

2018

# ENERGIJOS TIEKIMAS UAB

THE COMPANY'S ANNUAL FINANCIAL STATEMENTS

THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2018  
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING  
STANDARDS AS ADOPTED BY THE EUROPEAN UNION, AND THE ANNUAL  
REPORT



Part of Lietuvos Energija Group



Translation note:

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

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## ANNUAL FINANCIAL STATEMENTS

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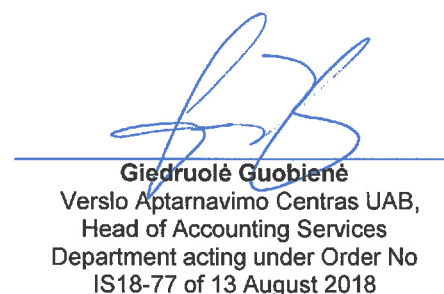
The financial statements were approved on 13 March 2019 by the Chief Executive Officer and the Director of Finance and Business Support Department of Energijos Tiekimas UAB, and the Head of Accounting Services Department of Verslo Aptarnavimo Centras UAB (acting under Order No IS18-77 of 13 August 2018):



**Ainis Kavaliauskas**  
Chief Executive Officer



**Egidijus Merkevičius**  
Director of Finance and Business  
Support Department



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



## Independent auditor's report

To the shareholder of Energijos tiekimas UAB

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Energijos tiekimas UAB ("the Company") as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the 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.

### Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the annual report, we considered whether the

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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



annual report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year ended 31 December 2018, for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

Management is responsible for the preparation and fair presentation of the financial statements 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 the 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial 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 internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial 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 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.

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.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to be 'R. Selevičienė', is written over a faint, illegible stamp.

Rasa Selevičienė  
Assurance Director  
Auditor's Certificate No.000504

Vilnius, Republic of Lithuania  
13 March 2019

**Energijos Tiekimas UAB, company code 302449388, P. Lukšio g. 1, LT-08221 Vilnius, Lithuania**  
**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2018**

All amounts in EUR thousands unless otherwise stated

**STATEMENT OF FINANCIAL POSITION**

	Note	At 31 December 2018	At 31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	16,990	17,877
Property, plant and equipment	5	167	10
Investments in subsidiaries	1	7,874	2,874
Loans granted	6	11,500	-
Other amounts receivable	8	2,466	-
<b>Total non-current assets</b>		<b>38,997</b>	<b>20,761</b>
<b>Current assets</b>			
Trade receivables	7	24,009	8,922
Loans granted	6	-	4,150
Other amounts receivable	8	13,595	3,624
Prepaid income tax		427	-
Assets of derivative financial instruments		1,634	856
Cash and cash equivalents	9	36,880	12,084
<b>Total current assets</b>		<b>76,545</b>	<b>29,636</b>
<b>TOTAL ASSETS</b>		<b>115,542</b>	<b>50,397</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Subscribed authorised capital	10	18,720	17,240
Legal reserve	10	874	628
Retained earnings (deficit)		16,217	7,899
<b>Total equity</b>		<b>35,811</b>	<b>25,767</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	11	4,016	-
Deferred income tax liability		1,974	113
Other non-current amounts payable and liabilities	12	34	1,484
<b>Total non-current liabilities</b>		<b>6,024</b>	<b>1,597</b>
<b>Current liabilities</b>			
Borrowings	11	52,556	16,252
Trade and other amounts payable	13	5,562	2,632
Income tax liabilities		-	158
Liabilities of derivative financial instruments	3	18	57
Other current amounts payable and liabilities	14	15,571	3,934
<b>Total current liabilities</b>		<b>73,707</b>	<b>23,033</b>
<b>Total liabilities</b>		<b>79,731</b>	<b>24,630</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>115,542</b>	<b>50,397</b>

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

**Energijos Tiekimas UAB, company code 302449388, P. Lukšio g. 1, LT-08221 Vilnius, Lithuania**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

All amounts in EUR thousands unless otherwise stated

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	2018	2017
<b>Revenue</b>	15	94,364	76,242
<b>Gain from derivative financial instruments</b>	16	28,693	1,888
Electricity and related service expenses		(105,001)	(68,418)
Wages and salaries and related expenses	18	(1,293)	(1,148)
Amortisation expenses	5	(1,018)	(1,054)
Expenses on acquisition of a part of business	22	(528)	(796)
Other expenses	17	(1,513)	(1,315)
<b>Operating profit</b>		<b>13,704</b>	<b>5,399</b>
<b>Financing activities</b>			
Financial income		27	21
Finance costs	19	(238)	(161)
<b>Finance income/(costs), net</b>		<b>(211)</b>	<b>(140)</b>
<b>Profit before income tax</b>		<b>13,493</b>	<b>5,259</b>
Income tax	20	(1,740)	(356)
<b>Net profit</b>		<b>11,753</b>	<b>4,903</b>
<b>Other comprehensive income/(expenses) for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>11,753</b>	<b>4,903</b>

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

Energijos Tiekimas UAB, company code 302449388, P. Lukšio g. 1, LT-08221 Vilnius, Lithuania

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2018**

All amounts in EUR thousands unless otherwise stated

**STATEMENT OF CHANGES IN EQUITY**

Company	Note	Authorised share capital	Legal reserves	Retained earnings (deficit)	Total
<b>Balance at 1 January 2017</b>		17,240	124	13,500	30,864
Transfers to legal reserve		-	504	(504)	-
Dividends	1	-	-	(10,000)	(10,000)
Net profit for the reporting period		-	-	4,903	4,903
<b>Balance at 31 December 2017</b>		17,240	628	7,899	25,767
<b>Balance at 1 January 2018</b>		17,240	628	7,899	25,767
Transfers to legal reserve		-	246	(246)	-
Dividends	1	-	-	(3,000)	(3,000)
Business combination	22	1,830	-	(189)	1,641
Business separation	23	(350)	-	-	(350)
Net profit for the reporting period		-	-	11,753	11,753
<b>Balance at 31 December 2018</b>		18,720	874	16,217	35,811

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



**Energijos Tiekimas UAB, company code 302449388, P. Lukšio g. 1, LT-08221 Vilnius, Lithuania**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2018**

All amounts in EUR thousands unless otherwise stated

## STATEMENT OF CASH FLOWS

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Net profit		11,753	4,903
<b>Reversal of non-cash income and expenses:</b>			
Depreciation and amortisation expenses	5	1,018	1,054
Impairment of amounts receivable		71	(53)
Revaluation of derivative financial instruments		(817)	1,380
Income tax expense	20	1,740	(356)
Increase (decrease) in provisions		40	-
Interest income		(78)	(21)
Interest expenses	19	238	113
Other finance (income)/costs			48
<b>Changes in working capital:</b>			
(Increase) decrease in trade receivables and other amounts receivable		(24,911)	1,986
Increase (decrease) in trade payables and advance amounts received		12,248	(601)
Income tax (paid)		(855)	(498)
<b>Net cash flows from operating activities</b>		<b>447</b>	<b>7,955</b>
<b>Cash flows from investing activities</b>			
Loans (granted)		(7,350)	(3,530)
Interest received		78	18
Investments into subsidiaries		(2,000)	(2,811)
Acquisition of a part of business	22	(2,000)	(2,000)
(Acquisition) of property, plant and equipment and non-current assets		(61)	(76)
<b>Net cash flows from (used in) investing activities</b>		<b>(11,333)</b>	<b>(8,399)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		39,269	11,868
Dividends (paid) to the Company's shareholders	1	(3,000)	(10,000)
Interest paid		(284)	(107)
Business separation	23	(350)	-
Business merger	23	47	-
Other cash flows from financing activities		-	(48)
<b>Net cash flows from financing activities</b>		<b>35,682</b>	<b>1,713</b>
<b>Increase (decrease) in cash and cash equivalents (including overdraft)</b>		<b>24,796</b>	<b>1,269</b>
Cash and cash equivalents (including overdraft) at the beginning of the period	9	12,084	10,815
<b>Cash and cash equivalents (including overdraft) at the end of period</b>	<b>9</b>	<b>36,880</b>	<b>12,084</b>

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

All amounts in EUR thousands unless otherwise stated

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Energijos Tiekimas UAB ("the Company") is a private limited liability company registered in the Republic of Lithuania. Its registered office address is: P.Lukšio g. 1, LT-08221, Vilnius, Lithuania, and its head office address is: Žvejų g. 14, LT-09310, Vilnius, Lithuania. The Company is a profit seeking entity with a limited civil liability. The Company has been established for an unlimited period. On 21 October 2009, the Company was registered with the Register of Legal Entities managed by a public institution Centre of Registers. The Company's Registration Certificate No 139119, company code 302449388, VAT payer's code LT100005013113, independent electricity supplier's licence No L1-NET-36.

Energijos Tiekimas UAB is the largest independent electricity supplier with Lithuanian capital. One of the Company's core line of business, which generates the major part of the Company's revenue, is supply of electricity. The Company has over 6.7 thousand commercial customers in Lithuania. The Company is also engaged in planning and/or balancing of electricity consumption, trade in guarantees on origin, and wholesale trade in electricity futures. In addition, the Company carries out the projects for the designing and construction of solar power plants, implementation of energy efficiency solutions, and development of electric car charging stations. As a result of merger of Energijos Sprendimų Centras UAB on 1 November 2018, the Company started offering energy efficiency solutions to customers based on ESCO model, which helps reduce consumption of energy resources or increase consumption efficiency.

On 12 September 2013, the Company obtained natural gas supplier's licence No L2-27 (GDT). In 2016, the Company was not engaged in sale/purchase of natural gas, therefore the validity of natural gas supplier's licence was suspended.

On 1 January 2016, Lietuvos Energijos Gamyba AB transferred a part of wholesale electricity trade activities to the Company consisting of trade in derivative financial instruments not related to physical electricity trading and provision of a balancing service. More information on this business combination is presented in Note 22.

On 1 November 2018, Energijos Sprendimų Centras UAB was merged by way of reorganisation. See Note 22 for more details about this business combination..

As a result of separation of business on 17 December 2018, power plant operation planning and optimisation activities were transferred to the newly founded company Gamybos Optimizavimas UAB. Consequently, the Company's authorised share capital was reduced by EUR 350 thousand. See Note 23 for more details about this business separation.

As at 31 December 2018 and 2017, the sole shareholder of the Company was Lietuvos Energija UAB.

Company's shareholder	At 31 December 2018		At 31 December 2017	
	Share capital (EUR '000)	Number of shares held, %	Share capital (EUR '000)	Number of shares held, %
Lietuvos Energija UAB	18,720	100	17,240	100

As at 31 December 2018 and 2017, the Company's ultimate controlling party was the Government of the Republic of Lithuania represented by the Lithuanian Ministry of Finance.

