



AB Kauno energija
SET OF CONSOLIDATED AND 12-MONTH CONDENSED INTERIM FINANCIAL
STATEMENTS OF THE COMPANY FOR 2021,
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED FOR APPLICATION IN THE EUROPEAN UNION
(UNAUDITED)

**Confirmation of responsible persons to the shareholders of AB Kauno energija and the Bank of
Lithuania**

In accordance with the provisions of the Republic of Lithuania Law on Securities and the Information Disclosure Rules approved by the Board of the Bank of Lithuania, we, Tomas Garasimavičius, Chief Executive Officer, and Edmundas Damanskis, Chief Financial Officer and Acting Chief Accountant of AB Kauno energija, hereby confirm that to the best of our knowledge, the set of condensed interim financial statements of AB Kauno energija for the 12 months ended 31 December 2021, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, is true and fair and presents fairly the Company's assets, liabilities, financial position, profit (loss) and cash flows.

General Manager



Tomas Garasimavičius

CFO (Chief Financial Officer)
Acting Chief Accountant



Edmundas Damanskis

Condensed interim financial statements

| | Comm ents | Group | | Company | |
|--|--------------|----------------|----------------|----------------|----------------|
| | | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| ASSETS | | | | | |
| Fixed assets | | | | | |
| Intangible fixed assets | | 77 | 117 | 77 | 117 |
| Property, plant and equipment | 6 | | | | |
| Land and buildings | | 6 115 | 7 145 | 5 731 | 6 015 |
| Buildings | | 121 810 | 109 278 | 121 348 | 108 824 |
| Machinery and equipment | | 15 514 | 18 741 | 14 263 | 16 947 |
| Vehicles | | 445 | 388 | 445 | 375 |
| Plant and tools | | 2 336 | 2 238 | 2 335 | 2 236 |
| Constructions in progress and prepayments | | 7 750 | 12 191 | 7 733 | 12 191 |
| Investment property | | 1 273 | 401 | - | 160 |
| Total property, plant and equipment | | 155 243 | 150 382 | 151 855 | 146 748 |
| Assets managed under the right of use | | 1 207 | 1 266 | 1 006 | 1 060 |
| Non-current financial assets | | | | | |
| Investments in subsidiaries | | - | - | 3 498 | 2 064 |
| Amounts receivable after one year | | 214 | - | 75 | - |
| Other financial assets | | - | 409 | 443 | 409 |
| Financial fixed assets, total | | 214 | 409 | 4 016 | 2 473 |
| Non-current assets, total | | 156 741 | 152 174 | 156 954 | 150 398 |
| Current assets | | | | | |
| Stock and prepayments | | | | | |
| Inventories | 7 | 1 754 | 1 361 | 1 405 | 1 328 |
| Prepayments | | 4 403 | 573 | 4 051 | 485 |
| Total inventories and prepayments | | 6 157 | 1 934 | 5 456 | 1 813 |
| Amounts receivable within one year | | | | | |
| Trade receivables | 8 | 11 528 | 6 727 | 11 661 | 6 727 |
| Loans to the companies of the group of companies | 21 | - | - | - | 443 |
| Other amounts receivable | 8 | 1 758 | 243 | 1 719 | 194 |
| Amounts receivable within one year, total | | 13 286 | 6 970 | 13 380 | 7 364 |
| Cash and cash equivalents | 12 | 3 696 | 1 800 | 2 782 | 1 675 |
| Assets held for sale | | - | 25 | - | - |
| Current assets, total | | 23 139 | 10 729 | 21 618 | 10 852 |
| Assets, total: | | 179 880 | 162 903 | 178 572 | 161 250 |

(continued on the next page)

Condensed interim financial statements (continued)

| | Comm ents | Group | | Company | |
|---|--------------|----------------|----------------|----------------|----------------|
| | | 2021-12- 31 | 2020-12- 31 | 2021-12- 31 | 2020-12- 31 |
| EQUITY AND LIABILITIES | | | | | |
| Property | | | | | |
| Capital | 1 | 74 476 | 74 476 | 74 476 | 74 476 |
| Legal reserve | 13 | 7 447 | 7 447 | 7 447 | 7 447 |
| Other reserves | 13 | 3 000 | 2 900 | 3 000 | 2 900 |
| Profit (loss) available for distribution | | | | | |
| Current year profit | | 524 | (152) | 970 | 57 |
| Profit (loss) of the previous years | | 4 750 | 5 002 | 4 910 | 4 953 |
| Total retained profit (loss) | | 5 274 | 4 850 | 5 880 | 5 010 |
| Total equity | | 90 197 | 89 673 | 90 803 | 89 833 |
| Amounts payable and liabilities | | | | | |
| Non-current amounts payable after one year and liabilities | | | | | |
| Long-term financial debts | 9 | 32 658 | 23 534 | 32 658 | 22 967 |
| Lease (financial lease) | | 1 316 | 1 336 | 1 113 | 1 127 |
| Deferred profit tax liabilities | | 5 541 | 5 541 | 5 743 | 5 743 |
| Grants and subsidies | | 32 715 | 29 966 | 32 229 | 29 319 |
| Employee benefit liabilities | | 165 | 375 | 155 | 365 |
| Accounts payable after one year, and long-term liabilities, total | | 72 395 | 60 752 | 71 898 | 59 521 |
| Accounts payable within one year of and other liabilities | | | | | |
| Current year's share of long-term financial debt and leasing/financial leases | 9 | 3 014 | 3 011 | 2 445 | 2 434 |
| Trade debtors | | 10 935 | 6 802 | 10 260 | 6 852 |
| Payroll related liabilities | | 606 | 600 | 589 | 589 |
| Received prepayments | | 570 | 645 | 464 | 644 |
| Tax payable | | 595 | 387 | 574 | 367 |
| Derivative financial instruments | 11 | - | 6 | - | - |
| Current year's share of employee benefit obligations | | 102 | 135 | 102 | 134 |
| Other provisions | 10 | 577 | 647 | 577 | 647 |
| Accrued costs and income of future periods | | 614 | 137 | 591 | 121 |
| Other short-term amounts payable and liabilities | | 275 | 108 | 269 | 108 |
| Accounts payable within one year of and other liabilities, total | | 17 288 | 12 478 | 15 871 | 11 896 |
| Total accounts payable and liabilities | | 89 683 | 73 230 | 87 769 | 71 417 |
| Total equity and liabilities | | 179 880 | 162 903 | 178 572 | 161 250 |

(end)

