471**

In the opinion of the Group's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2018 did not differ significantly from their fair value. The table below presents allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was subject to revaluation as at 31 December 2018 (refer to Note 2.29 for the description of the fair value hierarchy levels).

Group	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Land	-	1,845	1,533	3,378
Buildings	-	596	27,473	28,069
Structures and machinery	-	1,890	1,112,291	1,114,181
Motor vehicles	-	66	2,961	3,027
Other property, plant and equipment	-	42	5,698	5,740
Construction in progress	-	-	163,901	163,901
Total	**-**	**4,439**	**1,313,857**	**1,318,296**

The table below presents allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was subject to revaluation as at 31 December 2017 (refer to Note 2.29 for the description of the fair value hierarchy levels).

Group	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Land	-	1,880	444	2,324
Buildings	-	7,286	24,322	31,608
Structures and machinery	-	3,114	925,443	928,557
Motor vehicles	-	1,329	2,064	3,393
Other property, plant and equipment	-	85	8,271	8,356
Construction in progress	-	-	67,734	67,734
Total	**-**	**13,694**	**1,028,278**	**1,041,972**

Land was largely attributed to Level 2 of the fair value hierarchy. The valuation was based on the market approach.

Buildings were attributed to Levels 2 and 3 of fair value hierarchy. The valuation of buildings attributed to Level 2 was based on the comparative value method approach. The valuation of assets attributed to Level 3 was based on the income approach, comparative value method approach, the cost approach or mix of these approaches.

Structures and machinery were attributed to Levels 2 and 3 of fair value hierarchy. The valuation of assets within Level 2 was based on the market approach. The valuation of assets within Level 3 was based on the income approach, comparative value method approach, the cost approach or mix of these approaches. The valuation was based on data and information available to the valuer to make accurate forecasts of future cash flows.

Motor vehicles were attributed to Levels 2 and 3 of fair value hierarchy. The valuation was based on the market approach and cost approach.

Construction in progress and other PP&E were mostly attributed to Level 3 of fair value hierarchy, valuation was based on income method or depreciated replacement cost method. The management considers, that cost of these assets approximate its fair value.

During 2018, the Group companies capitalised EUR 776 thousand of interest expenses on borrowings intended to finance development of non-current assets (2017: EUR 64 thousand). The average capitalised interest rate was 1.42% in 2018 and 0.82% in 2017.

The Group has significant commitments to purchase property, plant and equipment to be fulfilled in later periods. As at 31 December 2018, the Group's commitments to purchase or construct property, plant and equipment amounted to EUR 490,432 million (31 December 2017: EUR 294.177 million).

As at 31 December 2018, the Group had pledged to the banks its property, plant and equipment in amount of EUR 58,583 thousand (31 December 2017: EUR 316,136 thousand) (Note 22).

All amounts in EUR thousands unless otherwise stated

The Company's property, plant and equipment

Company	Other PP&E	Construction in progress	Total
At 31 December 2016			
Cost or revalued amount	28	345	373
Accumulated depreciation	(25)	-	(25)
Net book amount	**3**	**345**	**348**
Net book amount at 1 January 2017	**3**	**345**	**348**
Additions	40	36	76
Depreciation charge	(3)	-	(3)
Net book amount at 31 December 2017	**40**	**381**	**421**
At 31 December 2017			
Cost or revalued amount	69	381	450
Accumulated depreciation	(29)	-	(29)
Net book amount	**40**	**381**	**421**
Net book amount at 1 January 2018	**40**	**381**	**421**
Additions	13	-	13
Depreciation charge	(7)	-	(7)
Net book amount at 31 December 2018	**46**	**381**	**427**
At 31 December 2018			
Cost or revalued amount	82	381	463
Accumulated depreciation	(36)	-	(36)
Net book amount	**46**	**381**	**427**

7 Investment property

Group	Investment property
Carrying amount at 1 January 2017	**46,207**
Additions	6,842
Reclassification from property, plant and equipment	2,865
Increase in value	7,009
Decrease in value	(10,938)
Reclassification to assets held for sale	(37,107)
Carrying amount at 31 December 2017	**14,878**
Carrying amount at 1 January 2018	**14,878**
Additions	-
Reclassification from property, plant and equipment	4,319
Increase in value	133
Decrease in value	(115)
Reclassification to assets held for sale	(12,721)
Carrying amount at 31 December 2018	**6,494**

In 2018, the Group's income from lease of investment property amounted to EUR 3,258 thousand (2017: EUR 3,086 thousand).

The Company had no investment property in 2018 and 2017.

The table below presents allocation of the Group's investment property based on fair value hierarchy levels as at 31 December 2018 (refer to Note 2.29 for the description of the fair value hierarchy levels).

Group	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Buildings	-	-	5,978	5,978
Structures	-	-	516	516
Total	**-**	**-**	**6,494**	**6,494**

The table below presents allocation of the Group's investment property based on fair value hierarchy levels as at 31 December 2017 (refer to Note 2.29 for the description of the fair value hierarchy levels).

Group	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Buildings	-	-	11,753	11,753
Structures	-	-	3,125	3,125
Total	**-**	**-**	**14,878**	**14,878**

The fair value of investment property as at 31 December 2018 and 31 December 2017 was determined in February–July 2018 and September–October 2017, respectively. Valuations were carried out by independent property valuers using the market approach and income approach. Investment property is attributed to Level 3 of fair value hierarchy. The valuation was based on data and information available to the valuer for making accurate forecasts of future cash flows. Future cash inflows were estimated with reference to comparable object rental prices, adjusted for location, condition and other factors affecting the value, and with reference to the actual rental prices of the subject object, adjusted for the occupancy rate. In the opinion of the Group's management, the value of investment property determined using the above-mentioned approach represented its fair value as at 31 December 2018 and 31 December 2017.

All amounts in EUR thousands unless otherwise stated

8 Investments in subsidiaries and associates

Company	2018	2017
Net book amount at 1 January	**1,148,917**	**1,172,187**
Increase in share capital of subsidiaries	41,038	28,375
Decrease in share capital of subsidiaries	-	(50,862)
Acquisition of companies	21,016	-
Acquisition of shares from non-controlling interest	-	4,284
Disposal of investments	-	(123)
Coverage of losses	5,142	4,470
Liquidation of subsidiaries	(17)	-
Reclassification to assets held for sale	(2,359)	-
(Impairment) of investments in subsidiaries	(6,815)	(9,414)
Net book amount at 31 December	**1,206,921**	**1,148,917**

Increase and decrease in share capital of subsidiaries

The table below presents information on increase/(decrease) in share capital, coverage of operating losses, payments for share capital during the period from 1 January to 31 December 2018 and balances of unpaid share capital as at 31 December 2018.

Subsidiary	Issue date	Number of newly issued shares	Issue price per share, EUR	Total issue price	Amount paid up	Date of amend-ment to Articles of Associa-tion
Kauno Kogeneracinė Jėgainė UAB	19/01/2018	8,160,000	1.00	8,160	8,160	19/01/2018
Vilniaus Kogeneracinė Jėgainė UAB	21/12/2017	53,781,379	0.29	15,596	15,596	05/01/2018
Energetikos Paslaugų ir Rangos Organizacija UAB	30/01/2018	345,600	4.34	1,500	1,500	08/02/2018
Energijos Sprendimų Centras UAB	29/01/2018	600,000	1.50	900	900	10/04/2018
Elektroninių Mokėjimų Agentūra UAB	21/02/2018	370,000	1.00	370	370	27/02/2018
Increase in authorised share capital by way of in-kind contribution						
Lietuvos Energijos Gamyba AB	30/03/2018	12,919,014	0.62	8,062	8,062	31/03/2018
NT Valdos, UAB	01/08/2018	222,725	28.96	6,450	6,450	17/08/2018
Change in authorised share capital due to reorganisation						
Transporto Valdymas UAB	01/03/2018	81,470	28.96	2,359	2,359	
NT Valdos, UAB	01/03/2018	81,470	28.96	(2,359)	(2,359)	
Energijos Tiekimas UAB	31/10/2018	2,570,000	1.00	2,570	2,570	31/10/2018
Energijos Sprendimų Centras UAB	31/10/2018	(2,570,000)	1.00	(2,570)	(2,570)	02/11/2018
Energijos Tiekimas UAB	14/12/2018	(350,000)	1.00	(350)	(350)	14/12/2018
Gamybos Optimizavimas UAB	14/12/2018	350,000	1.00	350	350	14/12/2018
Total				**41,038**	**41,038**	

Offset prepayments made in 2017 for the increase of authorised share capital during 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
Offsetting of prepayments							
Vilniaus Kogeneracinė Jėgainė UAB	21/12/2017	53,781,379	0.29	15,596	3,898	11,698	05/01/2018
Total				**15,596**	**3,898**	**11,698**	

On 21 December 2017, the Company and its subsidiary Vilniaus Kogeneracinė Jėgainė UAB entered into the 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. On 31 August 2018, the Company paid up a EUR 11,698 thousand share of the authorised share capital of subsidiary Vilniaus Kogeneracinė Jėgainė UAB. 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. The Company fully paid up for the newly issued 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 the 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 08 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 Valdos 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 Valdos UAB. The Company’s investments in Transporto Valdymas UAB amount to EUR 2,359 thousand and investments in NT Valdos 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.

All amounts in EUR thousands unless otherwise stated

On 1 August 2018, the Company paid up a EUR 600 thousand share of the authorised share capital of subsidiary Energijos Sprendimų Centras UAB and share premium of EUR 300 thousand.

On 1 August 2018, the Company and its subsidiary NT Valdos, UAB signed the share subscription agreement on the issue of new 222,725 ordinary registered shares with the nominal value of EUR 28.96 each. The Company acquired all shares of the new issue for EUR 6,450 thousand by paying the issue price through an in-kind (non-cash) contribution. The amended Articles of Association of the subsidiary were registered with the Register of Legal Entities on 17 August 2018.

On 8 October 2018, the Company approved the reorganisation terms of subsidiaries Energijos Tiekimas UAB and Energijos Sprendimų Centras UAB, under which Energijos Sprendimų Centras UAB, which ceased its activities without the liquidation procedure, is merged with Energijos Tiekimas UAB which continues its activities. Assets, rights and obligations of Energijos Sprendimų Centras UAB were taken over by Energijos Tiekimas UAB that continues its activities. The reorganisation of the companies was finalised on 31 October 2018. The Company's additional investments in Energijos Tiekimas UAB amount to EUR 2,570 thousand and the total investment held in Energijos Sprendimų Centras UAB was reduced by the respective amount.

On 10 October 2018, the Competition Council of the Republic of Lithuania passed the decision clearing the concentration by the acquisition of 100% of shares of Vėjo Vatas UAB and 100% of shares of Vėjo Gūsis UAB by the Company and acquisition of a full control over the latter companies according to the presented announcement on concentration. On 5 November 2018, the Company 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. The Company's investment in Vėjo Vatas UAB and Vėjo Gūsis UAB amounted to EUR 6,132 thousand and EUR 12,919 thousand, respectively. Both investments were fully paid as at 31 December 2018.

Liquidation procedures of subsidiary VAE SPB UAB were finalised on 11 October 2018. 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 also approved of the termination of the company's activities. On 1 October 2018, prior to the liquidation VAE SPB UAB transferred to the Company shares of subsidiary Verslo Aptarnavimo Centras UAB with the nominal value of EUR 3 thousand. The liquidation statement was registered with the Register of Legal Entities on 11 October 2018 and the Company's total investment in VAE SPB UAB and impairment provision established were fully written off.

On 22 October 2018, the Company announced about its plan to initiate the transfer of the optimisation activity of operations of power plants of Energijos Tiekimas UAB to a company being established Gamybos Optimizavimas UAB. The Articles of Association of the new company of the Group were registered with the Register of Legal Entities on 14 December 2018 and the Company owns 100% of shares of Gamybos Optimizavimas UAB. The Company's investments in Gamybos Optimizavimas UAB amount to EUR 350 thousand and investments in Energijos Tiekimas, UAB were reduced by the respective amount.

On 27 December 2018, the Company acquired a 100% shareholding in VVP Investment UAB from the group of natural and legal persons. As at 31 December 2018, ownership rights of shares were held by the Company and the total investment in VVP Investment UAB amounted to EUR 1,962 thousand. As at 31 December 2018, the paid up part of the investment amounted to EUR 1,237 thousand, diluted price premium amounted to EUR 150 thousand, suspended payment – EUR 100 thousand and a respective unpaid part of the investment – EUR 475 thousand. The remaining unpaid part of the investment will be paid in 2019-2021.

Increase in share capital of the Group companies in 2017:

Subsidiary	Issue date	Number of newly issued shares*	Nominal value per share, EUR	Total issue price	Amount paid up	Date of amendment to Articles of Associa-tion
Energijos Sprendimų Centras UAB	29/08/2016	520,000	1.00	520	322	07/09/2016
Vilniaus Kogeneracinė Jėgainė UAB	19/12/2016	68,965,518	0.29	20,000	15,000	19/01/2017
Kauno Kogeneracinė Jėgainė UAB	28/12/2016	6,753,000	1.00	6,753	6,753	26/06/2017
Energijos Sprendimų Centras UAB	20/06/2017	700,000	1.00	1,000	1,000	22/09/2017
Elektroninių Mokėjimų Agentūra UAB	18/07/2017	300,000	1.00	300	300	01/08/2017
Offsetting of prepayments						
Vilniaus Kogeneracinė Jėgainė UAB	19/12/2016	68,965,518	0.29	20,000	5,000	19/01/2017
Total				**48,573**	**28,375**	

** Newly issued shares attributable to the Company*

Contributions made to increase the share capital were accounted for at the end of the previous reporting period within prepayments:

Subsidiary	Issue date	Number of newly issued shares	Nominal value per share, EUR	Total issue price	Amount paid up	Amount not paid up	Date of amendment to Articles of Association
Vilniaus Kogeneracinė Jėgainė UAB	21/12/2017	53,781,379	0.29	15,596	3,898	11,698	-
Total				**15,596**	**3,898**	**11,698**	

Acquisitions of subsidiaries

Acquisitions of new subsidiaries made in 2018 were accounted for within investments in subsidiaries:

Subsidiary	Date of acquisi-tion of shares	Number of shares acquired	Nominal value per share, EUR	Total issue price	Paid up amount of the acquisi-tion cost of shares	Unpaid amount of the acquisition cost of shares
Verslo Aptarnavimo Centras UAB	01/10/2018	9,987	0.29	3	3	
New acquisitions of the Group companies						
Vėjo Vatas UAB	31/10/2018	100,000	28.96	2,896	6,132	
Vėjo Gūsis UAB	31/10/2018	257,000	28.96	7,443	12,919	
VVP Investment UAB	27/12/2018	8,640	28.96	250	1,237	725
Total				**10,592**	**20,291**	**725**

All amounts in EUR thousands unless otherwise stated

Decrease in share capital

There were no decreases in share capital of the Group companies during 2018.

Decrease in share capital of the Group companies in 2017:

Subsidiary	Carrying amount at 31 December 2016	Decrease in share capital	Acquisition of non-controlling interest	Carrying amount at 31 December 2017
NT Valdos, UAB	80,337	(48,256)	-	32,081
EURAKRAS UAB	17,057	(2,606)	4,284	18,735
	97,394	**(50,862)**	**4,284**	**50,816**

On 19 April 2017, the Company passed a decision to reduce the share capital of NT Valdos UAB from EUR 85,550 thousand to EUR 37,295 thousand by way of annulment of 1,666,284 ordinary registered intangible shares with the nominal value of EUR 28.96 each. The total nominal value of the annulled shares of NT Valdos UAB was EUR 48,256 thousand. The share capital of NT Valdos UAB was reduced to pay out funds to the Company. On 14 July 2017, the Company received a partial payment for share capital reduction in amount of EUR 10,000 thousand. Based on the agreement signed between the Company and NT Valdos UAB on 12 October 2017, the remaining amount of EUR 38,256 thousand will be paid to the Company no later than by 11 August 2022. The amendments to the Articles of Association were registered on 11 July 2017.

On 5 May 2017, the Company and Renargo UAB (the holder of non-controlling interest in Eurakras UAB) passed a decision to reduce the share capital of Eurakras UAB from EUR 8,096 thousand to EUR 4,621 thousand by way of annulment of 120,000 ordinary registered intangible shares with the nominal value of EUR 28.96 each. The total nominal value of the annulled shares of Eurakras UAB was EUR 3,475 thousand. The share capital of Eurakras UAB was reduced to pay out funds to the Company. On 28 July 2017, the Company received a partial payment for the share capital reduction in amount of EUR 2,606 thousand, which represented 75% of the Company‘s interest in Eurakras UAB. The amendments to the Articles of Association were registered on 20 July 2017.

Acquisition of shares from non-controlling interest

On 26 March 2018, the Company increased the authorised share capital of Lietuvos Energijos Gamyba AB by EUR 3,747 thousand through the issue of 12,919,014 shares with the nominal value of EUR 0.29 each. Lietuvos Energija UAB committed to pay for the acquired shares by way of an in-kind contribution, i.e. Vilnius Thermal Power Plant No 3, as a whole complex of technological equipment and territories, the value of which was EUR 8,061,465. Following the change in the number of shares of Lietuvos Energijos Gamyba AB non-controlling interest decreased from 3.25% to 3.18%. The change in the number of shares of Lietuvos Energijos Gamyba AB resulted in the change in non-controlling interest in Verslo Aptarnavimo Centras UAB, which decreased from 1.60% to 1.59%. The non-controlling interest in Technologijų ir Inovacijų Centras UAB has also changed decreasing from 2.11% to 2.09%.

On 18 May 2017, the Company acquired 1,000 ordinary shares of Technologijų ir Inovacijų Centras UAB from Litgrid AB (the holder of non-controlling interest in Technologijų ir Inovacijų Centras UAB) with the nominal value of EUR 290 each, for the amount of EUR 847.

On 16 September 2017, the Company acquired 25% of ordinary registered shares of Eurakras UAB from Renagro UAB (the holder of non-controlling interest in Eurakras UAB) for the amount of EUR 4,283 thousand. The Company is the sole shareholder of Eurakras UAB.

Disposal of VšĮ Energetikų Mokymų Centras

On 8 August 2017, the Company sold its investment into VšĮ Energetikų Mokymų Centras with the carrying amount of EUR 123 thousand for the price of EUR 147 thousand. In the Group‘s consolidated financial statements at 31 July 2017, net assets of VšĮ Energetikų Mokymų Centras was negative and amounted to EUR 205 thousand. The result of disposal amounting to EUR 352 thousand was accounted for in the Group‘s consolidated statement of comprehensive income within ‘Other income‘.

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 31 December 2018:

Subsidiary	Carrying amount at 31 December 2017	Increase in share capital	Coverage of losses	(Impairment) / reversal of impairment	Carrying amount at 31 December 2018
Energetikos Paslaugų ir Rangos Organizacija UAB	191	1,500	5,072	(6,763)	-
VAE SPB UAB	-	-	70	(70)	-
Cash received upon liquidation of VAE SPB UAB				15	15
Shares of Verslo Aptarnavimo Centras UAB received upon liquidation of VAE SPB UAB				3	3
	191	**1,500**	**5,142**	**(6,815)**	**18**

On 28 September 2018, the Company passed a decision to cover retained deficit of subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB through the shareholder’s contribution of EUR 3,237 thousand by offsetting loans payable by the subsidiary to the Company and accrued interest payable. The carrying amount of loans offset, net of impairment of EUR 2,700 thousand recognised in 2017, is equal to EUR 535 thousand.

On 21 December 2018, the Company passed a decision to cover retained deficit of subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB through the shareholder’s contribution of EUR 4,537 thousand by offsetting loans payable by the subsidiary to the Company and accrued interest payable.

