



**AB KAUNO ENERGIJA**  
CONDENSED INTERIM SET OF CONSOLIDATED AND PARENT COMPANY'S  
FINANCIAL STATEMENTS FOR THE I HALF 2021, PREPARED ACCORDING  
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED  
BY THE EUROPEAN UNION

(UNAUDITED)

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

Pursuant to the Law on Securities of the Republic of Lithuania and to Information Disclosure Rules approved by the decision of the Board of the Bank of Lithuania, we, the management of AB Kauno Energija – General Manager Tomas Garasimavičius, Chief Finance Officer Edmundas Damanskis and Chief Accountant Inga Šliačkovienė confirm that, to the best of our knowledge, the interim financial statement for the I half 2021, have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and give a true and fair view of the Company's assets and liabilities, its financial position, profit (loss) and cash flows.

General Manager

Tomas Garasimavičius

Chief Finance Officer

Edmundas Damanskis

Chief Accountant

Inga Šliačkovienė

## Condensed Interim Statements of Financial Position

	Notes	Group		Company	
		30-06-2021	31-12-2020	30-06-2021	31-12-2020
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Intangible assets</b>		<b>89</b>	<b>117</b>	<b>89</b>	<b>117</b>
Property, plant and equipment	6				
Land and buildings		6,918	7,145	5,857	6,015
Structures		114,854	109,278	114,431	108,824
Machinery and equipment		17,132	18,741	15,598	16,947
Vehicles		430	388	418	375
Devices and tools		2,074	2,238	2,073	2,236
Construction in progress and prepayments		10,256	12,191	10,256	12,191
Investment property		391	401	157	160
<b>Total property, plant and equipment</b>		<b>152,055</b>	<b>150,382</b>	<b>148,790</b>	<b>146,748</b>
<b>Right-of-use assets</b>		<b>1,221</b>	<b>1,266</b>	<b>1,017</b>	<b>1,060</b>
Non-current financial assets					
Investments into subsidiaries		-	-	2,364	2,064
Other financial assets		409	409	409	409
<b>Total non-current financial assets</b>		<b>409</b>	<b>409</b>	<b>2,773</b>	<b>2,473</b>
<b>Total non-current assets</b>		<b>153,774</b>	<b>152,174</b>	<b>152,669</b>	<b>150,398</b>
<b>Current assets</b>					
Inventories and prepayments					
Inventories	7	1,538	1,361	1,294	1,328
Prepayments		508	573	810	485
<b>Total inventories and prepayments</b>		<b>2,046</b>	<b>1,934</b>	<b>2,104</b>	<b>1,813</b>
Amounts receivable within one year					
Trade receivables	8	1,628	6,727	1,628	6,727
Loans to the group companies	21	-	-	443	443
Other receivables	8	951	243	872	194
<b>Total accounts receivable</b>		<b>2,579</b>	<b>6,970</b>	<b>2,943</b>	<b>7,364</b>
<b>Cash and cash equivalents</b>	12	<b>6,727</b>	<b>1,800</b>	<b>6,505</b>	<b>1,675</b>
<b>Assets held for sale</b>		<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>
<b>Total current assets</b>		<b>11,352</b>	<b>10,729</b>	<b>11,552</b>	<b>10,852</b>
<b>Total assets</b>		<b>165,126</b>	<b>162,903</b>	<b>164,221</b>	<b>161,250</b>

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Condensed Interim Statements of Financial Position (continued)

	Notes	Group		Company	
		30-06-2021	31-12-2020	30-06-2021	31-12-2020
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	1	74,476	74,476	74,476	74,476
Legal reserve	13	7,447	7,447	7,447	7,447
Other reserve	13	3,000	2,900	3,000	2,900
Retained earnings (deficit)					
Profit for the current year		5,138	(152)	5,376	57
Profit (loss) for the prior year		4,750	5,002	4,910	4,953
<b>Total retained earnings (deficit)</b>		<b>9,888</b>	<b>4,850</b>	<b>10,286</b>	<b>5,010</b>
<b>Total equity</b>		<b>94,811</b>	<b>89,673</b>	<b>95,209</b>	<b>89,833</b>
<b>Payable amounts and liabilities</b>					
<b>Amounts payable after one year and other long-term liabilities</b>					
Non-current financial liabilities	9	23,540	23,534	22,973	22,967
Financial lease obligations		1,424	1,336	1,214	1,127
Deferred tax liability		5,541	5,541	5,743	5,743
Grants and subsidies		30,268	29,966	29,702	29,319
Employee benefit liability		375	375	365	365
<b>Total non-current liabilities</b>		<b>61,148</b>	<b>60,752</b>	<b>59,997</b>	<b>59,521</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings and financial lease	9	1,436	3,011	1,423	2,434
Trade payables		4,736	6,802	4,688	6,852
Employment-related liabilities		826	600	813	589
Advances received		510	645	510	644
Taxes payable		211	387	207	367
Derivative financial instruments	11	3	6	-	-
Current portion of employee benefit liability		7	135	6	134
Other provisions	10	598	647	598	647
Accruals and deferred income		676	137	668	121
Other current liabilities		164	108	102	108
<b>Total current liabilities</b>		<b>9,167</b>	<b>12,478</b>	<b>9,015</b>	<b>11,896</b>
<b>Total liabilities</b>		<b>70,315</b>	<b>73,230</b>	<b>69,012</b>	<b>71,417</b>
<b>Total equity and liabilities</b>		<b>165,126</b>	<b>162,903</b>	<b>164,221</b>	<b>161,250</b>

(the end)