In 2018, the Company paid out dividends in total amount of EUR 3,000 thousand. Dividends per share amounted to EUR 0.17. In 2017, the Company paid out dividends in total amount of EUR 10,000 thousand. Dividends per share amounted to EUR 0.58.

As at 31 December 2018 and 2017, the Company's subsidiaries were as follows:

Subsidiary	Registered office address	The Company's ownership interest, %	The Company's investment value and share capital of subsidiary, (EUR '000)		Profile of activities
			At 31 December 2018	At 31 December 2017	
Geton Energy OÜ	Narva mnt 5, 10117 Tallinn, Estonia	100	35	35	Retail trade in electricity
Geton Energy SIA	Cēsu iela 31, k-2 LV-1012 Ryga, Latvija	100	5,500	500	Retail trade in electricity
Geton Energy S.p.z.o.o	Puławska g. 2B, Warsaw, 02-566, Poland	100	2,339	2,339	Wholesale trade in electricity
			<b>7,874</b>	<b>2,874</b>	

These financial statements are the Company's stand-alone financial statements. The consolidated financial statements have not been prepared since the Company is not a public interest entity. In 2018 and 2017, the Company's parent Lietuvos Energija UAB prepared the consolidated financial statements according to International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements of Lietuvos Energija UAB are available at address: Žvejų g. 14, 09310 Vilnius. The consolidated financial statements in an electronic format are available on the company's website at address: <https://www.gamyba.le.lt/>.

The Company's financial year coincides with a calendar year.

All amounts in EUR thousands unless otherwise stated

The shareholders of the Company have a statutory right to approve these financial statements or not to approve them, and to require preparation of a new set of the financial statements.

As at 31 December 2018, the Company had 43 (31 December 2017: 31) employees.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union effective as at 31 December 2018 and comply with these standards.

These financial statements have been prepared on a going concern basis and the historical cost convention.

These financial statements are presented in official currency, the euro (EUR), which is the Company's functional and presentation currency.

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

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

The following IFRSs and amendments thereto were adopted by the Company for the first time for the financial year ended 31 December 2018:

*IFRS 15, Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

*Amendments to IFRS 15, Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the commitment to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

The Company will adopt IFRS 15 starting from 1 January 2018 using the modified retrospective approach. The Company's management assessed the impact of IFRS 15 and amendments thereto on its financial statements and concluded that the new standard and amendments thereto had no impact on the timing and scope of the Company's revenue recognition. Adoption of IFRS 15 had no impact on revenue estimation procedures that are applied in calculation of sales revenue, nor had it impact on the timing and scope of revenue recognition that used to be before the effective date of the standard.

*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.

**Energijos Tiekimas UAB, company code 302449388, P. Lukšio g. 1, LT-08221 Vilnius, Lithuania**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

All amounts in EUR thousands unless otherwise stated

In its financial statements for the year ended 31 December 2018 the Company adopted IFRS 9 *Financial Instruments* for the first time.

The Company adopted IFRS 9 starting from 1 January 2018 using the modified retrospective approach. The Company assessed impairment for amounts receivable in accordance with IFRS 9. The assessment was based on external and internal sources of information about the debtor, which might be material in considering the debtor's capacity to discharge the debtor's liabilities to the Company. The external sources of information include the trends of changes in the financial position, litigation processes, debts to other entities, headcount, seizures and other information that will be further used as a basis for developing a bankruptcy probability model (bankruptcy rating). Such external information (including the bankruptcy rating) was obtained under the service provision agreement with a third party (Credit Info UAB). The internal sources of information include the debtor's profile of actual settlements with the Company based on which the settlement rating is determined. On the basis of the ratio of the bankruptcy rating and the settlement rating, the debtor's internal rating is determined on the scale from A to E, where A stands for the lowest risk and E stands for the highest risk category internal rating. Thereby, upon implementation of IFRS 9 requirements the internal ratings of debtors are used when deciding on the discount rate applicable to amounts receivable.

The Company's financial assets and financial liabilities will be classified as follows:

- Loans and amounts receivable will be classified as financial assets measured at amortised cost;
- Financial assets at fair value through profit or loss will remain in the same category;
- Classification of financial liabilities will remain unchanged.

Adoption of IFRS 9 provisions had an insignificant impact on the estimation method of the balances of trade receivables that used to be applied before the effective date of the standard. See Note 7 for more details about the impact of adoption of IFRS 9 provisions.

*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 Company did not conduct any share-based payment transactions during 2018. According to the Company's management, the first-time adoption of the amendments had no significant impact on 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 Company's management, the first-time adoption of the improvements had no significant impact on 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 Company's management, the first-time adoption of the amendment did not have any significant impact on 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 Company does not conduct settlements in foreign currencies, therefore the amendment to the interpretation will have no impact on the Company's financial statements. According to the Company's management, the first-time adoption of the interpretation did not have any significant impact on 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

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4 supplement existing options in the standard that can already be used to address the temporary volatility. This IFRS will have no impact on the Company's financial position or results of operations since no insurance services are provided.

*b) New standards, amendments and interpretations that are not yet effective*

Other new standards, amendments and interpretations that are mandatory for annual periods beginning on 1 January 2018 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 Company is currently assessing the impact of these amendments on its financial statements.

*IFRS 16, Leases* (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company plans to adopt IFRS 16 *Leases* starting from 1 January 2019. The value of assets being transferred under the lease agreement and related lease liabilities will be accounted for in the Company's statement of financial position. The impact of the first-time adoption of the standard will be reflected using the modified retrospective approach which requires adjustment to the balance of retained earnings in the statement of financial position.

	Note	At 31 December 2018	IFRS 16	At 1 January 2019
<b>ASSETS</b>				
<b>Non-current assets.</b>				
Non-current assets managed on the basis of lease		-	296	296
<b>EQUITY AND LIABILITIES</b>				
<b>Non-current liabilities</b>				
Non-current financial liabilities		-	223	223
<b>Current liabilities</b>				
Current financial liabilities		-	73	73

*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 IFRS will have no impact on the Company's financial position or results of operations since no insurance services are provided.

*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 Company is currently assessing the impact of the amendment to the interpretation on its financial statements.

*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

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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 a 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 Company is currently assessing the impact of the amendment to the standard on its financial statements.

*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 Company is currently assessing the impact of the amendment to the standard on its financial statements.

*Annual Improvements to 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 Company is currently assessing the impact of these amendments on its financial statements.

*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:

- 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;
- Presentation and disclosure. Revisions have been made to the concepts on presentation and disclosure, including when to classify income and expenses in comprehensive income;
- 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.

The Company is currently assessing the impact of the new standards on its financial statements.

The following standards will become effective in the next reporting periods, but are not yet adopted by the European Union:

*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*  
*IFRS 17 Insurance Contracts*  
*Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28*  
*Annual Improvements to IFRSs 2015-2017 Cycle*  
*Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*  
*Amendments to the Conceptual Framework for Financial Reporting*  
*Definition of a business – Amendments to IFRS 3*  
*Definition of materiality – Amendments to IAS 1 and IAS 8*

## 2.2 Foreign currency

Foreign currency transactions are accounted for using the official exchange rates prevailing at the dates of the transactions. Gains and losses resulting from such transactions and from the translation of balances of assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the statement of comprehensive income. Such balances are translated using the exchange rate prevailing at the end of the reporting period.

## 2.3 Property, plant and equipment and intangible assets

Items of assets used to earn income (obtain economic benefit) for more than one year and whose acquisition cost is reliably measurable are classified as non-current assets.

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment.

Intangible assets acquired separately are initially stated at acquisition cost. The cost of intangible assets acquired through business combinations is its fair value at acquisition date. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of assets can be measured reliably.

Subsequently, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses, if any (the Company does not have intangible assets with indefinite useful lives).

Depreciation (amortisation) of property, plant and equipment and intangible assets is calculated using the straight-line method under approved depreciation rates over estimated useful lives of the asset.

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The Company applies the following depreciation (amortisation) rates for its non-current assets:

Category of assets	Useful lives (in years)
<b>Intangible assets</b>	
Computer software	3
Intangible assets identified during business combination	20
<b>Property, plant and equipment</b>	
Furniture other than that used in the activity of hotels	6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## 2.4 Impairment of property, plant and equipment, intangible assets and other non-current assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. When the recoverable amount of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell 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. The impairment loss is recognised immediately in profit or loss, unless such an asset was previously revalued. In that case, the impairment loss is accounted for as decrease in revaluation reserve.

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 or loss.

## 2.5 Investments in subsidiaries in the Company's separate financial statements

Subsidiary is an entity directly or indirectly controlled by a parent company and in which a parent company usually has a shareholding of more than one half of the voting rights. The Company controls an entity when the Company 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.

In the parent company's statement of financial position investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount. Cost also includes directly attributable expenditure.

## 2.6 Financial assets

Following the adoption of IFRS 9, *Financial Instruments*, the Company classifies its financial assets into the following 3 new categories:

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

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

The business model for managing of financial assets is based not merely on an assertion, but also on facts that are observable in the activities that the Company undertakes in order to achieve the objectives of the business model. In determining the business model applicable for managing financial assets, the Company makes its decision in view of not individual factors or activity, but in view of all evidence that is available in the course of the assessment.

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

At initial recognition, the Company measures financial assets at fair value, except for trade receivables that do not have a significant financing component. Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

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

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

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Financial assets measured at amortised cost

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

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

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

Financial assets at fair value through profit or loss

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

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

Effective interest method

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

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

Expected credit losses

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

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

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

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

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

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

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

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



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

*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 event that is past due 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 contra account of doubtful receivables.

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

Derecognition of financial assets

The Company derecognises financial assets in case of the following:

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

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

Risk categories of debts:

The first risk category of debts includes receivables from customers with the internal rating A. It is subject to discount rate of 0%. The second, third, fourth and fifth risk categories of debts include receivables from customers with the internal ratings B, C, D and E, respectively, and they are subject to discount rates of 1.1%, 4.5%, 17% and 100%, respectively.

## 2.7 Cash and cash equivalents

Cash includes cash at the Company's bank accounts. Cash equivalents are short-term (with the maturity of three months or less from the contract date) investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

## 2.8 Financial liabilities

### Financial liabilities

Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Company does not have any financial liabilities at fair value through profit or loss.

### Other financial liabilities

Other financial liabilities, including borrowings, 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 rate method.

Financial liabilities are classified as current liabilities unless the Company 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.

Derecognition of financial liabilities

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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.