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

Condensed interim statement of profit (loss) and other gross income

| Group | Comments | 2021 Q4 | 2021 | 2020. Q4 | 2020. |
|--|----------|-----------------|-----------------|-----------------|-----------------|
| Operating income | | | | | |
| Sales revenue | 14 | 20 738 | 50 964 | 14 146 | 42 030 |
| Other operational incomes | 16 | 678 | 4 140 | 526 | 1 600 |
| Total operating income | | 21 416 | 55 104 | 14 672 | 43 630 |
| Operating expenses | | | | | |
| Fuel and purchased energy | | (16 880) | (32 646) | (6 004) | (20 924) |
| Salaries, social insurance | | (1 917) | (7 015) | (1 604) | (6 430) |
| Depreciation and amortisation | | (1 786) | (7 333) | (1 979) | (7 444) |
| Repair and maintenance | | (218) | (680) | (234) | (951) |
| Change in impairment of receivables | 8 | 250 | 587 | 127 | 22 |
| Taxes, other than income tax | | (588) | (2 115) | (461) | (1 814) |
| Electricity | | (405) | (1 265) | (435) | (1 230) |
| Raw materials and materials | | (748) | (1 064) | (150) | (505) |
| Water | | (283) | (1 086) | (299) | (1 117) |
| Change in realisable value of inventories and impairment of fixed assets | 7 | (33) | 52 | 3 | (207) |
| Other costs | 15 | (558) | (1 979) | (599) | (2 079) |
| Other operational expenses | 16 | 5 | (435) | 63 | (318) |
| Operating expenses, total | | (23 161) | (54 979) | (11 572) | (42 997) |
| Operating profit (loss) | | (1 745) | 125 | 3 100 | 633 |
| Other interest and similar income | 17 | 291 | 672 | 41 | 183 |
| Value impairment of financial assets and short-term investment | | (208) | (208) | 333 | 333 |
| Interest and other similar costs | 18 | (23) | (116) | (65) | (365) |
| Income from financing and investment activities, net value | | 60 | 348 | 309 | 151 |
| Profit before taxation | | (1 685) | 473 | 3 409 | 784 |
| Income tax | | (20) | (20) | - | - |
| Deferred income tax income (loss) | | - | - | (156) | (156) |
| Profit for the reporting period | | (1 705) | 453 | 3 253 | 628 |
| Other provisions to be reclassified subsequently to profit or loss | | 648 | 71 | 267 | (780) |
| Gross income | | (1 057) | 524 | 3 520 | (152) |
| Profit for the period attributable to the Company's shareholders | | (1 705) | 453 | 3 253 | 628 |
| Gross income attributable to the Company's shareholders | | (1 057) | 524 | 3 520 | (152) |
| Earnings per share (EUR) | 19 | (0,04) | 0,01 | 0,08 | 0,01 |

The following notes to financial statements are an integral part of these financial statements.

Condensed interim statement of profit (loss) and other gross income

| Company | Comm ents | 2021 Q4 | 2021 | 2020. Q4 | 2020. |
|--|--------------|-----------------|-----------------|-----------------|-----------------|
| Operating income | | | | | |
| Sales revenue | 14 | 20 749 | 50 982 | 14 147 | 42 036 |
| Other operational incomes | 16 | 211 | 3 405 | 492 | 1 486 |
| Total operating income | | 20 960 | 54 387 | 14 639 | 43 522 |
| Operating expenses | | | | | |
| Fuel and purchased energy | | (16 309) | (32 871) | (6 081) | (21 622) |
| Salaries, social insurance | | (1 857) | (6 904) | (1 581) | (6 314) |
| Depreciation and amortisation | | (1 648) | (6 756) | (1 838) | (6 879) |
| Repair and maintenance | | (204) | (658) | (233) | (916) |
| Change in impairment of receivables | 8 | 242 | 587 | 127 | 29 |
| Taxes, other than income tax | | (552) | (2 059) | (453) | (1 786) |
| Electricity | | (358) | (1 160) | (407) | (1 121) |
| Raw materials and materials | | (175) | (544) | (149) | (496) |
| Water | | (281) | (1 081) | (298) | (1 114) |
| Change in realisable value of inventories and impairment of fixed assets | 7 | (34) | 52 | 3 | (207) |
| Other costs | 15 | (593) | (2 015) | (588) | (2 039) |
| Other operational expenses | 16 | (237) | (442) | 91 | (232) |
| Operating expenses, total | | (22 006) | (53 851) | (11 407) | (42 697) |
| Operating profit (loss) | | (1 046) | 536 | 3 232 | 825 |
| Other interest and similar income | 17 | 292 | 670 | 40 | 181 |
| Value impairment of financial assets and short-term investment | | (208) | (208) | 333 | 333 |
| Interest and other similar costs | 18 | (24) | (99) | (59) | (337) |
| Income from financing and investment activities, net value | | 60 | 363 | 314 | 177 |
| Profit before taxation | | (986) | 899 | 3 546 | 1 002 |
| Income tax | | - | - | - | - |
| Deferred income tax income (loss) | | - | - | (165) | (165) |
| Profit for the reporting period | | (986) | 899 | 3 381 | 837 |
| Other provisions to be reclassified subsequently to profit or loss | | - | 71 | 267 | (780) |
| Gross income | | (986) | 970 | 3 648 | 57 |
| Earnings per share (EUR) | 19 | (0,02) | 0,02 | 0,08 | 0,02 |

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

Condensed interim statement of changes in equity

| Group | Comments | Capital | Legal reserve | Other reserves | Profit (loss) available for distribution | Total |
|---------------------------------------|-----------------|----------------|----------------------|-----------------------|---|---------------|
| Balance as at 31 December 2019 | | 74 476 | 7 447 | 2 900 | 5 002 | 89 825 |
| Profit for the reporting period | | - | - | - | 628 | 628 |
| Other gross income | | - | - | - | (780) | (780) |
| Balance as at 31 December 2020 | | 74 476 | 7 447 | 2 900 | 4 850 | 89 673 |
| Formed reserves | 13 | - | - | 3 000 | (3 000) | - |
| Reversed reserves | 13 | - | - | (2 900) | 2 900 | - |
| Profit for the reporting period | | - | - | - | 453 | 453 |
| Other gross income | | - | - | - | 71 | 71 |
| 2021 m. gruodžio 31 d. likutis | | 74 476 | 7 447 | 3 000 | 5 274 | 90 197 |

| Company | Comments | Capital | Legal reserve | Other reserves | Profit (loss) available for distribution | Total |
|---------------------------------------|-----------------|----------------|----------------------|-----------------------|---|---------------|
| Balance as at 31 December 2019 | | 74 476 | 7 447 | 2 900 | 4 953 | 89 776 |
| Profit for the reporting period | | - | - | - | 837 | 837 |
| Other gross income | | - | - | - | (780) | (780) |
| Balance as at 31 December 2020 | | 74 476 | 7 447 | 2 900 | 5 010 | 89 833 |
| Formed reserves | 13 | - | - | 3 000 | (3 000) | - |
| Reversed reserves | 13 | - | - | (2 900) | 2 900 | - |
| Profit for the reporting period | | - | - | - | 899 | 899 |
| Other gross income | | - | - | - | 71 | 71 |
| Balance as at 31 December 2021 | | 74 476 | 7 447 | 3 000 | 5 880 | 90 803 |

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

Condensed interim cash flow statements

| | Group | | Company | |
|--|----------------|---------------|----------------|---------------|
| | 2021 | 2020. | 2021 | 2020. |
| Cash flows from (to) operating activities | | | | |
| Gross income | 524 | (152) | 970 | 57 |
| Adjustments to non-cash items: | | | | |
| Depreciation and amortisation | 9 267 | 9 365 | 8 680 | 8 622 |
| Write-offs and changes in impairment of receivables | (587) | (18) | (587) | (29) |
| Interest costs | 116 | 389 | 99 | 362 |
| Change in fair value of derivative financial instruments | (6) | (6) | - | - |
| Loss (gain) on sale and write-down of fixed assets and value of shares | 47 | (495) | 47 | (495) |
| Grants and subsidies (amortisation) | (1 750) | (1 578) | (1 589) | (1 416) |
| Change in realisable value of inventories and impairment of fixed assets | (52) | 207 | (52) | 207 |
| Change in employee benefits liability | - | 117 | - | 115 |
| Profit tax expense | 20 | 173 | - | 182 |
| Change in accruals | 234 | (98) | 228 | (93) |
| Change in provision liabilities | (70) | 647 | (70) | 647 |
| Reverse of other results of financing and investing activities | (1 293) | (177) | (1 291) | (181) |
| Adjustment to total non-cash items | 5 926 | 8 526 | 5 465 | 7 921 |
| Changes of working capital: | | | | |
| Decrease (increase) in inventories | (341) | 12 | (25) | (14) |
| Decrease (increase) in prepayments | (3 830) | 582 | (3 566) | 612 |
| Decrease (increase) in trade receivables | (4 835) | 1 806 | (4 968) | 1 806 |
| Decrease (increase) in other amounts receivable | (1 515) | 532 | (1 525) | 563 |
| Increase (decrease) in long-term trade debts | (214) | (4) | (75) | (4) |
| Increase (decrease) in trade debtors and advances received | 5 426 | (96) | 4 701 | (255) |
| Decrease (increase) in liabilities related to employment relations | 6 | (368) | - | (326) |
| Increase (decrease) in taxes payable | 208 | (80) | 207 | (35) |
| Decrease (increase) in received prepayments | (75) | 3 | (180) | 2 |
| Increase (decrease) in other current liabilities | 147 | 2 | 161 | 2 |
| Changes in total working capital | (5 023) | 2 389 | (5 270) | 2 351 |
| Net cash flows from operating activities | 1 427 | 10 763 | 1 165 | 10 329 |