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

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

Group	Notes	2021 II quarter	2021 I half	2020 II quarter	2020 I half
<b>Revenue</b>					
Sales income	14	6,733	27,093	5,037	25,247
Other operating income	16	2,750	3,030	139	688
<b>Total operating income</b>		<b>9,483</b>	<b>30,123</b>	<b>5,176</b>	<b>25,935</b>
<b>Expenses</b>					
Fuel and heat acquired		(3,280)	(13,825)	(2,063)	(13,625)
Salaries and social security		(1,643)	(3,370)	(1,543)	(3,179)
Depreciation and amortization		(1,803)	(3,632)	(1,794)	(3,614)
Repairs and maintenance		(128)	(342)	(185)	(384)
Change in impairment of accounts receivable	8	141	158	184	(383)
Taxes other than income tax		(500)	(1,044)	(456)	(900)
Electricity		(232)	(690)	(210)	(573)
Raw materials and consumables		(123)	(268)	(90)	(238)
Water		(270)	(570)	(277)	(569)
Change in net realisable value and impairment of non-current assets	7	45	37	(5)	(100)
Other operating expenses	15	(449)	(973)	(397)	(991)
Other activities expenses	16	(64)	(158)	(78)	(154)
<b>Total expenses</b>		<b>(8,306)</b>	<b>(24,677)</b>	<b>(6,914)</b>	<b>(24,710)</b>
<b>Operating profit (losses)</b>		<b>1,177</b>	<b>5,446</b>	<b>(1,738)</b>	<b>1,225</b>
Other interest and similar income	17	286	330	43	93
Interest and other similar expenses	18	(29)	(61)	(99)	(202)
<b>Finance cost, net</b>		<b>257</b>	<b>269</b>	<b>(56)</b>	<b>(109)</b>
<b>Profit before income tax</b>		<b>1,434</b>	<b>5,715</b>	<b>(1,794)</b>	<b>1,116</b>
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
<b>Net profit (loss) of the reporting period</b>		<b>1,434</b>	<b>5,715</b>	<b>(1,794)</b>	<b>1,116</b>
Other provisions, which will be reclassified subsequently to profit or loss		(577)	(577)	(236)	(918)
<b>Comprehensive income</b>		<b>857</b>	<b>5,138</b>	<b>(2,030)</b>	<b>198</b>
<b>Net profit (loss) of the reporting period attributable to net owners of the Company</b>		<b>1,434</b>	<b>5,715</b>	<b>(1,794)</b>	<b>1,116</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>857</b>	<b>5,138</b>	<b>(2,030)</b>	<b>198</b>
<b>Basic and diluted earnings per share (EUR)</b>	19	<b>0.03</b>	<b>0.13</b>	<b>(0.04)</b>	<b>0.03</b>

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

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

Company	Notes	2021 II quarter	2021 I half	2020 II quarter	2020 I half
<b>Revenue</b>					
Sales income	14	6,734	27,098	5,037	25,251
Other operating income	16	2,711	2,957	117	634
<b>Total operating income</b>		<b>9,445</b>	<b>30,055</b>	<b>5,154</b>	<b>25,885</b>
<b>Expenses</b>					
Fuel and heat acquired		(3,280)	(13,974)	(2,070)	(14,246)
Salaries and social security		(1,635)	(3,325)	(1,510)	(3,100)
Depreciation and amortization		(1,663)	(3,351)	(1,654)	(3,332)
Repairs and maintenance		(124)	(336)	(181)	(376)
Change in impairment of accounts receivable	8	146	167	188	(377)
Taxes other than income tax		(493)	(1,030)	(449)	(887)
Electricity		(223)	(640)	(202)	(498)
Raw materials and consumables		(123)	(265)	(89)	(232)
Water		(270)	(569)	(277)	(568)
Change in net realisable value and impairment of non-current assets	7	45	37	(5)	(100)
Other operating expenses	15	(443)	(956)	(387)	(966)
Other activities expenses	16	(61)	(138)	(56)	(113)
<b>Total expenses</b>		<b>(8,124)</b>	<b>(24,380)</b>	<b>(6,692)</b>	<b>(24,795)</b>
<b>Operating profit (losses)</b>		<b>1,321</b>	<b>5,675</b>	<b>(1,538)</b>	<b>1,090</b>
Other interest and similar income	17	286	329	42	92
Interest and other similar expenses	18	(25)	(51)	(92)	(187)
<b>Finance cost, net</b>		<b>261</b>	<b>278</b>	<b>(50)</b>	<b>(95)</b>
<b>Profit before income tax</b>		<b>1,582</b>	<b>5,953</b>	<b>(1,588)</b>	<b>995</b>
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
<b>Net profit (loss) of the reporting period</b>		<b>1,582</b>	<b>5,953</b>	<b>(1,588)</b>	<b>995</b>
Other provisions, which will be reclassified subsequently to profit or loss		(577)	(577)	(236)	(918)
<b>Comprehensive income</b>		<b>1,005</b>	<b>5,376</b>	<b>(1,824)</b>	<b>77</b>
<b>Basic and diluted earnings per share (EUR)</b>	19	<b>0.04</b>	<b>0.14</b>	<b>(0.04)</b>	<b>0.02</b>

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

## Condensed Interim Statement of Changes in Equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
<b>Balance as of 31 December 2019</b>		<b>74,476</b>	<b>7,447</b>	<b>2,900</b>	<b>5,002</b>	<b>89,825</b>
Net profit (loss) of the reporting period		-	-	-	1,116	1,116
Other comprehensive income		-	-	-	(918)	(918)
<b>Balance as of 30 June 2020</b>		<b>74,476</b>	<b>7,447</b>	<b>2,900</b>	<b>5,200</b>	<b>90,023</b>
Net profit (loss) of the reporting period		-	-	-	(488)	(488)
Other comprehensive income		-	-	-	138	138
<b>Balance as of 31 December 2020</b>		<b>74,476</b>	<b>7,447</b>	<b>2,900</b>	<b>4,850</b>	<b>89,673</b>
Transferred to reserves	13	-	-	3,000	(3,000)	-
Transferred from reserves	13	-	-	(2,900)	2,900	-
Net profit (loss) of the reporting period		-	-	-	5,715	5,715
Other comprehensive income		-	-	-	(577)	(577)
<b>Balance as of 30 June 2021</b>		<b>74,476</b>	<b>7,447</b>	<b>3,000</b>	<b>9,888</b>	<b>94,811</b>

Company	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
<b>Balance as of 31 December 2019</b>		<b>74,476</b>	<b>7,447</b>	<b>2,900</b>	<b>4,953</b>	<b>89,776</b>
Net profit (loss) of the reporting period		-	-	-	995	995
Other comprehensive income		-	-	-	(918)	(918)
<b>Balance as of 30 June 2020</b>		<b>74,476</b>	<b>7,447</b>	<b>2,900</b>	<b>5,030</b>	<b>89,853</b>
Net profit (loss) of the reporting period		-	-	-	(158)	(158)
Other comprehensive income		-	-	-	138	138
<b>Balance as of 31 December 2020</b>		<b>74,476</b>	<b>7,447</b>	<b>2,900</b>	<b>5,010</b>	<b>89,833</b>
Transferred to reserves	13	-	-	3,000	(3,000)	-
Transferred from reserves	13	-	-	(2,900)	2,900	-
Dividends		-	-	-	-	-
Net profit (loss) of the reporting period		-	-	-	5,953	5,953
Other comprehensive income		-	-	-	(577)	(577)
<b>Balance as of 30 June 2021</b>		<b>74,476</b>	<b>7,447</b>	<b>3,000</b>	<b>10,286</b>	<b>95,209</b>