## 2.9 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation 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. Provisions are reviewed at each reporting date and adjusted to reflect the most accurate recent assessments. When the impact of time value of money is significant, the amount of provision represents the present value of costs expected to be incurred for the settlement of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

## 2.10 Dividends

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

## 2.11 Employee benefits

The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan and tariffs specified by the local laws. A defined contribution is a plan under which the Company pays 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. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses. Wages and salaries, contributions to the State Social Security Fund, paid annual leave, paid sickness leave are accumulated in the year, in which they are earned by the Company's employees.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2.12 Income tax and deferred income tax

Income tax charge is based on profit for the year and considers deferred taxation. The calculation of income tax is based on requirements of the Lithuanian regulatory legislation on taxation.

### Current year income tax

The current year income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Tax rates and tax laws used to compute income tax expenses are those applicable as of the date of the statement of financial position.

In 2018, income tax at a rate of 15% was applicable in Lithuania (2017: 15%).

### 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 negative 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.

Deferred income tax assets are reviewed at the date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise all or part of deferred income tax assets. Deferred income tax assets are reduced to an amount which is likely to reduce the taxable profit in future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are offset when they are related to profit taxes levied by the same tax authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

### Current and deferred income tax for the period

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 in the same or subsequent period or on business combination.

## 2.13 Reserves

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of at least 5% of net profit, calculated in accordance with the Lithuanian regulatory legislation on accounting, are required until the 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.

## 2.14 Contingencies

Contingent liabilities are not disclosed in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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Contingent assets are not recognised in the financial statements, however, they are disclosed in the explanatory notes to the financial statements when it is probable that income or economic benefits will flow to the Company.

## 2.15 Business combinations

The acquisition of a part of business is accounted for using the purchase method. The cost of an acquisition 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 acquiree'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 fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred is less than the fair value of the identifiable net assets of a part of business acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intangible assets meeting the requirements for the recognition of intangible assets prescribed in IAS 38, 'Intangible assets' were recognised during business combination. The amortisation period of 20 years was established in respect of intangible assets recognised during business combinations.

## 2.16 Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Company, and a reliable estimate of the amount can be made. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, net of value added tax and discounts. The following specific recognition criteria must also be met before revenue is recognised:

### Revenue from sale of electricity

Revenue from sale of electricity that was acquired at the power exchange is recognised when substantially all risks and rewards related to the object of sale have been transferred to the buyer. The Company does not recognise revenue and expenses from transmission trading in the power exchange with respect to those transactions in which it acts as an agent.

### Revenue from electricity-related services

Revenue from electricity trading-related services is recognised after the service is rendered.

### Interest income

Interest income is recognised on accrual basis considering the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

### Revenue from guaranteed energy savings

When providing the services of guaranteed energy savings, the Company is obliged at its own effort, risk, responsibility and materials to guarantee to the clients lower levels of energy consumption by using the Company's energy savings solution.

During the time of implementation, the Company applies the percentage of completion method:

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity (percentage of completion method). The percentage of completion of the contract is determined as the actual percentage of works (projects) stipulated in the contract. When it is expected that total contract costs will exceed total contract revenue, the expected loss is expensed immediately.

The system's financing (when its implementation is financed by the Company) is described in Note 2.19.

## 2.17 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.

## 2.18 Recognition of expenses

Expenses are recognised on an accrual basis during the reporting period in which they are incurred, regardless of the moment of cash payments made. Expenditure incurred during the reporting period, which cannot be attributed directly to income earned and which will not generate any income in future reporting periods, are recognised as expenses when incurred.

Expenses are usually measured at the amount paid or payable, net of VAT.

Borrowing costs are recognised as expenses in profit or loss for that period in which they are incurred.

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### 2.19 Leases

Lease is recognised as finance lease when substantially all risks and rewards incidental to ownership of the leased item are transferred under the lease terms and conditions. All other leases are classified as operating lease.

#### The Company is a lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the earnings process contained in the lease. Contingent operating lease payments are recognised as expenses as incurred.

If lease incentives are received for the conclusion of operating lease agreements, such incentives are recognised as a liability. Lease expenses are reduced by the amount of accumulated incentives on a straight-line basis, unless another systematic basis is more representative of the time pattern of the earnings process contained in the lease.

#### Energy saving solutions – Finance lease — the Company is a lessor

The Company provides energy saving services by preparing an energy saving project, for the implementation of which it is necessary to install special equipment and carry out construction works in the client's facilities. Based on the contract with the client, acquisition of special equipment can be financed by the client or the Company. For the contracts where acquisition of equipment and construction works is financed by the Company, the recognised sales revenue of the system correspond to the minimum payments accumulated by the Company and allocated to cover the value of the installed system. The acquisition cost of the installed system, net of the present value of unguaranteed residual value, is expensed. The costs incurred in relation to negotiation and finance lease organisation at the inception of lease are expensed.

Amounts receivable are accounted for at amortised cost. On initial recognition, amounts receivable are estimated by discounting all future payments of the client for the installed energy saving system. Subsequently, amounts receivable are estimated using the annual interest rate, which was used on initial recognition when discounting the future payments of clients, and by recognising interest income from financing activities.

Interest income from financing activities is recognised over the period of lease using the effective interest rate, which was used when discounting the future payments of clients on initial recognition. Interest income from financing activities is accounted for irrespective of whether such interest is stipulated in the contract with the client.

The installed systems are transferred into the ownership of a client at no extra pay following the receipt of a full payment under the contract.

#### Operating lease – the Company is a lessee

Leases of property, plant and equipment where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Any costs (including depreciation) that were incurred while earning income from operating lease are recognised as expenses.

### 2.20 Related parties

Related parties are defined as shareholders, employees, members of the Board, their close relatives and companies that directly or indirectly (through the intermediary) control the Company or are controlled by, or are under common control with the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

### 2.21 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2.22 Events after the end of the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 3 Financial risk management

The Company is exposed to financial risks in its operations, i.e. liquidity risk, market risk (foreign exchange risk, interest rate risk in relation to fair value and cash flows) and credit risk. In managing these risks the Company seeks to mitigate the effect of factors which could make a negative effect on the financial performance of the Company.

The Company manages its financial risks following the Financial Risk Management and Control Policy established at the level of Lietuvos Energija UAB group, as well as based on the risk management internal documents specifying in detail the financial risk management control processes, limitations and competences, responsible employees, internal controls and monitoring procedures.

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Financial instruments by category:

Financial assets	At 31 December 2018	At 31 December 2017
Finance lease receivables	1,836	
Trade receivables	24,009	8,922
Loans granted to subsidiaries	11,500	4,150
Other amounts receivable	16,061	3,299
Cash and cash equivalents	36,880	12,084
<b>Financial assets at amortised cost</b>	<b>90,286</b>	<b>28,455</b>
Assets of derivative financial instruments	1,634	856
<b>Financial assets at fair value through profit or loss</b>	<b>1,634</b>	<b>856</b>
<b>Total</b>	<b>91,920</b>	<b>29,311</b>

Financial liabilities	At 31 December 2018	At 31 December 2017
Non-current borrowings	4,002	-
Non-current amounts payable	34	1,484
Current amounts payable	5,562	2,625
Current borrowings	52,555	16,252
Finance lease liabilities	15	-
Other amounts payable and liabilities	15,571	100
<b>Financial liabilities at amortised cost</b>	<b>77,739</b>	<b>20,461</b>
Liabilities of derivative financial instruments	18	57
<b>Financial liabilities at fair value through profit or loss</b>	<b>18</b>	<b>57</b>
<b>Total</b>	<b>77,757</b>	<b>20,518</b>

The effect of first-time adoption of IFRS 9 on the classification of financial assets and liabilities:

Financial assets	IFRS 9	IAS 39
Trade receivables	8,922	8,922
Loans granted to subsidiaries	4,150	4,150
Other amounts receivable	3,299	3,299
Cash and cash equivalents	12,084	12,084
<b>Loans and receivables (IAS 39)/Financial assets carried at amortised cost (IFRS 9)</b>	<b>28,455</b>	<b>28,455</b>
<b>Financial assets at fair value through profit or loss</b>	<b>856</b>	<b>856</b>
<b>Financial liabilities at amortised cost</b>	<b>20,461</b>	<b>20,461</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>57</b>	<b>57</b>

Liquidity risk

The liquidity risk is managed by planning future cash flows of the Company, ensuring sufficient cash and availability of funding through credit facilities to support its operating activities.

As at 31 December 2018, the Company's liquidity ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were the same and amounted to 1.04.

As at 31 December 2017, the Company's liquidity ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were the same and amounted to 1.29.

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The table below analyses the Company's financial liabilities into relevant maturity groupings. Since the term of settlement of current financial liabilities does not exceed 12 months, their carrying amounts have been determined using the undiscounted cash flows.

	At 31 December 2018			
	No later than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Non-current amounts payable	34	-	-	-
Borrowings	52,555	-	502	3,500
Current amounts payable	5,562	-	-	-
Other current amounts payable and liabilities	15,571	-	-	-
Finance lease liabilities	15	14	-	-
Liabilities of derivative financial instruments	18	-	-	-

	At 31 December 2017			
	No later than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Non-current amounts payable	-	1,484	-	-
Borrowings	16,252	-	-	-
Current amounts payable	2,632	-	-	-
Other current amounts payable and liabilities	4,092	-	-	-
Liabilities of derivative financial instruments	57	-	-	-

#### Credit risk

The Company's exposure to credit risk arises from both operating activities (trade receivables and other amounts receivables) and financing activities (cash and cash equivalents).

The Company has the Risk Management Committee responsible for assessing the risk level of potential customers based on available information and expert conclusions, in view of which it reaches an optimal decision as to the possibilities of entering into electricity sale and purchase contract. The Committee defines criteria for the assessment of solvency of customers and arranges a financial/expert verification with competent authorities. Based on information obtained, the Committee makes decisions as to the existence/absence of risk in respect of the relevant customers. The agreements on purchase and sale of electricity are concluded with customers in view of the customer solvency risk assessment by applying customised settlement terms: longer settlement periods are applied to customers with a lower risk and customers with a higher risk are subject to more stringent settlement terms and (or) additional collaterals, including funds deposited in the Company's account, sureties, bills of exchange, etc. To manage the risk of counterparty default, the Company applies an approved procedure for the assessment and management of customer solvency.