(continued on the next page)

Condensed interim cash flow statements (continued)

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2021 | 2020. | 2021 | 2020. |
| Cash flows from (to) investing activities | | | | |
| Acquisition of intangible fixed assets and property, plant and equipment | (18 553) | (21 198) | (18 217) | (21 198) |
| Sale of property, plant and equipment | 4 502 | 606 | 4 477 | 606 |
| Change in value of long-term receivables | 409 | 177 | 409 | - |
| Interest received on overdue receivables | 621 | (407) | 621 | 181 |
| Acquisition of investments, change in value | - | - | (1 434) | (407) |
| Net (used) cash flows from investing activities | (13 021) | (20 822) | (14 144) | (20 818) |
| Cash flows from (to) financing activities | | | | |
| Loans received | 12 000 | 15 000 | 12 000 | 15 000 |
| Loans repaid | (2 833) | (10 858) | (2 255) | (10 291) |
| Interest paid | (116) | (394) | (101) | (377) |
| Rent payments | (60) | (137) | (57) | (137) |
| Subsidy received | 4 499 | 6 029 | 4 499 | 6 029 |
| Net cash flows from (used in) financing activities | 13 490 | 9 640 | 14 086 | 10 224 |
| Net increase (decrease) in cash flows | 1 896 | (419) | 1 107 | (265) |
| Cash and cash equivalents at the beginning of the period | 1 800 | 2 219 | 1 675 | 1 940 |
| Cash and cash equivalents at the end of the period | 3 696 | 1 800 | 2 782 | 1 675 |

(end)

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

Notes to the condensed interim financial statements

1. General information

AB Kauno energija (hereinafter referred to as the Company) is a public limited liability company registered in the Republic of Lithuania. Its registered office address is Raudondvario pl. 84, Kaunas, Lithuania. Data about the Company is collected and stored in the Registry of Legal Entities.

The Company is engaged in the supply of heat and hot water, production and sale of electricity and maintenance of collector-tunnels. The Company also provides heating system maintenance services. The Company was registered on 22 August 1997 following the reorganisation of AB Lietuvos energija. The company code 235014830. The Company's shares are traded on the Baltic Additional Trading List of the Nasdaq Vilnius Stock Exchange.

As at 31 December 2021 and 31 December 2020 the Company's shareholders were:

| | 2021-12-31 | | 2020-12-31 | |
|---------------------------------|------------------------------|---------------|------------------------------|---------------|
| | Number of held shares, units | Ownership (%) | Number of held shares, units | Ownership (%) |
| 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 small shareholders | 713 512 | 1.67 | 713 512 | 1.67 |
| | 42 802 143 | 100.00 | 42 802 143 | 100.00 |

The Company's authorised capital is equal to EUR 74,475,728.82 and is divided into 42,802,143 ordinary shares with a nominal value of EUR 1.74 each. As at 31 December 2021 and 31 December 2020 the Company had no treasury shares. As at 31 December 2021 and 31 December 2020, all shares were fully paid up.

The name of the Company was changed by the decision of the shareholders of the Company's subsidiary UAB Kauno energija NT. From 19 August 2020, the name of UAB Kauno energija NT is UAB GO Energy LT. From 7 July 2021 the address of the registered office is Raudondvario pl. 84, Kaunas, Lietuva. Other details of the Company remain unchanged, all existing contracts remain valid.

On 24 March 2021 by decision No 2021-4-2 of the Board of the Company, it was decided to increase the authorised capital of UAB GO Energy LT by EUR 1,433,085.60 by issuing an additional 49,485 shares with a nominal value of EUR 28.96 each, to be paid for with immovable property and a cash contribution. On 9 September 2021, in accordance with the data of the Register of Legal Entities, the authorised capital of UAB GO Energy LT was EUR 2,762,957.75, divided into 95,406 shares.

By decision No 2021-7-3 of 30 April 2021 of the Board of AB Kauno energija, which performs the functions of the sole shareholder of UAB Petrašiūnų katilinė, it was decided to reorganise UAB Petrašiūnų katilinė into a public limited company. The restructuring has been completed and the Articles of Association of AB Petrašiūnų katilinė were registered in the Register of Legal Entities on 16 September 2021. AB Petrašiūnų katilinė takes over all the rights and obligations and liabilities of UAB Petrašiūnų katilinė. The authorised capital remains unchanged at EUR 231,696 and is divided into 800 ordinary registered shares with a nominal value of EUR 289.62 per share. Other details of the Company remain unchanged and all concluded contracts remain valid.

1. General information (continued)

On 31 December 2021 the Company and its subsidiaries UAB GO Energy LT and AB Petrašiūnų katilinė form a group (the Group):

| Company | Company home address | Group's shareholding | Cost of investment | Profit (loss) for the reporting period | Equity | Main activities |
|------------------------|-----------------------------|----------------------|--------------------|--|--------|-------------------|
| UAB GO Energy LT | Raudondvario pl. 84, Kaunas | 100 per cent | 2.764 | 76 | 2.586 | Supplying on Hire |
| AB Petrašiūnų katilinė | R. Kalantos g. 49, Kaunas | 100 per cent | 1.894 | (317) | 220 | Heat production |

The Group's average number of listed employees during the reporting period was 380 and the Company's average number of listed employees was 355.

Legal regulation

Pursuant to the Law of the Republic of Lithuania on the Heat Sector, the Company's activities are licensed and regulated by the State Energy Regulatory Council (hereinafter referred to as the Council). On 26 February 2004 the Council granted the Company a heat supply licence. The licence is valid for an unlimited period, but may be revoked by an appropriate decision of the Council depending on compliance with certain conditions. The Council also sets price caps for heat supply. On 13 September 2018 by resolution No O3E-283, the Council set new base heat price components for the Company, which will apply until 30 November 2021. In accordance with the price-setting methodology, the Council recalculates the price components after the first year of the basic price and the rate is adjusted prospectively. The recalculated components became applicable on 1 November 2020.

By resolution No O3E-351 of 2 September 2019, the Council set new heat base price components for UAB Petrašiūnų katilinė, which will be valid until 31 December 2024.

Economic activities

By decision of the Extraordinary General Meeting of Shareholders of the Company on 2 October 2015 "On the acquisition of Palemonas heat facilities" and the decision of the Board of Directors of the Company of 20 July 2017 "On the Acquisition of the Heat facilities of Palemonas Settlement" on 8 January 2020 AB Kauno energija and UAB Fortum Heat Lietuva concluded an agreement on the purchase and sale of the heat facilities of Palemonas in Kaunas, whereby AB Kauno energija acquired from UAB Fortum Heat Lietuva a boiler house with heat supply networks and related equipment and commenced the heat supply activities in Palemonas on 1 February 2020.

The Company's production capacities consist of the Petrašiūnai power plant, 4 boiler houses in Kaunas integrated network, 7 regional boiler houses in Kaunas district, 1 in Jurbarkas, 14 isolated network and 26 local (household) boiler houses in Kaunas city, as well as 8 boiler houses for water heating in Sargėnai district. The Group's production capacity consists of the Company's production capacity and 1 boiler house of the subsidiary in Kaunas.