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

## Condensed Interim Statements of Cash Flows

	Group		Company	
	2021 I half	2020 I half	2021 I half	2020 I half
<b>Cash flows from (to) operating activities</b>				
Comprehensive income	<b>5,138</b>	<b>198</b>	<b>5,376</b>	<b>77</b>
<b>Adjustments for non-cash items:</b>				
Depreciation and amortization	4,675	4,580	4,305	4,207
Change in impairment of accounts receivable	(152)	388	(167)	377
Interest expenses	61	202	51	187
Change in fair value of derivatives	(3)	(3)	-	-
Loss (profit) from sale and write-off of property, plant and equipment and value of the shares	(31)	(422)	(31)	(422)
(Amortization) of grants	(863)	(785)	(782)	(704)
Change in net realisable value and impairment of non-current assets	(37)	100	(37)	100
Change employee benefit liability	-	1	-	-
Change in accruals	466	(9)	449	3
Change in provisions	49	918	49	918
Elimination of other financial and investing activity results	(327)	(90)	(329)	(91)
<b>Total adjustments for non-cash items</b>	<b>3,838</b>	<b>4,880</b>	<b>3,508</b>	<b>4,575</b>
<b>Changes in working capital:</b>				
(Increase) decrease in inventories	(142)	92	69	36
(Increase) decrease in prepayments	65	315	(325)	343
(Increase) decrease in trade receivables	5,248	6,533	5,256	6,539
(Increase) decrease in other receivables	(670)	398	(633)	402
(Decrease) increase in non-current trade payables	-	(3)	-	(3)
(Decrease) increase in trade payables and advances received	(2,200)	(1,709)	(2,298)	(1,926)
(Decrease) increase in employment-related liabilities	98	109	96	101
Increase (decrease) in tax payable	(176)	(373)	(160)	(311)
Increase (decrease) in received prepayments	(1)	(5)	-	(5)
Increase (decrease) in other current liabilities	56	10	(6)	10
<b>Total changes in working capital:</b>	<b>2,278</b>	<b>5,367</b>	<b>1,999</b>	<b>5,186</b>
<b>Net cash flows from operating activities</b>	<b>11,254</b>	<b>10,445</b>	<b>10,883</b>	<b>9,838</b>

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**Condensed Interim Statements of Cash Flows (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2021 I half</b>	<b>2020 I half</b>
<b>Cash flows from (to) the investing activities</b>				
Acquisition of property, plant, equipment and intangible assets	(6,179)	(7,167)	(6,179)	(7,167)
Proceeds from sale of property, plant and equipment	53	525	53	525
Interest received for overdue accounts receivable	327	90	329	91
Loans granted, changes in value	-	-	(300)	-
<b>Net cash flows from investing activities</b>	<b>(5,799)</b>	<b>(6,552)</b>	<b>(6,097)</b>	<b>(6,551)</b>
<b>Cash flows from (to) financing activities</b>				
(Repayment) of loans	(1,560)	(2,513)	(993)	(1,946)
Interest (paid)	(55)	(79)	(50)	(67)
Lease payments	(43)	(63)	(43)	(63)
Received grants	1,130	639	1,130	639
<b>Net cash flows from (used in) financing activities</b>	<b>(528)</b>	<b>(2,016)</b>	<b>44</b>	<b>(1,437)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>4,927</b>	<b>1,877</b>	<b>4,830</b>	<b>1,850</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,800</b>	<b>2,219</b>	<b>1,675</b>	<b>1,940</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6,727</b>	<b>4,096</b>	<b>6,505</b>	<b>3,790</b>

*(the end)*

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

## Condensed interim explanatory notes to financial statements

### 1. General information

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

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

As of 30 June 2021 and as of 31 December 2020, the shareholders of the Company were as follows:

	30-06-2021		31-12-2020	
	Number of shares owned (unit)	Percentage of ownership (percent)	Number of shares owned (unit)	Percentage of ownership (percent)
Kaunas city municipality	39,736,058	92.84	39,736,058	92.84
Kaunas district municipality	1,606,168	3.75	1,606,168	3.75
Jurbarkas district municipality	746,405	1.74	746,405	1.74
Other minor shareholders	713,512	1.67	713,512	1.67
	<u>42,802,143</u>	<u>100.00</u>	<u>42,802,143</u>	<u>100.00</u>

The authorised share capital of AB Kauno Energija is in the amount of EUR 74,475,728.82 and it is divided into 42,802,143 ordinary nominal shares with the par value of 1.74 euros. As of 30 June 2021 and 31 December 2020, the Company did not hold any own shares. All shares were fully paid as of 30 June 2021 and as of 31 December 2020.

The name of the Company's subsidiary UAB Kauno Energija NT was changed by the decision of Company's shareholders. The name of UAB Kauno Energija NT is UAB GO Energy LT starting from 19 August 2020. Other details of the company remain unchanged, all concluded contracts remain valid.

It was decided by the decision of the Management Board of the Company No. 2021-4-2 of March 24, 2021 to increase the share capital of UAB GO Energy LT by EUR 1,433,085.60 by issuing 49,485 shares with a par value of EUR 28.96 each, paying for the issue with real estate and a cash contribution. The Company contributed a partial monetary contribution in amount of EUR 300 thousand on June 23, 2021.

As of 30 June 2021, the Company and the subsidiaries UAB GO Energy LT and UAB Petrašiūnų Katilinė comprise the Group (hereinafter – the Group):

Company	Principal place of business	Share held by the Group	Cost of investment	Profit (loss) for the year	Total equity	Main activities
UAB GO Energy LT	Savanorių Ave. 347, Kaunas	100 percent	1,630	44	1,421	Rent
UAB Petrašiūnų Katilinė	R. Kalantos st. 49, Kaunas	100 percent	1,894	(190)	347	Heat production

In 2021 the average number of employees at the Group was 357, the average number of employees at the Company was 345.

## 1. General information (continued)

### Legal Regulations

According to the Law on Heat Industry of the Republic of Lithuania, the Company's activities are licensed and regulated by the National Energy Regulatory Council (hereinafter the Council). On 26 February 2004 the Council granted the Company the heat distribution license. The license has indefinite maturity, but is subject to meeting certain requirements and may be revoked based on the respective decision of the Council. The Council also sets price cap for the heat supply. On the 13 September 2018 the Council determined by its decision No. 03E-283 a new basic heat rates force components for the period till 30 November 2021. According to the heat pricing methodology, base heat costs and prices (price constituents) are applied during the second and subsequent years by recalculating and adjusting the heat price constituents.

On the 2 September 2019 the Council determined by its decision No. 03E-351 a new basic heat rates force components to UAB Petrašiūnų katilinė for the period till 30 September 2024.