Contributions against losses of the Group companies and impairment of investments in the subsidiaries during the period from 1 January to 31 December 2017:

Subsidiary	Carrying amount at 31 December 2016	Coverage of losses	(Impairment) / reversal of impairment	Carrying amount at 31 December 2017
Energetikos Paslaugų ir Rangos Organizacija UAB	1,818	4,300	(5,927)	191
LITGAS UAB	11,855	-	(3,225)	8,630
VAE SPB UAB	92	170	(262)	-
	13,765	**4,470**	**(9,414)**	**8,821**

All amounts in EUR thousands unless otherwise stated

Prepayments for investments

According to the decisions of the Company's Board of 11 October 2018 and 2 November 2018 and the approval of the Company's shareholder of 19 October 2018, on 2 November 2018 Lietuvos Energija, UAB concluded the conditional share purchase and sale agreement regarding the acquisition of 100% shareholding in and shareholder's claim rights of the company engaged in the development of the project on the wind power park from the Polish company that develops wind and solar power plant parks. On 31 December 2018, the Company accounted for a partial payment of EUR 671 thousand for newly acquired shares and the transaction fee of EUR 144 thousand paid under the Polish civil law in the statement of financial position within prepayments for non-current assets (Note 14).

Cash flows from investments in subsidiaries

Reconciliation of the factors that had impact on cash flows from the Group's and the Company's investments into subsidiaries to data reported in the statement of cash flows:

	Group		Company	
	2018	2017	2018	2017
Acquisition of subsidiaries, including loans repayments	(22,741)	-	(22,741)	-
Increase in share capital of subsidiaries	-	-	(22,627)	(23,375)
Contributions to share capital of subsidiaries recognised as prepayments	-	-	-	(3,899)
Prepayments for shares	(816)	-	(816)	-
Decrease in share capital of subsidiaries	-	-	-	12,606
Acquisition of shares from non-controlling interest	-	-	-	(4,284)
Proceeds on disposal of shares of VšĮ Energetikų Mokymų Centras	48	62	-	62
Coverage of losses	-	-	(70)	(170)
Carrying amount	**(23,509)**	**62**	**(46,254)**	**(19,060)**

The Group's and the Company's cash flows related to buyout of shares from non-controlling interest:

	Group		Company	
	2018	2017	2018	2017
Acquisition of shares of EURAKRAS UAB	-	(4,283)	-	-
Acquisition of shares of Technologijų ir Inovacijų Centras UAB	-	(1)	-	-
	-	**(4,284)**	**-**	**-**

All amounts in EUR thousands unless otherwise stated

The Group's structure as at 31 December 2018:

Company name	Country of business	Company type	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Lietuvos Energija, UAB	Lithuania	Parent company	-	-	Parent company
Subsidiaries of the Group:					
Energijos Skirstymo Operatorius AB	Lithuania	Subsidiary	94.9827	5.0173	Supply and distribution of electricity to consumers; distribution of natural gas
Lietuvos Energijos Gamyba AB	Lithuania	Subsidiary	96.8164	3.1836	Electricity generation, supply, import, export and trade
NT Valdos, UAB	Lithuania	Subsidiary	100.0000	-	Operation of real estate, other related activities and provision of services
Duomenų Logistikos Centras UAB	Lithuania	Subsidiary	79.6360	20.3640	Provision of IT and telecommunication support services
Energetikos Paslaugų ir Rangos Organizacija UAB	Lithuania	Subsidiary	100.0000	-	Construction, repair, technical maintenance of electricity networks and related equipment, connection of users to the electricity networks, repair of energy equipment
LITGAS UAB	Lithuania	Subsidiary	100.0000	-	Supply of liquefied natural gas via the terminal and trade in natural gas (100% of votes)
Elektroninių Mokėjimų Agentūra UAB	Lithuania	Subsidiary	100.0000	-	Provision of payment collection services
Energijos Tiekimas UAB	Lithuania	Subsidiary	100.0000	-	Supply of electricity and natural gas
Geton Energy OÜ	Estonia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Geton Energy SIA	Latvia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Geton Energy sp.z.o.o.	Poland	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Technologijų ir Inovacijų Centras UAB	Lithuania	Subsidiary	97.9072	2.0928	Provision of IT, telecommunication and other services
Verslo Aptarnavimo Centras UAB	Lithuania	Subsidiary	98.4061	1.5939	Organisation and execution of public procurement, accounting, legal, personnel administration services
Lietuvos Energijos Tiekimas UAB (former Lietuvos Dujų Tiekimas)	Lithuania	Subsidiary	100.0000	-	Supply of gas
Lietuvos Energija Support Fund	Lithuania	Subsidiary	100.0000	-	Provision of support for projects, initiatives and activities of public interest
Vilniaus Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	100.0000	-	Modernisation of the district heating sector in Vilnius city
Kauno Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	51.0000	49.0000	Modernisation of the district heating sector in Kaunas city
Tuuleenergia OÜ	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources
Eurakras UAB	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources
Transporto Valdymas UAB	Lithuania	Subsidiary	100.0000	-	Transport management activity
Vėjo Vatas UAB	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources
Vėjo Gūsis UAB	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources
Gamybos Optimizavimas UAB	Lithuania	Subsidiary	100.0000	-	Supply of electricity and natural gas
VVP Investment UAB	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources

All amounts in EUR thousands unless otherwise stated

The Group's structure as at 31 December 2017:

Company name	Country of business	Company type	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Lietuvos Energija, UAB	Lithuania	Parent company	-	-	Parent company
Subsidiaries of the Group:					
Energijos Skirstymo Operatorius AB	Lithuania	Subsidiary	94.9827	5.0173	Supply and distribution of electricity to consumers; distribution of natural gas
Lietuvos Energijos Gamyba AB	Lithuania	Subsidiary	96.7516	3.2484	Electricity generation, supply, import, export and trade
NT Valdos, UAB	Lithuania	Subsidiary	100.0000	-	Operation of real estate, other related activities and provision of services
Duomenų Logistikos Centras UAB	Lithuania	Subsidiary	79.6360	20.3640	Provision of IT and telecommunication support services
Energetikos Paslaugų ir Rangos Organizacija UAB	Lithuania	Subsidiary	100.0000	-	Construction, repair, technical maintenance of electricity networks and related equipment, connection of users to the electricity networks, repair of energy equipment
LITGAS UAB	Lithuania	Subsidiary	100.0000	-	Supply of liquefied natural gas via the terminal and trade in natural gas (100% of votes)
Elektroninių Mokėjimų Agentūra UAB	Lithuania	Subsidiary	100.0000	-	Provision of payment collection services
Energijos Tiekimas UAB	Lithuania	Subsidiary	100.0000	-	Supply of electricity and natural gas
Geton Energy OÜ	Estonia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Geton Energy SIA	Latvia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Geton Energy sp.z.o.o.	Poland	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Technologijų ir Inovacijų Centras UAB	Lithuania	Subsidiary	97.8942	2.1058	Provision of IT, telecommunication and other services
VAE SPB UAB	Lithuania	Subsidiary	100.0000	-	Business consulting and other management activities
Verslo Aptarnavimo Centras UAB	Lithuania	Subsidiary	98.3964	1.6036	Organisation and execution of public procurement, accounting, legal, personnel administration services
Lietuvos Dujų Tiekimas UAB	Lithuania	Subsidiary	100.0000	-	Supply of gas
Lietuvos Energija Support Fund	Lithuania	Subsidiary	100.0000	-	Provision of support for projects, initiatives and activities of public interest
Vilniaus Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	100.0000	-	Modernisation of the district heating sector in Vilnius city
Kauno Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	51.0000	49.0000	Modernisation of the district heating sector in Kaunas city
Tuuleenergia OÜ	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources
Eurakras UAB	Lithuania	Subsidiary	100.0000	-	Electricity generation from renewable energy sources
Energijos Sprendimų Centras UAB	Lithuania	Subsidiary	100.0000	-	Provision of energy saving services

Indirectly controlled subsidiaries

On 6 June 2017, the Company's subsidiary Energijos Tiekimas UAB established subsidiary Geton Energy Sp.z.o.o, the share capital of which amounted to PLN 1,000 thousand. On 18 September 2017, Energijos Tiekimas UAB increased share capital of subsidiary Geton Energy Sp.z.o.o. As at 31 December 2017 and 31 December 2018, share capital of Geton Energy Sp.z.o.o amounted to PLN 10,000 thousand. The Company owns 100% voting rights at the shareholders' meeting of Energijos Tiekimas UAB, therefore the Group's effective ownership interest in Geton Energy Sp.z.o.o. is equal to 100% as at 31 December 2017 and 31 December 2018.
On 31 December 2017, the Company's subsidiary Energijos Tiekimas UAB controlled subsidiary Geton Energy SIA, the share capital of which amounted to EUR 500 thousand. As at 31 December 2018, share capital of Geton Energy SIA amounted to EUR 5,500 thousand. The Company owns 100% voting rights at the shareholders' meeting of Energijos Tiekimas UAB, therefore the Group's effective ownership interest is equal to 100% as at 31 December 2017 and 31 December 2018.
As at 31 December 2017 and 31 December 2018, the Company's subsidiary Energijos Tiekimas UAB controlled subsidiary Geton Energy OÜ, the share capital of which amounted to EUR 35 thousand. The Company owns 100% voting rights at the shareholders' meeting of Energijos Tiekimas UAB, therefore the Group's effective ownership interest is equal to 100% as at 31 December 2017 and 31 December 2018.

All amounts in EUR thousands unless otherwise stated

As at 31 December 2018, the Company had ownership interest in the following Group companies:

At 31 December 2018	Acquisition cost	Impairment	Contributions against losses	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:						
Energijos Skirstymo Operatorius AB	710,921	-	-	710,921	94.98	94.98
Lietuvos Energijos Gamyba AB	307,997	-	-	307,997	96.82	96.82
NT Valdos, UAB	45,209	(9,036)	-	36,173	100.00	100.00
Energijos Tiekimas UAB	26,126	-	-	26,126	100.00	100.00
Vilniaus Kogeneracinė Jėgainė UAB	36,600	-	-	36,600	100.00	100.00
EURAKRAS UAB	18,735	-	-	18,735	100.00	100.00
Kauno Kogeneracinė Jėgainė UAB	20,400	-	-	20,400	51.00	51.00
LITGAS UAB	12,641	(4,010)	-	8,631	100.00	100.00
Lietuvos Energijos Tiekimas UAB (former Lietuvos Dujų Tiekimas)	8,369	-	-	8,369	100.00	100.00
Tuuleenergia OÜ	6,659	-	-	6,659	100.00	100.00
Technologijų ir Inovacijų Centras UAB	3,219	-	-	3,219	50.00	97.91
Elektroninių Mokėjimų Agentūra UAB	1,428	-	-	1,428	100.00	100.00
Energetikos Paslaugų ir Rangos Organizacija UAB	10,637	(22,710)	12,073	-	100.00	100.00
Verslo Aptarnavimo Centras UAB	298	-	-	298	51.00	98.41
Lietuvos Energija Support Fund	3	-	-	3	100.00	100.00
Vėjo Vatas UAB	6,132	-	-	6,132	100.00	100.00
Vėjo Gūsis UAB	12,919	-	-	12,919	100.00	100.00
VVP Investment UAB	1,962	-	-	1,962	100.00	100.00
Gamybos Optimizavimas UAB	350	-	-	350	100.00	100.00
rounding error		(1)		(1)		
	1,230,605	**(35,757)**	**12,073**	**1,206,921**		

All amounts in EUR thousands unless otherwise stated

As at 31 December 2017, the Company had ownership interest in the following Group companies:

At 31 December 2017	Acquisition cost	Impairment	Contributions against losses	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:						
Energijos Skirstymo Operatorius AB	710,921	-	-	710,921	94.98	94.98
Lietuvos Energijos Gamyba AB	299,936	-	-	299,936	96.75	96.75
NT Valdos, UAB	41,117	(9,036)	-	32,081	100	100
Energijos Tiekimas UAB	23,906	-	-	23,906	100	100
Vilniaus Kogeneracinė Jėgainė UAB	21,003	-	-	21,003	100	100
EURAKRAS UAB	18,735	-	-	18,735	100	100
Kauno Kogeneracinė Jėgainė UAB	12,240	-	-	12,240	51	51
LITGAS UAB	12,640	(4,010)	-	8,630	100	100
Lietuvos Dujų Tiekimas UAB	8,369	-	-	8,369	100	100
Tuuleenergia OÜ	6,659	-	-	6,659	100	100
Technologijų ir Inovacijų Centras UAB	3,219	-	-	3,219	50	97.89
Elektroninių Mokėjimų Agentūra UAB	1,058	-	-	1,058	100	100
Energijos Sprendimų Centras UAB	1,670	-	-	1,670	100	100
Verslo Aptarnavimo Centras UAB	296	-	-	296	51	98.4
Energetikos Paslaugų ir Rangos Organizacija UAB	9,137	(13,246)	4,300	191	100	100
Lietuvos Energija Support Fund	3	-	-	3	100	100
VAE SPB UAB	1,117	(1,632)	515	-	100	100
	1,172,026	**(27,924)**	**4,815**	**1,148,917**		

The Group's investments in associates and joint ventures as at 31 December 2018 and 31 December 2017 were as follows:

Group	At 31 December 2018		At 31 December 2017	
	Carrying amount	Group's ownership interest, %	Carrying amount	Group's ownership interest, %
Geoterma UAB	2,142	23.44	2,142	23.44
Total	**2,142**		**2,142**	
Group's share of losses of associates	(2,142)		(2,142)	
Carrying amount	**-**		**-**	

As at 31 December 2018 and 31 December 2017, the Group did not account for its share of losses of associate Geoterma UAB for 2017, because the total amount of losses accumulated as at 31 December 2016 exceeded the Group's cost of investment and the Group did not have a commitment to cover these losses. The share of losses not recognised amounted to EUR 438 thousand as at 31 December 2016.

No data is available about associate's Geoterma UAB financial position as at 31 December 2018 and 2017 and financial performance results for the years ended 31 December 2018 and 2017. The table below presents the financial position and financial performance results of associates as at and for the year ended 31 December 2016 (unaudited):

	Assets	Liabilities	Sales revenue	Net profit/(loss) for the year
Geoterma UAB	6,042	7,390	1,228	(456)

On 15 February 2019, the State Property Fund applied to Klaipėda Regional Court for the initiation of bankruptcy proceedings against heat production company based in Klaipėda Geoterma UAB.

All amounts in EUR thousands unless otherwise stated

Summarised statement of financial position of the Group companies with non-controlling interest as at 31 December 2018 and 31 December 2017:

Company name	Current assets and liabilities			Non-current assets and liabilities			Net assets
Year	Assets	Liabilities	Total net current assets	Assets	Liabilities	Total net non-current assets	
Energijos Skirstymo Operatorius AB							
At 31 December 2018 (restated)*	124,690	(309,222)*	(184,532)*	1,445,193*	(632,548)*	812,645*	628,113*
At 31 December 2017	80,370	(282,516)	(202,146)	1,161,462	(326,563)	834,899	632,753
Lietuvos Energijos Gamyba AB							
At 31 December 2018 (restated)*	120,727	(28,897)*	91,830*	535,987*	(236,005)*	299,982*	391,812*
At 31 December 2017	117,662	(46,148)	71,514	518,626	(236,266)	282,360	353,874
Technologijų ir Inovacijų Centras UAB							
At 31 December 2018	5,294	(5,977)	(683)	7,951	(157)	7,794	7,111
At 31 December 2017	3,893	(5,361)	(1,468)	8,413	(153)	8,260	6,792
Duomenų Logistikos Centras UAB							
At 31 December 2018	1,736	(487)	1,249	4,271	(297)	3,974	5,223
At 31 December 2017	894	(354)	540	4,683	(317)	4,366	4,906
Verslo Aptarnavimo Centras UAB							
At 31 December 2018	3,598	(2,764)	834	134	-	134	968
At 31 December 2017	3,653	(2,706)	947	92	-	92	1,039
Kauno Kogeneracinė Jėgainė UAB							
At 31 December 2018	10,148	(3,030)	7,118	42,092	(10,100)	31,992	39,110
At 31 December 2017	9,977	(470)	9,507	14,057	(3)	14,054	23,561

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

The table above has been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

All amounts in EUR thousands unless otherwise stated

Summarised statement of profit or loss and other comprehensive income of the Group companies with non-controlling interests for 2018 and 2017:

Company name / Year	**Revenue (restated*)**	Profit/(loss) before tax (restated*)	Income tax (expense)/benefit (restated*)	Net profit (loss) from continuing operations (restated*)	Other comprehensive income (loss) (restated*)	**Total comprehensive income (loss) for the year (restated*)**	Profit (loss) attributable to non-controlling interest (restated*)	Dividends paid to non-controlling interest
Energijos Skirstymo Operatorius AB								
2018 (restated)*	482,021*	(25,979)*	14,845*	(11,134)*	114,583*	103,449*	(559)*	1,766
2017	609,673	82,763	(6,956)	75,807	(187)	75,620	3,804	4,663
Lietuvos Energijos Gamyba, AB								
2018 (restated)*	138,044*	42,600*	(7,782)*	34,818*	18,872*	53,690*	1,109*	763*
2017	149,814	15,694	4,827	20,521	1,285	21,806	667	764
Technologijų ir Inovacijų Centras UAB								
2018	16,170	576	(108)	468	-	468	10	2
2017	14,321	339	(155)	184	-	184	4	6
Duomenų Logistikos Centras UAB								
2018	3,818	740	(118)	622	-	622	127	62
2017	3,836	491	(55)	436	-	436	89	15
Verslo Aptarnavimo Centras UAB								
2018	11,324	255	(61)	194	-	194	3	3
2017	11,209	544	(98)	446	-	446	7	2
Kauno Kogeneracinė Jėgainė UAB								
2018	-	(451)	-	(451)	-	(451)	(221)	-
2017	-	(280)	(22)	(302)	-	(302)	(148)	-

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

The table above has been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

All amounts in EUR thousands unless otherwise stated

Summarised statement of cash flows of the Group companies with non-controlling interest for the years 2018 and 2017:

Company name / Year	Cash flows from operating activities	Income tax (paid) recovered	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Net increase (decrease) in cash flows	Cash and cash equivalents at beginning of the year	Cash and cash equivalents at end of year
Energijos Skirstymo Operatorius AB								
2018	72,383	(1,128)	71,255	(292,714)	227,931	6,472	(4,206)	2,266
2017	136,439	(7)	136,432	(199,304)	48,004	(14,868)	10,662	(4,206)
Lietuvos Energijos Gamyba AB								
2018	64,257	(3,117)	61,140	(32,402)	(41,553)	(12,815)	60,700	47,885
2017	59,993	-	59,993	3,659	(101,997)	(38,345)	99,045	60,700
Technologijų ir Inovacijų Centras UAB								
2018	3,525	(15)	3,510	(2,412)	(48)	1,050	106	1,156
2017	1,894	140	2,034	(4,338)	2,113	(191)	297	106
Duomenų Logistikos Centras UAB								
2018	1,598	(40)	1,559	(479)	(305)	775	356	1,130
2017	1,233	(23)	1,210	(318)	(887)	5	351	356
Verslo Aptarnavimo Centras UAB								
2018	1,641	(167)	1,474	(4)	(260)	1,210	627	1,837
2017	371	(137)	234	-	(134)	100	527	627
Kauno Kogeneracinė Jėgainė UAB								
2018	(4,921)	-	(4,921)	(20,969)	25,906	16	9,761	9,777
2017	(4,325)	-	(4,325)	(5,285)	13,241	3,631	6,130	9,761

The table above has been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

All amounts in EUR thousands unless otherwise stated

9 Amounts receivable after one year

Amounts receivable after one year comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Amounts receivable after one year				
Amount receivable on disposal of Litgrid AB (Notes 2, 3, 4)	158,658	169,856	158,658	169,856
Finance lease	1,459	-	-	-
Deposited guarantees	-	9	-	-
Amounts receivable on emission allowances lent	52	103	-	-
Loans granted	293	470	520,893	325,744
Other non-current amounts receivable	144	728	42	39
Total	**160,606**	**171,166**	**679,593**	**495,639**
Less: impairment	-	(678)	-	(2,701)
Carrying amount	**160,606**	**170,488**	**679,593**	**492,938**

Information on the fair value of amount receivable from EPSO-G on disposal of Litgrid AB is presented in Note 3.1. The key contractual terms in relation to repayment terms of the amount receivable and the interest rate applied were reviewed in 2016. Interest rate is based on 1 year EURIBOR.