The credit risk relating to cash balances at bank is limited because the Company conducts transactions and holds cash balances at banks which are part of the financial groups assigned with credit ratings not lower than A-2 under the classification of Standard & Poor's short-term credit ratings:

	Standard & Poor's short-term credit rating	
	At 31 December 2018	At 31 December 2017
Swedbank AB	A-1+	A-1+
AB SEB Bankas	A-1	A-1
Danske Bank A/S	A-1	A-1

The credit risk is equal to the balance of trade and other amounts receivable net of impairment. It is grouped into five risk categories based on the clients' internal ratings determined by the Company. The principles of determining the internal ratings are described in Notes 2.1, 2.6 and 7. The table below presents the balances of the major clients as at 31 December 2018 and 2017.

	At 31 December 2018	At 31 December 2017
Customer A	12,112	-
Customer B	968	-
Customer C	531	-
Customer D	256	254
Customer E	250	409
Customer F	291	142
Customer G	140	87
Customer H	-	1,628
	<b>14,548</b>	<b>2,520</b>

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As at 31 December 2018, the Company had significant credit risk concentration since its trade receivables from five major customers accounted for 61% of total trade receivables.

As at 31 December 2017, the Company had no significant credit risk concentration since its trade receivables from five major customers accounted for 28% of total trade receivables.

Market risk

In terms of the Company's operations, market risk comprises interest rate risk, foreign exchange risk and fair value risk of financial instruments.

Interest rate risk

On 12 May 2015, the Company signed the Group account (cash pool) agreement, under which the outstanding balance of borrowings was equal to EUR 52,550 thousand as at 31 December 2018. On 5 December 2018, the Board approved to the granting of green bonds and the Company received a loan of EUR 3,500 thousand from Lietuvos Energija UAB. As a result of merger of Energijos Sprendimų Centras UAB following the reorganization, a liability to Luminor Bank in amount of EUR 502 thousand was taken over.

The interest rates applicable to inter-company transactions correspond to the interest rates that would be applied to inter-company transactions in the market, i.e. they are determined annually (Note 11), and accordingly, the credit bears variable interest rate. The loan for green bonds is subject to fixed annual interest rate, and therefore the Company is not exposed to any interest rate risk in relation to this loan. Luminor Bank sets variable interest rate.

Had variable interest rate increased/decreased by 1 percentage point, the Company's net profit would decrease/increase by EUR 450 thousand.

Foreign exchange risk

The Company's all monetary assets and liabilities are denominated in the euro, therefore the Company is not exposed to foreign exchange risk or its exposure is insignificant.

Fair values of financial instruments

The Company recognises derivative financial instruments at fair value. As at 31 December 2017, assets of derivative financial instruments amounting to EUR 1,634 thousand were reported under the line item 'Assets of derivative financial instruments' and liabilities of derivative financial instruments amounting to EUR 18 thousand were reported under the line item 'Liabilities of derivative financial instruments'. The table below presents information on assets and liabilities of derivative financial instruments by the fair value hierarchy level as at 31 December 2018:

Company	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Assets of derivative financial instruments	76	1,558	-	1,634
Liabilities of derivative financial instruments	-	18	-	18

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

Company	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Assets of derivative financial instruments	405	451	-	856
Liabilities of derivative financial instruments	-	57	-	57

Derivative financial instruments 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 respective products announced by the Nasdaq Commodities exchange. Other derivative financial instruments are attributed to Level 2 of the fair value hierarchy (valuation methods for this level are described in Note 4).

Trade and other amounts receivable, trade and other payables, non-current borrowings represent the major portion of the Company's financial assets and financial liabilities not carried at fair value.

The fair value is defined as the amount at which an asset or services could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. The fair value is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to determine the fair value of each category of financial assets and liabilities:

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- The carrying amount of cash and cash equivalents, current trade and other amounts receivable, short-term loans granted, current trade and other amounts payable and current borrowings approximates their fair value, and therefore, they are attributed to Level 1 in the fair value hierarchy.
- The fair value of non-current amounts payable is based on the quoted market price for the same or similar loan or on the current rates available for loans with the same maturity profile. Their fair value approximates their carrying amount if the discount rates of these amounts payable correspond to interest rates currently effective in the market, and therefore, they are attributed to Level 2 in the fair value hierarchy.

### Capital management

Capital consists of the equity capital disclosed in the statement of financial position.

The Company manages the capital structure and make adjustments to it in the light of changes in economic conditions and the operating risks. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, repay capital to shareholders or issue new shares.

According to the Law on Companies of the Republic of Lithuania, the Company's equity shall be at least ½ of the amount of the authorised share capital. No other external capital requirements have been imposed on the Company. As at 31 December 2018 and 2017, the Company complied with the aforementioned requirement.

## 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

### Amortisation period of intangible assets identified during business combination

As described in Note 21, during part of business combination in 2015 the Company identified intangible assets which include the balancing service and trade in derivative financial instruments. These assets were presented in the Company's statement of financial position. The Company's management estimated the useful life of these intangible assets and established the amortisation period of 20 years in respect of them. In adopting the decision on the useful life of these assets management took into consideration a probable use of the assets and whether the next group of management will be able to manage these assets effectively; stability of this activity sector and market developments; probable actions of competitors or potential competitors; the period of control over the assets and legal restrictions related to the use of the assets.

### Measurement of fair value of derivative financial instruments

The Company's management attribute to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish price area. 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.

### Investments into subsidiaries

As at 31 December 2018, the Company's investments into subsidiaries amounted to EUR 7,874 thousand (31 December 2017: EUR 2,874 thousand). As at 31 December 2018, the return on investment forecast for 2019-2030 was prepared using a discount rate of 6% and in view of the projected financial performance results of companies and factors that have impact on such financial performance results: client portfolio size, purchase price and market situation. Based on the expert assessment of historical data, the key factors that were used in planning the financial performance results and the return on investment were taken into consideration. It was concluded that no impairment had to be recognised.

The return on investment forecast showed that the payback period of the expected investments for Geton Energy SIA is 9 years, whereas the investment payback period for Geton Energy Sp.z.o.o. is 7 years. The expected average net profit for the nearest five years amounts to EUR 772 thousand for Geton Energy SIA and EUR 440 thousand for Geton Energy Sp.z.o.o. had net profit decreased by even 50%, the return on investment would decrease, but there would still be no impairment. Had the discount rate decreased or increased by 1p.p., there would still be no impairment.



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## 5 Non-current intangible assets and property, plant and equipment

	Intangible assets identified on business combination	Accounting and business management software acquired	Property, plant and equipment	Construction in progress	Total
<b>At 31 December 2016</b>					
Cost	19,773	217	-	-	19,990
Accumulated amortisation	(989)	(136)	-	-	(1,125)
<b>Net book amount at 31 December 2016</b>	<b>18,784</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>18,865</b>
<b>Period ended 31 December 2017</b>					
Opening net book amount	18,784	81	-	-	18,865
Other additions	-	66	10	-	76
Amortisation charge	(989)	(65)	-	-	(1,054)
<b>Net book amount at 31 December 2017</b>	<b>17,795</b>	<b>82</b>	<b>10</b>	<b>-</b>	<b>17,887</b>
<b>At 31 December 2017</b>					
Cost	19,773	283	10	-	20,066
Accumulated amortisation	(1,978)	(201)	-	-	(2,179)
<b>Net book amount at 31 December 2017</b>	<b>17,795</b>	<b>82</b>	<b>10</b>	<b>-</b>	<b>17,887</b>
<b>Period ended 31 December 2018</b>					
Opening net book amount	17,795	82	10	-	17,887
Other additions	-	1	167	126	294
Amortisation charge	(989)	(27)	(8)	-	(1,024)
<b>Net book amount at 31 December 2018</b>	<b>16,806</b>	<b>56</b>	<b>169</b>	<b>126</b>	<b>17,157</b>
<b>At 31 December 2018</b>					
Cost	19,773	284	177	126	20,360
Accumulated amortisation	(2,967)	(228)	(8)	-	(3,203)
<b>Net book amount at 31 December 2018</b>	<b>16,806</b>	<b>56</b>	<b>169</b>	<b>126</b>	<b>17,157</b>

## 6 Loans granted

	At 31 December 2018	At 31 December 2017
Loans granted to subsidiaries	11,500	4,150
<b>Balance at 31 December</b>	<b>11,500</b>	<b>4,150</b>

### Loans granted to subsidiaries

On 12 August 2014, the Company signed the credit line agreement with its subsidiary Geton Energy SIA for the amount of EUR 6.5 million and for the term expiring on 28 March 2018. On 24 September 2018, an arrangement was signed, by which the credit line limit was increased up to EUR 11 million and the repayment term was extended until 30 April 2019. As at 31 December 2018, the Company had granted a credit of EUR 11 million (31 December 2017: EUR 4,150 thousand) to finance the working capital. The credit is repayable upon demand and the Company has no plans to demand its early repayment in 2019, and therefore, the loan granted was classified within 'Non-current loan granted' as at 31 December 2018.

On 27 June 2017, the Company signed the credit line agreement with its subsidiary Geton Energy Sp. z o.o. for the amount of EUR 5,750 thousand. On 17 July 2017 the credit line limit was reduced to EUR 3,600 thousand. As at 31 December 2018, the Company had granted a credit of EUR 500 thousand to finance the working capital. The credit has to be repaid by 1 July 20121.

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## 7 Trade receivables

	At 31 December 2018	At 31 December 2017
Amounts receivable from third parties for electricity under contracts with clients	11,372	7,141
Amounts receivable from related parties for electricity under contracts with clients	12,941	2,014
Impairment of doubtful amounts receivable under contracts with clients	(304)	(233)
<b>Balance at 31 December</b>	<b>24,009</b>	<b>8,922</b>

The standard period of settlement of amounts receivable under contracts with clients is 20 to 30 days.

Impairment of amounts receivable – expected credit losses are recognised in line with the principles described in Notes 2.1. and 2.6. On the basis of the of bankruptcy and payment rating, the debtors internal rating is formed on a scale between A and E, where A stands for the lowest risk and E stands for the highest risk. Thereby, to ensure compliance with the requirements of IFRS 9, the internal ratings determined for the debtors are considered when deciding on the discount rate to be applied to the amounts receivable.