### Operational Activity

AB Kauno Energija and UAB Fortum Heat Lietuva entered into an agreement on the purchase and sale of the Palemonas heat economy in Kaunas on January 8, 2020, according to which AB Kauno Energija acquired a boiler house with heat supply networks and related equipment from UAB Fortum Heat Lietuva and from February 1, 2020 started heat supply activities in Palemonas. The agreement was concluded following the decision of the Extraordinary General Meeting of Shareholders of the Company of October 2, 2015 "On the purchase of Palemonas heat economy" and according to the decision of the Management Board of the Company of July 20, 2017 "On the Acquisition of the Heat Economy in Palemonas".

Company's generation capacities include Petrašiūnai power plant, 4 boiler-houses in Kaunas integrated network, 7 district boiler-houses in Kaunas district, 1 regional boiler-house in Jurbarkas city, 14 boiler-houses in isolated networks and 26 local boiler-house in Kaunas city and 8 water heating boiler-houses in Sargėnai catchment. Group's generation capacities consist of Company's generation capacities and 1 subsidiary boiler-house in Kaunas.

On April 2021 a new diesel burned water heating boiler with a capacity of 1.86 MW has been installed in the Ežerėlis boiler house. As of 30 June 2021 total installed heat generation capacities of the Group consist of approx 685 MW (including 48 MW of condensational economizers) and total power generation capacities of the whole Group consist of approx 694 MW (including 48 MW of condensational economizers). Total installed heat generation capacities of Company amount to 666 MW (including 48 MW of condensing economizers). Electricity generation capacities amount up to 8.75 MW, 314.6 MW of heat generation capacities (including 17.8 MW condensing economizer) and 8 MW of electricity generation capacities are located in Petrašiūnai power plant. 39.4 MW of heat generation capacities (including 4.4 MW condensing economizer) are located in Jurbarkas city. Total Company's power generation capacities consist of approx 675 MW (including 48 MW of condensing economizers).

The Company makes investments estimating economic situation, competition and financing possibilities. Investment plans are approved by shareholders, and regulated and controlled by Council.

## 2. Basis of the preparation of financial statements

Condensed interim financial statements of the Company and the Group for the six months ended 30 June 2021 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and applied to interim financial reporting (International Accounting Standard (IAS) 34 Interim Financial Reporting). This unaudited financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

## 2. Basis of the preparation of financial statements (continued)

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

All accounting policies used in preparing the condensed interim financial information are the same as those applied for the preparation of the annual financial statements for 2020.

There are no new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group/Company.

The presentation currency is euro. These financial statements are presented in thousands of euro, unless otherwise stated.

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

Management of the Company approved these interim financial statements on 27 July 2021.

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

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

The principal future assumptions and other significant sources of estimation uncertainty at the interim financial reporting date that pose a significant risk that may require a significant adjustment to the carrying amounts of assets or liabilities for the next financial year are the same as those described in the last annual separate and consolidated financial statements.

## 4. Lease definition

Until 1 January 2019, when signing contracts, the Group and the Company assessed whether the contract meets the definition of a lease in accordance with IFRIC 4 *Determining whether an arrangement contains a lease*. From 1 January 2019, upon the conclusion of the contract, an assessment of whether the contract is a lease or contains a lease is made on the basis of the new definition. Under IFRS 16, a contract is a lease or contains a lease, if it grants the right to control the use of the identified asset for a specified period in return for consideration.

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

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

#### **4. Lease definition (continued)**

The Group and the Company present right-of-use assets in 'Right-of-use assets' item as at 30 June 2021: EUR 1,221 thousand and EUR 1,017 thousand (as at 31 December 2020: EUR 1,266 thousand and EUR 1,060 thousand, respectively).

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

#### **5. Fair value determination**

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

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

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

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

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

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

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

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

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

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

The assets and liabilities that are measured at fair value in the statement of financial position or the fair value of which is not determined, but the information about which is disclosed, are classified by the Group and the

## **5. Fair value determination (continued)**

Company according to the fair value hierarchy, where the variables are divided into three levels, depending on their availability:

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

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

## **6. Property, plant and equipment**

During the six months period of the year 2021, non-current assets acquired by the Group and the Company amounted to EUR 6.321 thousand and EUR 6.321 thousand, the carrying amount of the disposals amounted to EUR 21 thousand and EUR 21 thousand.

As at 30 June 2021, depreciation of the Group's and the Company's property, plant and equipment amounts to EUR 3,772 thousand and EUR 3,483 thousand, respectively (at 31 December 2020: EUR 7,721 thousand and EUR 7,140 thousand, respectively). The Group's and the Company's depreciation charges of EUR 3,731 thousand and EUR 3,451 thousand (at 31 December 2020: EUR 7,658 thousand and EUR 7,095 thousand) were included in the operating expenses in the statements of Profit (loss) and Other Comprehensive Income. The remaining depreciation costs of EUR 41 thousand and EUR 32 thousand (at 31 December 2020: EUR 63 thousand and EUR 45 thousand) are stated under other activity expenses in the statements of Profit (loss) and Other Comprehensive Income.

The management of the Group and the Company, having assessed the internal and external features, didn't estimated decrease for the property, plant and equipment in 2021 (EUR 3 thousand – during 2020). During the six months period of the year 2021, the management of the Group and the Company reversed the impairment of EUR 10 thousand (EUR 22 thousand – during 2020).

As of 30 June 2021, part of the property, plant and equipment of the Group with acquisition cost of EUR 62,247 thousand (EUR 60,667 thousand as of 31 December 2020) and the Company – EUR 62,131 thousand (EUR 60,551 thousand as of 31 December 2020) were fully depreciated, but were still in active use.

As of 30 June 2021 the Group and the Company accounted for assets, not yet ready for use, amounting to EUR 67 thousand in the category Equipment and tools (EUR 90 thousand as of 31 December 2020).

The Group and The Company use assets in their operations, acquired by leasing. The acquisition cost of this asset was EUR 417 thousand as of 30 June 2021 (EUR 310 thousand in 2020 respectively), and the net book value respectively EUR 287 thousand as of 30 June 2021 (EUR 207 thousand as of 31 December 2020).

As of 30 June 2021 and as of 31 December 2020, the major part of the Group's and the Company's construction in progress consisted of reconstruction and overhaul works of boiler-houses equipment and heat supply networks.

As of 30 June 2021, property, plant and equipment of the Group with the carrying amount of EUR 11,626 thousand (EUR 11,896 thousand as of 31 December 2020) and the Company of EUR 9,386 thousand (EUR 9,381 thousand as of 31 December 2020) was pledged to banks to secure the loans.