In September 2021 at the boiler house of the integrated network at A. Juozapavičiaus pr. 23A, a gas boiler of 1.6 MW was dismantled. The Group's total thermal capacity on 31 December 2021 was approximately 683 MW (of which 48 MW are condensing economizers), and the total power generation capacity of the entire Group is approximately 692 MW (of which 48 MW are condensing economizers). The total installed thermal capacity of the Company is approximately 664 MW (of which 48 MW are condensing economizers), and the electrical capacity is 8.75 MW, of which 314.6 MW at the Petrašiūnai power plant (of which 17.8 MW is condensing

economizer) and 8 MW electrical capacity, in Jurbarkas -39.4 MW thermal capacity (including 4.4 MW – a condensing economizer). The total power generation capacity of the Company as a whole is approximately 673 MW (of which 48 MW are condensing economizers).

The Company makes investments after taking into account the economic situation, the competitive environment and the availability of financing. Investment plans are approved by the shareholders and coordinated and monitored by the Board.

2. Basis of preparation of the financial statements

The condensed interim financial statements of the Company and the Group for the twelve-month period ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter the IFRSs) as applicable 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, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements do not include all the information necessary for the preparation of the full set of consolidated and separate financial statements. However, selected notes are included to explain events and transactions and to provide an understanding of significant changes in the Group's and the Company's financial position and financial performance.

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

The new standards and amendments effective from 1 January 2021 have no material impact on the Group's and Company's financial statements.

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

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

The management of the Company has approved the following interim financial statements as at 25 October 2021.

3. Application of assessments in preparation of financial statements

In preparing financial statements in accordance with IFRSs adopted for application in the EU, management shall make calculations and estimates of assumptions that affect the application of accounting principles and of amounts related to assets and liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are consistent with current conditions and the results of which lead to conclusions about the residual values of assets and liabilities that are not available from other sources. The actual results could differ from the estimates. The estimates and related assumptions are kept under constant review. Adjustments to estimates are recognised prospectively.

The key assumptions and other significant sources of estimation uncertainty at the date of the interim statements of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are the same as those described in the most recent set of annual separate and consolidated financial statements.

4. Definition of lease

Until 1 January 2019 the Group and the Company determined at the time of signing the agreement whether the agreement meets the definition of lease in accordance with IFRIC 4 "Determining Whether an Arrangement Contains a Lease". From 1 January 2019, when an agreement is concluded, the determining whether an arrangement contains a lease or includes a lease is based on the new definition. Under IFRS 16, A contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

In evaluating or re-evaluating an agreement that contains a lease component, the Group and the Company allocate the contractual consideration provided for in the agreement to each of the parts of the agreement that have and do not have a lease component on the basis of their relative stand-alone prices. However, in the case of leases of immovable property where the Group and the Company are lessees, the Group and the Company have chosen not to separate the lease-free components and instead to account for the lease-free and lease-containing components together as a single lease component.

The Group and the Company, as tenant, have previously classified the lease as an operating or finance lease based on an assessment of whether the lease agreement essentially provides for the transfer of all risks and

rewards of ownership. The Group and the Company recognise right-of-use assets and lease liabilities in lease agreements in accordance with the provisions of IFRS 16. These leases are shown in the balance sheet.

4. Definition of lease (continued)

Assets held under right-of-use, the Group and the Company show under right-of-use assets at 31 December 2021 were EUR 1,271 thousand and EUR 1,066 thousand respectively (on 31 December 2020: EUR 1 266 thousand and EUR 1 060 thousand respectively).

Recognised lease liabilities are presented in the statements of financial position under leasing (finance lease) and long-term financial debts and leasing (finance lease) for the current year.

5. Measurement of fair value

At initial recognition, the transaction price of an acquired asset or a liability assumed in an exchange transaction entered into for a particular asset or liability is the price paid at the time the asset is acquired or the liability is assumed (the acquisition price). In comparison, the fair value of the asset or liability is the price that would be obtained from the sale of the asset or paid for the disposal of the liability (the sale/transfer price).

If the Company initially measures an asset or liability at fair value and the transaction price differs from fair value, the difference is recognised as a gain or loss unless otherwise specified in the IFRSs.

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

- In the underlying market for the asset or liability, or
- In absence of a principal market, the most favourable market for the asset or liability in question.

Where observable variables that are directly observable by the Company are not available at the measurement date, i.e. prices quoted (not adjusted) in active markets for identical assets or liabilities, fair value is determined by reference to adjusted observable variables that are directly observable. Adjusted variables are:

- Prices quoted for similar assets or liabilities in active markets;
- Prices quoted for identical or similar assets or liabilities in markets that are not active markets;
- Variables other than quoted prices observed for a specific asset or liability;
- Market-confirmed variables.

Where observable variables are not available (directly or indirectly), fair value shall be determined by reference to unobservable variables that the Group and the Company produce using valuation techniques.

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

The fair value of liability reflects the impact of inactivity risk. Inactivity risk includes, but is not limited to, the entity's own credit risk. When determining the fair value of a liability, an entity shall assess the effects of its credit risk (financial position) and other factors that may affect the likelihood that the liability will or will not be met.

The Group and the Company must increase the use of relevant observable variables and reduce the use of unobservable variables in order to achieve the objective of fair value measurement by calculating the price at which a liability or equity instrument would be transferred under a legally orderly transaction between market participants at the valuation date in accordance with prevailing market conditions.

Assets and liabilities that are measured at fair value in the statement of financial position, or for which fair value is not determinable but for which disclosures are made, are classified by the Group and the Company in accordance with the fair value hierarchy, which categorises variables into three levels depending on their availability:

5. Measurement of fair value (continued)

- Level 1 variables are quoted (unadjusted) prices for identical assets or liabilities in an active market that are available to the Company at the date of valuation;
- Level 2 variables are variables, other than quoted prices which are classified as Level 1, that are observable directly or indirectly for a specific asset or liability;
- Level 3 variables are unobserved variables applied to a specific asset or liability.

When the variables used to measure the fair value of an asset or liability may be classified in different levels of the fair value hierarchy, the entire fair value measurement result is classified in the same level of the fair value hierarchy as the lowest level variable that is significant to the entire measurement.

6. Property, plant and equipment

During the twelve months ended 30 June 2021, the Group's and the Company's acquisitions of property, plant and equipment amounted to EUR 14,517 thousand and EUR 14,181 thousand, respectively, and the residual value of property, plant and equipment disposed of and transferred amounted to EUR 466 thousand and EUR 441 thousand, respectively.

The depreciation expense for property, plant and equipment of the Group and the Company as at 31 December 2021 amounts to EUR 9 267 thousand and EUR 8 680 thousand respectively (on 31 December 2020: EUR 7 721 thousand and EUR 7 140 thousand respectively).

The management of the Group and the Company has assessed internal and external indicators and has not identified any additional impairment of property, plant and equipment in 2021 (EUR 3,000 in 2020). During the twelve months ended 31 December 2021, the Group and the Company management reversed an impairment of EUR 20 thousand (EUR 22 thousand in 2020)

Part of the Group's property, plant and equipment with an acquisition value of EUR 66 161 thousand as at 31 December 2021 (on 31 December 2020: EUR 60 667 thousand), EUR 66 036 thousand for the Company, was fully depreciated (on 31 December 2020: EUR 60,551 thousand), but still in use.

The Group and the Company have recorded assets not yet ready for use of EUR 339 thousand in the plant and equipment group as at 31 December 2021 (on 31 December 2020: EUR 90 thousand).

The Group and the Company operate using assets acquired through leasing with an acquisition cost of EUR 417 thousand as at 31 December 2021 (on 31 December 2020: EUR 310 thousand), with a book value of EUR 250 000 respectively (on 31 December 2020: EUR 207 thousand).