Expected credit losses are recognised as amounts receivable which are assessed for credit risk on a collective basis. The Company uses the loss coefficient matrix. 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. In view of this, the Company used the following matrix of loss coefficients:

	A	B	C	D	E
Loss coefficient-debtor's internal rating	0%	1.1%	4.5%	17%	100%

Breakdown of the Company's trade receivables by contract with client estimated in view of the matrix of loss coefficients:

	Carrying amount before credit losses at 31 December 2018	Impairment at 31 December 2018	Carrying amount before credit losses at 1 January 2018	Impairment at 1 January 2018
A	22,158	-	8,841	-
B	1,303	14	94	14
C	514	23	9	2
D	86	15	1	22
E	252	252	210	270
	<b>24,313</b>	<b>304</b>	<b>9,155</b>	<b>308</b>

Movement in impairment during the financial year for amounts receivable under contracts with clients:

	2018	2017
<b>At the end of the previous period (31 December)</b>	<b>233</b>	<b>286</b>
IFRS 9 effect	75	-
<b>In the beginning of the reporting period (1 January)</b>	<b>308</b>	<b>286</b>
Bad debts written off during the year	(20)	(43)
Reversal of unutilised impairment	16	(10)
<b>At the end of the reporting period (31 December)</b>	<b>304</b>	<b>233</b>

As at 31 December 2018, the credit quality of unimpaired debts was as follows: the first risk category debts (with internal rating A) amounted to EUR 22,158 thousand (91%), whereas other risk category debts (with internal ratings B, C, D, E) amounted to EUR 2,155 thousand (9%).

As at 31 December 2017, the credit quality of non-overdue and unpaired debts was as follows: low and medium risk debts amounted to EUR 8,841 thousand (96.6%), and high risk debts amounted to EUR 314 thousand (3.4%).

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## 8 Other amounts receivable

	At 31 December 2018	At 31 December 2017
<b>Other current amounts receivable</b>		
Deposits paid for trade in derivative financial instruments	11,818	3,286
Prepayments and deferred expenses	1,119	77
Accrued receivable income	89	248
Finance lease receivables	377	-
Other amounts receivable	192	13
<b>Total other current amounts receivable</b>	<b>13,595</b>	<b>3,624</b>
<b>Other non-current amounts receivable</b>		
Finance lease receivables	1,459	-
Accrued receivable income	1,007	-
<b>Total other non-current amounts receivable</b>	<b>2,466</b>	<b>-</b>
<b>At 31 December</b>	<b>16,061</b>	<b>3,624</b>

Future minimum finance lease payments and unearned finance income as at 31 December 2018:

	At 31 December 2018
<b>Minimum payments</b>	
Within 1 year	408
Between 2-5 years	1,113
After 5 years	407
<b>Total</b>	<b>1,926</b>
<b>Unearned finance income</b>	
Within 1 year	(29)
Between 2-5 years	(52)
After 5 years	(9)
<b>Total</b>	<b>(90)</b>
<b>Carrying amount</b>	<b>1,836</b>
<b>Current part</b>	<b>377</b>
<b>Non-current part</b>	<b>1,459</b>

The weighted average annual interest rate in the Company's portfolio of finance lease contracts as at 31 December 2018:

	At 31 December 2018
Weighted average annual interest rate	2,97

As at 31 December 2018 and 2017, the Company had no overdue and unimpaired Other amounts receivable, and they were assigned to the first risk category (internal rating A).

## 9 Cash and cash equivalents

	At 31 December 2018	At 31 December 2017
Cash at bank	36,880	12,084
	<b>36,880</b>	<b>12,084</b>

## 10 Equity

### *Subscribed authorised share capital*

As at 31 December 2017, the Company's authorised share capital amounted to EUR 17,240,000 and was divided into 17,240,000 ordinary registered shares with par value of EUR 1 each. All shares of the Company were fully paid.

Energijos Sprendimų Centras UAB was merged with the Company as a result of reorganisation on 1 November 2018, and consequently, the Company's authorised share capital increased by EUR 1,830 thousand. See Note 22 for more details about the business combination.

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As a result of business separation on 17 December 2018, production optimisation activity was transferred to the newly established company Gamybos Optimizavimas UAB, and accordingly, the Company's authorised share capital decreased by EUR 350 thousand. See Note 23 for more details about the business separation.

As at 31 December 2018, the Company's authorised share capital amounted to EUR 18,720,000 and was divided into 17,240,000 ordinary registered shares with par value of EUR 1 each. All shares of the Company were fully paid.

*Legal reserve*

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the authorised share capital.

As at 31 December 2018, the Company's legal reserve amounted to EUR 874 thousand (31 December 2017: EUR 628 thousand).

## 11 Borrowings

In order to reduce the costs of financing the working capital, on 12 May 2016 the Company signed the Lietuvos Energija UAB Group account (cash pool) agreement for an unlimited period, under which the Company can receive short-term loans from other companies of the Group. The maximum amount for inter-company borrowing and lending transactions was EUR 15,000 thousand until 3 April 2017, and EUR 32,000 thousand as from 4 April 2017, and EUR 55,000 thousand as from 26 November 2018. The inter-company borrowing transactions must be concluded strictly under the market conditions and strictly at interest rates that would be applied to such transactions in the market. The Company's interest rate is established by way of survey of commercial banks, for the maximum amount of inter-company borrowings, and for the period of one calendar year. The established interest rate is equal to the lowest interest rate offered by a commercial bank. The survey of the banks is conducted by Lietuvos Energija UAB.

On 5 December 2018, the Company and Lietuvos Energija UAB signed an agreement on (proportionate) transfer of green bond obligations, which is intended to finance the projects for investments in energy consumption reduction, energy consumption reduction, energy consumption efficiency and renewable energy resources (photovoltaic solar power plants). The credit amount is EUR 3,500 thousand, the repayment deadline is 10 July 2028, annual interest rate is 2.41%, which is calculated on the outstanding balance of the loan.

As at 31 December 2018, the Company's current borrowings amounted to EUR 52,550 thousand, and non-current borrowings amounted to EUR 3,500 thousand. The Company's borrowings were received from related parties (Note 22). The Company's borrowings in amount of EUR 507 thousand occurred after the merger with Energijos Sprendimų Centras UAB.

The Company has an agreement on financial services (guarantee limit) with Danske Bank A/S Lithuanian branch for the amount of EUR 7,000 thousand, also agreement on financial services (guarantee limit) with Luminor Bank AB for the amount of EUR 450 thousand, and agreement on financial services (guarantee limit) with AB SEB Bankas for the amount of EUR 10,000 thousand (Note 24).

Net debt balances as at 31 December 2018 and 2017:

	2018	2017
Cash and cash equivalents	36,880	12,084
Financial debts payable within one year	(52,556)	(16,252)
Financial debts payable after one year	(4,016)	-
<b>Net debt</b>	<b>(19,692)</b>	<b>(4,168)</b>
Cash	36,880	12,084
Financial debts - fixed interest rate	(52,556)	(16,252)
<b>Net debt</b>	<b>(15,676)</b>	<b>(4,168)</b>

Reconciliation of net debt balances to cash flows from financing activities in 2018 and 2017:

Liabilities arising from financing activities	Other assets		Liabilities arising from financing activities	
	Cash/Overdraft		Non-current and current borrowings	Total
<b>Net debt at 1 January 2017</b>	<b>10,815</b>		<b>(4,384)</b>	<b>6,431</b>
Change	1,269		(11,868)	(10,599)
<b>Net debt at 31 December 2017</b>	<b>12,084</b>		<b>(16,252)</b>	<b>(4,168)</b>
Change	24,796		(40,320)	(15,524)
<b>Net debt at 31 December 2018</b>	<b>36,880</b>		<b>(56,572)</b>	<b>(19,692)</b>

## 12 Other non-current amounts payable and liabilities

	At 31 December 2018	At 31 December 2017
Other non-current amounts payable and liabilities	34	-
Non-current amount payable on acquisition of a part of business	-	1,484

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	At 31 December 2018	At 31 December 2017
	34	1,484

As at 31 December 2017, the fair value of non-current amount payable on acquisition of a part of business approximates the carrying amount based on the discounting made by management.

### 13 Trade and other amounts payable

	At 31 December 2018	At 31 December 2017
Amounts payable for electricity	2,528	644
Current amount payable on acquisition of a part of business (Note 22)	2,000	1,988
Other trade payables	1,034	-
	<u>5,562</u>	<u>2,632</u>

### 14 Other current amounts payable and liabilities

	At 31 December 2018	At 31 December 2017
Taxes (other than income tax)	5,530	2,205
Employment-related liabilities	392	410
Accrued expenses	232	424
Other amounts payable	7	21
Advance amounts received	102	451
Other amounts payable to related companies (Note 21)	9,308	424
	<u>15,571</u>	<u>3,935</u>

Other amounts payable to related companies

As at 31 December 2018, the Company accounted for the amount payable of EUR 6,308 thousand to Energijos Skirstymo Operatorius AB. The amount payable resulted from the fluctuations of the expected electricity consumption at the year end.

On 7 December 2018, an agreement on increase of share capital of Geton Energy SIA was signed for the amount of EUR 5,000 thousand. As at 31 December 2018, the unpaid amount was EUR 3,000 thousand.

### 15 Revenue

	2018	2017
Revenue from sale of electricity	85,251	68,631
Revenue from the balancing services	8,187	7,175
Other income	926	436
	<u>94,364</u>	<u>76,242</u>

All revenue from contracts with clients is estimated in view of the price of transaction specified in the contract. Most often, the Company receives payments immediately after the provision of the services. In rare cases, the terms of delayed payment might be agreed upon, however, any delay of payments cannot exceed 12 months, and therefore, the transaction price is not adjusted in view of the financing impact on revenue recognition. The Company had no revenue recognised in previous period from operation obligations (for instance, changes in transaction price) fulfilled in previous periods (or fulfilled in part). As at 31 December 2018, having assessed the potential obligations to repay funds to clients, the Company concluded that it had no balances of such obligations.

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## 16 Gain from trade in derivative financial instruments

	2018	2017
Gain from disposal of derivative financial instruments	12,105	2,429
Loss from disposal of derivative financial instruments	(491)	(1,706)
<b>Realised gain (loss) from trade in derivative financial instruments</b>	<b>11,614</b>	<b>723</b>
Unrealised gain from derivative financial instruments	17,079	1,165
<b>Unrealised gain (loss) from trade in derivative financial instruments</b>	<b>17,079</b>	<b>1,165</b>
<b>Total</b>	<b>28,693</b>	<b>1,888</b>

Unrealised gain from trade in derivative financial instruments amounting to EUR 17,079 thousand represents the fair value change of the instruments designated to manage the risk of fluctuations in the market prices of electricity as at 31 December 2018 in respect of separate periods:

2018: EUR 2,377 thousand;  
 2019: EUR 11,881 thousand;  
 2020: EUR 2,472 thousand;  
 2021: EUR 442 thousand;  
 2022: EUR -37 thousand;  
 2023: EUR -56 thousand.

On 31 December 2018, the Company signed a hedging agreement, based on which the derivative financial instruments amounting to EUR 750 thousand were transferred to Geton Energy SIA.