## 7. Inventories

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Technological fuel	1,029	1,125	1,029	1,093
Spare parts	824	623	580	623
Materials	467	431	467	430
	<b>2,320</b>	<b>2,179</b>	<b>2,076</b>	<b>2,146</b>
Less: write-down to the net realisable value of inventory at the end of the period	(782)	(818)	(782)	(818)
<b>Carrying amount of inventories</b>	<b>1,538</b>	<b>1,361</b>	<b>1,294</b>	<b>1,328</b>

Revaluation of the Group's and the Company's inventories to net realisable value as at 30 June 2021 amounted to EUR 782 thousand (at 31 December 2020: EUR 818 thousand). Change in the revaluation of the inventories to net realisable value in the Group's and the Company's statements of Profit (Loss) and Other Comprehensive Income is included in the change of impairment of the realisable value of inventories and the value of property, plant and equipment.

## 8. Current accounts receivable

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Trade receivables, gross	7,125	12,735	7,124	12,736
Less: expected credit losses	(5,497)	(6,008)	(5,496)	(6,009)
	<b>1,628</b>	<b>6,727</b>	<b>1,628</b>	<b>6,727</b>

Change in the impairment of doubtful receivables as at 30 June 2021 and 31 December 2020 is included in the caption of write-offs and change in allowance for accounts receivables in the Group's and the Company's statements of Profit (loss) and Other Comprehensive Income. Impairment of doubtful receivables is estimated based on the expected credit losses.

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

	Group	Company
<b>Balance as of 31 December 2019</b>	<b>6,886</b>	<b>6,887</b>
Expected credit losses recognised	(17)	(17)
Write-off	(861)	(861)
<b>Balance as of 31 December 2020</b>	<b>6,008</b>	<b>6,009</b>
Expected credit losses recognised	(149)	(151)
Write-off	(362)	(362)
<b>Balance as of 30 June 2021</b>	<b>5,497</b>	<b>5,496</b>

## 8. Current accounts receivable (continued)

During the six months period of the year 2021 the Group and the Company wrote off EUR 362 thousand and EUR 362 thousand of bad debts respectively (in 2020 – EUR 861 thousand and EUR 861 thousand).

Analysis of the Group's net trade receivables as at 30 June 2021 and 31 December 2020:

	Trade receivables not past due	Trade receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2021	1,058	258	205	63	8	36	1,628
2020	6,248	309	35	33	49	53	6,727

Analysis of the Company's net trade receivables as at 30 June 2021 and 31 December 2020:

	Trade receivables not past due	Trade receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2021	1,058	258	205	63	8	36	1,628
2020	6,248	309	35	33	49	53	6,727

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

As of 30 June 2021 and 31 December 2020, the Group's and the Company's other receivables included taxes receivable from the state budget, compensations from municipalities for low income families, receivables for sold inventories (metal scrap, heating equipment) and services supplied (maintenance of manifolds and similar services).

Other receivables of the Group and the Company:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Taxes	247	16	239	7
Other receivables	994	523	955	522
Less: expected credit losses	(290)	(296)	(322)	(335)
	<b>951</b>	<b>243</b>	<b>872</b>	<b>194</b>



## 8. Current accounts receivable (continued)

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

	<b>Group</b>	<b>Company</b>
<b>Balance as of 31 December 2019</b>	<b>300</b>	<b>350</b>
Expected credit losses recognised	(1)	(12)
Write-off	(3)	(3)
<b>Balance as of 31 December 2020</b>	<b>296</b>	<b>335</b>
Expected credit losses recognised	(3)	(10)
Write-off	(3)	(3)
<b>Balance as of 30 June 2021</b>	<b>290</b>	<b>322</b>

The ageing analysis of the Group's other receivables (excluding receivable taxes) as of 30 June 2021 and as of 31 December 2020 is as follows:

	<b>Other receivables not past due</b>	<b>Other receivables past due</b>					<b>Total</b>
		<b>Less than 60 days</b>	<b>60 - 150 days</b>	<b>151 - 240 days</b>	<b>241 - 360 days</b>	<b>More than 360 days</b>	
<b>2021</b>	642	38	6	5	5	8	704
<b>2020</b>	174	16	14	10	5	8	227

The ageing analysis of the Company's other receivables (excluding receivable taxes) as of 30 June 2021 and as of 31 December 2020 is as follows:

	<b>Other receivables not past due</b>	<b>Other receivables past due</b>					<b>Total</b>
		<b>Less than 60 days</b>	<b>60 - 150 days</b>	<b>151 - 240 days</b>	<b>241 - 360 days</b>	<b>More than 360 days</b>	
<b>2021</b>	571	38	6	5	5	8	633
<b>2020</b>	134	16	14	10	5	8	187

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

According to the management opinion, there are no indications as of the reporting date that the debtors will not meet their payment obligations regarding trade receivables and other receivables that are neither impaired nor past due.

## 8. Current accounts receivable (continued)

### Credit risk

The Group and the Company do not have any credit concentration risk because they work with a large number of customers.

Customers	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Private persons	117,169	116,807	117,169	116,807
Other legal entities	2,716	2,681	2,717	2,682
Legal entities financed from municipalities' and state budget	522	521	522	521
	<b>120,407</b>	<b>120,009</b>	<b>120,408</b>	<b>120,010</b>

Trade receivables of the Group and the Company by the customer groups:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Private persons	1,434	5,284	1,434	5,284
Other legal entities	118	813	118	813
Legal entities financed from municipalities' and state budget	76	630	76	630
	<b>1,628</b>	<b>6,727</b>	<b>1,628</b>	<b>6,727</b>

## 9. Financial liabilities

All loans of the Group and the Company are accounted for and repaid in euros. The weighted average of the interest rate (%) on the outstanding loans was as follows:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Non-current borrowings	0.32	0.36	0.30	0.33

On August 7, 2020 the Company signed a loan agreement with the European Investment Bank in amount of EUR 55 million. The Extraordinary General Meeting of Shareholders of AB Kauno Energija approved the contract on August 4, 2020.

The loan will be used in 5 years to finance the Company's investment program and cover loans. The Company plans to invest in the installation of innovative heat and cooling production facilities using renewable energy sources, digitalization of processes, as well as modernization of pipelines and construction of new pipelines during the next 5 years.

A part of the loan in amount of EUR 15 million was withdrawn on August 24, 2020.

The Company used a part of the loan to repay existing loans.

## 9. Financial liabilities (continued)

Terms of repayment of non-current borrowings are as follows:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
<b>Non-current borrowings:</b>	<b>23,534</b>	<b>23,534</b>	<b>22,967</b>	<b>22,967</b>
Payable in 2 to 5 years	8,499	8,499	7,932	7,932
Payable in more than 5 years	15,035	15,035	15,035	15,035
Current portion of non-current borrowings	1,316	2,876	1,316	2,309
	<b>24,850</b>	<b>26,410</b>	<b>24,283</b>	<b>25,276</b>

The Group and the Company accounted for interest payable to financial institutions by amounts of EUR 6 thousand and EUR 6 thousand, respectively, which were stated under non-current liabilities in the statement of financial position as at 30 June 2021.