On 31 December 2021 and 31 December 2020 the Group's and the Company's construction in progress consists mainly of the reconstruction and overhaul of boiler plants and heat supply networks.

As at 31 December 2021, property, plant and equipment with a residual value equal to the Group's EUR 11 945 thousand (on 31 December 2020: EUR 11,896 thousand), and the Company's EUR 9 300 thousand (on 31 December 2020: EUR 9,381 thousand), and was pledged to banks as collateral for the loans.

7. Inventories

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Technological fuels | 1 255 | 1 125 | 1 178 | 1 093 |
| Spare parts | 925 | 623 | 653 | 623 |
| Materials | 299 | 431 | 299 | 430 |
| | 2 479 | 2 179 | 2 130 | 2 146 |
| To be deducted: write-down to net realisable value at the end of the period | (725) | (818) | (725) | (818) |
| Carrying amount of inventories | 1 754 | 1 361 | 1 405 | 1 328 |

The write-down of the Group's and the Company's inventories to net realisable value as at 31 December 2021 amounted to EUR 725 thousand (on 31 December 2020: EUR 818 thousand). The change in the write-down of inventories to net realisable value in 2021 and 2020 is included in the Group's and the Company's Statements of Profit and Loss and Other Gross income under the item of costs of changes in the realisable value of inventories and fixed assets.

8. Amounts receivable within one year

| | Group | | Company | |
|---|---------------|--------------|---------------|--------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Trade receivables | 16 725 | 12 736 | 16 595 | 12 736 |
| To be deducted: expected credit losses | (5 197) | (6 009) | (4 934) | (6 009) |
| | 11 528 | 6 727 | 11 661 | 6 727 |

Change in impairment of doubtful receivables as at 31 December 2021 and 31 December 2020 in the Group's and the Company's Statements of Profit and Loss and Other Gross included in the item of impairment charges on receivables. Impairment of doubtful receivables is measured at expected credit losses.

Change in the Group's and Company's expected credit losses on trade receivables:

| | Group | Company |
|---------------------------------------|--------------|--------------|
| Balance as at 31 December 2019 | 6 887 | 6 887 |
| Recognition of expected credit losses | (17) | (17) |
| Written off | (861) | (861) |
| Balance as at 31 December 2020 | 6 009 | 6 009 |
| Recognition of expected credit losses | (305) | (568) |
| Written off | (507) | (507) |
| Balance as at 31 December 2021 | 5 197 | 4 934 |

During the twelve months ended 30 June 2021, the Group and the Company wrote off bad debts of EUR 507 thousand and EUR 507 thousand respectively (in 2020: EUR 861 thousand and EUR 861 thousand).

8. Amounts receivable within one year (continued)

The Group's and the Company's receivables from customers are interest-free and normally have a maturity of 30 days or individually agreed.

On 31 December 2021 and 31 December 2020 the Group's and the Company's other receivables consisted of taxes receivable from the State, debt owed by municipalities for compensation to low-income families, receivables for inventories sold (scrap metal, heating system equipment) and services rendered (collector maintenance services, etc).

Other receivables of the Group and the Company:

| | Group | | Company | |
|--|--------------|------------|--------------|------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Taxes | 279 | 7 | 245 | 7 |
| Amount of VAT to be refunded | 835 | - | 808 | - |
| Other | 981 | 522 | 981 | 522 |
| To be deducted: expected credit losses | (315) | (335) | (315) | (335) |
| | 1 758 | 243 | 1 719 | 194 |

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

| | Group | Company |
|---------------------------------------|------------|------------|
| Balance as at 31 December 2019 | 350 | 350 |
| Recognition of expected credit losses | (12) | (12) |
| Written off | (3) | (3) |
| Balance as at 31 December 2020 | 335 | 335 |
| Recognition of expected credit losses | (20) | (20) |
| Written off | - | - |
| Balance as at 31 December 2021 | 315 | 315 |

The Group's and the Company's other receivables are interest-free and are generally due within 30 to 45 days.

No impairment is calculated on outstanding receivables as management does not consider that there is any indication that debtors will be unable to meet their obligations.

Credit risk

The Group and the Company are not exposed to significant concentrations of credit risk as they deal with a large number of customers.

8. Amounts receivable within one year (continued)

Buyers

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Natural persons | 117 557 | 116 807 | 117 514 | 116 807 |
| Other legal entities | 2 800 | 2 681 | 2 782 | 2 682 |
| Legal entities financed from municipal and state budgets | 530 | 521 | 526 | 521 |
| | 120 887 | 120 009 | 120 822 | 120 010 |

Receivables due from customers of the Group and the Company by customer groups:

| | Group | | Company | |
|--|---------------|--------------|---------------|--------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Natural persons | 12 940 | 11 293 | 12 915 | 11 293 |
| Other legal entities | 1 810 | 813 | 1 959 | 813 |
| Legal entities financed from municipal and state budgets | 1 722 | 630 | 1 721 | 630 |
| Recognition of expected credit losses | (4 944) | (6 009) | (4 934) | (6 009) |
| | 11 528 | 6 727 | 11 661 | 6 727 |

9. Financial debts

All loans of the Group and the Company are accounted for and repaid in euro. The weighted average (percentage) of the interest rate on outstanding loans at 31 December 2021 and 31 December 2020 was as follows:

| | Group | | Company | |
|-----------|------------|------------|------------|------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Long-term | 0,72 | 0,33 | 0,72 | 0,33 |

On 7 August 2020, the Company signed a EUR 55 million loan agreement with the European Investment Bank. The signing of the agreement was approved by the Extraordinary General Meeting of Shareholders of AB Kauno energija on 4 August 2020.

The loan will be used to finance the Company's investment programme and repay loans over 5 years. Over the next 5 years, the Company plans to invest in the deployment of innovative heating and cooling plants using renewable energy sources, the digitalisation of processes, as well as the modernisation of pipelines and the construction of new pipelines.

On 24 August 2020, a loan tranche of EUR 15 million was taken out. The Company used part of the loan to repay the existing loans.

On 16 August 2021, the second tranche of a EUR 12 million loan from the European Investment Bank was withdrawn.

9. Financial debts (continued)

Repayment terms of long-term loans:

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Long-term financial debts (loans): | 32 658 | 23 534 | 32 658 | 22 967 |
| Payable between 2 and 5 years | 10 380 | 8 499 | 10 380 | 7 932 |
| Payable after 5 years | 22 278 | 15 035 | 22 278 | 15 035 |
| Current portion of long-term loans | 2 876 | 2 876 | 2 309 | 2 309 |
| | 35 534 | 26 410 | 34 967 | 25 276 |

On 31 December 2021 in the statement of financial standing, the Group and the Company have recorded interest payable to financial institutions under long-term financial debts amounted to EUR 10 thousand and EUR 10 thousand respectively.

Group's detailed information on loans as at 31 December 2021:

| Credit institution | Date of contract | Amount, thousands EUR | Maturity | Balance as at 2021.12.31 in thousands EUR | Share of 2022 in thousands EUR |
|--|------------------|-----------------------|------------|---|--------------------------------|
| 1 Ministry of Finance of the Republic of Lithuania * | 2010-04-09 | 2 410 | 2034-03-15 | 1 217 | 94 |
| 2 Ministry of Finance of the Republic of Lithuania * | 2010-10-26 | 807 | 2034-03-15 | 500 | 38 |
| 3 Luminor** | 2021-08-22 | 3 403 | 2022-04-29 | 567 | 567 |
| 4 EIB*** | 2021-08-16 | 12 000 | 2036-08-18 | 12 000 | - |
| 5 Ministry of Finance of the Republic of Lithuania * | 2014-01-15 | 793 | 2034-12-01 | 541 | 41 |
| 6 Ministry of Finance of the Republic of Lithuania * | 2014-03-31 | 7 881 | 2034-12-01 | 5 376 | 413 |
| 7 EIB*** | 2020-08-07 | 15 000 | 2035-08-24 | 13 750 | 1 000 |
| 8 AB SEB bank | 2016-12-22 | 4 127 | 2024-11-30 | 1 583 | 723 |
| | | | | 35 534 | 2 876 |

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

Luminor Bank AS, by granting a loan to the Group on 22 August 2012, has required the Group's subsidiary AB Petrašiūnų katilinė to comply with the following financial ratios: an equity ratio (including support provided by the Lithuanian Business Support Agency) of at least 40%, a DSCR of at least 1.3, and a total financial debt to EBITDA ratio of at least 3.0. AB Petrašiūnų katilinė does not comply with all the indicators set by the Bank. The Company has provided a guarantee to the bank in respect of this loan as described in note 20.