## 17 Other expenses

	2018	2017
Telecommunications and IT expenses	362	250
Consulting services	215	223
Business support services	128	105
Expenses for lease of premises	101	81
Customer service expenses	94	75
Advertising expenses	86	115
Impairment (reversal of impairment) of amounts receivable	86	(11)
Transport costs	62	60
Personnel development	27	42
Business trips	18	43
Other expenses	334	332
	<b>1,513</b>	<b>1,315</b>

## 18 Wages and salaries

The Company's wages and salaries and related expenses comprised as follows:

	2018	2017
Wages and salaries	957	857
Social security contributions	307	276
Termination benefits	29	15
	<b>1,293</b>	<b>1,148</b>

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## 19 Finance costs

	2018	2017
Interest expenses	235	113
Other finance costs	1	44
Interest expenses related to sureties and guarantees	-	4
Interest on late payment	2	-
	<u>238</u>	<u>161</u>

## 20 Current and deferred income tax

	2018	2017
Current year income tax expenses		631
Deferred income tax (benefit)/expenses	2,002	(149)
Adjustment to previous year income tax	(262)	(126)
	<u>1,740</u>	<u>356</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

	2018	2017
Profit before income tax	13,492	5,259
Income tax calculated at a rate of 15%	2,024	789
Tax effect of expenses not deductible for tax purposes	50	136
Non-taxable income	(72)	(423)
Adjustment to previous year income tax	(262)	(126)
Sponsorship	-	(20)
<b>Income tax</b>	<u>1,740</u>	<u>356</u>

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 in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	At 31 December 2016	Recognised in profit or loss	At 31 December 2017	Recognised in income tax taken profit or loss	Deferred over on business combination	At 31 December 2018
Impairment allowance for trade receivables	43	8	35	10	-	45
Social security contributions relating to vacation reserve	2	(1)	3	-	-	3
Accrued annual extra pays	53	1	52	(12)	10	50
Accrued tax losses	-	-	-	560	131	691
<b>Deferred income tax assets, net</b>	<b>98</b>	<b>8</b>	<b>90</b>	<b>558</b>	<b>141</b>	<b>789</b>
Derivative financial instruments	(327)	(206)	(121)	(2,511)	-	(2,632)
Differences in depreciation rates	(33)	49	(82)	(49)	-	(131)
<b>Deferred income tax (liabilities), net</b>	<b>(360)</b>	<b>(157)</b>	<b>(203)</b>	<b>(2,560)</b>	<b>-</b>	<b>(2,763)</b>
<b>Deferred income tax assets/(liabilities), net</b>	<b>(262)</b>	<b>(149)</b>	<b>(113)</b>	<b>(2,002)</b>	<b>141</b>	<b>(1,974)</b>

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	Taxable temporary differences	Deferred income tax assets/(liability)
At 31 December 2018		
Impairment allowance for trade receivables	303	46
Social security contributions relating to vacation reserve	21	3
Accrued annual extra pays	333	50
Derivative financial instruments	(17,550)	(2,632)
Accrued tax losses	4,607	691
Differences in depreciation rates	(881)	(132)
At 31 December 2017		
Impairment allowance for trade receivables	233	35
Social security contributions relating to vacation reserve	16	3
Accrued annual extra pays	343	52
Derivative financial instruments	(799)	(121)
Differences in depreciation rates	(551)	(82)

Intangible assets identified on business combination disclosed in Notes 22 was treated as goodwill for income tax purposes, the acquisition cost of which was equal to EUR 19,773 as at 31 December 2018.

## 21 Related-party transactions

The transfer pricing method used in transactions between the Company and related parties is defined in the service level agreements, studies or separate arrangements. Most often, the 'cost plus' or 'average market price' methods are used.

As at 31 December 2018 and 2017, the parent 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 parent company, subsidiaries, associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

The Company's transactions with related parties conducted during the period from 1 January to 31 December 2018 and balances arising on these transactions as at 31 December 2018 are presented below:

	At 31 December 2018			
	Amounts payable and borrowings	Amounts receivable and loans granted	Purchases and interest expenses	Sales and interest income
<b>Parent company:</b>				
Lietuvos Energija UAB	36,545	-	291	148
<b>Subsidiaries of Lietuvos Energija UAB:</b>				
Lietuvos Energijos Gamyba AB	15,059	121	603	403
Lietuvos Energijos Tiekimas UAB	-	12,123	-	51,093
NT Valdos UAB	2,038	56	73	460
Energijos Skirstymo Operatorius AB	6,308	-	3	56,535
Eurakras UAB	658	-	2	2
Energetikos Paslaugų ir Rangos Organizacija UAB	-	60	-	31
Duomenų Logistikos Centras UAB	-	22	-	226
Technologijų ir Inovacijų Centras UAB	156	-	347	-
Verslo Aptamavimo Centras UAB	23	6	129	-
Tuulenergija OU	1	-	9	-
Vilniaus Kogeneracinė Jėgainė UAB	1,980	-	1	-
Gamybos Optimizavimas UAB	-	5	-	-
Litgas UAB	1,828	-	4	-
Vėjo Vatas UAB	-	-	-	2
Vėjo Gūsis UAB	-	-	-	1
Transporto Valdymas UAB	5	-	40	-
<b>Subsidiaries of the Company:</b>				
Geton Energy SIA	3,299	11,017	649	97
Geton Energy OU	-	-	-	-
Geton Energy S.p.z.o.o.	12	500	-	7
Other related parties	404	531	7,070	1,703
<b>Total</b>	<b>68,316</b>	<b>24,441</b>	<b>9,221</b>	<b>110,708</b>

In the table on the related-party transactions conducted during 2018, the Company's sales to Energijos Skirstymo Operatorius AB, a company indirectly controlled by the Ministry of Finance of the Republic of Lithuania, present the total amount of the sale transactions, however, in the Company's statement of comprehensive income, these sales transactions cover only income earned from intermediation services, because according to the service agreements signed with Energijos Skirstymo Operatorius AB the Company provided intermediation services.



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Transactions with state-owned entities other than those controlled by the Ministry of Finance included regular business transactions and therefore they are not disclosed.

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

Amount payable to Lietuvos Energijos Gamyba AB also includes an amount payable under the agreement on acquisition of a part of business (Note 22).

In the table on the related-party transactions conducted during 2018, the Company's amounts payable cover current and non-current borrowings as at 31 December 2018. The Company's current and non-current borrowings from the Group companies amounted to as follows:

	At 31 December 2018	At 31 December 2017
Lietuvos Energija UAB	36,498	12,920
Lietuvos Energijos Gamyba AB	13,050	2,714
Vilniaus Kogeneracinė Jėgainė UAB	1,980	509
Eurakras UAB	658	109
NT Valdos UAB	2,036	-
Litgas UAB	1,828	-
	<b>56,050</b>	<b>16,252</b>

The Company had signed credit limit agreements with its subsidiaries, under which it has a commitment to give a credit (Note 11).

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

	At 31 December 2017			
	Amounts payable and borrowings	Amounts receivable and loans	Purchases and interest expenses	Sales and interest income
<b>Parent company:</b>				
„Lietuvos energija“, UAB	12,937	64	197	101
<b>Subsidiaries of Lietuvos Energija UAB:</b>				
„Lietuvos energijos gamyba“, AB	6,197	280	890	560
UAB „Lietuvos dujų tiekimas“	-	-	1	-
NT Valdos, UAB	9	78	136	528
AB „Energijos skirstymo operatorius“	-	1,628	4	46,755
UAB „Eurakras“	109	-	2	-
UAB „Energetikos paslaugų ir rangos organizacija“	-	5	-	44
UAB Duomenų logistikos centras	-	15	-	158
UAB Technologijų ir inovacijų centras	28	-	280	-
UAB Verslo aptarnavimo centras	16	4	107	-
Lietuvos energijos paramos fondas	-	-	67	-
Tuuleenergia OU	1	-	9	-
UAB Vilniaus kogeneracinė jėgainė	509	-	2	-
<b>Subsidiaries of the Company:</b>				
Geton Energy SIA	350	4,158	350	81
Geton Energy OU	-	-	-	-
Geton Energy S.p.z.o.o.	-	-	-	-
Other related parties	80	11	3,764	1,406
<b>Total</b>	<b>20,236</b>	<b>6,245</b>	<b>5,810</b>	<b>49,633</b>

As at 31 December 2018 and 2017, the Company's key management personnel included the Chief Executive Officer and the heads of the departments.

	2018	2017
Compensation of key management personnel	353	351
Number of key management personnel at the end of reporting period	5	7

## 22 Business combinations

### Acquisition of a part of business in 2015

Aiming to implement the programme focused on identifying central activities of the Group and enhance operational efficiency of the companies as well improve quality of customer service, in February 2015 the Company's parent company Lietuvos Energija UAB initiated the project of the separation of wholesale electricity trade activities of Lietuvos Energijos Gamyba AB from the electricity generation activities and a subsequent merger with the retail trade activities.

Under the agreement on the sale-purchase of a part of the business dated 12 October 2015, the implementation of this project involved the transfer of a part of wholesale electricity trade activities, which covers trade in derivative financial instruments and provision of the balancing service not related to physical electricity trading, by Lietuvos Energijos Gamyba AB to the Company on 1 January 2016. The consideration was established by performing the independent valuation of a part of the wholesale electricity trade business.

The Company applied the purchase method to account for this business combinations according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of fair values of assets given, liabilities incurred and equity instruments issued by the Company in exchange for the control of the part of the business being acquired.

According to the agreement the purchase price for a part of business settled in cash had to be paid in equal portions by 31 March 2017 and with respect to unpaid part of the price the Company paid variable interest rate set as 6 months EURIBOR plus 0.75% credit risk margin.

Under the agreement the Company assumed a commitment to pay to Lietuvos Energijos Gamyba AB an additional consideration in amount of up to EUR 8,000 thousand until 31 March 2019 depending on the financial performance of the acquired part of business in the upcoming periods. Management estimated potential additional costs of acquisition of a part of business and on 1 January 2016 accounted for the price premium of EUR 6,434 thousand within amounts payable.

In view of the financial performance of the acquired business for 2016, additional costs of acquisition of a part of business were re-estimated as at 31 December 2016, and additional price premium of EUR 239 thousand was recognised within amounts payable, with acquisition cost of the acquired intangible assets increased accordingly.

As at 31 December 2017, the Company had paid in full the acquisition price of a part of business equal to EUR 13,100 thousand and part of price premium in amount of EUR 2,000 thousand. Based on the agreement, the acquisition of a part of business was re-estimated as at 31 December 2017, and expenses of EUR 796 thousand related to this acquisition were recognised in the statement of comprehensive income.