Detailed information on the loans of the Group as of 30 June 2021:

	Credit institution	Date of contract	Sum EUR thousand	Term of maturity	Balance as of 30/06/2021 EUR thousand	A Part of 2021, EUR thousand
1	MF Lithuania*	09/04/2010	2,410	15/03/2034	1,217	-
2	MF Lithuania*	26/10/2010	807	15/03/2034	500	-
3	Luminor**	22/08/2012	3,403	29/04/2022	567	-
4	MF Lithuania*	15/01/2014	793	01/12/2034	582	42
5	MF Lithuania*	31/03/2014	7,881	01/12/2034	5,789	413
6	EIB***	07/08/2020	15,000	24/08/2035	14,250	500
7	AB SEB Bank	22/12/2016	4,127	30/11/2024	1,945	361
					<b>24,850</b>	<b>1,316</b>

\* LR Ministry of Finance; \*\* Luminor bank AS; \*\*\* European Investment Bank.

According to loan agreement signed between Luminor Bank AS and the Group's subsidiary UAB Petrašiūnų Katilinė on 22 August 2012, the subsidiary has to comply with following covenants: equity capital ratio (including support granted by the Lithuanian Business Support Agency) at least 40 %, DSCR not less than 1.3, and total financial debt to EBITDA ratio should be not more than 3.0. UAB Petrašiūnų Katilinė does not comply with all financial ratios as determined by the bank. The mentioned loan is secured by issuing a guarantee to the bank as described in Note 20.

## 9. Financial liabilities (continued)

Detailed information on the loans of the Company as of 30 June 2021:

	Credit institution	Date of contract	Sum EUR thousand	Term of maturity	Balance as of 30/06/2021 EUR thousand	A Part of 2021, EUR thousand
1	MF Lithuania*	09/04/2010	2,410	15/03/2034	1,217	-
2	MF Lithuania*	26/10/2010	807	15/03/2034	500	-
3	MF Lithuania*	15/01/2014	793	01/12/2034	582	42
4	MF Lithuania*	31/03/2014	7,881	01/12/2034	5,789	413
5	EIB***	07/08/2020	15,000	24/08/2035	14,250	500
6	AB SEB Bank	22/12/2016	4,127	30/11/2024	1,945	361
					<b>24,283</b>	<b>1,316</b>

\* LR Ministry of Finance; \*\* Luminor bank AB; \*\*\* European Investment Bank.

AB SEB Bankas has determined that the Company must comply with the quarterly net financial debt / EBITDA ratio, which must not exceed 4.5. According to loan agreement between the Company and the bank, the Company's own equity ratio (equity/total assets), shall not be lower than 35 %. The requirements of the European Investment Bank also stipulate that the Company must comply with both of these indicators. The Company complied with financial covenants as at 30 June 2021 and 31 December 2020.

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

The immovable property (Note 6), bank accounts (Note 12) and land lease right of the Group and the Company were pledged as collateral for the borrowings.

## 10. Other provisions

The costs of the heat generation capacity reservation service shall be included in the basic heat price as one of the components in accordance with the methodology established by the Council. During the last year, after the Company has installed new production facilities and modernized the existing ones, the heat capacity reservation service has not been purchased since 2020 and no heat production capacity reserve costs incurred accordingly. At the end of 2019, the Company applied to the Council with a request not to include in the heat price the non-incurred costs of the capacity reserve, but the recalculation of the heat price in the Council was approved only from November 2020. Without waiting for the decision of the Council, the Company has formed a provision since the beginning of the year to reimburse the costs of the capacity reserve non-incurred but paid at the price and starting from the autumn of heating season began to repay this accumulated overpayment from the provision, reducing the price to consumers. The Company during 2020 has formed a provision for capacity reserve tax in amount of EUR 959 thousand to cover future price reduction commitments. During November and December of the year 2020, EUR 312 thousand were returned to consumers by reducing the price. During 2021 – EUR 626 thousand. The amount of the provision and the liability decreased accordingly. The amount of the formed provision as of 31 March, 2021 was EUR 21 thousand (EUR 647 thousand as of 31 December 2020).

## 10. Other provisions (continued)

Article 17 of the Law on Heat Economy of the Republic of Lithuania stipulates that consumers must be provided with the technical possibilities of uninterrupted heat supply when it is temporarily impossible to use the main heat supply system. However, if consumers use the heat supply system only as a back-up, they must compensate the heat supplier for the back-up capacity. Kaunas Clinics Hospital of the Lithuanian University of Health Sciences (hereinafter - Kaunas Clinics) are included in the list of health institutions that require a reserve heating device, approved by the writing of Ministry of Health of the Republic of Lithuania No. 10-(13.6-20) -2280 of May 13, 2004.

Kaunas Regional Court awarded the Company with EUR 2,515,622.48 from Kaunas Clinics by the decision which entered into force on June 8, 2020 for the reserve capacity provision service provided during the period of January 1, 2010 – 31 May, 2019 (Note 20). Taking into account that part of the costs of the reserve power service and return on investment in amount of EUR 576,627 was included in the heat price applied to the Company's heat consumers, the final heat price will be reduced with this sum. The Board of the Company adopted the decision No. 2021-9-1 on June 22, 2021 "Regarding the determination of additional constituents of the heat price of AB Kauno Energija" to reimburse these costs to consumers. The Company formed a provision in amount of EUR 576,627 on June 30, 2021.

## 11. Derivative financial instruments

On 16 December 2016, the Group entered into an interest rate SWAP agreement. According to the agreement, the Group pays to the bank a fixed interest rate (0.21 %), while the bank pays to the Group a variable interest rate of 6 months EURIBOR. The nominal value of the transaction was EUR 567 thousand as at 30 June 2021. This derivative instrument is recognized at fair value calculated by the bank as at 30 June 2021– EUR 3 thousand (31 December 2020 – EUR 6 thousand).

## 12. Cash and cash equivalents

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Cash in transit	115	109	114	110
Cash at bank	6,612	1,691	6,391	1,565
	<b>6,727</b>	<b>1,800</b>	<b>6,505</b>	<b>1,675</b>

The Group's accounts in banks amounting to EUR 1,488 thousand as of 30 June 2021 (as of 31 December 2020 – EUR 366 thousand) and the Company's to EUR 1.482 thousand as of 30 June 2021 (as of 31 December 2020 – EUR 287 thousand) are pledged as collateral for the loans (Note 9).