According to the valid agreement between the Company and EPSO-G, during the period until 2022 EPSO-G will have to cover the debt for the shares of Litgrid AB acquired in 2012. The amount receivable for shares is stated at fair value through profit or loss, because the final amount payable by EPSO-G for shares depends on the recalculation of the final price premium. The amount of the price premium depends on return for 2014–2018 of regulated assets of the electricity transmission activity conducted by LITGRID. As at 31 December 2018, the fair value of the amount receivable that comprises the amount receivable for shares and final price premium, is equal to EUR 158,658 thousand. As at 31 December 2018, the amount of the price premium was negative and was equal to EUR 15,877 thousand (31 December 2017: EUR 4,679 thousand) (see Note 4).
The amount receivable for shares is classified as financial assets at fair value through profit or loss.

Expected credit losses of loans granted
As at 31 December 2018, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on a collective and individual basis has increased significantly. Assumptions used in calculating 12-month expected credit losses related to loans receivable were as follows:
- The credit rating of all borrowers is equivalent to the Company's credit rating (BBB+);
- Loss event probability of 0.13% is consistent with the S&P's One-Year Global Corporate Default Rates presented in the publication announced by S&P the 2017 Annual Global Corporate Default Study;
- The coefficient of losses incurred in case of a loss event is equal to 90% in the energy sector according to the data of Moody's studies;
- Changes in the country's macroeconomic conditions and/or business environment will have no significant impact on the increase in credit risk of borrowers over the next twelve months.

As at 31 December 2018, the Company calculated 12-month expected credit losses of EUR 92 thousand related to non-current and current loans receivable. The calculated expected credit losses were assessed as insignificant, therefore they were not accounted for in the Company's statement of financial position as at 31 December 2018.

Movements on the impairment account during the years ended 31 December 2018 and 31 December 2017:

	Group		Company	
	2018	2017	2018	2017
At 1 January	**678**	**922**	**2,701**	**-**
Impairment	-	4,261	-	7,001
Coverage of subsidiaries' losses by loans granted	-	-	(2,701)	(4,300)
Reversal of impairment	(678)	(4,505)	-	-
At 31 December	**-**	**678**	**-**	**2,701**

In 2017, the Company recorded impairment of loans granted to subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB amounting to EUR 7,001 thousand. After a decision was made to cover the subsidiary's operational losses by offsetting against receivable loans, the impairment of loans amounting to EUR 4,300 thousand was reclassified to 'Investments in subsidiaries' in the statement of financial position.

In 2018, the impairment of loans of Energetikos Paslaugų ir Rangos Organizacija UAB amounting to EUR 2,701 thousand was reclassified to 'Investments in subsidiaries' in the statement of financial position after the decision was made to cover the subsidiary's operational losses by offsetting against loans receivable.

Loans granted

The Company's loans granted as at 31 December 2018 comprised loans granted to the subsidiaries:

	Company			
	Interest rate type	Within one year (Note 17)	After one year	Total
Energijos Skirstymo Operatorius AB, green bonds	Fixed interest		366,288	366,288
Energijos Skirstymo Operatorius AB, loans taken over	Variable interest	57,402	82,246	139,649
Tuuleenergia OÜ	Fixed interest	300	20,446	20,746
Eurakras UAB	Fixed interest	-	24,355	24,355
Energijos Tiekimas UAB	Variable interest	32,998	3,500	36,498
Transporto Valdymas UAB	Variable interest	-	21,336	21,336
Vėjo Gūsis UAB	Fixed interest	-	167	167
Vėjo Vatas UAB	Fixed interest	-	2,555	2,555
Energetikos Paslaugų ir Rangos Organizacija UAB	Variable interest	1,221	-	1,221
Energijos Skirstymo Operatorius AB	Variable interest	76,320		76,320
Lietuvos Energijos Tiekimas UAB	Variable interest	14,098	-	14,098
Technologijų ir Inovacijų Centras UAB	Variable interest	1,668	-	1,668
Carrying amount		**184,006**	**520,893**	**704,899**

All amounts in EUR thousands unless otherwise stated

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 Energijos Skirstymo Operatorius AB assumed additional green bonds based commitments amounting to EUR 66,288 thousand.

On 3 July 2018, the Company placed 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%. Net cash inflows comprise 98.290% of the nominal value of the bond issue or EUR 294,345,619.

On 29 August 2018, the Company and its subsidiary Energijos Skirstymo Operatorius AB signed the Proportional Transfer Agreement for Green Bonds, under which the Company assumed a commitment to grant to the subsidiary a loan of up to EUR 250,000 thousand. The loan is granted for the financing of investments in the renewal of the electricity network according to the Green Bonds Description. Liabilities assumed under the agreement are to be fulfilled by 10 July 2028. The fixed interest rate under the agreement coincides with the effective interest rate on the green bonds issue and is set as 2.11%. The essential terms and conditions of the agreement coincides with the terms and conditions of the green bonds issue. The agreement does not provide for any other additional obligations (guarantees, suretyship, pledges, etc.) to enforce obligations.

The Company's loans granted as at 31 December 2017 comprised loans granted to the subsidiaries:

	Company			
	Interest rate type	Within one year (Note 17)	After one year	Total
Energijos Skirstymo Operatorius AB, green bonds	Fixed interest	-	100,000	100,000
Energijos Skirstymo Operatorius AB, loans taken over	Variable interest	95,012	139,688	234,700
Tuuleenergia OÜ	Fixed interest	3,300	20,746	24,046
Eurakras UAB	Fixed interest	-	24,355	24,355
Energetikos Paslaugų ir Rangos Organizacija UAB	Variable interest	-	2,700	2,700
NT Valdos, UAB	Variable interest	-	38,255	38,255
Carrying amount		**98,312**	**325,744**	**424,056**

Non-current loans by maturity:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Between 1 and 2 years	37	54	35,177	60,362
Between 2 and 5 years	110	162	42,703	87,543
After 5 years	147	254	443,012	177,839
Carrying amount	**293**	**470**	**520,893**	**325,744**

The weighted average interest rates (%) on non-current loans granted with fixed and variable interest rates:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Fixed interest rate	1.952	0.550	2.227	2.474
Variable interest rate	-	-	0.934	0.871

10 Finance lease receivables

The Group's finance lease receivables were reported in the following line items in the statement of financial position as at 31 December 2018:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Amounts receivable after one year	1,459	-	-	-
Other amounts receivable	377	-	-	-
Non-current assets held for sale	12,097	11,279		
Carrying amount	**13,933**	**11,279**	**-**	**-**

Finance lease receivables of subsidiary Transporto Valdymas UAB for the lease of motor vehicles are reported within non-current assets held for sale. Amounts receivable under the energy saving services agreements are included in the line items 'Amounts receivable after one year' and 'Other amounts receivable'.

The Group's finance lease receivables comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Minimum payments				
Within one year	3,697	3,917	-	-
From two to five years	9,620	6,836	-	-
After five years	3,049	3,303	-	-
Total	**16,365**	**14,056**	**-**	**-**
Unearned finance income			-	-
Within one year	(668)	(700)	-	-
From two to five years	(1,449)	(1,554)	-	-
After five years	(315)	(523)	-	-
Total	**(2,433)**	**(2,777)**	**-**	**-**
Carrying amount	**13,933**	**11,279**	**-**	**-**

The Group's finance lease receivables reported within amounts receivable after one year, non-current assets held for sale and other amounts receivable amounted to EUR 13,933 thousand as at 31 December 2018 (31 December 2017: EUR 11,279 thousand).

During 2015-2018, the Group signed repurchase agreements for motor vehicles. These agreements stipulated concrete repurchase amounts for motor vehicles used in long-term lease. The repurchase amount of motor vehicles stipulated in all repurchase agreements totalled EUR 5,402 thousand as at

All amounts in EUR thousands unless otherwise stated

31 December 2018 (31 December 2017: EUR 4,905 thousand). The repurchase term principally ranges from 1 to 5 years.

In view of (1) income received from long-term lease, (2) net book values of leased assets at the end of the lease term and (3) amounts for which these motor vehicles will be (or will not be) sold, in 2018 the reclassification of EUR 1,910 thousand (2017: EUR 4,579 thousand) from property, plant and equipment to non-current finance lease was made.

The Group does not earn contingent finance income related to finance lease arrangements.

Impairment of finance lease receivables (lifetime expected credit losses)
As at 31 December 2018, the Group assessed whether credit risk of finance lease clients has increased significantly and did not establish a significant increase in credit risk.

11 Other financial assets

The Group's and the Company's other non-current financial assets comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Convertible bonds of Contrain Ventures UAB	500	300	500	300
Innovation Fund Smart Energy Fund powered by Lietuvos Energija KŪB	1,508	126	1,508	126
Carrying amount	**2,008**	**426**	**2,008**	**426**

The Group's and the Company's other current financial assets comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Term deposits	656	-	-	-
Carrying amount	**656**	**-**	**-**	**-**

12 Other non-current assets

Other non-current assets comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Accrued sales revenue from energy saving schemes	1,007	-	-	-
Right to receive emission allowances in future	5,087	5,090	-	-
Less: impairment	-	(1,851)	-	-
Carrying amount	**6,094**	**3,239**	**-**	**-**

The Group's other non-current assets mainly consist of emission allowances held by subsidiary Lietuvos Energijos Gamyba AB. Change in value of emission allowances was estimated with reference to the market prices of emission allowances as at 31 December 2018 and 2017.

13 Inventories

The Group's and the Company's inventories comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Natural gas	37,350	46,084	-	-
Consumables, raw materials and spare parts	5,529	8,493	-	-
Heavy fuel oil	2,350	4,585	-	-
Other	455	957	-	-
Total	**45,684**	**60,119**	**-**	**-**
Less: impairment	(2,547)	(3,253)	-	-
Carrying amount	**43,137**	**56,866**	**-**	**-**

The Group's inventories expensed during the year ended 31 December 2018 were as follows:

	Group		Company	
	2018	2017	2018	2017
Natural gas	305,520	249,739	-	-
Heavy fuel oil	1,645	1,546	-	-
Other inventories	10,535	13,086	-	-
Total	**317,700**	**264,371**	**-**	**-**

Movements on the account of inventory write-down to net realisable value during 2018 and 2017 were as follows:

	Group		Company	
	2018	2017	2018	2017
Carrying amount at 1 January	**3,253**	**3,155**	**-**	**-**
Additional impairment	685	224	-	-
Reversal of impairment	(1,391)	(126)	-	-
Carrying amount at 31 December	**2,547**	**3,253**	**-**	**-**

The acquisition cost of the Group's inventories carried at net realisable value as at 31 December 2018 amounted to EUR 2,645 thousand (31 December 2017: EUR 4,406 thousand).

Movements on the account of inventory write-down to net realisable value were recognised in the statement of comprehensive income within 'Other expenses'.

All amounts in EUR thousands unless otherwise stated

14 Prepayments and deferred expenses

The Group's and the Company's non-current prepayments as at 31 December 2018 and 2017 were as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Prepayments for property, plant, equipment	23,621	21,911	-	-
Prepayments for investments (Note 8)	-	-	816	3,899
Carrying amount	**23,621**	**21,911**	**816**	**3,899**

The Group's and the Company's current prepayments as at 31 December 2018 and 2017 were as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Prepayments for natural gas	5,806	27,881	-	-
Deposits related to power exchange	14,783	5,930	-	-
Deferred expenses	1,030	1,072	-	33
Prepayments for other goods and services	2,154	2,578	62	9
Prepayments for electricity due to overdeclaration by customers	4,439	-	-	-
Other prepayments	922	658	-	-
Assets under contracts with customers	1,521	-	-	-
Carrying amount	**30,655**	**38,119**	**62**	**42**

As at 31 December 2018, the Group's prepayments for natural gas consisted of prepayments for natural gas of subsidiary Lietuvos Energijos Tiekimas (former Lietuvos Dujų Tiekimas UAB) to suppliers in the amount of EUR 5,806 thousand.

As at 31 December 2017, the Group's prepayments for natural gas consisted of prepayments for natural gas of subsidiary Lietuvos Dujų Tiekimas UAB to Gazprom PAO in the amount of EUR 27,881 thousand.

15 Trade receivables

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Amounts receivable under contracts with customers				
Receivables for electricity	76,265	71,221	-	-
Receivables for gas from non-household customers	49,180	36,008	-	-
Receivables for gas from household customers	4,287	2,616	-	-
Receivables for contractual works	1,206	2,325	-	-
Receivables for sale of heat	657	1,071	-	-
Receivables for lease of assets	464	1,742	-	-
Receivables for exported electricity and electricity produced abroad	430	1,771	-	-
Receivables for IT and telecommunications services	768	819	-	-
Other trade receivables	19,450	5,146	-	-
Total	**152,707**	**122,719**	**-**	**-**
Less: impairment of trade receivables	(9,587)	(10,156)	-	-
Carrying amount	**143,120**	**112,563**	**-**	**-**

As at 31 December 2018 and 2017, the Group had not pledged the claim rights to trade receivables.

Impairment of amounts receivable (lifetime expected credit losses)
The Company/Group assesses material amounts receivable individually, and all immaterial amounts collectively.

The Company's/Group's management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on a particular borrower and a significant increase in the credit risk of that particular borrower.

For the purpose of determining the lifetime expected credit losses of amounts receivable in case of a collective assessment, the Company/Group uses the loss coefficient matrix. A different loss coefficient matrix is established in different subsidiaries of the Group and in each separate group of consumers. The table below presents information on the Company's/Group's trade receivables under contracts with customers as at 31 December 2018 that are assessed on a collective basis using the loss coefficient matrix.

	Loss coefficient*	Trade receivables	Values decrease
Not past due	1%	115,118	692
Up to 30 days	2%	6,147	145
30–60 days	8%	1,958	158
60–90 days	10%	643	64
90–120 days	17%	802	134
More than 120 days	56%	12,862	7,166
At 31 December 2018		**137,530**	**8,359**

**The average loss coefficient is presented calculated after the assessment of actual different coefficients used according to the consumer groups and different subsidiaries of the Group.*

All amounts in EUR thousands unless otherwise stated

The table below presents information on the Company's/Group's trade receivables under contracts with customers as at 31 December 2018 that are assessed on an individual basis.

	Trade receivables	Values decrease
Not past due	13,573	151
Up to 30 days	486	-
30–60 days	18	1
60–90 days	4	-
90–120 days	20	-
More than 120 days	1,076	1,076
At 31 December 2018	**15,177**	**1 228**

Movements on the account of impairment of trade receivables during 2018 and 2017 were as follows:

	Group		Company	
	2018	2017	2018	2017
Balance at 1 January	**10,156**	**11,075**	**-**	**-**
Effect of first-time adoption of IFRS 9	526	-	-	-
Restated balance at 1 January	**10,682**	**11,075**		
Impairment charge for the year	2,316	(1,145)	-	-
Write-down of doubtful receivables	(544)	(97)	-	-
Impairment/(reversal of impairment)	(2,867)	323	-	-
Balance at 31 December	**9,587**	**10,156**	**-**	**-**

Impairment of receivables was recognised in the statement of comprehensive income.

The table below presents the ageing analysis of trade receivables as at 31 December 2017 that were not identified as doubtful:

	Group	Company
	2017	2017
Not past due	99,964	-
Up to 30 days	7,049	-
30–60 days	2,177	-
60–90 days	542	-
90–120 days	745	-
More than 120 days	2,086	-
Carrying amount	**112,563**	**-**

The fair values of trade receivables as at 31 December 2018 and 2017 approximated their carrying amounts.

16 Other amounts receivable

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Value added tax	13,245	5,793	2	1,775
Unbilled accrued revenue from electricity sales (including related VAT)	5,296	8,199	-	-
Accrued amounts receivable for electricity produced	-	8,487	-	-
Accrued amounts receivable for natural gas	-	1,770	-	-
Accrued revenue from contractual works	-	1,815	-	-
Current portion of finance lease relating to energy saving services (Note 10)	377	-	-	-
Accrued interest and revenue from suretyship charges	-	277	-	302
Amount receivable on revision of Kauno Energetikos Remontas UAB shares price	-	-	-	1,056
Amount receivable on disposal of VšĮ Energetikų Mokymų Centras	-	55	36	55
Amounts receivable on disposal of property, plant and equipment	4,424	15	-	-
Management fee receivable	-	-	573	-
Other amounts receivable	2,193	1,804	20	2,134
Total	**25,535**	**28,215**	**631**	**5,322**
Less: impairment of other receivables	(99)	(415)	-	-
Carrying amount	**25,436**	**27,800**	**631**	**5,322**

The fair values of other receivables as at 31 December 2018 and 2017 approximated their carrying amounts.

17 Current loans

The Group's and the Company's current loans as at 31 December 2018 and 2017 comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Current portion of non-current loans	-	-	57,702	98,312
Current loans	-	-	126,304	71,083
Interest receivable	-	-	5,318	-
Carrying amount	**-**	**-**	**189,324**	**169,395**

As at 31 December 2018, the Company calculated 12-month expected credit losses related to non-current and current loans receivable. The calculated expected credit losses were assessed as insignificant, therefore they were not accounted for in the Company's statement of financial position as at 31 December 2018 (Note 9).

All amounts in EUR thousands unless otherwise stated

All current loans of the Company accounted for as at 31 December 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 EURIBIOR. The weighted average interest rates (%) on current loans:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Variable interest rate	-	-	0.538	0.683

18 Cash and cash equivalents

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Cash at bank	127,835	171,756	231	52,517
	127,835	**171,756**	**231**	**52,517**

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

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Cash and cash equivalents	127,835	171,756	231	52,517
Bank overdraft	(42,260)	(10,655)	(42,260)	-
Carrying amount	**85,575**	**161,101**	**(42,029)**	**52,517**

The fair values of cash and cash equivalents as at 31 December 2018 and 2017 approximated their carrying amounts.
Under the loan agreements signed with the banks, the Group has pledged current and future cash inflows (Note 22). As at 31 December 2018, the balance of cash pledged amounted to EUR 389 thousand (31 December 2017: EUR 12,610 thousand).

19 Non-current assets held for sale

Non-current assets held for sale comprised as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Property, plant and equipment and investment property	35,589	56,359	77	10,012
Disposal group	30,117	22,942	-	-
Investments in subsidiaries	-	-	7,064	4,705
	65,706	**79,301**	**7,141**	**14,717**

Movements of non-current assets held for sale during 2018 and 2017 were as follows:

	Group		Company	
	2018	2017	2018	2017
Net book amount at 1 January	**79,301**	**878**	**14,717**	**4,782**
Disposals	(45,520)	(1,797)	-	-
Write-offs	(91)	(3)	-	-
Purchase of non-current assets for sale purposes	30	-	-	9,935
In-kind contribution for increase of share capital of Lietuvos Energijos Gamyba, AB	-	-	(8,061)	-
Result of revaluation of non-current assets	-	(4,553)		-
Change of other assets attributed to disposal group	6,503	12,668	-	-
Depreciation of property, plant and equipment accounted for in disposal group	(1,841)	-	-	-
Increase (decrease) in property, plant and equipment and investment property	(2,774)	-	-	-
Reclassified (to) from:				
Intangible assets	*10*	*15*	*(1,874)*	-
Property, plant and equipment	*17,367*	*34,986*	-	-
incl. impairment	-	*(62)*	-	-
Investment property	*12,721*	*37,107*	-	-
Investments in subsidiaries	-	-	*2,359*	-
Net book amount at 31 December	**65,706**	**79,301**	**7,141**	**14,717**

Within the line item of the disposal group the Company recognised investment of subsidiary Transporto Valdymas UAB of EUR 2,359 thousand, which is intended to be disposed by the Company.

