

AB Kauno Energija

Company code 235014830

Raudondvario pl. 84

Kaunas, Lithuania

**COMPANY'S CONSOLIDATED CONDENSED SET OF
INTERIM FINANCIAL STATEMENTS OF THE 9
MONTHS OF 2022 PREPARED IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN
UNION (UNAUDITED)**

APPROVAL OF RESPONSIBLE PERSONS of AB Kauno energija

TO THE SHAREHOLDERS AND THE BANK OF LITHUANIA

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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 Chief Accountant Rita Plančiūnienė, hereby confirm that to the best of our knowledge, the set of condensed interim financial statements of AB Kauno energija for the 9 months of 2022, 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.

Tomas Garasimavičius

General Manager

Edmundas Damanskis

CFO (Chief Financial Officer)

Rita Plančiūnienė

Chief Accountant

CONDENSED INTERIM FINANCIAL STATEMENTS

	Note s	Group		Company	
		2022-09-30	2021-12-31	2022-09-30	2021-12-31
ASSETS					
Fixed assets					
Intangible fixed assets		80	77	80	77
Land and buildings		6 217	6 115	6 456	5 731
Buildings		123 209	121 810	122 986	121 348
Machinery and equipment		15 824	15 514	15 035	14 263
Vehicles		394	445	394	445
Plant and tools		2 315	1 997	2 311	1 996
Constructions in progress and prepayments		16 339	8 089	16 315	8 072
Investment property		1 155	1 273	-	
Total property, plant and equipment		165 453	155 243	163 497	151 856
Assets managed under the right of use		1 152	1 207	951	1 006
Non-current financial assets					
Investments in subsidiaries		-	-	2 505	3 498
Amounts receivable after one year		113	111	89	-
Other financial assets		75	75	75	518
Financial fixed assets, total		188	186	2 669	4 016
Non-current assets, total		166 873	156 713	167 197	156 956
Current assets					
Stock and prepayments					
Inventories	7	2 854	1 756	1 871	1 407
Prepayments		2 174	4 407	2 143	4 056
Total inventories and prepayments		5 028	6 163	4 014	5 464
Amounts receivable within one year					
Trade receivables	8	3 343	11 529	3 189	11 660
Loans to the companies of the group of companies		-	-	-	-
Other amounts receivable		3 236	1 833	3 132	1 794
Amounts receivable within one year, total		6 579	13 362	6 321	13 454
Cash and cash equivalents	11	11 241	3 696	10 599	2 782
Current assets, total		22 848	23 221	20 934	21 699
Assets, total:		189 721	179 934	188 131	178 655

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CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

	Notes	Group		Company	
		2022-09-30	2021-12-31	2022-09-30	2021-12-31
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	3 000	3 000	3 000
Profit (loss) available for distribution					
Current year profit		548	72	(443)	457
Profit (loss) of the previous years		4 488	4 750	5 366	4 910
Total retained profit (loss)		5 036	4 822	4 923	5 367
Total equity		89 959	89 745	89 846	90 290
Amounts payable and liabilities					
Non-current amounts payable after one year and liabilities					
Long-term financial debts	9	46 658	32 658	46 658	32 658
Lease (financial lease)		1 315	1 316	1 112	1 113
Deferred profit tax liabilities		5 924	5 633	5 924	5 924
Grants and subsidies		32 550	32 715	32 550	32 229
Employee benefit liabilities		464	465	463	455
Other provisions		-	-	-	-
Long-term trade payables		-	-	-	-
Accounts payable after one year, and long-term liabilities, total		86 911	72 787	86 707	72 379
Accounts payable within one year of and other liabilities					
Current year's share of long-term financial debt and leasing/financial leases	9	973	3 014	971	2 445
Short-term financial debts		-	-	-	-
Trade debtors		8 109	11 376	7 773	10 701
Payroll related liabilities		906	649	897	632
Received prepayments		778	570	628	464
Tax payable		136	609	134	588
Derivative financial instruments	11				
Current year's share of employee benefit obligations		38	122	36	122

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CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

	Notes	Group		Company	
		2022-09-30	2021-12-31	2022-09-30	2021-12-31
Other provisions	10	577	577	577	577
Accrued costs and income of future periods		1 050	210	290	187
Other short-term amounts payable and liabilities		284	275	272	269
Accounts payable within one year of and other liabilities, total		12 851	17 402	11 578	15 985
Total accounts payable and liabilities		99 762	90 189	98 285	88 364
Total equity and liabilities		189 721	179 934	188 131	178 655

(end)

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

CONDENSED INTERIM STATEMENT OF PROFIT (LOSS) AND OTHER GROSS INCOME

Group	Notes	Q3 2022	2022 from the beginning of year	Q3 2021	2021 from the beginning of year
Operating income					
Sales revenue	14	4 949	48 774	3 133	30 226
Other operational incomes	16	377	1346	432	3 462
Total operating income		5 326	50 120	9 483	30 123
Operating expenses					
Fuel and purchased energy		-1 777	-31 912	-1 941	-15 766
Salaries, social insurance		-2 004	-5 871	-1 728	-5 098
Depreciation and amortisation		-1 601	-4 968	-1 915	-5 547
Repair and maintenance		-109	-583	-120	-462
Change in impairment of receivables	8	369	596	179	337
Taxes, other than income tax		-604	-1 641	-483	-1 527
Electricity		-568	-1 449	-170	-860
Raw materials and materials		-284	-848	-48	-316
Water		-233	-762	-233	-803
Change in realisable value of inventories and impairment of fixed assets	7	-95	-102	48	85
Other costs	15	-318	-1 565	-448	-1 421
Other operational expenses	16	-164	-459	-282	-440
Operating expenses, total		-7388	-49564	-7141	-31818
Operating profit (loss)		-2062	556	-3576	-1870
Other interest and similar income	17	67	157	51	381
Value impairment of financial assets and short-term investment		-	-	-	-
Interest and other similar costs	18	-71	-165	-32	-93
Income from financing and investment activities, net value		-4	-8	19	288
Profit before taxation		-2 066	548	-3 557	2 158
Income tax				-	-
Deferred income tax income (loss)				-	-
Profit for the reporting period		-2 066	548	-3 557	2 158
Termination benefits (accrual), other provisions to be reclassified to profit or loss when certain conditions are met				-	-577
Gross income		-2 066	548	-3 557	1 581
Profit for the period attributable to the Company's shareholders		-2 066	548	-3 557	2 158
Gross income attributable to the Company's shareholders		-2 066	548	-3 557	1 581
Earnings per share (EUR)	19	-0,05	0,01	-0,08	0,05