In 2018 the Company paid part of price premium on acquisition of a part of business in amount of EUR 2,000 thousand. As at 31 December 2018, additional assessment of acquisition of a part of business was carried out and expenses of EUR 516 thousand relating to acquisition of a part of business were recognised in the statement of comprehensive income.

During business combination the Company did not take over any tangible or financial assets or liabilities related to the acquired part of business that should be reported in the financial statements, however, during this business combination the Company identified intangible assets which comprises the balancing service and trade in derivative financial instruments. These intangible assets were carried at acquisition cost in the Company's statement of financial position, which was equal to their fair value at the time of acquisition and in respect of which the amortisation period of 20 years was established. The fair value of intangible assets identified during business combination was established on the basis of the data of the business valuation report prepared by the independent valuer.

Net assets identified on business combination:

	Acquired part of business 31 December 2017
Purchase price	19,773
Less: fair value of net assets acquired	-
Less: fair value of intangible assets identified during business combination – balancing service	(11,473)
Less: fair value of intangible assets identified during business combination – trade in derivative financial instruments	(8,300)
<b>Goodwill</b>	<b>-</b>

### Business combination in 2018

During the Shareholders' Meeting held on 6 August 2018, the shareholders approved of the merger of Energijos Sprendimų Centras UAB with Energijos Tiekimas UAB. The Terms of Merger were announced on 29 August 2018. The Shareholders' Meeting held on 29 August 2018 approved the Terms of Merger. The merger was completed on 31 October 2018. Following the merger, the Company continues its activities under the name of Energijos Tiekimas UAB, whereas Energijos Sprendimų Centras UAB has discontinued its activities. The activities and all contractual liabilities of Energijos Sprendimų Centras UAB were transferred to the Company, and the current employees ensure smooth business continuity. Energijos Sprendimų Centras UAB used to offer to the market energy consumption efficiency solutions, conducted the projects on renewable energy resources, erected *Charge it on* electric car charging stations and offered electric car infrastructure solutions to the clients. As it became one company, there occurred a possibility to offer a wider range of complex solutions to the market.

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The Company used the acquisition method to account for this business combination under IFRS 3 guidelines. Based on the acquisition method, the acquisition cost is equal to the gross fair value, which consists of the fair value of assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control over a part of the acquired business at the acquisition date. The table below presents assets and liabilities of the merged company as at 31 October 2018:

	Energijos Sprendimų Centras UAB
<b>ASSETS AND LIABILITIES</b>	
Intangible assets	1
Property, plant and equipment	91
Deferred tax assets	141
Trade receivables	65
Other amounts receivable	2,684
Cash and cash equivalents	47
Borrowings	(1,051)
Trade and other amounts payable	(219)
Other current amounts payable and liabilities	(118)
<b>Identifiable net assets on combination</b>	<b>1,641</b>
<b>Changes in equity items on combination:</b>	
Subscribed authorised share capital	1,830
Share premium	740
Retained earnings (deficit)	(929)
<b>Total changes in equity items</b>	<b>1,641</b>
<b>Goodwill</b>	<b>-</b>

## 23 Business separation

During the Shareholder's Meeting held on 2 November 2018, the shareholders approved of the preparation of the Terms of Separation. The Terms of Separation were announced on 5 November 2018, and the Terms of Separation were approved by the Shareholders' Meeting held on 7 December 2018. The separation was completed on 17 December 2018. As a result of the separation, the Company continues its activities under the name Energijos Tiekimas UAB, the new where as Gamybos Optimizavimas UAB – an entity separated from the Company under the Terms of Separation. Following the separation, the Company continues sales of energy resources to clients as an independent supplier, whereas the specific work regime optimisation activities of the power plants have been transferred to the newly established entity Gamybos Optimizavimas UAB. Gamybos Optimizavimas UAB will act as an intermediary for electricity generation companies to sell their electricity on exchange Nord Pool. The business separation had no impact on the Company's clients, and all obligations of the Company are continued to be fulfilled.

Based on the exclusion described in IFRIC 17 (IFRIC Interpretation 17 *Distributions of Non-cash Assets to Owners*, paragraph 5 'This Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution). This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.' No gain (loss) was recognised.

Breakdown of the Company's balance sheet as at 17 December 2018 based on the Terms of Separation:

	Gamybos Optimizavimas UAB
<b>ASSETS AND LIABILITIES</b>	
Cash and cash equivalents	371
Other current amounts payable and liabilities	(21)
<b>Separated identifiable net assets</b>	<b>350</b>
<b>Changes in equity items on separation:</b>	
Subscribed authorised share capital	(350)
<b>Total changes in equity items</b>	<b>(350)</b>
<b>Gain (loss) on business separation</b>	<b>-</b>

## 24 Contingent liabilities and commitments

On 8 April 2011, the credit limit agreement was signed with Danske Bank A/S Lithuanian Branch for the issue of bank guarantees and sureties. As at 31 December 2018, the withdrawn balance of the guarantee and surety limit amounted to EUR 6.67 million (31 December 2017: EUR 5.99 million). The validity of the guarantees issued is from 16 December 2017 to 27 March 2019.

The guarantee and surety limit agreement expired on 17 December 2018. There are four still effective guarantees with validity term from 4 January 2019 to 27 March 2019. The total amount of these four guarantees is EUR 2.7 million.

Based on the guarantee limit agreement signed on 1 December 2016 with the bank Nordea Bank AB (later on transferred to the bank Luminor Bank AB) the company had 5 effective guarantees at Luminor Bank in 2018 with the total value of EUR 356 thousand and validity term from 5 February 2019 to 29 October 2022.

An agreement was signed with AB SEB Bankas on 10 October 2018 for the provision of all types of commercial guarantees. As at 31 December 2018, the total value of the guarantees issued was EUR 7.2 million and their validity term was from 10 January 2019 to 10 October 2022.

### Tax audits

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The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Operating lease

The Company has a long-term operating lease agreement for cars with the Group company Transporto Valdymas UAB, also agreement on lease of premises with Terseta UAB, and agreement on lease of office equipment with Technologijų ir Inovacijų Centras UAB. The future minimum lease payments under irrevocable operating lease agreements are as follows:

	2018	2017
Within 1 year	70	111
Between 2 and 5 years	197	270
<b>Total</b>	<b>267</b>	<b>381</b>

## 25 Events after the end of the reporting period

During the Shareholder's Meeting held on 29 January 2019, a decision was made to approve to the reorganisation of Lietuvos Energijos Tiekimas UAB and Energijos Tiekimas UAB by way of merger of Energijos Tiekimas UAB with Lietuvos Energijos Tiekimas UAB.

## ANNUAL REPORT

The annual report of Energijos Tiekimas UAB for 2018 covering the period from 1 January 2018 to 31 December 2018 was prepared in accordance with Article 23 of Chapter 6 of the Lithuanian Law on Financial Statements of Entities. In this report Energijos Tiekimas UAB is referred to as the Company.

### Basic details of the Company

Company name:	Energijos Tiekimas UAB
Legal form:	Private limited liability company
Authorised share capital:	EUR 18,720,000
Date of registration:	21 October 2009
Place of registration:	Register of Legal Entities
Company code:	302449388
Address of the registered office:	P. Lukšio g. 1, LT-08221, Vilnius, Lithuania
Address for correspondence:	Žvejų g. 14, LT-09310, Vilnius, Lithuania
Company's register:	State enterprise Centre of Registers, Vilnius branch
Telephone:	+370 5 278 2770
Fax:	+370 5 278 2750
E-mail:	info@etiekimas.lt
Website:	<a href="https://www.etiekimas.lt">https://www.etiekimas.lt</a>

### Description of the Company's activities and service market

Energijos Tiekimas UAB is the largest independent Lithuanian capital electricity supplier. The Company's core line of business, which generates more than a half of the Company's revenue, is supply of electricity. The Company has a portfolio of over 6.9 thousand customers in Lithuania. The Company is also engaged in planning and (or) balancing of electricity consumption, trade in guarantees on origin, and wholesale trade in electricity futures. In addition, the Company carries out the projects on designing and construction of solar power plants, implementation of energy efficiency solutions, development of electric car charging stations.

In 2018, the Company's overall GSCI (Global Customer Satisfaction Index) scored 86 (out of 100).

### Objective overview of the Company's financial position, performance and development

Throughout 2018, the Company continued its retail and wholesale electricity trade in Lithuania by further acquiring its electricity portfolio on the power exchange of the Northern European countries Nord Pool (hereinafter NP).

In 2018, the average wholesale price of electric power on NP in Lithuania's bidding area increased by 42.3% from 35.13 EUR / MWh to 50 EUR / MWh. Such increase in prices was due to global rise in prices of raw materials, climate changes caused by natural anomalies and a limited throughput of 700 MW power connection Nordbalt between Lithuania and Sweden in 3Q-4Q of 2018.

Throughout 2018, the Company continued its trading at power derivatives' exchange Nasdaq Commodities. The trading in financial instruments enables to reduce the risks of fluctuations in the electricity price, engage in trading activities by exploiting the fluctuations in market prices. In 2018, at the Nasdaq Commodities exchange the Company entered into financial derivatives' transactions worth of more than 4.4 TWh as expressed in electricity units. At the Nasdaq Commodities exchange the Company also carries out the market maker functions with regard to instruments linked with the Latvian market prices (EPAD Riga), however, it discontinued these activities as from August 2018.

In 2018, the Company continued its trading in electricity produced from renewable energy sources. At the end of 2018, the Company had over 500 customers purchasing such electricity (their number increased 21% compared to 2017).

The Company focuses on expanding its operations in the foreign markets of neighbouring countries: Latvia and Poland.

As the Company was implementing its strategic goals and pursued consistent expansion of its business, it entered the Polish market of wholesale trade in electricity in 2017 by registering a subsidiary Geton Energy Sp. z o.o. Throughout 2018, Geton Energy Sp. z o.o. was engaged in wholesale trade in physical electricity on the TGE Power Exchange, where it traded over 4 TWh of electricity.

For the purpose of implementing the newly approved strategy of Lietuvos Energija, as well as for defining clearly and consolidating electric power and natural gas trade, supply and related activities, on 1 November 2018 Energijos Sprendimų Centras UAB was merged with the Company, which took over its assets and liabilities, whereas on 17 December 2018 a part of business (engaged in optimization of operations of power plants) was separated from the Company and transferred to the newly established entity Gamybos Optimizavimas UAB.

The Company's vision: to be the leader in power trading and supply in the Baltic Region. The Company's mission – each day to be better than yesterday. The Company's fundamental values match those of Lietuvos Energija Group:

- **Responsibility.** We assume responsibility in accomplishing our goals by taking into consideration the interests of society, employees and our environment.
- **Cooperation.** We strive for the best result by working and creating together.
- **Result.** By adding value to the energy business, we strengthen our national economy.