## 13. Changes in equity

### Legal and other reserves

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

The Company cancelled other reserves (EUR 2,900 thousand) by the decision of the shareholders of April 30, 2021, transferred EUR 3,000 thousand from retained earnings to other reserves, i. e. the reserve of EUR 2,950 thousand has been formed for the implementation of investments and the reserve of EUR 50 thousand for charity.

### 13. Changes in equity (continued)

The reserves were not re-formed on April 30, 2020 by the decision of the Company's shareholders.

On 26 April, 2019 the Company annulled other reserves (EUR 100 thousand) by the decision of shareholders, EUR 1,012 thousand transferred from retained earnings to legal reserve and EUR 2,900 thousand to other reserves. Other reserves was formed: for support – EUR 50 thousand, for implementation of investments – EUR 2,850 thousand.

#### Annual payments

The Company allocated EUR 470 thousand on April 26, 2019 from the distributable profit of the year 2018 to the members of the Board and the Supervisory Council, employee bonuses and other purposes in accordance with the decision of the shareholders.

#### Dividends

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

In 2020 year the result of 2019 is left in unallocated profit.

### 14. Sales income

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

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

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

	<b>Group</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
Heat supplies	25,145	23,322	37,147
Hot water supplies	1,542	1,581	2,935
Maintenance of hot water meters	226	214	433
Maintenance of manifolds	174	124	268
Maintenance of heat and hot water systems	6	6	11
Sale of emission allowances	-	-	1,236
	<b>27,093</b>	<b>25,247</b>	<b>42,030</b>

  

	<b>Company</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
Heat supplies	25,150	23,326	37,153
Hot water supplies	1,542	1,581	2,935
Maintenance of hot water meters	226	214	433
Maintenance of manifolds	174	124	268
Maintenance of heat and hot water systems	6	6	11
Sale of emission allowances	-	-	1,236
	<b>27,098</b>	<b>25,251</b>	<b>42,036</b>

#### 14. Sales income (continued)

Sales income by user groups:

	<b>Group</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
Residents	20,561	19,582	31,815
Other users	2,767	2,496	5,138
Budgetary organizations financed from the state budget	1,924	1,799	2,785
Budgetary organizations financed from municipal budgets	1,300	1,119	1,791
Institutions funded by Territorial Health Insurance funds	429	136	340
Industrial users	112	115	161
	<b>27,093</b>	<b>25,247</b>	<b>42,030</b>

	<b>Company</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
Residents	20,561	19,582	31,815
Other users	2,772	2,500	5,144
Budgetary organizations financed from the state budget	1,924	1,799	2,785
Budgetary organizations financed from municipal budgets	1,300	1,119	1,791
Institutions funded by Territorial Health Insurance funds	429	136	340
Industrial users	112	115	161
	<b>27,098</b>	<b>25,251</b>	<b>42,036</b>

#### 15. Other expenses

Other expenses as of 30 June 2021 include:

	<b>Group</b>			<b>Company</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
Equipment verification and inspection	94	92	183	93	90	181
Maintenance of manifolds	181	192	381	181	192	381
Cash collection expenses	74	84	157	74	84	157
Expenses of ash utilization	91	77	141	85	68	131
Information technology expenses	32	42	84	32	42	84
Consulting expenses	87	35	71	87	34	71
Employees related expenses	27	54	124	27	54	124
Customer bills issue and delivery expenses	38	41	78	38	41	78
Membership fee	50	52	96	50	52	96
Maintenance of long term assets and related services	31	41	76	31	40	76
Transport expenses	43	33	80	43	33	80
Debts collection expenses	18	37	69	18	37	69
Insurance	51	46	58	48	42	51
Communication expenses	13	14	26	12	14	25
Advertising expenses	10	20	38	10	20	38
Audit expenses	20	21	33	20	21	28
Rent of equipment and machinery	35	18	57	35	18	57
Sponsorship	1	1	1	1	1	1
Other expenses	77	91	326	71	83	311
	<b>973</b>	<b>991</b>	<b>2,079</b>	<b>956</b>	<b>966</b>	<b>2,039</b>

## 16. Other activities income and expenses

	<b>Group</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
<b>Income from other operating activities</b>			
Sold inventories	207	-	554
Various services rendered	221	194	402
Damage compensation received	-	-	37
Income from previous periods	6	-	-
Gain from sale of non-current assets	31	422	495
Other	2,565	72	112
	<b>3,030</b>	<b>688</b>	<b>1,600</b>

	<b>Company</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
<b>Income from other operating activities</b>			
Sold inventories	207	-	554
Various services rendered	148	140	288
Damage compensation received	-	-	37
Income from previous periods	6	-	-
Gain from sale of non-current assets	31	422	495
Other	2,565	72	112
	<b>2,957</b>	<b>634</b>	<b>1,486</b>

	<b>Group</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
<b>Expenses from other operating activities</b>			
Cost of rendered services	(126)	(141)	(285)
Cost of inventories sold	(1)	-	(2)
Expenses from previous periods	(19)	(1)	(15)
Other	(12)	(12)	(16)
	<b>(158)</b>	<b>(154)</b>	<b>(318)</b>

	<b>Company</b>		
	<b>2021 I half</b>	<b>2020 I half</b>	<b>2020</b>
<b>Expenses from other operating activities</b>			
Cost of rendered services	(106)	(100)	(199)
Cost of inventories sold	(1)	-	(2)
Expenses from previous periods	(19)	(1)	(15)
Other	(12)	(12)	(16)
	<b>(138)</b>	<b>(113)</b>	<b>(232)</b>

The Group and the Company rents real estate, supplies technical water, provide services of maintenance of heating equipment, transportation services.