Details of the Company's loans as at 31 December 2021:

| Credit institution | Date of contract | Amount, thousands EUR | Maturity | Balance as at 2021.12.31 in thousands EUR | Share of 2022 in thousands EUR |
|--|------------------|-----------------------|------------|---|--------------------------------|
| 1 Ministry of Finance of the Republic of Lithuania * | 2010-04-09 | 2 410 | 2034-03-15 | 1 217 | 94 |
| 2 Ministry of Finance of the Republic of Lithuania * | 2010-10-26 | 807 | 2034-03-15 | 500 | 38 |
| 3 EIB*** | 2021-08-16 | 12 000 | 2036-08-18 | 12 000 | - |
| 4 Ministry of Finance of the Republic of Lithuania * | 2014-01-15 | 793 | 2034-12-01 | 541 | 41 |
| 5 Ministry of Finance of the Republic of Lithuania * | 2014-03-31 | 7 881 | 2034-12-01 | 5 376 | 413 |
| 6 EIB*** | 2020-08-07 | 15 000 | 2035-08-24 | 13 750 | 1 000 |
| 7 AB SEB bank | 2016-12-22 | 4 127 | 2024-11-30 | 1 583 | 723 |
| | | | | 34 967 | 2 309 |

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

9. Financial debts (continued)

AB SEB bankas has determined that the Company must comply with the net financial debt to EBITDA ratio set for the quarter, which must not exceed 4.5. In accordance with the loan agreement signed between the Company and the Lithuanian branch of OP Corporate Bank Plc, the Company's equity ratio (total equity/total assets) must be at least 35 %. The European Investment Bank's requirements also stipulate that the Company must comply with both of these indicators.

On 2021 31 December 2009 and 31 December 2020 the Company has complied with the terms of the aforementioned agreements.

Loan agreements contain certain restrictions. The Company may not distribute dividends, issue and/or obtain new loans, assume or continue any guarantees, make charitable donations, sell or lease any collateral without the written consent of the banks.

The Group's and the Company's immovable property (note 6), bank accounts (note 12) and land leases were pledged to banks as collateral for loans.

10. Other provisions

The cost of the heat production capacity reservation service is included in the basic heat price as one of the components in accordance with the methodology established by the Board. As a result of the installation of new generation facilities and the modernisation of existing generation facilities by the Company in recent years, the thermal capacity reservation service has not been purchased from 2020 onwards, and consequently no thermal capacity reserve costs are incurred. At the end of 2019, the Company applied to the Board to exclude the costs of the power reserve from the heat price, but the Board only approved the recalculation of the heat price from November 2020. Without waiting for the Board's decision, the Company made a provision from the beginning of the year to reimburse the unrecovered, but over-priced, costs of the power reserve, and from the beginning of the autumn 2020 heating season started to reimburse the provision for this accumulated overpayment through a reduction in the price to consumers. The Company has made a power reserve tax provision of EUR 959 thousand in 2020 to cover future price reduction obligations. In November and December 2020, EUR 312,000 was returned to consumers as a result of price cuts. During the twelve months of 2021, EUR 647 thousand was returned to consumers, with a corresponding decrease in the amount of the provision and liability.

Article 17 of the Law on Heat Sector of the Republic of Lithuania stipulates that technical possibilities of uninterrupted heat supply must be ensured for consumers of uninterrupted heat supply in case of temporary unavailability of the main heat supply system. However, where consumers of uninterrupted heat supply use the heat supply system only as a reserve, they shall be obliged to compensate the heat supplier for the reserve capacity. Kauno klinikos of the Lithuanian University of Health Sciences Hospital (hereinafter referred to as Kauno klinikos) are included in the list of health institutions for which a reserve heating unit is necessary, as approved by letter No 10-(13.6- 20)- 2280 of 13 May 2004 of the Ministry of Health of the Republic of Lithuania.

The Kaunas Regional Court, by its decision of 8 June 2020, which entered into force on 8 June 2020, awarded the Company EUR 2,515,622.48 from Kauno klinikos for the reserve power assurance service provided during the period from 1 January 2010 to 31 May 2019 (Note 20).

Taking into account that part of the costs of the reserve capacity provision service and a part of the return on investment amounting to EUR 576 627 were included in the heat price applied by the Company to heat consumers, this amount will be reduced by the final heat price.

On 22 June 2021 2021-9-1 the Board of the Company adopted Decision No 2021-9-1 "On the determination of additional components of the heat price of AB Kauno energija" to return these costs to consumers. The Company has made a provision of EUR 576,627 as at 30 June 2021.

11. Derivative financial instruments

On 16 December 2016 the Group signed an interest rate swap agreement. Under the agreement, the Group is obliged to pay the bank a fixed interest rate (0.21%) and the bank will pay the Group a variable interest rate linked to EURIBOR 6. As of 31 December 2021, the nominal value of the transaction is EUR 567 thousand. This derivative is carried at fair value, estimated by the Bank as at 31 December 2021 to amount to EUR 2 thousand (on 31 December 2020: EUR 6 thousand).

12. Cash and cash equivalents

| | Group | | Company | |
|------------------|--------------|--------------|--------------|--------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Cash on the road | 166 | 109 | 166 | 110 |
| Cash in the bank | 3 530 | 1 691 | 2 616 | 1 565 |
| | 3 696 | 1 800 | 2 782 | 1 675 |

Group bank accounts with a balance of EUR 708 thousand at 31 December 2021 (EUR 366 thousand on 31 December 2020) and the Company's EUR 549 thousand (on 31 December 2020: EUR 287 thousand), are pledged to banks as collateral for loans (Note 9).

13. Changes in equity

Statutory reserve and other reserves

The statutory reserve is required under the legislation of the Republic of Lithuania. At least 5% of net profits, calculated in accordance with International Financial Reporting Standards, must be transferred to the reserve annually until it reaches 10% of the authorised capital. The statutory reserve may not be distributed as dividends but can be used to cover future losses.

By the decision of shareholders of 30 April 2021, the Company cancelled other reserves (EUR 2 900 thousand) and transferred EUR 3 000 thousand from retained earnings to other reserves, i.e. a reserve of EUR 2 950 thousand for the execution of investments and a reserve of EUR 50 thousand for support.

On 30 April 2020 the reserves have not been redefined by the decision of the Company's shareholders.

By the decision of shareholders of 26 April 2019, the Company cancelled other reserves (EUR 100 thousand), transferred EUR 1,012 thousand from retained earnings to the statutory reserve and EUR 2,900 thousand to the other reserves, i.e. a reserve of EUR 2,850 thousand for the execution of investments and a reserve of EUR 50 thousand for support.

Annual allowances

By the decision of shareholders of 26 April 2019, the Company allocated EUR 470 thousand from the distributable profit for annual payments (bonuses) to the members of the Management Board and the Supervisory Board, employee bonuses and other purposes from the profit of 2018.

Dividends

On 26 April 2019, the ordinary general meeting of shareholders adopted a decision to declare a dividend of EUR 1,070 thousand, i.e. 2.5 cents per share, out of the profit of 2018.