The Company's line item of the disposal group also includes investment of subsidiary Duomenų Logistikos Centras UAB of EUR 4,705 thousand, which is intended to be disposed by the Company.

The Group's line item of the disposal group also includes assets of subsidiaries Transporto Valdymas UAB and Duomenų Logistikos Centras UAB amounting to EUR 65,706 thousand, which is intended to be disposed by the Group.

Depreciation charge for the twelve month period ended 31 December 2018 included in the Group's line item of the disposal group amounted to EUR 1,841 thousand.

Liabilities of EUR 2,986 thousand being disposed along with these assets were reported under the line item 'Liabilities related to non-current assets held for sale'.

20 Equity

As at 31 December 2018 and 2017, the Company's share capital amounted to EUR 1,212,156,294. As at 31 December 2018 and 2017, the Company's share capital was divided into 4,179,849,289 ordinary registered shares with the nominal value of EUR 0.29 each.

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

All amounts in EUR thousands unless otherwise stated

21 Reserves

Legal reserve

The legal reserve is a compulsory reserve under the 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.

As at 31 December 2018, the Group's legal reserve amounted to EUR 49,851 thousand (31 December 2017: EUR 46,512 thousand).

In 2018, the Company transferred EUR 5,295 thousand (2017: EUR 4,758 thousand) to the legal reserve. The Company's legal reserve as at 31 December 2018 was not fully formed.

Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to increase in value. The revaluation cannot be used to cover losses.

As at 31 December 2018, the Group’s revaluation reserve amounted to EUR 162,935 thousand (31 December 2017: EUR 52,826 thousand).

This reserve was not formed by the Company as company’s property, plant and equipment is carried at cost.

Other reserves

Other reserves are formed based on the decision of shareholders and requirements of IFRS and can be redistributed on the appropriation of the next year’s profit. As at 31 December 2018, the Group accounted for the result of the translation of the Group’s net investments (2018: EUR 16 thousand; 2017: EUR 42 thousand) in Geton Energy sp.z.o.o., a Poland-based company indirectly controlled by the Company, into the Group’s presentation currency within the item of other reserves. No other reserves were formed by the Company as at 31 December 2018 and 2017.

22 Borrowings and finance lease liabilities

Borrowings

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Non-current				
Bonds issued	588,999	293,981	588,999	293,981
Bank borrowings	146,411	186,087	82,246	139,687
Current				
Current portion of non-current borrowings	61,820	119,599	57,401	95,013
Current borrowings	-	-	-	-
Bank overdraft	42,260	10,655	42,260	-
Accrued interest	5,466	3,427	5,461	2,794
Total borrowings	**844,956**	**613,749**	**776,367**	**531,475**

Non-current borrowings by maturity:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Between 1 and 2 years	61,987	66,124	32,156	57,362
Between 2 and 5 years	84,424	73,039	21,467	48,587
After 5 years	588,999	340,905	617,622	327,719
Total	**735,410**	**480,068**	**671,245**	**433,668**

All borrowings of the Group and the Company are denominated in the euros.
The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2018 and 2017.

As at 31 December 2018, the Group’s unwithdrawn balance of loans and bank overdrafts amounted to EUR 469,939 thousand (31 December 2017: EUR 382,645 thousand).
As at 31 December 2018, the Company’s unwithdrawn balance of loans and bank overdrafts amounted to EUR 157,740 thousand (31 December 2017: EUR 180,000 thousand).

Under the agreement with later amendments for the loan of EUR 190 million designated for the funding of the construction of a co-generation power plant in Vilnius signed between Vilniaus Kogeneracinė Jėgainė UAB and the European Investment Bank (EIB) on 5 December 2016, Vilniaus Kogeneracinė Jėgainė UAB and the Group have to comply with the requirements related to equity and other financial indicators. Vilniaus Kogeneracinė Jėgainė UAB has assumed the following commitments:

a) The State of Lithuania, directly or indirectly, will retain control over Vilniaus Kogeneracinė Jėgainė UAB;
b) Vilniaus Kogeneracinė Jėgainė UAB financial commitments that are not secured with collateral (a pledge or guarantee) will not exceed EUR 30,000 thousand.

The Group has assumed the following commitments:

a) The Group’s net debt-to-equity ratio will not exceed one;
b) The ratio of net debt to EBITDA adjusted for one-off items will not exceed 4, except the December in 2018, 2019 and 2020 when the ratio will not exceed 4.5; 5.4 and 4.5;
c) The Group's subsidiaries borrowings, secured by guarantees or other fulfilment measures, of all current and future obligation and Group’s property, plant and equipment ratio will not exceed the rate of 0.16.

As at 31 December 2018 and 2017, the Group and the Company complied with the requirements defined in the loan agreement with the European Investment Bank.
On 14 July 2017, the Company issued bonds worth of EUR 300 million at the stock exchange. The Company pays 2.000% annual interest on bonds issued. Net cash inflows from the issue of bonds amount to EUR 293,834 thousand. Bonds will be redeemed on 14 July 2027. In the statement of financial position as at 31 December 2018, the Company accounted for the bond issue debt of EUR 293,981 thousand.

On 3 July 2018, the Company placed 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%. Net cash inflows comprise 98.290% of the nominal value of the bond issue or EUR 294,345,619.
In the statements of financial position as at 31 December 2018 and 31 December 2017, the Company accounted for the bond issue debt of EUR 588,999 thousand and EUR 293,981 thousand, respectively.
In 2018, expenses related to interest on the issued bonds totalled EUR 9,471 thousand (2017: EUR

All amounts in EUR thousands unless otherwise stated

3,017 thousand). The accrued amount of coupon payable as at 31 December 2018 amounted to EUR 5,461 thousand (31 December 2017: EUR 2,794 thousand).

On 4 July 2018, the Company signed 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. The Group's and the Company's withdrawn part of the overdraft amounted to EUR 42,260 thousand as at 31 December 2018.
As at 31 December 2018, the Company's non-current borrowings of EUR 82,247 thousand (31 December 2017: EUR 139,687 thousand) comprised debts to SEB Bankas AB and OP Bank under the loan refinancing agreement of Energijos Skirstymo Operatorius AB. The current portion of non-current borrowings relating to the loan refinancing of Energijos Skirstymo Operatorius AB amounted to EUR 57,401 thousand (31 December 2017: EUR 95,013 thousand).

In 2018, the Company's subsidiary Lietuvos Energijos Gamyba AB repaid a part of the non-current loan to SEB Bankas AB prior to maturity, which was granted on 21 February 2014. On 2 July 2017, the credit agreement for the amount of EUR 60,000 thousand was signed with SEB Bankas AB. Under this agreement the loan granted by SEB Bankas AB under the credit agreement dated 21 February 2014 was refinanced on 20 November 2018, the outstanding balance of which was EUR 27.9 million, and the pledge of a part of property, plant and equipment (the combined cycle unit, units 7 and 8 of the reserve power plant) was annulled.
The weighted average interest rates (%) on the Group's and the Company's borrowings payable with fixed and variable interest rates:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Non-current borrowings				
Fixed interest rate	2.128	2.234	2.147	2.234
Variable interest rate	1.027	0.934	0.877	0.798
Current borrowings				
Variable interest rate	0.410	0.550	0.410	-

The Group and the Company cannot identify final beneficiaries that acquired the placed issues of bonds, thus according to a separate interpretation of the State Tax Inspectorate current coupon payments are subject to the tax at a rate of 15% by the Group and the Company. During 2018, the Group and the Company paid income tax of individuals of EUR 900 on a EUR 6,000 thousand coupon paid to investors.

Finance lease liabilities

The Group's and the Company's minimum payments under finance leases are as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Minimum payments				
Within one year	5,421	162	-	-
From two to five years	5,011	214	-	-
After five years	9,477	-	-	-
Total	**19,909**	**376**	**-**	**-**
Future finance costs			-	-
Within one year	(201)	(17)	-	-
From two to five years	(129)	(27)	-	-
After five years	(25)	-	-	-
Total	**(355)**	**(44)**	**-**	**-**
Carrying amount	**19,554**	**332**	**-**	**-**

The Group's finance lease liabilities related to the development of the wind power parks amounted to EUR 19,367 thousand as at 31 December 2018. The Group pays variable interest rates according to finance lease contracts for the equipment of the wind power parks, the average of which is 1.05% as at 31 December 2018. As at 31 December 2018, the validity terms of the effective finance lease contracts for the equipment of the wind power parks expire in the period from 2021 to 2022.

Net debt reconciliation

This note sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt balances as at 31 December 2018 and 31 December 2017:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Cash and cash equivalents	(127,835)	(171,756)	(231)	(52,517)
Term deposits	(656)	-	-	-
Borrowings payable after one year	735,410	480,068	671,245	433,668
Borrowings payable within one financial year (including overdraft)	109,546	133,681	105,122	97,807
Finance lease liabilities	19,554	332	-	-
Net debt	**736,019**	**442,325**	**776,136**	**478,958**
Cash and cash equivalents	(128,491)	(171,756)	(231)	(52,517)
Borrowings – fixed interest rate	614,600	293,981	594,459	293,981
Borrowings – variable interest rate	249,910	320,100	181,908	237,494
Net debt	**736,019**	**442,325**	**776,136**	**478,958**

For the purpose of net debt calculation, borrowings comprise only debts to financial institutions and other debts relating to financing.

All amounts in EUR thousands unless otherwise stated

Reconciliation of the Group's net debt balances and cash flows from financing activities for 2018:

Group	Assets		Borrowings					Total
	Cash	Term deposits	Current portion of finance lease liabilities	Non-current portion of finance lease liabilities	Current borrowings	Current portion of non-current borrowings	Non-current portion of non-current borrowings	
Net debt at 1 January 2018	**(171,756)**	**-**	**145**	**187**	**14,082**	**119,599**	**480,068**	**442,325**
Cash changes								
Increase (decrease) in cash and cash equivalents (including overdraft)	43,921	-	-	-	31,605	-	-	75,526
Proceeds from borrowings	-	-	-	-	-	27,922	29,888	57,810
Issue of bonds	-	-	-	-	-	-	294,346	294,346
(Repayments) of borrowings	-	-	-	-	-	(143,564)	(11,857)	(155,421)
Finance lease payments	-	-	(544)	-	-	-	-	(544)
Interest paid	-	-	(5)		(6,764)	(3,633)		(10,402)
Non-cash changes								
Accrual of interest payable	-	-	5	-	8,797	2,836	805	12,442
Reclassification of interest payable from trade payables	-				-	797		797
Acquisition of subsidiaries	-	(656)	806	18,960	7		154	19,271
Expenses of issue of bonds	-	-	-	-	-	-	(131)	(131)
Reclassifications between items	-	-	4,813	(4,813)	-	57,862	(57,862)	-
Net debt at 31 December 2018	**(127,835)**	**(656)**	**5,220**	**14,334**	**47,727**	**61,819**	**735,410**	**736,019**

Reconciliation of the Company's net debt balances and cash flows from financing activities for 2018:

Company	Assets	Borrowings			Total
	Cash	Current borrowings	Current portion of non-current borrowings	Non-current portion of non-current borrowings	
Net debt at 1 January 2018	**(52,517)**	**2,794**	**95,013**	**433,668**	**478,958**
Cash changes					
Increase (decrease) in cash and cash equivalents (including overdraft)	52,286	42,260	-	-	94,546
Issue of bonds	-	-	-	294,346	294,346
(Repayments) of borrowings	-	-	(95,052)	-	(95,052)
Interest (paid)		*(6,131)*	*(1,615)*		*(7,746)*
Non-cash changes					
Accrual of interest payable	-	8,798	1,614	805	11,217
Expenses of issue of bonds	-	-	-	(133)	(133)
Reclassifications between items	-	-	57,441	(57,441)	-
Net debt at 31 December 2018	**(231)**	**47,721**	**57,401**	**671,245**	**776,136**

All amounts in EUR thousands unless otherwise stated

23 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Movements on the accounts of deferred income tax assets and liabilities during the reporting period were as follows:

Group	At 31 Dec 2016	Recognised in profit or loss	Realisation of unrecognised tax losses	Recognised in other comprehensive income	At 31 Dec 2017	Recognised in profit or loss (restated*)	IFRS 15 adoption impact	Recognised in other comprehensive income	Reclassified to liabilities related to Non-current assets held for sale	At 31 Dec 2018 (restated*)
Deferred income tax assets										
Difference on recognition of income from new customer connection services	(16)	16	-	-	-	-	-	-	-	-
Deferred revenue	2,184	1,463	-	-	3,647	(1,405)*	-	-	-	2,242
Accrued expenses	496	1,721	-	-	2,217	(579)	-	-	(4)	1,634
Impairment of assets	5,111	738	-	-	5,849	212	-	-	(5)	6,056
Tax losses carry forward	8,956	(202)	-	-	8,754	1,543	-	-	-	10,297
Difference of financial and tax value of assets identified on business combination	2,785	(198)	-	-	2,587	2,807	-	-	-	5,394
Other	(577)	2,366	-	-	1,789	760	-	-	-	2,549
Deferred income tax assets before write-down to net realisable value	**18,939**	**5,904**	**-**	**-**	**24,843**	**3,338**	**-**	**-**	**(9)**	**28,172**
Less: write-down to net realisable value	(8,260)	34	3,505		(4,721)	2,416	-	-	-	(2,305)
Deferred income tax assets, net	**10,679**	**5,938**	**3,505**	**-**	**20,122**	**5,754**	**-**	**-**	**(9)**	**25,867**
Deferred income tax liabilities										
Valuation of PP&E (increase/decrease in value) and differences in depreciation rates	32,080	8,197	-	192	40,469	(13,230)*	-	21,732	(891)	48,080
Tax relief on acquisition of PP&E	2,176	1,980	-	-	4,156	(6,985)	-	-	-	(2,829)
Increase in value of assets	-	-	-	-	-		-	-	-	-
Accrued expenses	(166)	166	-	-	-	-	-	-	-	-
Difference on recognition of income from new customer connection services	2,749	(245)	-	-	2,504	6,860*	(10,997)	-	-	(1,633)
Result of valuation of financial assets	689	(609)	-	-	80	(129)	-	-	-	(49)
Difference of financial and tax value of assets identified on business combination	2,064	(186)	-	-	1,878	(271)	-	-	-	1,607
Derivative financial instruments	-	-	-	-	-	2,632	-	-	-	2,632
Other	5,869	(5,869)	-	-			-	-	-	-
Deferred income tax liability, net	**45,461**	**3,434**	**-**	**192**	**49,087**	**(11,123)**	**(10,997)**	**21,732**	**(891)**	**47,808**
Deferred income tax, net	**(34,782)**	**2,504**	**3,505**	**(192)**	**(28,965)**	**16,877**	**10,997**	**(21,732)**	**882**	**(21,941)**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

The Group's statement of financial position presents separately deferred tax assets (EUR 14,468 thousand) and deferred tax liabilities (EUR 36,409 thousand) related to different subsidiaries. The net balance of deferred tax is liability of EUR 21,941 thousand.

Company	At 31 December 2016	Recognised in profit or loss	Recognised in other comprehensive income	At 31 Dec 2017	Recognised in profit or loss	Recognised in other comprehensive income	At 31 Dec 2018
Deferred income tax assets							
Accrued expenses	93	19	-	112	57	-	169
Tax losses carry forward	-	437		437	471		908
Deferred income tax assets, net	**93**	**456**	**-**	**549**	**528**	**-**	**1,077**
Deferred income tax liabilities							
Result of valuation of financial assets	9	-	(9)	-	-	-	-
Deferred income tax liability, net	**9**	**-**	**(9)**	**-**	**-**	**-**	**-**
Deferred income tax, net	**84**	**456**	**9**	**549**	**528**	**-**	**1,077**

As at 31 December 2018, the Group did not recognise deferred income tax assets on accumulated tax loss from operations of EUR 15,369 thousand (31 December 2017: EUR 46,493 thousand).

All amounts in EUR thousands unless otherwise stated

24 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, PSO funds and property, plant and equipment and intangible assets received in return for no consideration. Movements on the account of grants in 2018 and 2017 were as follows:

Group	Asset-related grants		Grants for emission allowances	Total
	Asset-related grants and other projects of the Group	Projects for renovation, improvement of environmental and safety 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	(1,450)	(7,820)	-	(9,270)
Grants received	25,523	-	2,555	28,078
Emission allowances utilised	-	-	(175)	(175)
Grants attributable to revaluation of property plant and equipment	(8,928)	(768)	-	(9,696)
Grants reversed due to recognised impairment of PP&E and other reasons	(1)	-	-	(1)
Grants transferred to short term liabilities	-	(373)	-	(373)
Balance at 31 December 2018	**64,687**	**140,608**	**3,579**	**208,874**

Amortisation of grants is accounted for under depreciation and amortisation in the statement of comprehensive income and reduces depreciation expenses of related property, plant and equipment. Grants reversed are reported within revaluation/impairment of assets and reduce these expenses. Grants reversed due to recognised impairment of property, plant, and equipment of subsidiary Energijos Skirstymo Operatorius AB amounted to EUR 8,928 thousand in 2018

25 Deferred revenue and prepayments received

Deferred revenue

	2018 (restated*)		2017	
	Current portion	Non-current portion	Current portion	Non-current portion
Balance at 1 January	**5,242**	**54,509**	**5,181**	**52,214**
Impact of first-time adoption of IFRS 15 in the natural gas distribution activity	-	-*	-	-
Impact of first-time adoption of IFRS 15 in the electricity distribution activity	(877)	74,195	-	-
Restated balance at 1 January	**4,365**	**128,704**	**5,181**	**52,214**
Received during the period	-	19,052*	-	4,992
Recognised as income	(6,561)*	-	(2,636)	-
Reclassifications between items	11,318	(11,318)	2,697	(2,697)
Balance at 31 December	**9,122**	**136,438**	**5,242**	**54,509**

** Restated due to correction changes in accounting methods as disclosed in Note 3.3.*

Deferred revenue represents income from connection of new customers to natural gas system and to the electricity grid.

Income from connection of new customers to natural gas system is recognised over the average useful life of related items of property, plant and equipment.

Income from connection of customers is included in the revenue line item in profit and loss.