## 17. Other interest and similar income

	Group			Company		
	2021 I half	2020 I half	2020	2021 I half	2020 I half	2020
Interest from late payment of accounts receivable	327	90	177	327	90	177
Change in market value of derivative financial instruments	3	3	6	-	-	-
Interest	-	-	-	2	2	4
	<b>330</b>	<b>93</b>	<b>183</b>	<b>329</b>	<b>92</b>	<b>181</b>

## 18. Financial assets and short-term investments impairment, interest and other similar expenses

	Group			Company		
	2021 I half	2020 I half	2020	2021 I half	2020 I half	2020
Interest	(61)	(202)	(365)	(51)	(187)	(337)
Impairment of non-current financial assets	-	-	333	-	-	333
	<b>(61)</b>	<b>(202)</b>	<b>(32)</b>	<b>(51)</b>	<b>(187)</b>	<b>(4)</b>

## 19. Basic and diluted earnings per share

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

	Group		Company	
	2021 I half	2020	2021 I half	2020
Net profit (loss) of the reporting period	5,715	628	5,953	837
Number of shares (thousand), opening balance	42,802	42,802	42,802	42,802
Number of shares (thousand), closing balance	42,802	42,802	42,802	42,802
Average number of shares (thousand)	42,802	42,802	42,802	42,802
<b>Basic and diluted earnings per share (EUR)</b>	<b>0.13</b>	<b>0.01</b>	<b>0.14</b>	<b>0.02</b>

## 20. Commitments and contingencies

On June 22, 2019, the Company placed a claim for the Kaunas Clinics to pay compensation in amount of EUR 5,120,680 for heat reserve capacity ensured by the Company to Kaunas clinics starting from the year 2010 until May 2019. Kaunas Clinics did not agree with the claim, so the Company brought a lawsuit against Kaunas Clinics regarding adjudgment of unpaid compensation for reserve heat capacity until June 2019 (EUR 5,204,131 of total liability together with reckoned interest). Kaunas Regional Court examined the case and decided in June 8, 2020 to grant the action in part, i.e. the Company was awarded EUR 2,515,622 compensation from the Kaunas Clinics for the reserve power, 6 percent of annual interest from the amount awarded from the date of initiation of the case in court (July 29, 2019) until the full execution of the court decision and EUR 3,534 of legal costs. The remainder of the action was dismissed. The Company, not agreeing with the decision, placed an appeal to the Lithuanian Court of Appeal on July 8, 2020 to satisfy the claim in full, and Kaunas Clinics placed an appeal to dismiss the claim. The Lithuanian Court of Appeal issued a ruling in the case on March 4, 2021 by which the decision of the Kaunas Regional Court was left unchanged. The decision came into force on March 4, 2021. Considering this, Kaunas Clinics complied with the judgment on March 16, 2021.

## 20. Commitments and contingencies (continued)

The awarded amount received from Kaunas Clinics is accounted for in the item of Other operating income in the Income Statement.

The Parties, with a view to definitively resolve the dispute for the newly incurred debts over the period from June 1, 2019 until March 1, 2021 concluded a settlement agreement on May 25, 2021 according to which Kaunas Clinics agreed to pay EUR 570,041.40 in compensation for the reserve power assurance service provided by the Company during this period, paying it in equal parts in 2 years. This peaceful agreement was approved by the Kaunas District Court on June 2, 2021.

The Council made a decision on September 25, 2020 No. O3E-880 "Regarding unilateral determination of heat price components of AB Kauno Energija", by which unilaterally determined heat price components for Company for the 2nd year of validity of the base price, including interest in amount of EUR 509,530 calculated in accordance with Item 77<sup>1</sup> of the Heat Price Determination Methodology, which was calculated by Council for the additional Company's income which is being returned to its customers, taking into account that their repayment was arranged for more than 1 year (4 years).

The Company, disagreeing with the calculation of interest, filed a complaint to the Vilnius Regional Administrative Court but the court rejected the Company's complaint by the decision of April 22, 2021. Considering this, the Company has filed an appeal to the Supreme Administrative Court of Lithuania, which has not yet been examined.

### Leasing and construction work purchase arrangements

Future liabilities of the Group and the Company under valid purchase arrangements as of 30 June 2021, amounted to EUR 19,223 thousand.

### Guarantees

On 28 November 2016, the Company provided a guarantee in an amount of EUR 3,913 thousand to Luminor bank AS regarding the liabilities of the subsidiary UAB Petrašiūnų Katilinė to this bank according to credit agreement concluded on 22 August 2012, for the amount of EUR 3,403 thousand. On 28 November 2016, the Company provided guarantee in amount of EUR 95 thousand to Luminor bank AS regarding liabilities of subsidiary UAB Petrašiūnų Katilinė to this bank according to transaction of derivative financial instruments, described in Note 11. As of 30 June 2021, the carrying amount of the loan is EUR 567 thousand.

## 21. Related parties transactions

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

On December 04, 2020 the Company has signed an agreement on the establishment of UAB Kauno Miesto Paslaugų Centras (Kaunas City Services Centre) with other companies controlled by Kaunas City Municipality. The share of shares subscribed by the Company was 22%, the number of ordinary registered shares was 75,460. The par value of the share is 1 euro.

The Company's subscribed shares are accounted at the value of EUR 75,460 in the article Other Financial Assets of The Statement Of Financial Position.

As of 30 June 2021 and 31 December 2020, the Group and the Company did not have any other significant transactions with the other companies controlled by Kaunas city municipality, except for the purchases or sales of the utility services. The services provided to the Kaunas city municipality and the entities controlled by the Kaunas city municipality were executed at market prices. A list of companies related to the Municipality of Kaunas can be found here:

<http://www.kaunas.lt/administracija/struktura-ir-kontaktai/pavaldzios-imonės-ir-istaigos/>.

## 21. Related parties transactions (continued)

As of 30 June 2021 and 31 December 2020, the Group's and the Company's transactions with Jurbarkas city municipality, Kaunas city municipality and the entities, financed and controlled by the Municipality of Kaunas and their amounts receivable and payable were as follows:

<b>30 June 2021</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	650	1,911	309	207
Jurbarkas city municipality	7	129	1	2

<b>31 December 2020</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	1,269	2,512	619	268
Jurbarkas city municipality	15	167	-	2

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

As of 30 June 2021, the Group's and the Company's allowance for overdue receivables from entities financed and controlled by municipalities amounted to EUR 259 thousand (as of 31 December 2020 – EUR 253 thousand). The amounts outstanding are unsecured and will be settled in cash. No guarantees on receivables have been received.

As of 30 June 2021 and as of 31 December 2020, the Company's transactions with the subsidiaries and the inter-company balances were as follows:

<b>UAB Petrašiūnų Katilinė</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
30 June 2021	354	7	777	-
31 December 2020	1,177	11	443	220

<b>UAB GO Energy LT</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
30 June 2021	53	8	41	11
31 December 2020	14	11	50	3

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

As of 30 June 2021, the Company has determined an impairment in amount of EUR 41 thousand (as of 31 December 2020, in amount of EUR 50 thousand EUR) for the receivables from subsidiaries.

## 21. Related parties transactions (continued)

### Remuneration of the management and other payments

As of 30 June 2021, the Group's and the Company's management team comprised 3 and 1 persons, respectively (as of 31 December 2020 – 3 and 1).

	<b>Group</b>		<b>Company</b>	
	<b>30-06-2021</b>	<b>31-12-2020</b>	<b>30-06-2021</b>	<b>31-12-2020</b>
Key to management remuneration	52	59	47	47

In the year 2021 and 2020, the management of the Group and the Company did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

## 22. Subsequent events

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

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