In 2020, the result of 2019 was left in retained earnings.

14. Sales income

The Group and the Company are engaged in the supply of thermal energy, maintenance of building heating and hot water supply systems, electricity generation, cooling supply and other activities. In 2010, some residents chose the Company as their hot water supplier. These activities are closely interlinked and, for management purposes, the Group and the Company are considered to be organised in a single segment – the supply of thermal energy.

The Group's and the Company's activities are seasonal, with the majority of revenue generated during the heating season, which starts in October and ends in April.

Sales revenues by the Group and the Company activities are presented below:

| Group | 2021 | 2020. |
|---|---------------|---------------|
| Heat supply | 47 126 | 37 147 |
| Hot water supply | 3 014 | 2 935 |
| Maintenance of hot water metering devices | 456 | 433 |
| Maintenance of collectors | 348 | 268 |
| Maintenance of heating and hot water systems in buildings | 12 | 11 |
| Cooling supply | 2 | - |
| Sale of tradable emission allowances | 6 | 1 236 |
| | 50 964 | 42 030 |

| Company | 2021 | 2020. |
|---|---------------|---------------|
| Heat supply | 47 134 | 37 153 |
| Hot water supply | 3 024 | 2 935 |
| Maintenance of hot water metering devices | 456 | 433 |
| Maintenance of collectors | 348 | 268 |
| Maintenance of heating and hot water systems in buildings | 12 | 11 |
| Cooling supply | 2 | - |
| Sale of tradable emission allowances | 6 | 1 236 |
| | 50 982 | 42 036 |

Sales revenue by consumer groups:

| Group | 2021 | 2020. |
|---|---------------|---------------|
| Residents | 38 641 | 31 815 |
| Other users | 5 138 | 5 138 |
| Budgetary organisations financed from the state budget | 3 579 | 2 785 |
| Budgetary organisations financed from municipal budgets | 2 447 | 1 791 |
| Institutions financed by territorial sickness funds | 957 | 340 |
| Industrial users | 202 | 161 |
| | 50 964 | 42 030 |

14. Sales revenue (continued)

| Company | 2021 | 2020. |
|---|---------------|---------------|
| Residents | 38 641 | 31 815 |
| Other users | 5 138 | 5 144 |
| Budgetary organisations financed from the state budget | 3 579 | 2 785 |
| Budgetary organisations financed from municipal budgets | 2 447 | 1 791 |
| Institutions financed by territorial sickness funds | 957 | 340 |
| Industrial users | 220 | 161 |
| | 50 982 | 42 036 |

15. Other costs

Other expenses as at 31 December 2021 include:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2021 | 2020. | 2021 | 2020. |
| Equipment inspection and testing | 175 | 183 | 175 | 181 |
| Maintenance of collectors | 361 | 381 | 361 | 381 |
| Money collection costs | 143 | 157 | 143 | 157 |
| Ash recovery costs | 162 | 141 | 162 | 131 |
| Information Technologies costs | 64 | 84 | 64 | 84 |
| Consulting Services | 132 | 71 | 132 | 71 |
| Employee-related costs | 87 | 124 | 87 | 124 |
| Invoicing costs | 74 | 78 | 74 | 78 |
| Membership fee | 97 | 96 | 97 | 96 |
| Maintenance of fixed assets and related services | 65 | 76 | 65 | 76 |
| Transport costs | 90 | 80 | 90 | 80 |
| Debt collection costs | 52 | 69 | 52 | 69 |
| Insurance | 57 | 58 | 57 | 51 |
| Communication costs | 25 | 26 | 25 | 25 |
| Costs for advertising | 37 | 38 | 37 | 38 |
| Audit costs | 27 | 33 | 27 | 28 |
| Rental of equipment and machinery | 63 | 57 | 63 | 57 |
| Sponsorship | 1 | 1 | 1 | 1 |
| Other costs | 267 | 326 | 303 | 311 |
| | 1 979 | 2 079 | 2 015 | 2 039 |

16. Other operating income and expense

| Group | 2021 | 2020. |
|--------------------------------------|--------------|--------------|
| Other operational incomes | | |
| Inventories sold | 829 | 554 |
| Miscellaneous services rendered | 387 | 402 |
| Compensation received | - | 37 |
| Revenue from previous periods | 5 | - |
| Profit from the sale of fixed assets | 117 | 495 |
| Other | 2 802 | 112 |
| | 4 140 | 1 600 |

| Company | 2021 | 2020. |
|--------------------------------------|--------------|--------------|
| Other operational incomes | | |
| Inventories sold | 242 | 554 |
| Miscellaneous services rendered | 240 | 288 |
| Compensation received | - | 37 |
| Revenue from previous periods | 5 | - |
| Profit from the sale of fixed assets | 117 | 495 |
| Other | 2 801 | 112 |
| | 3 405 | 1 486 |

| Group | 2021 | 2020. |
|---|--------------|--------------|
| Other operational expenses | | |
| Cost of miscellaneous services rendered | (167) | (285) |
| Inventories sold | (35) | (2) |
| Cost of previous periods | (20) | (15) |
| Sale of fixed assets, write-off | (164) | - |
| Other | (49) | (16) |
| | (435) | (318) |

| Company | 2021 | 2020. |
|---|--------------|--------------|
| Other operational expenses | | |
| Cost of miscellaneous services rendered | (167) | (199) |
| Inventories sold | (35) | (2) |
| Cost of previous periods | (20) | (15) |
| Sale of fixed assets, write-off | (164) | - |
| Other | (56) | (16) |
| | (442) | (232) |

The Group and the Company lease real estate, supply technical water, perform maintenance of heating equipment and provide transport services.

17. Other interest and similar income

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2021 | 2020. | 2021 | 2020. |
| Default interest received on overdue receivables | 621 | 177 | 621 | 177 |
| Change in market value of derivatives | 5 | 6 | - | - |
| Gains on transactions in securities | 46 | - | 46 | - |
| | 672 | 183 | 670 | 181 |

18. Impairment of financial assets and short-term investments, interest and other similar expenses

| | Group | | Company | |
|--|--------------|-------------|--------------|------------|
| | 2021 | 2020. | 2021 | 2020. |
| Interest | (116) | (365) | (99) | (337) |
| Impairment of non-current financial assets | (208) | 333 | (208) | 333 |
| | (324) | (32) | (307) | (4) |

19. Basic and diluted earnings per share

The Group's basic and diluted earnings per share calculations are presented below:

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2021 | 2020. | 2021 | 2020. |
| Profit for the reporting period | 524 | 628 | 970 | 837 |
| Number of shares (thousands), beginning of period | 42 802 | 42 802 | 42 802 | 42 802 |
| Number of shares (thousands), end of period | 42 802 | 42 802 | 42 802 | 42 802 |
| Weighted average number of ordinary shares in issue (thousands) | 42 802 | 42 802 | 42 802 | 42 802 |
| Basic and diluted earnings per share (EUR) | 0,01 | 0,01 | 0,02 | 0,02 |

20. Commitments and contingencies not included in the balance sheet

On 22 June 2019 the Company has submitted a claim to Kauno klinikos of the Lithuanian University of Health Sciences Hospital (Kauno klinikos) to pay EUR 5,120,680 in compensation for the heat reserve capacity provided by the Company to Kauno klinikos between 2010 and May 2019. Kauno klinikos did not agree with the claim, therefore the Company filed a lawsuit against Kauno klinikos for the unpaid compensation for the heat reserve capacity until June 2019 (the total debt, together with the accrued interest, amounts to EUR 5,204,131). The Kaunas Regional Court examined the case and on 8 June 2020 adopted a decision to partially satisfy the claim, i.e. to order Kauno klinikos to pay the Company EUR 2 515 622 in compensation for the reserve capacity, 6 per cent interest per annum on the amount ordered from the date the case was brought to court (29 July 2019) until the full execution of the court judgement, and EUR 3,534 of litigation costs. In the remainder part, the Court dismissed the action. The Company, disagreeing with the decision, on 8 July 2020 filed an appeal with the Court of Appeal of Lithuania seeking full satisfaction of the claim and Kauno klinikos filed an appeal seeking the dismissal of the claim. The Court of Appeal of Lithuania issued a ruling in the case on 4 March 2021, which upheld the decision of the Kaunas Regional Court. The judgment entered into force on 4 March 2021. In view of the above, Kauno klinikos complied with the Decision on 16 March 2021.