Prepayments received

	Group		Company	
	At 31 Dec 2018 (restated*)	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Current prepayments under contracts with customers	44,912	24,801	-	-
Current prepayments under other agreements:				
- Advance amounts of PSO service fees received (income to be refunded)	-*	-	-	-
- Advance amounts received for lease of assets	1,728	1,787	-	-
- Other advances received	3,126*	1,177	51	1
Total	**49,766**	**27,765**	**51**	**1**

** Restated due to correction of errors as disclosed in Note 3.3.*

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All amounts in EUR thousands unless otherwise stated

26 Provisions

	Group		Company	
	At 31 Dec 2018 (restated*)	**At 31 Dec 2017 (restated*)**	**At 31 Dec 2018**	**At 31 Dec 2017**
Non-current	35.355*	7,367	-	2,903
Current	5.558*	2,498	806	-
Total amount of provisions	**40,913**	**9,865**	**806**	**2,903**

** Restated due to correction of errors as disclosed in Note 3.3.*

	Provisions for onerous contracts	**Emission allowance liabilities**	**Provisions for employee benefits**	**Provision for Public Service Obligations (restated*)**	**Decommissioning provision**	**Compensations for servitudes**	**Total**
At 1 January 2017	**10,292**	**1,316**	**4,529**	**-**	**-**	**-**	**16,137**
Increase during the period	-	913	537	5,474	-	-	6,924
Utilised during the period	(10,292)	(1,316)	(1,369)	-	-	-	(12,977)
Revaluation of emission allowances utilised	-	(384)	-	-	-	-	(384)
Result of change in actuarial assumptions	-	-	187	-	-	-	187
Reclassified to liabilities related to assets held for sale	-	-	(22)	-	-	-	(22)
At 31 December 2017	**-**	**529**	**3,862**	**5,474**	**-**	**-**	**9,865**
At 1 January 2018	**-**	**529**	**3,862**	**5,474**	**-**	**-**	**9,865**
Increase during the period	-	894	1.222	2,239	1,573	28,649	34.577
Utilised during the period	-	(908)	(2.270)	(159)		(748)	(4.080)
Revaluation of emission allowances utilised	-	380	-			-	380
Result of change in actuarial assumptions	-	-	54			117	171
At 31 December 2018	**-**	**895**	**2.868**	**7,554**	**1,573**	**28,023**	**40.913**

** Restated due to correction of errors as disclosed in Note 3.3.*

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.

In establishing the price of gas for customers from 1 July 2017, the additional discount on the price of gas agreed between Lithuania and Gazprom for gas supplied from the beginning of 2013 to April 2014 is no longer applied as the entire amount of the discount was utilised as at 1 July 2017. In this respect, no provisions for onerous contracts were established as at 31 December 2017.

In 2018, the Group accounted for provision of EUR 28,725 thousand for one-off compensations to third parties (notes 2.19, note 4 topic *Provisions for compensations for servitudes*) for damages related to the establishment of statutory servitudes (which came into effect on 10 July 2004). As at 31 December 2018, the provision amounted to EUR 27,982.

As at 31December 2018 and 31 December 2017, the Company's provisions consisted of the guarantee issued to the subsidiaries for the loans granted to subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB under cashpool agreements.

All amounts in EUR thousands unless otherwise stated

27 Other non-current amounts payable and liabilities

	Group		Company	
	At 31 Dec 2018 (restated*)	At 31 Dec 2017 (restated*)	At 31 Dec 2018	At 31 Dec 2017
Advance amounts of PSO service fees received	-*	20	-	-
Non-current trade payables	729	819	-	-
Amounts payable for acquired shares of LITGRID	-	33	-	33
Non-current amounts payable for acquired shares of subsidiaries	-	-	-	9,666
Other	1.158	960	378	108
Carrying amount	**1.887**	**1,832**	**378**	**9,807**

** Restated due to correction of errors as disclosed in Note 3.3.*

28 Trade payables

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Amounts payable for electricity and heavy fuel oil	47,324	48,844	-	-
Amounts payable for contractual works, services	5,683	7,517	-	-
Amounts payable for gas	28,406	28,734	-	-
Other amounts payable	11,825	13,243	947	506
Carrying amount	**93,237**	**98,338**	**947**	**506**

29 Other current amounts payable and liabilities

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017*	At 31 Dec 2018	At 31 Dec 2017
Employment-related liabilities	5,048	4,857	127	729
Accrued expenses and deferred revenue for electricity and gas	-	2,130	-	-
Amounts payable for property, plant and equipment	41,293	65,189	-	-
Taxes (other than income tax)	15,795	9,494	201	-
Accrued expenses	7,847	12,496*	1,032	94
Derivative financial instruments	35	57	-	-
Put option redemption liability (Note 4)	16,660	9,996	-	-
Non-controlling interest dividends	2,874	2,687	-	-
Other amounts payable and liabilities	13.130	2,515	13	-
Carrying amount	**102.682**	**109,421**	**1,373**	**823**

** Reclassified following the coming into effect of IFRS 15 from 1 January 2018 (Note 2.1)*

Derivative financial instruments

As at 31 December 2018, assets and liabilities related to the Group's and the Company's agreements on derivative financial instruments were as follows:

	Group		Company	
	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2018	At 31 Dec 2017
Other current assets				
Derivative financial instruments linked to the market prices of electricity	1,634	856	-	-
Derivative financial instruments linked to the market price of gas	412	228	-	-
Total	**2,046**	**1,084**	**-**	**-**
Other non-current amounts payable and liabilities				
Derivative financial instruments linked to the market prices of electricity	(18)	(57)	-	-
Derivative financial instruments linked to the market price of gas	(17)			
Total	**(35)**	**(57)**	**-**	**-**

On 1 January 2016, the Company's subsidiary Energijos Tiekimas UAB joined the electricity derivatives exchange NASDAQ Commodities. Energijos Tiekimas UAB is currently the only Lithuanian electricity provider, active in the stock market. Trading of derivative products can reduce electricity price fluctuation risks, as well as to carry out commercial activities, making use of fluctuations in market prices. At the NASDAQ Commodities exchange Energijos Tiekimas UAB performs the market maker functions in respect of financial instruments linked to Latvian electricity market prices (EPAD Riga).

Measurement of fair value of derivative financial instruments

The Group and the Company recognise derivative financial instruments at fair value. The table below presents information on assets and liabilities of derivative financial instruments by the fair value hierarchy level as at 31 December 2018:

Group	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Assets:				
Derivative financial instruments linked to the market prices of electricity	76	1,558	-	1,634
Derivative financial instruments linked to the market price of gas	412	-	-	412
Liabilities:				
Derivative financial instruments linked to the market prices of electricity	-	(18)	-	(18)
Derivative financial instruments linked to the market price of gas	-	(17)	-	(17)
Total	**488**	**1,523**	**-**	**2,011**

All amounts in EUR thousands unless otherwise stated

The table below presents information on assets and liabilities of derivative financial instruments by the fair value hierarchy level as at 31 December 2017:

Group	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Assets:				
Derivative financial instruments linked to the market prices of electricity	405	451	-	856
Derivative financial instrument linked to the market price of gas	228	-	-	228
Liabilities:				
Derivative financial instruments linked to the market prices of electricity	-	(57)	-	(57)
Total	**633**	**394**	**-**	**1,027**

Derivative financial instruments linked to the market price of electricity acquired at the Nasdaq Commodities exchange are attributed to Level 1 of the fair value hierarchy. These instruments are measured according to the prices of products announced by the Nasdaq Commodities exchange.
The Group attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivative financial instruments acquired directly from other market participants (over-the-counter contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange by additionally adding price area differences (a potential risk) that are evaluated using the expert method.

30 Revenue from contracts with customers

	Group		Company	
	2018 (restated*)	2017**	2018	2017
Revenue from the sale of electricity	120,607	98,845	-	-
Revenue from public electricity supply	95,066	107,304	-	-
Revenue from sale of produced electricity	68,438	60,566	-	-
Income from capacity reserve services	53,072*	40,449	-	-
Electricity distribution	325,877	431,517	-	-
Revenue from gas sales	256,608	268,691	-	-
Gas security component income	22,805	18,821	-	-
Gas distribution	41,632	7,556	-	-
Connection fees	7,385*	13,909	-	-
Proceeds from the sale of heat energy	3,911	3,717	-	-
Revenue from Public service obligation services	16,261	5,272	-	-
Management fee income	-	-	3,188	2,972
Other revenue from contracts with customers	12,616	24,572	-	-
Total	**1,024,278**	**1,081,219**	**3,188**	**2,972**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*
*** Reclassified following the coming into effect of IFRS 15 from 1 January 2018 (Note 2.1)*

31 Other income

	Group		Company	
	2018	2017*	2018	2017
Lease income	8,440	7,840	170	136
Derivative financial instruments (commodities)	28,693	3,594*		
Interest received on finance lease	-	236	-	-
Result on disposal of investments in subsidiaries	-	352	-	24
Interest on late payments equivalent to interest	69	1,085	-	-
Gain/(loss) on disposal of non-current assets	4,527	-	-	-
Other income	4,053	6,505*	533	356
Total	45,782	19,612	703	516

* Reclassified as a result of implementation of IFRS 15 from 1 January 2018 (Note 2.1)

The Group provides motor vehicle and real estate lease services under operating lease contracts concluded for definite period, which may be extended for additional period ranging from several hours to several years. Income from lease of motor vehicles and real estate is recognised as income in profit or loss on a proportionate basis over the entire lease term.

32 Purchases of electricity, gas for trade, and related services

	Group		Company	
	2018 (restated*)	2017	2018	2017
Costs of purchases of gas for trade	258,434	251,164	-	-
Purchases of electricity and related services	499,493	450,005	-	-
Purchases of subcontractual services	10,535	11,129	-	-
Total	768,462	712,298	-	-

** Restated due to correction changes in accounting methods as disclosed in Note 3.3.*

All amounts in EUR thousands unless otherwise stated

33 Other expenses

	Group		Company	
	2018	2017	2018	2017
Taxes	6,329	6,450	246	182
Write-offs of property, plant and equipment	5,005	4,564	-	-
Customer service	4,367	4,048	-	-
Telecommunications and IT services	4,041	3,822	401	285
Transport	3,065	1,853	155	124
Utility services	2,351	3,043	770	608
Write-offs of non-current and current amounts receivable (bad debts)	2,012	1,145	-	-
Leases	1,159	1,439	193	191
Consultation services	1,538	1,126	720	309
Expenses of low-value inventories	1,179	1,274	-	-
Personnel development	1,003	797	189	108
Business trips	408	429	59	61
Business support services	-	-	318	251
Expenses related to emission allowances, their revaluation and provisions, whereof:	(8,933)	(2,296)	-	-
revaluation of emission allowances through profit or loss	(8,933)	(1,296)		
revaluation of emission allowances lent	-	*(616)*	-	-
provision expenses for emission allowances	-	*(384)*	-	-
Expenses (income) on impairment of other non-current assets	-	1,183	-	-
Inventory write-down/(reversal)	(718)	(98)	-	-
Provision for guarantees for the fulfilment of obligations of the subsidiaries	-	-	(2,097)	2,903
Other expenses	3,337	4,930	403	788
Carrying amount	**26,143**	**33,709**	**1,357**	**5,810**

Presented below are all services rendered by the audit firm to the Group and the Company in 2018:

	Group		Company	
	2018	2017	2018	2017
Audit of the financial statements under the agreements	186	169	11	11
Assurance and other related services	93	101	67	75
Tax consultation services	44	-	7	-
Expenses of other services	10	34	22	22
Carrying amount	**333**	**304**	**107**	**108**

34 Finance income

	Group		Company	
	2018	2017	2018	2017
Interest income	1,427	1,520	10,040	3,147
Other finance income	194	643	29	299
Total	**1,621**	**2,163**	**10,069**	**3,588**

As at 31 December 2017, the Company accounted for the reversal of deferred payment for subsidiary NT Valdos UAB equal to EUR 248 thousand, which was included in other finance income.

35 Finance costs

	Group		Company	
	2018	2017	2018	2017
Interest expenses	12,442	7,858	11,217	3,802
Other finance costs	2,457	1240	952	489
Total	**14,899**	**9,098**	**12,169**	**4,291**

36 Income tax expenses

Income tax expenses for the period comprise current year income tax and deferred income tax. Profit for 2018 is taxable at a rate of 15 per cent (2017: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

	Group		Company	
	2018 (restated*)	2017	2018	2017
Income tax expenses (benefit) for the reporting period	4,604*	2,682	(7)	(2)
Deferred income tax expenses (benefit)	(16,877)*	(6,009)	(528)	(456)
Income tax expenses (benefit) recognised in profit or loss	**(12,273)**	**(3,327)**	**(535)**	**(458)**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

Income tax on the Group's and the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company:

	Group		Company	
	2018 (restated*)	2017	2018	2017
Profit (loss) before tax	(34,244)*	90,198	44,153	105,456
Income tax expenses (benefit) at tax rate of 15%	(5,137)*	13,530	6,623	15,818
Expenses not deductible for tax purposes	10,199*	915	3,275	2,432
Income not subject to tax	(1,135)	(3,146)	(10,427)	(18,706)
Income tax relief for the investment project	(12,692)	(8,719)	-	-
Adjustments in respect of prior years	(425)	(2,436)	(7)	(2)
Tax losses utilised	(790)		-	-
Realisation of unrecognised tax losses	(2,416)	(3,505)	-	-
Unrecognised deferred income tax on tax losses	123	34	-	-
Income tax expenses (benefit)	**(12,273)**	**(3,327)**	**(535)**	**(458)**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*

37 Dividends

Dividends declared by the Company in 2018 and 2017:

	2018		2017	
	EUR '000	Dividends per share	EUR '000	Dividends per share
Lietuvos Energija, UAB	78,265	0.0187	59,752	0.0143
Number of shares	4,179,849,289		4,179,849,289	

Dividends declared by the Group companies in 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	Dividends attributable to the Group's non-controlling interest
13/03/2018	EURAKRAS UAB	the year 2017	10.59000	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	289
30/03/2018	Energijos Skirstymo Operatorius AB	second half of 2017	0.02535	22,679	21,541	1,138
04/04/2018	Lietuvos Energijos Tiekimas UAB	the year 2017	0.15837	4,571	4,571	-
05/04/2018	Verslo Aptarnavimo Centras UAB	the year 2017	0.00026	268	137	3
11/04/2018	Technologijų ir Inovacijų Centras UAB	the year 2017	0.00666	148	74	2
17/04/2018	LITGAS UAB	the year 2017	0.02654	1,194	1,194	-
27/04/2018	Duomenų Logistikos Centras	the year 2017	0.02200	306	243	62
28/09/2018	Energijos Skirstymo Operatorius AB	first half of 2018	0.01400	12,525	11,896	628
27/09/2018	Lietuvos Energijos Gamyba AB	first half of 2018	0.02300	14,904	14,430	474
				70,176	**67,378**	**2,596**

Dividends declared by the Group companies in 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	Dividends attributable to the Group's non-controlling interest
24/03/2017	Energijos Skirstymo Operatorius AB	second half of 2016	0.05786	51,763	49,166	2,597
24/03/2017	Lietuvos Energijos Gamyba AB	second half of 2016	0.02000	12,702	12,289	413
29/03/2017	Verslo Aptarnavimo Centras UAB	the year 2016	0.06690	134	68	2
03/04/2017	LITGAS UAB	the year 2016	0.06700	3,000	3,000	-
04/04/2017	Energijos Tiekimas UAB	the year 2016	0.58000	10,000	10,000	-
07/04/2017	Duomenų Logistikos Centras UAB	the year 2016	0.00500	76	60	15
07/04/2017	Technologijų ir Inovacijų Centras UAB	the year 2016	0.01280	284	143	6
05/05/2017	EURAKRAS UAB	the year 2016	2.12000	592	444	148
29/09/2017	Energijos Skirstymo Operatorius AB	first half of 2017	0.04600	41,153	39,088	2,066
29/09/2017	Lietuvos Energijos Gamyba AB	first half of 2017	0.01700	10,796	10,446	351
				130,500	**124,704**	**5,598**

38 Contingent liabilities and commitments

Guarantees issued and received by the Company

Name of the subsidiary	Beneficiary of the guarantee	Date of issue of the guarantee	Maturity	Maximum amount of the guarantee	At 31 Dec 2018	At 31 Dec 2017
Vilniaus Kogeneracinė Jėgainė UAB	European Investment Bank	30/12/2016	06/12/2033	190,000	19,796	-
Kauno Kogeneracinė Jėgainė UAB	Swedbank AB	18/10/2017	18/10/2022	61,200	5,147	-
Companies of Lietuvos Energija UAB group	Companies of Lietuvos Energija UAB group	the year 2016	30/06/2019	-	73,902	15,428
				251,200	**98,845**	**15,428**

The Group companies can lend each other their funds by virtually transferring them to the Group's corporate account (cashpool) opened at the bank Swedbank AB. The Company guarantees that funds borrowed by the Group companies at the cashpool account are timely repaid to the Group companies that have lent funds. As at 31 December 2018, the amount lent and borrowed by the Group companies at the Group's cashpool account totalled EUR 201,012 thousand, including the amount of EUR 126,304 lent by the Company (Note 17). As at 31 December 2018, the Company's guarantee amounted to EUR 98,845 thousand (31 December 2017: EUR 15,428 thousand).

As at 31 December 2017, the Company accounted for a provision of EUR 2,903 thousand related to borrowings of EUR 6,824 thousand obtained by the subsidiary Energetikos Paslaugų ir Rangos Organizacija UAB at the Group's cashpool account. As at 31 December 2018, the provision amounted to EUR 806 thousand. 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.

On 5 December 2016, the Company and the European Investment Bank (Luxembourg) signed a guarantee and indemnity agreement under which the Company secured fulfilment of all current and future obligations of subsidiary Vilniaus Kogeneracinė Jėgainė UAB in the amount of EUR 190,000 thousand under the credit agreement signed on 5 December 2016 with the European Investment Bank for the term of 17 years. The guarantee cover the repayment of all types of amounts payable, related to the utilisation of the received loan, to the European Investment Bank. The maximum amount of the guarantee has not been established. As at 31 December 2018, amounts withdrawn by Vilniaus Kogeneracinė Jėgainė UAB from the loan provided by the European Investment Bank totalled EUR 20 million.

On 31 May 2017, the Group's subsidiary Kauno Kogeneracinė Jėgainė UAB and Swedbank AB signed the credit agreement for the amount of EUR 120,000,000 (one hundred twenty million). The loan is designated for the financing of construction works of the co-generation power plant complex in Kaunas and the financing of the following construction-related expenses of the project being implemented: financing of payments under the agreements on construction, supply of equipment, electrification, general construction works, general systems, installation of automation systems, insurance, management of the construction site, project management, as well as the financing of advance payments (credit funds cannot be used for the financing of interest and unforeseen expenditure), excl. VAT. The withdrawn amount of the loan is EUR 10 million. Monetary liabilities of Kauno Kogeneracinė Jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Fortum OYJ in proportion to the number of shares of Kauno Kogeneracinė Jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by FORTUM HEAT LIETUVA UAB.

<u>*Contractual obligations*</u>

In December 2018, the Group and PAO Gazprom agreed on supply of natural gas in 2019. The agreement contains 'take-or-pay' clause under which the Group has a commitment to purchase the agreed minimum quantity of natural gas. Based on forecast consumption data, the Company plans to purchase all agreed quantity of natural gas during 2019.

<u>*Capital expenditure commitments*</u>

In 2018, capital expenditure commitments of the Group's subsidiary Energijos Skirstymo Operatorius AB assumed under the signed agreements as at the date of the financial statements but not accounted for in the financial statements amounted to EUR 45 million (31 December 2017: EUR 36 million).
Under the agreements valid in 2018 the Group's subsidiary Kauno Kogeneracinė Jėgainė UAB assumed commitments to invest up to EUR 114 million in property, plant and equipment. Investments are expected to be made over the years 2019–2020 and are related to the preparation for the construction of the power plant.

On 29 September 2016, the agreements of the Group's subsidiary Vilniaus Kogeneracinė Jėgainė UAB on construction works of the co-generation power plant were signed with the contractors that won the public tender. In 2016, commitments to invest in the power plant's waste incinerators and general technological facilities amounted to EUR 178.29 million and commitments to invest in biofuel combustion facilities and supply infrastructure amounted to EUR 150 million.