## Description of the Company's exposure to key risks and contingencies

### *Economic risk*

The Company's activities expose it the risk of change in electricity price (market risk). The Company manages this risk by using derivative financial instruments that establish a fixed price for a part of electricity acquisitions. The remaining part of the risk relating to price change is managed by actively monitoring electricity prices and factors affecting them, and by making timely trading decisions.

As the Company provides energy efficiency improvement services (ESCO), it relies on technological know-how and expertise and selects for its clients the most suitable energy saving measures over the validity term of the contracts with the clients, also invests its funds into the selected measures and their implementation, makes them available for the clients over the validity term of the contracts with clients, and assumes the risks of construction, equipment suitability and operation (guarantees), project implementation in due time and quality.

### *Financial risk*

When performing its activities, the Company is exposed to financial risks, including credit risk, liquidity risk, and interest rate risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's financial performance.

### *Credit risk*

Credit risk arising from the Company's funds held at banks is minimal because the Company's accounts have been opened only with those banks which have been assigned with high credit ratings by foreign rating agencies.

Credit risk arising from settlements of customers, in the management's view, is managed properly: 96% of trade receivables are not past due or past due for 30 days or less; turnover rate of receivables was 53 days in 2018.

### *Liquidity risk*

The liquidity risk is managed by planning the cash flows of the Company. In order to mitigate the liquidity risk, cash flow forecasts are prepared. Short-term financing (credit lines) from both financial institutions and the Company's shareholder are used to manage a short-term mismatch of cash flows (inflows and outflows).

### *Interest rate risk*

Interest rate risk arises largely from current borrowings that may be necessary for the balancing of the working capital and from guarantees issued necessary to secure the fulfilment of liabilities arising from trading activities and a long-term loan intended to finance the energy efficiency improvement projects.

Interest rate risk arising from borrowings obtained from the Lithuanian commercial banks and shareholders is managed by fixing the interest rate for the validity period of the contract.

### *Foreign exchange risk*

Purchase/sale contracts of the Company are denominated mostly in the euro, rarely in other currency. As a result, changes in exchange rates of foreign currencies do not have a significant impact on the Company's equity.

## Analysis of financial and non-financial performance

In 2018, the quantity of electricity supplied by the Company increased by 11% up to 1.73 TWh (2017: 1.55 TWh). The Company's revenue for 2018 totalled EUR 123 million (2017: EUR 78.1 million), and net profit reached EUR 11.8 million (2017: EUR 4.9 million). Net profit increased mainly due to a rise in the value of financial instruments intended for hedging of electric power prices in the market.

In the Lithuanian market of commercial electricity consumers, small and medium enterprises remained the Company's priority segment. The Company's customer base reached 6.9 thousand at the end of 2018.

Financial indicators, (EUR '000)	2018	2017	Change	
Sales revenue	123,057	78,129	44,928	57.5%
EBITDA*	15,288	7,240	8,048	111.2%
Adjusted EBITDA*	586	6,400	-5,814	-90.8%
Net profit	11,753	4,903	6,850	139.7%
Adjusted net profit**	2,949	4,063	7,012	172.6 %
Assets	115,542	50,397	65,145	129.3%
Equity	35,811	25,767	10,044	39.0%
Liabilities	79,731	24,630	55,101	223.7%

\* EBITDA stands for earnings before depreciation, amortisation, write-offs of receivables, impairment of receivables and expenses related to acquisition of a part of business. Adjusted EBITDA stands for EBITDA after elimination of the difference – unrealised gain – between the fair value (*Mark to Market*) and acquisition cost of derivative financial instruments reported in the balance sheet (EUR 14,702 thousand in 2018; EUR 840 thousand in 2017).

\*\* Adjusted net profit stands for the net profit after elimination of the difference –unrealised gain – between the fair value (*Mark to Market*) and acquisition cost of derivative financial instruments reported in the balance sheet (EUR 14 702 thousand in 2018 and EUR 840 thousand in 2017).

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As a result of a more intense use of the credit line financed by the Company's shareholder Lietuvos Energija UAB, current liabilities increased by EUR 50.7 million and reached EUR 73.7 million. In 2018 the Company paid out dividends to its parent company in the amount of EUR 3,000 thousand.

### Information on environmental and personnel-related issues

In its activities, the Company complies with the requirements stipulated in the environmental legislation.

A variable remuneration and performance management system was used for the Company's employees in 2018, based on which remuneration of the Company's employees consists of fixed and variable components. A fixed component of remuneration is established on the basis of a grade level of an employee, which is established in view of the required competences, education, responsibilities assigned to that grade, and importance of the decisions for the Company. A variable component of remuneration is payable for measurable performance results, i.e. based on achieved targets set for each position. In 2018, employees actively took part in 360° competence assessment and engagement surveys.

As at 31 December 2018, the Company had 43 employees, including two on child care leave. As at 31 December 2017, the Company had 31 employees).

### References to or additional explanations of data presented in the annual financial statements

All financial data presented in this annual report is calculated in accordance with the International Financial Reporting Standards and is consistent with the Company's audited financial statements.

### Information on own shares acquired or held by the Company, the number and nominal value of shares acquired or disposed over the reporting period, and the percentage of authorised share capital they represent, information on payment for own shares, provided these shares were acquired or disposed of in exchange for a consideration

As a result of merger of Energijos Sprendimų Centras UAB with the Company on 1 November 2018, the Company's authorised share capital increased by EUR 1,830,000 divided into 1,830,000 ordinary registered shares and totalled EUR 19,070,000 divided into 19,070,000 ordinary registered shares.

As a result of separation of power plant operation optimisation activities from the Company and transferring them to the newly established entity Gamybos Optimizavimas UAB on 31 December 2018, the Company's authorised share capital decreased by EUR 350,000 divided into 350,000 ordinary registered shares and totalled EUR 18,720,000 divided into 18,720,000 ordinary registered shares.

The Company had no own shares at the beginning of the reporting period and did not acquire any own shares during the reporting period.

### Information about the Company's branches and representative offices

The Company had no branches or representative offices during the reporting financial year.

In 2018, the Company had three subsidiaries:

Company	Registered office address	The Company's ownership interest as at 31 December 2018	Authorised share capital	Profile of activities
Geton Energy OÜ	Narva g. 5, 10117 Tallinn, Estonia	100%	EUR 35,000	Retail trade in electricity
Geton Energy SIA	Cēsu iela 31, k-2 LV-1012 Ryga, Latvia	100%	EUR 5,500,000	Retail trade in electricity
Geton Energy Sp. z o.o.	Pulawska g. 2B, Warsaw, 02-566, Poland	100%	EUR 2,339,216 (PLN 10,000,000)	Wholesale trade in electricity

### The Company's management bodies

In accordance with the Company's Articles of Association, the Company's management bodies include as follows:

- The General Meeting of Shareholders;
- The Board;
- The General Manager.

The General Meeting of Shareholders is the supreme management body of the Company. The competence of the General Shareholder Meeting, the procedure of its convocation and decision-making are established by laws, other legal acts and the Company's Articles of Association.

The Board is a collegial management body of the Company, which is accountable to the general meeting of shareholders. The competence of the Board, the procedure of decision-making, election and removal of its members are established by laws, other legal acts and the Articles of Association of the Company.

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The Company's Board consists of 3 (three) members, one of them being an independent member. The Board members are elected for the office term of 4 (four) years.

As from 8 February 2016, the Company's Board consists of as follows:

Full name	Participation of the members of the Board in the management of other companies	Commencement date of the term of office	Expiry date of the term of office	Number of the Company's shares held
Vidmantas Salielis (Chairman)	Lietuvos Energija UAB Member of the Board, Director of Commerce and Services, Lietuvos Energijos Tiekimas UAB, Chairman of the Board Gamybos Optimizavimas UAB, Member of the Board Elektroninių Mokėjimų Agentūra UAB, Member of the Board NT Valdos UAB, Chairman of the Board GetOn Energy SIA, Member of the Board Geton Energy OU, Chairman of the Board Nord Pool AS, Member of the Customer Advisory Board	23 April 2018	7 February 2020	
Dominykas Tučkus	Lietuvos Energija UAB, Member of the Board, Director for Infrastructure and Development Lietuvos Energijos Gamyba AB, Chairman of the Supervisory Council. Lietuvos Energija Renewables UAB, Member of the Board Lietuvos Energijos Tiekimas UAB, Member of the Board. EURAKRAS UAB, Chairman of the Board. TUULEENERGIA OU, Chairman of the Board (Head).	8 February 2016	7 February 2020	-
Ieva Lauraitytė		8 February 2016	23 March 2018	-
Edvardas Jatautas (independent member)	Addendum Solutions UAB, General Manager, Member of the Board.	8 February 2016	8 February 2020	-

The General Manager acts as a single-person management body of the Company. The General Manager organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his own discretion, except for the cases stipulated in the Articles of Association and legal acts. The competence of the General Manager, the procedure of his/her election and removal are established by laws, other legal acts and the Company's Articles of Association. Information on the Company's General Manager is presented below:

Full name	Start date of the duties	End date of the duties	Number of the Company's shares held
Vidmantas Salielis	2 November 2015	2 April 2018	-
Diana Kazakevič (Acting General Manager)	3 April 2018	23 July 2018	-
Ainis Kavaliauskas	24 July 2018	23 July 2023	-

### Information on the committees established

The Company has established the Risk Management Committee, which is comprised of at least three employees of the Company. The main functions of the Risk Management Committee are as follows:



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- to monitor the identification, assessment and management of risks relevant for the achievement of the Company's objectives;
- to assess and monitor the implementation and management of internal control procedures and risk management measures.

### Information on the audit

The Company's auditor – PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania.

### Significant events after the end of the reporting financial year

During the Meeting of Shareholders held on 29 January 2019, a decision was made to approve of the reorganisation of Lietuvos Energijos Tiekimas UAB and Energijos Tiekimas UAB by way of merging Energijos Tiekimas UAB with Lietuvos Energijos Tiekimas UAB.

### The Company's operation plans and prospects

In 2019, the Company plans to generate profits and actively engage in the activities of independent electricity supply, wholesale electricity trade, trade in derivative financial instruments and provision of balancing services.

### Information about the Company's research and development activities

In 2018 the Company did not carry out any research and development activities.

### Financial instruments used

The Company did not use financial and hedging instruments qualifying for hedge accounting. All financial and hedging instruments used by the Company are stated at the fair value in the financial statements (*Mark to Market*).