20. Commitments and contingencies not included in the balance sheet (continued)

The amount received from Kauno klinikos is recorded in the statement of profit (loss) and other gross income under Other operating income.

In order to reach a final settlement of the dispute regarding the newly incurred debt in the period from 1 June 2019 to 1 March 2021, the Parties concluded an amicable settlement agreement on 25 May 2021, under which Kauno Klinikos agreed to pay EUR 570 041 in compensation for the provision of the reserve power assurance service by the Company during this period, to be paid in equal instalments over 2 years. This amicable settlement agreement was confirmed by the ruling of the Kaunas District Court on 2 June 2021.

On 25 September 2020, the Board adopted Resolution No O3E-880 "On unilateral determination of heat price components of AB Kauno energija", unilaterally determining the Company's heat price components for the 2nd year of validity of the base price, including the interest of EUR 509,530 calculated in accordance with Clause 77¹ of the Heat Price Determination Methodology, which the Board had calculated to be paid to the Company for the additional revenues returned to its consumers, taking into account the fact that the return of such revenues was delayed by over one year (i.e. 4 years).

Disagreeing with the calculation of interest, the Company filed a complaint with the Vilnius Regional Administrative Court, but the court dismissed the Company's complaint by the decision of 22 April 2021. In view of the above, the Company lodged an appeal with the Supreme Administrative Court of Lithuania, which is still pending.

DNSB Rotušės 10 has filed a claim against the Company for the removal of the heat supply network from the building at Rotušės a. 10, Kaunas, and for compensation for damages in the amount of EUR 86 139.74.

The case is currently undergoing mediation proceedings with a view to amicable settlement of the dispute. The Company has no objection to the removal of the heat supply network at the expense of the claimant and does not admit any damage.

The court has ordered the Department of Cultural Heritage to submit its findings on the potential damage, upon receipt of which the mediation process will be re.

On 21 September 2021, a written warning was received from the Department of Environmental Protection under the Ministry of the Environment (hereinafter referred to as the DEP) regarding the withdrawal of the pollution permit for the Garliava container-type mobile boiler plant.

The warning has been appealed to the Director of the DEP, and the appeal is pending.

Leases and contracts for the purchase of works

The Group's and the Company's future obligations under the purchase contracts in force at 31 December 2021 amount to EUR 22 626 thousand.

Guarantees

On 28 November 2016, the Company provided a guarantee of EUR 3 913 thousand to Luminor Bank AS for the obligations of the subsidiary UAB Petrašiūnų katilinė to the bank under the credit agreement of EUR 3 403 thousand dated 22 August 2012. On 28 November 2016, the Company provided a guarantee of EUR 95 thousand to Luminor Bank AS for the obligations of its subsidiary UAB Petrašiūnų katilinė to the bank under the derivative transaction described in Note 11. The residual value of the loan to AB Petrašiūnų katilinė was EUR 567 thousand as at 31 December 2021.

21. Related party transactions

The parties are considered to be related if one party can control the other party or has significant influence over the other party in making financial or operational decisions.

On 4 December 2020, the Company and other companies controlled by Kaunas City Municipality signed an agreement on the establishment of UAB Kauno miesto paslaugų centras. The Company's share of subscriptions amounted to 22% and the number of ordinary registered shares acquired was 75 460. The nominal value of a share is EUR 1. The Company's subscription shares are carried at EUR 75 460 in the statement of financial position under Other financial assets.

On 31 December 2021 and 31 December 2020 the Group and the Company had no significant transactions with other companies controlled by Kaunas City Municipality, other than the purchase or provision of public utility services. Transactions with Kaunas City Municipality and companies controlled by Kaunas City Municipality were carried out at market prices. A list of countries related to Kaunas City Council can be found here: <http://www.kaunas.lt/administracija/struktura-ir-kontaktai/pavaldzios-imonės-ir-istaigos/>.

On 31 December 2021 and 31 December 2020 the Group's and the Company's transactions with Jurbarkas City Municipality, Kaunas City Municipality and companies financed and controlled by Kaunas City Municipality, and their debts and liabilities as at the end of the periods were as follows:

| 31 December 2021 | Purchases | Sales | Amounts receivable | Amounts payable |
|---|------------------|--------------|-------------------------------|----------------------------|
| Kaunas City Municipality, companies financed and fully managed by it | 897 | 3 120 | 826 | 206 |
| Jurbarkas district municipality | 10 | 132 | 2 | 2 |
| 31 December 2020 | Purchases | Sales | Amounts receivable | Amounts payable |
| Kaunas City Municipality, companies financed and fully managed by it | 1 269 | 2 512 | 619 | 268 |
| Jurbarkas district municipality | 15 | 167 | - | 2 |

Sales include the amounts of reimbursements for housing heating costs, cold water and sewage costs, and hot water costs for financially challenged residents.

The Group and the Company have made an impairment allowance of EUR 253 thousand as at 31 December 2021 (on 31 December 2020: EUR 253 thousand) in respect of receivables from companies financed from municipal budgets. Receivables are not secured by collateral or other instruments and will be settled in cash. No guarantees have been obtained for receivables.

21. Related party transactions (continued)

On 31 December 2021 and 31 December 2020 the Company's transactions with subsidiaries and the balance sheet balances at the end of the period were as follows:

| AB Petrašiūnų katilinė | Purchases | Sales | Amounts receivable | Amounts payable |
|-------------------------------|------------------|--------------|-------------------------------|----------------------------|
| 31 December 2021 | 746 | 10 | 443 | 201 |
| 31 December 2020 | 1 177 | 11 | 443 | 220 |

| UAB GO Energy LT | Purchases | Sales | Amounts receivable | Amounts payable |
|-------------------------|------------------|--------------|-------------------------------|----------------------------|
| 31 December 2021 | 77 | 12 | 46 | - |
| 31 December 2020 | 14 | 11 | 50 | 3 |

Receivables from AB Petrašiūnų katilinė consist of a loan and an advance payment. No provision for expected credit losses has been made for the loan granted.

The Company has made an impairment allowance of EUR 41 thousand (on 31 December 2020: EUR 50 thousand) for receivables from subsidiaries as at 31 December 2021.

Management's salary and other benefits

On 31 December 2021 the Group's and the Company's management consists of 2 and 1 persons (3 and 1 at 31 December 2020) respectively.

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Wages and salaries charged to the management | 89 | 59 | 78 | 47 |

During 2021 and 2020, there were no loans, guarantees, other disbursements or accruals to the management of the Group and the Company, or transfers of assets.

22. Events after the date of the balance sheet

On 28 October 2021 the Boards of AB Kauno energija and AB Petrašiūnų katilinė (of which AB Kauno energija is the sole shareholder) have initiated the reorganisation of AB Kauno energija and AB Petrašiūnų katilinė by merger, by merging AB Petrašiūnų katilinė with AB Kauno energija, which will cease to operate as a legal entity after the reorganisation, and to call for general meetings of shareholders of both companies to be held for the purpose, with a view to approving the reorganisation. The reorganisation of the companies is ongoing and is expected to be completed in March 2022.

There have been no other events after the reporting date that could have a material effect on the financial statements or that should be disclosed in the financial statements.