<u>*Tariff adjustments for prior period profit in excess of the return on investments permitted by NERC*</u>

Based on its Resolution No O3E-447 of 7 October 2017 *On recalculating the price caps for electricity distribution services provided by Energijos Skirstymo Operatorius AB through medium and low voltage networks for the year 2018*, NERC set the price cap for the distribution service for 2018 and also stated that the level of revenue from electricity distribution activities carried out by Energijos Skirstymo Operatorius AB is reduced by the 2014-2015 return on investments in excess of the level set by NERC, i.e. EUR 43,421.6 thousand in view of time value of money equal to EUR 1,942.8 thousand. The remaining part of the 2014-2015 return on investments in excess of the level set by NERC, i.e. EUR 13,219.5 million, will be assessed in the upcoming years of the regulatory period, however not later than before the end of the regulatory period (before 2020).

Based on its Resolution No O3E-334 of 17 October 2018 *On recalculating the price caps for electricity distribution services provided by Energijos Skirstymo Operatorius AB through medium and low voltage networks for the year 2019*, NERC set the price cap for the distribution service for 2019 and, based on its Certificate No O5E-264 of 17 October 2018, NERC stated that the projected level of revenue from electricity distribution activities for 2019 of Energijos Skirstymo Operatorius AB is reduced by the amount of EUR 13,219.5 thousand, including the impact of time value of money equal to EUR 423 thousand. This amount of the remaining part of the return on investments earned by Energijos Skirstymo Operatorius AB in 2014-2015 in excess of the level set by NERC for the mentioned years. In establishing the price caps for 2019, NERC established the amount of investments (i.e. the asset base) on the basis of the historical assets base rather than the assets base determined using the LRAIC (long-run average incremental cost) model approved by NERC. In the opinion of Energijos Skirstymo Operatorius AB, the model used by NERC does not comply with the requirements of the effective Electricity Methodology and other legislation, therefore, Energijos Skirstymo Operatorius AB made a decision to apply to Vilnius Regional Administrative Court with a request to amend the Resolution.
In 2018, Energijos Skirstymo Operatorius AB revalued its property, plant and equipment at fair value. In establishing the fair value the independent property valuer assumed that in the upcoming periods NERC will use the LRAIC model when determining the value of the asset base.
In view of the fact that NERC presented explanation that the LRAIC (long run average incremental costs) accounting model will be applied in the upcoming periods (there have been no changes in the regulatory environment) and the corrections made with respect to prices of the electricity distribution services for 2019 will be taken into consideration when establishing the price caps for the next regulatory period, in April 2019 the Board of Energijos Skirstymo Operatorius AB made a decision to withdraw the claim. The explanation presented by NERC will not result in any significant negative impact on the value of assets of Energijos Skirstymo Operatorius AB and the Group.

Based on its Resolution No O3E-481 of 9 November 2017 *On adjusting the price caps for natural gas distribution services provided by Energijos Skirstymo Operatorius AB for the year 2018*, NERC set the price cap for the natural gas distribution service to be applicable from 1 January 2018 and also stated that in the period between 2014 and 2016 Energijos Skirstymo Operatorius AB in conducting the natural gas distribution activity earned additional return on investments amounting to EUR 27,333 thousand, which exceeded the level of profit permitted by NERC. NERC decided to adjust the price caps for the natural gas distribution service for 2018 by 50 per cent of the 2014–2016 return on investments in excess of the level of return permitted by NERC. Consequently, NERC decreased the

level of revenue from natural gas distribution activity for 2018 by EUR 13,667 thousand. The remaining part of the 2014-2016 return on investments in excess of the level set by NERC will be assessed when establishing the gas distribution price for the upcoming periods.
Based on its Resolution No O3E-360 of 26 October 2018 *On establishing the price cap for the natural gas distribution service provided by public limited liability company Energijos Skirstymo Operatorius for the years 2019–2023*, NERC set the price cap for the natural gas distribution service to be applicable from 1 January 2019 and, based on its Certificate No O3E-360 of 26 October 2018, NERC stated that the level of revenue from natural gas distribution activity for 2019 is reduced by the amount of EUR 3,416.6 thousand, including the impact of time value of money equal to EUR 466.4 thousand. This amount represents 1/4 of the remaining return on investments earned by Energijos Skirstymo Operatorius AB in 2014-2016 in excess of the level set by NERC. The remaining part of the 2014–2016 return on investments in excess of the level set by NERC will be assessed when establishing the natural gas distribution price for the upcoming periods.
The overall level of electricity and gas activity revenue for 2018 was approved to be lower by EUR 16,636.1 thousand (2017: EUR 57,088.6 thousand) due to the difference between the return on investments permitted by NERC and the Company's actual return on investments that results from the refund of prior period profit in excess of the permitted return on investments.

Based on the judgement of the Group's management, Energijos Skirstymo Operatorius AB earned excess profits in 2017 and 2018 as well and these amounts will have impact on the Group's revenue and profit for 2019 and subsequent periods.
Litigations

Legal disputes between Energijos Skirstymo Operatorius AB and the National Commission for Energy Control and Prices (NERC)

On 8 July 2015, Energijos Skirstymo Operatorius AB filed the claim to Vilnius Regional Administrative Court for the annulment of Resolution No O3-351 of NERC of 4 June 2015 whereby a fine of EUR 300 thousand was imposed on Energijos Skirstymo Operatorius AB. Energijos Skirstymo Operatorius AB disagreed with the court's ruling and filed an appeal against it. The Supreme Administrative Court of Lithuania (SACL) passed the ruling on 6 March 2019 whereby the claim of Energijos Skirstymo Operatorius AB was rejected in which the company requested to annul the part of the ruling of 25 October 2017 in the administrative case of Vilnius Regional Administrative Court on a monetary sanction of EUR 300 thousand and to pass a new ruling, i.e. not to impose on Energijos Skirstymo Operatorius AB the monetary fine stipulated in paragraph 3.1 of NERC's Resolution No O3-351 *Regarding violation of conditions for regulated activities* of 4 June 2015 or to reduce the fine to a reasonable amount, i.e. EUR 41,075.36. The SACL ruling is final and conclusive. The ruling passed by the SACL will have no impact on the Group's financial performance for 2019, because the impact of the fine was recorded in the Group's financial statements of the previous periods.

Legal dispute between Energijos Skirstymo Operatorius AB and Vilniaus Energija UAB

In its claim filed to Vilnius Regional Court on 27 March 2014 VILNIAUS ENERGIJA UAB requested to award from Energijos Skirstymo Operatorius AB compensation of damages of EUR 10,712 thousand, recognise the provisions of the agreement on the purchase and sale of electricity as null and void as of the moment of its conclusion, oblige the respondent to purchase the volume of supported electricity. The oral court's hearing at Vilnius Regional Court is scheduled on 29 May 2017. The court's hearing was postponed to 28 August 2017, because the court decided to request Energijos Skirstymo Operatorius AB provide additional evidence related to prices of electricity. On 18 September 2017, the court of first instance passed the ruling whereby the claim was rejected in full. The claimant appealed against the court ruling. The date of the court's hearing has not been set yet. The court's ruling in favour of Energijos Skirstymo Operatorius AB would allow avoiding additional expenses in the future in satisfying the claim. By the ruling of 6 November 2018, the Court of Appeal of Lithuania rejected the ruling of Vilnius Regional Court of 18 September 2017 in part and remitted the case back to the court of first instance. On 22 January 2019, the claimant filed an appeal in cassation regarding the part of the ruling of the Court of Appeal of Lithuania dated 6 November 2018 that was left unchanged and the Supreme Court of Lithuania accepted the appeal.

By the ruling of 6 May 2019, the Vilnius Regional Court resumed proceedings following the ruling of the Supreme Court of Lithuania of 17 April 2019 to terminate the appeal proceedings. Vilnius Regional Court passed a judgement in the civil case on 28 January 2020, where it satisfied partially the claim of plaintiff Vilniaus energija UAB against the Company and recognized that Vilniaus energija UAB had been discriminated with regard to other combined heat and power plants. The court adjudged losses of EUR 2,2 million from the Company for behalf of Vilniaus energija UAB and 6 percent annual interest from the adjudged amount calculated from the day when the civil case was lodged in the court until complete execution of the judgement. Vilniaus energija UAB asked in another part to recognize that it had been discriminated with regard to supply of balancing energy and to adjudge reimbursement of losses from the Company. This part of the civil claim of Vilniaus energija UAB was rejected. The judgement of Vilnius Regional Court has not yet become effective.

On 27 February 2020, the Company filed an appeal regarding the part of the judgement of Vilnius Regional Court dated 28 January 2020 that satisfied the claim of UAB Vilniaus energija. The Company contents Vilnius Regional Court's conclusions that the Company discriminated Vilniaus energija UAB with regard to other combined heat and power plants when purchasing eligible electricity. Based on the management estimates, the amount of energy purchased by the Company beyond the technical minimum amount of the producers has been distributed to all producers on a pro-rata basis, so that there is no breach of competition law. In the absence of unlawful actions by the Company, there is no obligation on the Company to compensate for the loss which Vilniaus Energija UAB alleges it has suffered.

Legal disputes of Tuuleenergia OU

Based on the operation permission issued by the Varbla municipality (Estonia) in 2006 Tuuleenergia OU was permitted to install two wind turbines. In 2013, the claim was filed with Tallinn Administrative Court with the request to annul two operation permissions issued by the Varbla municipality due to the fact that the site for the installation of two wind turbines does not comply with the requirements of the location's detailed land plan and the level of noise emitted by the wind turbines is not acceptable. The claim was not satisfied by Tallinn Administrative Court and Tallinn Regional Court of the second instance in 2015. On 11 October 2016, the Supreme Court of Estonia satisfied the appeal in cassation. Based on the ruling passed the operation permission were annulled. On 28 September 2017, the Varbla municipality issued to Tuuleenergia OU temporary operation permissions that are valid until 31 May 2018.

In October 2017, the natural person filed a claim with the court against the Varbla municipality (Estonia) requesting the court to annul temporary operation permissions issued to Tuuleenergia OU. On 11 September 2018, the claimant (natural person) died. On 3 December 2018, Tuuleenergia OU file a request with the court for the termination of the case on the grounds that the descendants of the claimant have no interest in the case. The legal dispute and its impact on the financial statements as at 31 December 2018 cannot be assessed reliably.

All amounts in EUR thousands unless otherwise stated

Tax audits

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year inspect the Company's books and accounting records and impose additional taxes or fines. The Group's management is not aware of any circumstances that might result in a potential material liability in this respect.

39 Related-party transactions

As at 31 December 2018 and 2017, the ultimate parent of the Company was the Republic of Lithuania represented by the Lithuanian Ministry of Finance. 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 shareholder, subsidiaries (the Company's transactions), associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management and their close family members.

The Group's transactions with related parties during 2018 and year-end balances arising on these transactions as at 31 December 2018 are presented below:

Related parties	Amounts receivable	Amounts payable	Sales	Purchases	Finance income (costs)
	At 31 Dec 2018	At 31 Dec 2018	2018	2018	2018
EPSO-G UAB	158,693	-	35	-	1,102
Litgrid AB	7,106	15,049	63,838	129,627	-
BALTPOOL UAB	8,265	15,962	59,654	91.711	-
TETAS UAB	1,381	4,421	1,387	1.811	-
Amber Grid AB	3,730	6,019	38,153	54.324	-
LITGRID Power Link Service UAB	36	-	60	-	-
GET Baltic	724	12	11,436	6,103	-
Associates and other related parties of the Group	279	120	380	394	-
Total	**180,214**	**41,583**	**174,943**	**283,970**	**1,102**

Transactions with related parties during 2018 and year-end balances arising on these transactions as at 31 December 2018 stated above includes following amounts of Public Service Obligations and Liquefied natural gas terminal (LNGT) security component charged by parties to each other in course of ordinary transactions conducted applying regulatory prices that includes as integral part PSO charges and LNGT security component charges:

Related parties	Amounts receivable	Amounts payable	PSO sales	PSO purchases	LNGT security component costs
	2018-12-31	2018-12-31	2018	2018	2018
BALTPOOL UAB	2.647	15.933	11.169	92.019	-
AB „Amber Grid“	4	55	-	-	20.392
Total	**2.651**	**15.988**	**11.169**	**92.019**	**20.392**

The Group's transactions with related parties during 2017 and year-end balances arising on these transactions as at 31 December 2017 are presented below:

Related parties	Amounts receivable	Amounts payable	Sales	Purchases	Finance income (costs)
	At 31 Dec 2017	At 31 Dec 2017	2017	2017	2017
EPSO-G UAB	170,136	-	786	1,681	1,336
Litgrid AB	5,468	12,090	52,346	111,497	(153)
BALTPOOL UAB	14,943	13,886	87,476	76,914	-
TETAS UAB	786	4,793	1,582	17,103	-
Amber Grid AB	2,273	6,888	22,893	52,273	-
LITGRID Power Link Service, UAB	10	-	202	-	-
GET Baltic	2	2	60	1,321	-
Associates and other related parties of the Group	280	100	681	326	3
Total	**193,898**	**37,759**	**166,026**	**261,115**	**1,186**

The major sale and purchase transactions with related parties in 2018 and 2017 comprised transactions with the companies controlled by the Lithuanian Ministry of Energy: Litgrid AB and BALTPOOL UAB. The Group's purchases from these entities mainly included purchases of electricity, capacity, transmission, PSO services and gas. Sales transactions included sales of electricity, capacity and PSO services

Amount receivable from EPSO-G UAB represents unpaid amount on disposal of Litgrid AB, the outstanding balance of the loan granted and interest accrued thereon. Finance costs include interest charged during the year.

Transactions with other state-owned entities included regular business transactions and therefore they were not disclosed.

All amounts in EUR thousands unless otherwise stated

The Company's transactions with related parties during 2018 and year-end balances arising on these transactions as at 31 December 2018 are presented below:

Related parties	Amounts receivable At 31 Dec 2018	Amounts payable At 31 Dec 2018	Sales 2018	Purchases 2018	Finance income 2018	Finance costs 2018
Subsidiaries						
Energijos Skirstymo Operatorius AB	586,559	-	1,388	-	6,655	-
Lietuvos Energijos Gamyba AB	60	-	542	-	-	-
Energetikos Paslaugų ir Rangos Organizacija UAB	1,250	-	74	-	151	-
Elektroninių Mokėjimų Agentūra UAB	3	-	33	-	-	-
Energijos Tiekimas UAB	36,546	-	180	149	110	-
LITGAS UAB	10	-	102	-	11	-
Duomenų Logistikos Centras UAB	1	-	17	-	-	-
NT Valdos, UAB	13	-	93	184	186	-
Transporto Valdymas UAB	21,608	8	-	79	225	-
Technologijų ir Inovacijų Centras UAB	1,684	107	99	390	10	-
Lietuvos Dujų Tiekimas UAB	14,130	-	187	-	75	-
Verslo Aptarnavimo Centras UAB	29	109	157	593	1	-
VAE SPB UAB	-	-	3	-	-	-
Vilniaus Kogeneracinė Jėgainė UAB	29	-	98	-	23	-
EURAKRAS UAB	24,756	-	11	-	709	-
Tuuleenergia OU	21,059	-	4	-	760	-
Energijos Sprendimų Centras UAB	-	-	31	-	-	-
Kauno Kogeneracinė Jėgainė UAB	69	-	155	-	5	-
Vėjo Gūsis UAB	29	-	-	-	-	-
Vėjo Vatas UAB	2,693	-	-	-	8	-
Other related parties						
EPSO-G UAB	158,658	-	-	-	1,102	-
Total	**869,186**	**224**	**3,174**	**1,395**	**10,031**	**-**

As at 31 December 2018, the Company accounted for a provision amounting to EUR 806 thousand related to the guarantee issued to the subsidiaries for loans obtained by Energetikos Paslaugų ir Rangos Organizacija UAB under the group account (cashpool).

The Company's transactions with related parties during 2017 and year-end balances arising on these transactions as at 31 December 2017 are presented below:

Related parties	Amounts receivable At 31 Dec 2017	Amounts payable At 31 Dec 2017	Sales 2017	Purchases 2017	Finance income 2017	Finance costs 2017
Subsidiaries						
Energijos Skirstymo Operatorius AB	356,911	5,560	1,192	-	773	218
Lietuvos Energijos Gamyba AB	1,135	4,067	445	17	-	214
EURAKRAS UAB	24,528	-	16	-	239	3
Lietuvos Dujų Tiekimas UAB	24,930	-	168	-	18	5
NT Valdos, UAB	43,191	27	141	359	197	11
Technologijų ir Inovacijų Centras UAB	1,938	47	100	274	4	-
Duomenų Logistikos Centras UAB	1	57	25	-	2	-
Energetikos Paslaugų ir Rangos Organizacija UAB	5,487	-	175	-	91	-
Tuuleenergia OU	24,198	1	25	-	703	-
Energijos Tiekimas UAB	12,937	64	166	103	31	-
LITGAS UAB	10	-	101	-	1	2
Elektroninių Mokėjimų Agentūra UAB	10	-	28	-	-	-
Verslo Aptarnavimo Centras UAB	35	40	151	308	-	-
VAE SPB UAB	1	-	4	-	-	-
Vilniaus Kogeneracinė Jėgainė UAB	3,913	-	73	-	41	2
Energijos Sprendimų Centras UAB	49	-	121	-	-	-
Kauno Kogeneracinė Jėgainė UAB	3	-	30	-	-	-
Other related parties						
EPSO-G UAB	170,132	-	-	-	1,336	-
Total	**669,409**	**9,863**	**2,961**	**1,061**	**3,436**	**455**

As at 31 December 2017, the Company accounted for a provision amounting to EUR 2,903 thousand related to the guarantee issued to the subsidiaries for loans obtained by Energetikos Paslaugų ir Rangos Organizacija UAB under the group account (cashpool).

The dividends declared in 2018 and 2017 are disclosed in Note 37.

Compensation to key management personnel:

	Group		Company	
	2018	2017	2018	2017
Wages and salaries and other short-term benefits to management personnel	3,681	3,590	815	705
Whereof: termination benefits and benefits to Board Members	402	357	118	56
Number of key management personnel	55	61	10	10

Management in the table above comprise heads of administration of all subsidiaries and their deputies.

All amounts in EUR thousands unless otherwise stated

40 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 four operating segments:
- Distribution of electricity and gas (carried out by Energijos Skirstymo Operatorius AB) and electricity supply carried out in the scope of ensuring public supply functions (carried out Lietuvos Energijos Tiekimas UAB, former Lietuvos Dujų Tiekimas UAB);
- Electricity generation (carried out by Lietuvos Energijos Gamyba AB, Eurakras UAB, Tuuleenergia OU, Vėjo Gūsis UAB, Vėjo Vatas UAB);
- Trade in electricity (carried out by Energijos Tiekimas UAB, Gamybos Optimizavimas UAB);
- Trade in gas (carried out by Lietuvos Energijos Tiekimas UAB, former Lietuvos Dujų Tiekimas UAB and LITGAS UAB).

The following services and entities comprise the other segments:
- support services (NT Valdos UAB, Technologijų ir Inovacijų Centras UAB, Verslo Aptarnavimo Centras UAB and others);
- non-core activities (Energetikos Paslaugų ir Rangos Organizacija UAB, Duomenų Logistikos Centras UAB);
- special purpose entities which are responsible for implementation of special projects and construction of new cogeneration power plants (Kauno Kogeneracinė Jėgainė UAB and Vilniaus Kogeneracinė Jėgainė UAB);
- service entities (Elektroninių Mokėjimų Agentūra UAB);
- 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.

Management's adjustments and adjusted EBITDA

Management's adjustments used in calculating adjusted EBITDA:

Segment / Management's adjustments	2018	
	2018	2017
Electricity supply and distribution and gas distribution		
Recalculation of regulated revenue of Energijos Skirstymo Operatorius AB	63,961	10,885
Recalculation of regulated revenue of Lietuvos Energijos Tiekimas UAB related to public electricity supply activity	15,846	-
Electricity generation		
Recalculation of regulated revenue of Lietuvos Energijos Gamyba, AB	-	(11,367)
Regularisation of commercial activities of Lietuvos Energijos Gamyba, AB	-	(5,438)
Trade in gas		
Lietuvos Energijos Tiekimas UAB, gas price discount provided by Gazprom	-	8,712
Recalculation of regulated revenue of LITGAS UAB	4,496	7,807
Recalculation of regulated revenue of Lietuvos Energijos Tiekimas UAB related to gas supply to household customers	4,568	1,024
Change in market value of open financial derivative instruments of Lietuvos Energijos Tiekimas UAB	(167)	-
Trade in electricity		
Change in market value of open financial derivative instruments of Energijos Tiekimas UAB	(14,702)	(1,055)
	74,002	**10,568**

Electricity supply, distribution and gas distribution segment

Adjusted EBITDA is calculated by adding management's adjustments that comprise the impact of the recalculation of regulated activity revenue of prior periods resulting from NERC's resolutions and by deducting the current year difference arising between the return on investments permitted by NERC and estimated by management. In management's opinion the adjusted EBITDA more accurately presents results of operations and enables to compare results between the periods as it indicates the amount that was actually earned by the Group in the reporting year by eliminating differences between the permitted return on investments set by NERC and the actual return on investments of prior periods that may have both positive and negative impact on the current year results.

Electricity generation segment

In 2014, NERC adopted a resolution, by which Lietuvos Energijos Gamyba AB ('LEG') was declared as an undertaking with significant power in the electricity generation market. Based on this resolution, earnings from sale of electricity generated at LEG's hydroelectric power plants were subject to restriction by deducting the respective amount from the PSO funds approved for LEG. In 2016, the Supreme Administrative Court of Lithuania announced its judgement based on which the aforementioned resolution of NERC was repealed. Despite the adoption of the court's judgement, NERC has not passed a resolution on the compensation of the PSO funds not paid to LEG during 2016. As a result, reduction of revenue from PSO funds recognised by LEG in 2016 amounted to EUR 1,876 thousand. On the other hand, at the end of 2017 in implementing the court's judgement NERC allocated for LEG the PSO funds of EUR 5,438 thousand for 2018 that will compensate revenue not received by LEG in 2015. This amount was recognised as revenue in the 2017 financial statements. The adjustments were intended to reflect the normalised performance results for the current year.

In 2014, NERC completed the audit of the Company's regulated activities for the period 2010-2012 and adopted a resolution to recalculate the expenses and revenue attributed to regulated activities for this period. As a result of this recalculation related to the previous period, revenue from capacity reserve services approved for LEG for the year 2016 was reduced by EUR 3,722 thousand. In 2017 NERC inspected the PSO funds allocated to LEG during 2010-2015, and in 2017 introduced changes in the principles for determination of allocated PSO funds, with relevant changes in the regulatory framework. Due to these changes, in the 2017 financial statements LEG recognised revenue of EUR 11,367 thousand in relation to recalculation of PSO revenue recognised in the previous periods. The adjustments were intended to reflect LEG's normalised performance results for the current year.

Trade in gas segment

Management's adjustment comprises the gas price discount provided by Gazprom and applied to customers during 2017, which amounted to EUR 19 million (2016: EUR 40 million) (as a result of a retrospective decrease in the import price of natural gas for the period from 1 January 2013 to 30 April 2014) and the change in the related provision – EUR 10.3 million (2016: EUR 11.1 million) (by estimating losses to be incurred from the application of the mentioned discount to private and business customers in the future based on the agreements signed). In management's opinion these factors are related to the previous periods.

Adjusted EBITDA is calculated by eliminating deviations arising from the difference between the projected and actual LNG acquisition and realisation prices and quantities, and other variances that occurred during the year between expenses included in the security component and actually incurred expenses and revenue. In 2018, these variances amounted to EUR 4.5 million (2017: EUR 7.8 million). EBITDA of non-regulated activities was included as per actual data.

Adjusted EBITDA is calculated by eliminating deviations arising in the activity of gas supply to household customers due to the variance between actual and projected prices for the acquisition price of natural gas, security component and other components established in the calculation methodology used by NERC. In 2018, these deviations amounted to EUR 4.6 million (2017: EUR 1.0 million).

Trade in electricity segment

Adjusted EBITDA is calculated by eliminating the difference between derivatives, booked in the statement of the financial position, fair value (Mark to market) and acquisition price – unrealized profit.

All amounts in EUR thousands unless otherwise stated

The table below shows the Group's information on segments for 2018.

2018	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments		Adjustments on consolidation and elimination of intercompany transactions	Change in management judgment on applying accounting methods and corrections of errors (note 3.3)	Total (restated*)
					Parent company	Other segments			
Revenue from external clients									
Revenue from contracts with customers	*582,664*	*121,322*	*336,068*	*162,914*	*-*	*5,476*	*-*	*(184.166)*	*1.024.278*
Other income	*53*	*4,678*	*161*	*28,702*	*688*	*11,500*	*-*	*-*	*45.782*
Inter-segment revenue	110,726	14,019	57,870	8,587	70,581	53,075	(314,858)	-	-
Total revenue	**693,443**	**140,019**	**394,099**	**200,203**	**71,269**	**70,051**	**(314,858)**	**(184.166)**	**1.070.060**
Expenses	*(714,919)*	*(101,875)*	*(390,616)*	*(191,769)*	*(24,444)*	*(72,617)*	*236,820*	*168.967*	*(1.090.453)*
Whereof:									
Depreciation and amortisation	*(56,413)*	*(22,464)*	*(89)*	*(1,029)*	*(7)*	*(6,521)*	*(937)*	*(204)*	*(87.664)*
Impairment expenses and write-offs of property, plant and equipment	*(54,330)*	*(501)*	*-*	*-*	*-*	*(2,594)*	*(7,960)*	*(10.356)*	*(75.741)*
Revaluation of emission allowances	*-*	*8,933*	*-*	*-*	*-*	*-*	*-*	*-*	*8.933*
Short term and long term amounts write-offs and impairments	*16*	*(358)*	*(252)*	*(617)*	*(11,198)*	*(76)*	*-*	*-*	*(12.485)*
Management's adjustments**	**79,807**	**-**	**8,897**	**(14,702)**	**-**	**-**	**-**	**-**	**74.002**
Adjusted EBITDA	**169,058**	**52,561**	**12,721**	**(4,622)**	**58,031**	**6,624**	**(69,141)**	**(4.639)**	**220.566**
Operating profit (loss)	(21,476)	38,144	3,483	8,434	46,826	(2,567)	(78,038)	(15.199)	(20.393)
Interest income	89	139	233	27	10,040	12	(9,113)	-	1.427
Interest (expenses)	(6,395)	(1,950)	(605)	(263)	(11,217)	(797)	8,784	-	(12.443)
Other income (expenses) of financing activities	(232)	(1,036)	34	81	(923)	(175)	(12)	-	(2.263)
Share of results of associates	179	124	-	-	-	-	(303)	-	-
Derivative financial instruments	-	-	-	-	(572)	-			(572)
Profit before income tax	**(27,835)**	**35,421**	**3,145**	**8,279**	**44,154**	**(3,527)**	**(78,682)**	**(15.199)**	**(34.244)**
Income tax	10,226	(5,830)	5,675	(1,804)	962	(1,458)	3,332	1.170	12.273
Net profit (loss)	**(17,609)**	**29,591**	**8,820**	**6,475**	**45,116**	**(4,985)**	**(75,350)**	**(14.029)**	**(21.971)**
Total assets at 31 December 2018	**1,591,642**	**756,547**	**177,226**	**133,256**	**2,090,120**	**260,255**	**(2,154,951)**	**(204)**	**2.854.095**

** Restated due to correction of errors and changes in accounting methods as disclosed in Note 3.3.*
*** Management's adjustments used in calculating adjusted EBITDA are related to recognition of excess profits from regulated activities (electricity supply and distribution and gas distribution segment, segments of trade in electricity and trade in gas).*

All amounts in EUR thousands unless otherwise stated

The table below shows the Group's information on segments for 2017.

2017	Electricity supply and distribution and gas distribution	Electricity generation	Trade in gas	Trade in electricity	Other segments		Adjustments on consolidation and elimination of intercompany transactions	Total
					Parent company	Other segments		
Revenue from external clients								
*Revenue from contracts with customers***	*560,287*	*110,004*	*289,717*	*104,257*	*-*	*16,954*	*-*	*1,081,219*
*Other income***	*6,098*	*1,789*	*254*	*46*	*515*	*10,910*	*-*	*19,612*
Inter-segment revenue	45,924	46,780	38,108	7,105	127,677	54,882	(320,476)	-
Total revenue	**612,309**	**158,573**	**328,079**	**111,408**	**128,192**	**82,746**	**(320,476)**	**1,100,831**
Expenses	(526,953)	(137,728)	(330,109)	(106,372)	(22,033)	(92,735)	212,232	*(1,003,698)*
Whereof:								
Depreciation and amortisation	*(50,385)*	*(27,891)*	*(64)*	*(1,060)*	*(3)*	*(7,731)*	*(223)*	*(87,357)*
Impairment expenses and write-offs of property, plant and equipment	*(4,339)*	*(32,444)*	*(129)*	*(940)*	*(12,612)*	*(11,036)*	*15,584*	*(45,916)*
Revaluation of emission allowances	*-*	*2,296*	*-*	*-*	*-*	*-*	*-*	*2,296*
Management's adjustments*	**10,885**	**(16,805)**	**17,543**	**(1,055)**	**-**	**-**	**-**	**10,568**
Adjusted EBITDA	**150,965**	**62,079**	**15,706**	**5,981**	**118,774**	**8,778**	**(123,605)**	**238,678**
Operating profit (loss)	85,356	20,845	(2,030)	5,036	106,159	(9,989)	(108,244)	97,133
Interest income	122	161	140	21	3,147	58	(2,129)	1,520
Interest (expenses)	(2,321)	(2,280)	(560)	(137)	(3,802)	(764)	2,006	(7,858)
Other income (expenses) of financing activities	1,773	(418)	64	(44)	(48)	(599)	(1,326)	(597)
Share of results of associates	(137)	101	-	-	-	-	36	-
Profit before income tax	**84,793**	**18,409**	**(2,386)**	**4,876**	**105,456**	**(11,293)**	**(109,657)**	**90,198**
Income tax	(7,241)	4,503	4,001	(356)	458	1,132	830	3,327
Net profit (loss)	**77,552**	**22,912**	**1,615**	**4,520**	**105,914**	**(10,161)**	**(108,827)**	**93,525**
Total assets at 31 December 2017	**1,277,802**	**699,953**	**128,506**	**59,594**	**1,889,290**	**208,320**	**(1,758,397)**	**2,505,068**

** Management's adjustments used in calculating adjusted EBITDA are related to Gazprom gas price discount, recognition of excess profits from regulated activities (electricity supply and distribution and gas distribution segment, electricity generation segment, segments of trade in electricity and trade in gas) and regularisation of electricity generation commercial activity, which was annulled by the court's decision.*

*** Reclassified following the coming into effect of IFRS 15 from 1 January 2018 (Note 2.1)*

All amounts in EUR thousands unless otherwise stated

41 Business combinations

One of the Group's development directions is investments in renewable energy sources, therefore three companies engaged in the development of wind parks were acquired in 2018.

On 10 October 2018, the Competition Council of the Republic of Lithuania passed the decision clearing the concentration by the acquisition of 100% of shares of Vėjo Vatas UAB and 100% of shares of Vėjo Gūsis UAB by the Company and acquisition of a full control over the latter companies according to the presented announcement on concentration. On 5 November 2018, the Company 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. The Company's investment in Vėjo Vatas UAB and Vėjo Gūsis UAB amounted to EUR 6,132 thousand and EUR 12,919 thousand, respectively. Both investments were fully paid as at 31 December 2018.

On 27 December 2018, the Company acquired a 100% shareholding in VVP Investment UAB from the group of natural and legal persons. As at 31 December 2018, ownership rights of shares were held by the Company and the total investment in VVP Investment UAB amounted to EUR 1,962 thousand. As at 31 December 2018, the paid up part of the investment amounted to EUR 1,237 thousand, diluted price premium amounted to EUR 150 thousand, suspended payment – EUR 100 thousand and a respective remaining unpaid part of the investment – EUR 475 thousand. The remaining unpaid part of the investment will be paid in 2019-2021.

The Group applied the purchase method to account for these business combinations according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations (Vėjo Vatas UAB, Vėjo Gūsis UAB and VVP Investment UAB) the Group established that the difference between the acquisition cost of the businesses and the fair value of the net assets acquired represents goodwill and/or one and/or several items of assets have probably been acquired.

The Group's management had not finalised the assessment of the initial accounting for business combinations as at 31 December 2018 as the period for the assessment of the business combination has not expired yet which will end when the necessary information about facts and circumstances that existed at the acquisition date will be obtained and which cannot be longer than one year after the acquisition date.

As at 31 December 2018, temporary values of assets and liabilities, the assessment of which was not completed, included as follows: fair value of net assets and value of assets and goodwill identified on business combination. During the assessment period the Group will recognise adjustments to the temporary values as if the accounting for business combination was completed at the acquisition date. Accordingly, the Group will review, if appropriate, comparative figures presented in the financial statements and also, if appropriate, will perform any changes in the impact of depreciation, amortisation or other income that were recognised in nearing the completion of the initial accounting.

On business combination, assets and liabilities of Vėjo Vatas UAB, Vėjo Gūsis UAB and VVP Investment UAB were identified with the following fair values at the date of acquisition:

	Vėjo Vatas UAB	Vėjo Gūsis UAB	VVP Investment UAB	Total
Property, plant and equipment	16,708	20,393	7	37,108
Other non-current amounts receivable	229	389	2	620
Amounts receivable within one year	471	670	48	1,189
Cash and cash equivalents	33	61	-	94
Borrowings, non-current liabilities	-	-	(157)	(157)
Finance lease, non-current liabilities	(7,562)	(7,055)	-	(14,617)
Finance lease, current liabilities	(2,437)	(2,649)		(5,086)
Current liabilities	(3,079)	(446)	(88)	(3,613)
				-
Net assets	4,398	11,432	(188)	15,642
Goodwill arising on business combination	1,734	1,487	2150	5,371
Purchase consideration paid	6,132	12,919	1962	21,013
Liability for acquisition of shares	-	-	(725)	(725)
Net cash outflow on acquisition of subsidiaries:				
Cash paid to sellers of shares	(6,132)	(12,919)	(1,237)	(20,288)
Cash paid for loans of the sellers of shares	(2,547)			(2,547)
Cash and cash equivalents at acquired companies	33	61	-	94
Net cash flow	**(8,646)**	**(12,858)**	**(1,237)**	**(22,741)**

Acquisition of Pomerania Invall Sp. z o.o.

In accordance with Company's Board of Directors and Company's subsidiary Ignitis renewables UAB decisions, Ignitis renewables UAB entered into share purchase agreement for 100% shares and shareholder's claim rights in Pomerania Invall Sp. z o.o. on 27 May 2019. Thereafter, the Company acquired indirect 100% shareholding in Pomerania Invall Sp. z o.o. because Company's subsidiary Ignitis renewables UAB owns 100% of shares in Pomerania Invall Sp. z o.o., and the Company owns 100% of shares in Ignitis renewables UAB. Payment for the total amount of the investment in Pomerania Invall Sp. z o.o. of EUR 20,470 thousand transferred to former owner on 28 May 2018.

The Group applied the purchase method to account for these business combinations according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combination the Group established that the difference between the acquisition cost of the businesses and the fair value of the net assets acquired represents goodwill and/or one and/or several items of assets have probably been acquired.

The Group's management finalized the assessment of the initial accounting for business combinations as at 31 December 2019.

All amounts in EUR thousands unless otherwise stated

On business combination, assets and liabilities of Pomerania Invall Sp. z o.o. were identified with the following fair values at the date of acquisition:

	Pomerania Invall Sp. z o.o.
Property, plant and equipment	7,314
Amount receivable within one year	92
Cash and cash equivalents	6
Borrowings, non-current liabilities	(7,385)
Current liabilities	(83)
Net assets	**(56)**
Unrecognised goodwill in Group's financial statement	36
Identified other intangible assets	24,390
Deferred corporate income tax liability	(3,900)
Purchase consideration paid	20,470
Net cash outflow on acquisition of subsidiaries:	
Cash paid to sellers of shares	(20,470)
Cash paid for loans of the sellers of shares	(7,209)
Cash and cash equivalents at acquired company	6
Cash paid for expenses related to purchase	(292)
Net cash flow	**(27,965)**

42 Events after the reporting period

On 1 January 2019, the reorganisation of the Group companies Lietuvos Energijos Tiekimas UAB and Litgas UAB was finalised. The companies were reorganised by way of merger – Litgas UAB, which ceased its activities after the reorganisation, is merged with Lietuvos Energijos Tiekimas UAB, which continues its activities. All assets, rights and obligations of Litgas UAB will be taken over by Lietuvos Energijos Tiekimas UAB which continues its activities.

On 31 December 2018, the Company announced that in developing the green energy activity and aiming to optimise operations of the controlled companies engaged in renewable energy production it approved the establishment of a new company Lietuvos Energija Renewables UAB, which will become a transferee of shares of all already controlled and developed wind power parks. This decision was approved by the holder of the Company's shares – the Ministry of Finance of the Republic of Lithuania. From the beginning of 2019, the new company will hold five companies that operate wind power parks, which are already active or under development, in Lithuania and Estonia. The Articles of Association of Lietuvos Energija Renewables UAB were registered with the Register of Legal Entities on 14 January 2019. On 28 March 2019, the share purchase and sale agreements were signed regarding the transfer of 100% of shares of the Company's subsidiaries developing projects on renewable energy resources to Lietuvos Energija Renewables UAB. Upon the transfer of shares of the renewable energy companies within the Group, the Company's ownership interest in the companies remains unchanged. The shares of the renewable energy companies are transferred for the carrying amount of investments in shares and the related liabilities, therefore the impact of the transfer of shares on the financial performance of the Company and the Group is neutral.

On 29 January 2019, the sitting of the shareholders was held where it was decided to approve the reorganisation of Lietuvos Energijos Tiekimas UAB and Energijos Tiekimas UAB by merging Energijos Tiekimas UAB to Lietuvos Energijos Tiekimas UAB. On 13 February 2019, the reorganisation terms of Lietuvos Energijos Tiekimas UAB and Energijos Tiekimas UAB were announced.

On 29 January 2019, the Company signed the guarantee agreement with Swedbank Lizingas UAB, based on which unfulfilled or improperly fulfilled obligations of Vėjo Gūsis UAB and Vėjo Vatas UAB assumed under finance lease contracts are secured.

On 29 January 2019, the Company signed the new credit agreement with SEB bankas AB, based on which the Company is able to borrow EUR 100 million. The repayment term in 2021.

On 30 January 2019, the new version of the Articles of Association of the Group's company Vilniaus Kogeneracinė Jėgainė UAB related to increase in share capital was registered with the Register of Legal Entities.
On 14 January 2019, a decision was passed to increase the share capital of the Group's company Vilniaus Kogeneracinė Jėgainė UAB up to EUR 52,300 thousand. The initial contribution of EUR 4,000 thousand was paid by the Company in cash on 23 January 2019. The Company also made a non-cash contribution amounting to EUR 386 thousand (business consultations relating to engineering and construction preparatory works for Vilnius co-generation power plant). The remaining unpaid part of subscribed shares needs to be paid by the Company within 12 months from the date of signing of the share subscription agreement (22 January 2019).

On 11 February 2019, the Ministry of Finance of the Republic of Lithuania transferred to the Group company Lietuvos Energijos Gamyba AB the compensation of EUR 9,276 thousand for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of the public limited liability company Lietuvos Elektrinė (Lithuanian Power Plant) (the rights and obligations of which were taken over by the Company) in 2005–2009 entitled *Installation of low pressure Nox burners and burner's management system with installations and interlocks for heating control and protection against explosion*. This compensation was awarded to the Republic of Lithuania by the court of the Great Britain.

On 15 February 2019, the State Property Fund applied to Klaipėda Regional Court for the initiation of bankruptcy proceedings against heat production company based in Klaipėda Geoterma UAB. The Group holds 23.44% of shares of Geoterma UAB.

The preliminary agreements on the sale of real estate were signed during real estate sale auctions conducted within the Group on 28 February 2019. The total amount of future transactions is EUR 11,148 thousand plus VAT.

On 12 March 2019, the Company signed the agreement with Lietuvos Energijos Tiekimas UAB for the granting of a long-term loan of EUR 27 million, which is designated for the financing of the acquisition of the public electricity supply business from Energijos Skirstymo Operatorius AB. The repayment date of the loan is 29 March 2024. The agreement does not provide for any other additional obligations (guarantees, suretyship, pledges, etc.) to enforce obligations.

Reorganisation of subsidiaries

On 1 June 2019, the reorganisation of the Group companies of Lietuvos energijos tiekimas UAB and Energijos Tiekimas UAB was finalised. The companies are reorganised by way of merger – Energijos Tiekimas UAB, which will cease its activities after the reorganisation, is merged with Ignitis UAB, which continues its activities. All the assets, rights and obligations of Energijos Tiekimas UAB were taken over by Ignitis UAB that continues its activities. The Company's carrying amount of investment to Ignitis UAB increased by EUR 26,126 thousand and the investment to Energijos Tiekimas UAB was written off by the same carrying amount.

All amounts in EUR thousands unless otherwise stated

Decrease in share capital

On 15 April 2019, the Company decided to reduce the authorized capital of the subsidiary NT Valdos UAB from EUR 41,385 thousand to EUR 5,000 thousand by cancelling 1,256,400 ordinary registered shares of NT Valdos UAB, each with a nominal value of EUR 28.96, the total amount of cancellation is EUR 36,385 thousand. The purpose of the reduction of the authorized capital is the disbursement of funds to shareholders of NT Valdos UAB. The subsidiary disbursed the share capital reduction to the Company during July–September of 2019 and the Company accounted for EUR 213 thousand reversal of investments in subsidiaries impairment. On 5 July 2019, a new version of the Articles of Association of the Subsidiary Company related to the reduction of the authorized capital was registered with the Register of Legal Entities.

Disposal of subsidiaries

On 28 March 2019, the share purchase and sale agreements were signed regarding the transfer of 100% of shares of the Company's subsidiaries developing projects on renewable energy resources to Ignitis renewables UAB. Upon the transfer of shares of the renewable energy companies within the Group, the Company's ownership interest in the companies remains unchanged. The shares of the renewable energy companies are transferred for the carrying amount of investments in shares and the related liabilities, therefore the impact of the transfer of shares on the financial position of the Company and the Group is neutral.

The following investments of the Company were divested during the first three quarters of year 2019:

Subsidiary	Disposal date	Number of shares disposed	Investment value, Eur	Amount paid up*	Amount not paid up
Eurakras UAB	As at 28/03/2019	159,549	18,735	18,735	-
Vėjo vatas UAB	As at 28/03/2019	100,000	6,132	6,132	-
Vėjo gūsis UAB	As at 28/03/2019	257,000	12,919	12,919	-
VVP Investment UAB	As at 28/03/2019	8,640	1,962	1,962	-
Total:			**39,748**	**39,748**	**-**

** The Company's liability for the shares of VVP Investment UAB in the amount EUR 725 thousand was transferred to Ignitis renewables UAB as at 28/03/2019.*

Guarantees

As at 31 December 2019, the amount lent and borrowed by the Group companies at the Group's cashpool account totalled EUR 225,783 thousand (31 December 2018: EUR 201,012 thousand), including the amount of EUR 171,708 thousand (31 December 2018: EUR 126,304 thousand) lent by the Company (Note 18). As at 31 December 2019, the total amount of Company's guarantees was EUR 229,226 thousand (31 December 2018: EUR 98,845 thousand).

As at 31 December 2019, amounts withdrawn by Vilniaus kogeneracinė jėgainė UAB from the loan provided by the European Investment Bank totalled EUR 99,881 thousand (31 December 2018: EUR 19,796 thousand).

As at 31 December 2019, amounts withdrawn by Kauno kogeneracinė jėgainė UAB from the Swedbank AB loan totalled EUR 61,029 thousand (31 December 2018: EUR 10,092 thousand). Monetary liabilities of Kauno kogeneracinė jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Fortum OYJ (Finland) in proportion to the number of shares of Kauno kogeneracinė jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by FORTUM HEAT LIETUVA UAB.

Electricity distribution

Based on its Resolution No O3E-569 of 17 October 2019 On recalculating the price caps for electricity distribution services provided by Energijos skirstymo operatorius AB through medium and low voltage networks for the year 2020, NERC set the price cap for the distribution service for the year 2020 and, based on its Certificate No O5E-517 of 16 October 2019 On recalculating the price caps for electricity distribution services provided by Energijos skirstymo operatorius AB through medium and low voltage networks for the year 2020 , NERC stated that the level of expected revenue from electricity distribution activities carried out by the Group in year 2020 is reduced by EUR 41,875 thousand, including the impact of time value of money of EUR 1,388 thousand. The amount is the remaining part of the return on investments in year 2016-2017 that was earned by the Group in excess of the level set by NERC for these years.

Gas distribution

Based on its Resolution No O3E-365 on 31 October 2019 On the correction of the price caps for natural gas distribution services provided by Energijos skirstymo operatorius AB for the year 2020, NERC set the price cap for the natural gas distribution service to be effective for the year 2020 and, based on its Certificate No O5E-538 of 21 October 2019 On the correction of price caps for natural gas distribution services provided by Energijos skirstymo operatorius AB for the year 2020, NERC stated that the level of revenue from natural gas distribution activities carried out by the Group in year 2020 is reduced by EUR 9,791 thousand, including the impact of time value of money of EUR 264 thousand.

Litigations

On 16 May 2019, the plaintiff JUMPS UAB brought an action before the court of first instance against subsidiary Ignitis gamyba UAB with a view to obtaining a declaration that the plaintiff cannot be, or should be, subject to excessive damages under the contract for the sale of property. The amount of the claim is EUR 392,854. In the subsidiary view, the claim is unfounded and the penalties are properly imposed under the penalty clause in the contract with the plaintiff. The amount received is recognized as income in the statement of profit and loss and other comprehensive income under 'Other income'.

In accordance with Company's Board of Directors and Company's subsidiary Ignitis renewables UAB decisions, Ignitis renewables UAB entered into share purchase agreement for 100% shares and shareholder's claim rights in Pomerania Invall Sp. z o.o. on 2 May 2019. Thereafter, the Company acquired indirect 100% shareholding in Pomerania Invall Sp. z o.o. because Company's subsidiary Ignitis renewables UAB owns 100% of shares in Pomerania Invall Sp. z o.o., and the Company owns 100% of shares in Ignitis renewables UAB. As at 30 September 2019, the ownership property right was fully owned by the Company's subsidiary Ignitis renewables UAB. The total amount of the investment to Pomerania Invall Sp. z o.o. is EUR 20,737 thousand. The investment was fully paid as at 31 December 2019.

Indirectly controlled companies

On 27 May 2019, the Company's subsidiary Ignitis renewables UAB entered into the share purchase and sale agreement regarding the acquisition of 100% of shares of Pomerania Invall Sp. z o. o. and the shareholder's claim rights. By signing this share purchase agreement, the Company acquired 100% indirect shareholding in Pomerania Invall Sp. z o.o., because Ignitis renewables UAB owns 100% shareholding in Pomerania Invall Sp. z o.o., and the Company owns 100% shareholding in Ignitis renewables UAB. Pomerania Invall Sp.z o.o. develops a wind farm project in Poland with a planned capacity of 94 megawatts (MW). As at 31 December 2019 all rights to the shares ownership are fully controlled Company's subsidiary Ignitis Renewables UAB and overall investment in Pomerania Invall Sp. z o. o. comprised EUR 20,737 thousand. As at 31 December 2019 the investment is fully paid.

Business restructuring

On 31 December 2019 was completed the reorganisation of the Group companies Verslo aptarnavimo centras UAB and Ignitis grupės paslaugų centras UAB (former Technologiju ir inovaciju centras UAB)– Verslo aptarnavimo centras UAB was merged with Ignitis grupės paslaugų centras UAB. On 2 January 2020 Verslo aptarnavimo centras UAB was de-registered from the Register of Legal Entities.

Business combination

As at 31 December 2019 the Group completed purchase price allocation related to aquisition of Vėjo vatas UAB, Vėjo gūsis UAB ir VVP Investment. Amounts identified as Goodwill in amount of EUR 3.221 thousand as at 31 December 2018 were reclassified to intangible assets and valued EUR 3.480 thousand. These intangible assets comprise benefits related to preferential price applied to electricity produced by acquired subsidiaries. No other significant changes made.

Initial Public Offering

On 4 December 2019 the Company subsidiaries AB Energijos skirstymo operatorius and AB Ignitis gamyba, adopted decisions (i) to delist all shares of AB Energijos skirstymo operatorius and AB Ignitis gamyba from trading on the Nasdaq Vilnius Stock Exchange and (ii) to approve the Company as a person that will make an official tender offer to buy-in the shares of AB Energijos skirstymo operatorius and AB Ignitis gamyba that are admitted to trading on the Nasdaq Vilnius Stock Exchange.

On 23 March 2020 the Company from the Ministry of Finance of the Republic of Lithuania ("the Ministry of Finance") has received a letter implementing its sole shareholder's requesting the Company to prepare for an Initial Public Offering (IPO) to choose the period of new shares' emission issue based on the capital market situation and to make other related actions and documents. The Company should have to prepare for IPO by September 2020.
The letter was submitted in accordance with decisions that were taken on 18 March 2020 by the Government of the Republic of Lithuania and NERC for the Coordination of the Protection of National Security Objects to pass a resolution approving the transformation of Company from a private limited liability company (UAB) into a public limited liability company (AB). For the purpose to implement an IPO by this resolution the Government also agreed that the Company's share capital would be increased by additional contributions through the issuance of new ordinary registered shares. Share should be publicly distributed in such quantity that after the increase of the authorized capital at least 2/3 of the shares and votes in the general meeting of shareholders would belong to Republic of Lithuania.

Events related to litigation and claims

On 18 March 2020 Vilnius City District Court and Vilnius Regional District Court issued resolutions upholding the minority shareholders' statements regarding the waiver of their claims, that challenged the decisions of the Extraordinary General Meeting of Shareholders on the delisting of Energijos skirstymo operatorius AB (ESO) and Ignitis gamyba AB (GEN) (both the subsidiaries of the Company) shares, and closed the civil proceedings. Enactment of this resolution was reached after the 2020 March 17 when a peace agreement was signed between the Company and the Investors' Association representing minority shareholders. The Group begins the official tender offer for the shares of the subsidiaries on 3 April, Friday. The period of the official tender offer during which the shares will be available for sale, will last for 20 days until 22 April (inclusive).

Other events

On 23 January 2020 occurred the last auction of the real estate of the Group company NT Valdos UAB, during which the last three properties were sold for a total of EUR 180 thousand, excluding VAT.

On 10 March 2020 as part of the construction project for the Pomerania wind farm in Poland the Group company Pomerania Wind Farm sp. z o.o. has entered into an agreement with the European Investment Bank (' EIB ') regarding the financing for carrying out the project for an amount of PLN 258 million (about EUR 60 million). The Company and the EIB have entered into a first call guarantee agreement to secure this loan. The Company's subsidiary Ignitis renewables UAB, which controls all of Pomerania Wind Farm sp. z o.o. shares, has signed an agreement with the EIB for pledging 100% shares of Pomerania Wind Farm sp. z o.o. in favor of the lender. Maturity date of the loan contract is 31 December 2035.

On 1 April 2020 the news announced that a compromise had been reached between the Company and EPSO-G UAB regarding the repayment of the debt arising from the sale of Litgrid AB shares in 2012 (Note 10). The Government of the Republic of Lithuania also approved the compromise decision. An agreement between the Company and EPSO-G UAB on early repayment of the debt and the amount has not been signed as at the date of financial statement issue.

COVID 19 pandemic

On 30 January 2020 the World Health Organization has declared a global emergency following the COVID-19 outbreak and on 11 March 2020 confirmed the spread of the disease as a pandemic. An outbreak of COVID-19 was reported in the European Union on 31 January 2020 in Italy. On 26 February 2020 due to the threat of COVID-19 the Government of the Republic of Lithuania (hereinafter "the Government") declared an emergency situation in the country and on 14 March 2020 adopted a resolution No. 207 Regarding the announcement of quarantine in the Republic of Lithuania, on the basis of which quarantine was announced in the entire territory of the country from 16 March 2020 until 27 April 2020 with the possibility of extension. During quarantine, the country has:

- Restricted movement of population across the border and within the country (movement of goods is not restricted)

All amounts in EUR thousands unless otherwise stated

- Restricted public and private sector activities
- The process of education and childcare and educational activities in all educational institutions are stopped
- The work organization of health care institutions, etc. has been established.

In relation to the emergency situation and quarantine the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping the population with special urgency. On 16 March 2020 the Government took the decision (Protocol No.14) and in respect of which concluded a Plan for the economic stimulation and the implementation of measures directed to mitigate the spread of COVID 19 (hereinafter “the Plan”). One of the measures for the implementation of the Plan is to make possible to defer or arrange in portions the payments for the consumed electricity and natural gas to the Group's subsidiary Ignitis UAB. This means that the company UAB Ignitis will directly experience delays in customers’ payments for services.

Management of the Group from 16 March 2020 instructed all employees of the Group who have the ability to work remotely not to go to workplaces in offices, hold meetings through the teleconferencing IT programs. The company ensured that all conditions are in place for efficient remote work to employees. Employees do not experience any disruptions in the performance of direct functions. During the quarantine period, the Group strictly adheres to all recommendations issued by the Government regarding the possible threat of COVID 19.

Financial impact

The potential financial impact on the Group's operations due to the situation (both in Lithuania and the world) described above and due to Plan adopted by the Government on the implementation of measures to reduce the consequences of COVID 19 are presented below:

Area affected	Potencial financial impact
Direct impact:	
Cash flows from electricity and gas payments: payment delays, arrangements on longer debt repayment terms	In relation to the Plan, negative impact due to planning to satisfy the requests of private and business customers for deferral of payments for electricity and gas distribution and supply, including the limit set for deferred payment for the Group's subsidiary UAB Ignitis - EUR 20 million (for private clients EUR 5 million, for business customers - EUR 15 million).
Indirect impact:	
Increase in the percentage of bad debts	Depending on the duration of the quarantine, the financial impact of the consequences will increase, but given the most likely scenarios for the spread of COVID-19 publicly discussed by experts, this should not jeopardize business continuity. Reasonable or significant assumptions for the date of issue of the financial statements have not been identified.
Cash flow from declining of electricity and gas consumption during the quarantine period and slower recovery of consumption after the period ended	The negative impact of electricity and gas consumption will potentially affect the business segment, however it partially will be offset by increased electricity consumption in the private clients' segment. This should not jeopardize business continuity. Reasonable or significant assumptions for the date of issue of the financial statements have not been identified.
Cash flows related to the risk of delays in the development of large infrastructure projects (construction and development of new power plants)	Depending on the duration of the quarantine, there could be a risk of project delays due to disruptions of supply chain or due to appeared risk of infection of critical personnel with COVID 19. The positive impact on cash flows could be due to subsequent investments, however accordingly the planned income earnings and cash flow from operations related to the ongoing project would be delayed. This should not jeopardize business continuity. Reasonable or significant assumptions for the date of issue of the financial statements have not been identified.

Other resolutions/decisions adopted by the Government regarding the implementation of the Plan did not have a direct impact on the Group's operations. The indirect financial impact cannot be reliably estimated due to the short period that has elapsed between the date of the Plan taken and the date of the issue of these financial statements.

Impact on business continuity

In assessing the risks to the Group's going concern, the management has taken into account the uncertainty caused by the COVID 19 outbreak regarding the potential future impact on the Group's operations. The Group's management has assessed the potential disruption of cash flows, services or goods, funding sources, potential reductions in electricity and gas consumption due to the economic

slowdown, the risk of contingency COVID 19 and delays in ongoing projects using all available information at the time of issuing these financial statements. During assessment the Group did not identify any circumstances that could cast doubt on the Group's operations as a whole or on the going concern basis of individual Group companies.
Due to the significant outbreak of the quarantine announced in the Republic of Lithuania and the duration of the most severe restrictive measures applied in foreign countries during the preparation of these financial statements for more than three months, the results of the management's assessment of impact on the Group's financial results in 2020 may change, i.e. deteriorate. It is not possible to reasonably estimate the assumptions of the longer-term adverse effect scenario at the date of issue of the financial statements.

Impact on fair value measurements

At the end of the reporting period, i.e. 31 December 2018, fair value was determined based on market data at that date, based on assumptions that are similar to assumptions that market participants would accept under current market conditions in pricing an asset or liability, including risk assumptions. The Group and the Company made the assumptions using all available information, including information that could be obtained from due diligence activities that are routine. Unobservable inputs are used to estimate fair values to the extent that appropriate observable data is not available.

The objective of determining fair value is to present the fair value of an asset that reflects conditions at the measurement date, not a future date. Although events occurring after the measurement date may provide information about the assumptions used to determine fair value at the measurement date (particularly those that are not observable), they are adjusted only to the extent that information provides additional evidence about conditions that existed at the measurement date and market participants or the Company were aware of this information. In making fair value measurements, the Company has taken into account what market conditions and relevant assumptions were known or were known at the date of the valuation by market participants, i.e. 31 December 2018. The COVID 19 outbreak and the risks associated with it were not taken into account in determining the fair value as at 31 December 2018 as there was no observable and unobservable data on the conditions related to exposure to the risk of COVID 19. However, as the threat of COVID 19 has undoubtedly increased the risk that the carrying amounts of assets and liabilities will be adjusted in the next financial year.

Impact on the assessment of expected credit losses

In estimating expected credit losses, management is required to consider reasonable information at the reporting date, i.e. 31 December 2018 The Company estimate of expected credit losses as at 31 December 2018 did not take into account the COVID 19 outbreak and the risks associated with it because COVID 19 was identified in early January of 2020 and a global emergency was announces at 20 January 2020. In estimating expected credit losses at the date of issue of these financial statements, management has reasonably taken into account past events, current conditions and forecast of future economic conditions that were present and known at 31 December 2018. However, as the threat of COVID 19 clearly increased the risk that the carrying amounts of assets and liabilities might need to be adjusted in the next financial year.

Impact on the assessment of impairment of assets

The Company assessed the impairment of non-financial assets taking in account all indications of impairment at the end of the reporting period. Events after the reporting period and information obtained after the reporting period are taken into account in assessing the impairment when they provide additional evidence of those conditions that existed at the end of the reporting period. Similarly, only that information is considered in determining the recoverable amount of an asset if such conditions existed at the end of the reporting period. The Company performed assessment of impairment of its assets as at 31 December 2018 did not take into account the COVID 19 outbreak and the risks associated with it, as COVID 19 was identified in early January of 2020 and a global emergency was announced at 20 January 2020. In assessing the indications of impairment of assets at the end of the reporting period, management has reasonably taken into account all indications that were present and known as at 31 December 2018. However, as the threat of COVID 19 clearly increased the risk that the carrying amounts of assets and liabilities might need to be adjusted in the next financial year.

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