CONDENSED INTERIM STATEMENT OF PROFIT (LOSS) AND OTHER GROSS

INCOME

Company	Notes	Q3 2022	2022 from the beginning of year	Q3 2021	2021 from the beginning of year
Operating income					
Sales revenue	14	5 037	48 880	3 133	30 231
Other operational incomes	16	242	620	237	3 194
Total operating income		5 280	49 500	3 370	33 425
Operating expenses					
Fuel and purchased energy		-3 269	-32 053	-1 941	-15 915
Salaries, social insurance		-1 986	-5 787	-1 720	-5 045
Depreciation and amortisation		-1 561	-4 840	-1 775	-5 126
Repair and maintenance		-108	-573	-118	-454
Change in impairment of receivables	8	369	599	179	346
Taxes, other than income tax		-584	-1603	-476	-1 506
Electricity		-568	-1444	-163	-803
Raw materials and materials		-159	-458	-105	-370
Water		-232	-762	-232	-801
Change in realisable value of inventories and impairment of fixed assets	7	-96	-102	48	85
Other costs	15	-488	-1 706	-443	-1 399
Other operational expenses	16	-164	-466	-65	-203
Operating expenses, total		-8 847	-49 195	-6 811	-31 191
Operating profit (loss)		-3 567	305	-3 441	2 234
Other interest and similar income	17	67	160	50	379
Value impairment of financial assets and short-term investment			-746		
Interest and other similar costs	18	-72	-162	-28	-79
Income from financing and investment activities, net value		-5	-748	22	300
Profit before taxation		-3 572	-443	-3 419	2 534
Income tax				-	-
Deferred income tax income (loss)				-	-
Profit for the reporting period		-3 572	-443	-3 419	2 534
Termination benefits (accrual), other provisions to be reclassified to profit or loss when certain conditions are met					-577
Gross income		-3 572	-443	-3 419	1 957
Earnings per share (EUR)	19	-0,08	-0,01	-0,08	0,06

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Group	Note s	Capital	Legal reserve	Other reserve s	Profit (loss) available for distribution	Total
Balance as at 31 December 2020		74 476	7 447	2 900	4 850	89 673
Formed reserves		-	-	3 000	-3 000	-
Reversed reserves		-	-	-2 900	2 900	-
Dividends		-	-	-	-	-
Profit for the reporting period		-	-	-	1	1
Other gross income		-	-	-	71	71
Balance on 31 December 2021		74 476	7 447	3 000	4 822	89 745
Formed reserves		-	-	-	-	-
Reversed reserves		-	-	-	-	-
Profit (loss) of the previous years		-	-	-	-334	-334
Profit for the reporting period		-	-	-	548	548
Other gross income		-	-	-	-	-
Balance as at 30 September 2022		74 476	7 447	3 000	5 036	89 959

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Company	Note s	Capital	Legal reserve	Other reserve s	Profit (loss) available for distribution	Total
Balance as at 31 December 2020		74 476	7 447	2 900	5 010	89 833
Formed reserves		-	-	3 000	-3 000	-
Reversed reserves		-	-	-2 900	2 900	-
Dividends		-	-	-	-	-
Profit for the reporting period		-	-	-	386	386
Other gross income		-	-	-	71	71
Balance on 31 December 2021		74 476	7 447	3 000	5 367	90 290
Profit for the reporting period		-	-	-	-443	-443
Other gross income		-	-	-	-	-
Balance as at 30 September 2022		74 476	7 447	3 000	4 924	89 847

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

CONDENSED INTERIM CASH FLOW STATEMENTS

Notes	Group		Company	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Cash flows from (to) operating activities				
Gross income	548	1581	-443	1957
Adjustments to non-cash items:				
Depreciation and amortisation	6 360	7 111	6 279	6 554
Write-offs and changes in impairment of receivables	-596	-331	-599	-346
Interest costs	165	93	162	79
Change in fair value of derivative financial instruments	-	-4	-	-
Loss (gain) on sale and write-down of fixed assets and value of shares	-53	-98	-738	-98
Grants and subsidies (amortisation)	-1 222	-1 301	-2 515	-1 180
Change in realisable value of inventories and impairment of fixed assets	102	-85	102	-85
Change in employee benefits liability	-	-	-	-
Profit tax expense	-	-	-	-
Change in accruals	-	461	-	477
Change in provision liabilities	52	-70	25	-70
Reverse of other results of financing and investing activities	-157	-377	-314	-379
Adjustment to total non-cash items	4 622	5 399	2 403	4 952
Changes of working capital:				
Decrease (increase) in inventories	-1 200	-475	-566	-95
Decrease (increase) in prepayments	2 233	-2871	1 913	-3266
Decrease (increase) in trade receivables	8 628	5271	9 360	5278
Decrease (increase) in other amounts receivable	-1 403	-475	-1 338	-335
Increase (decrease) in long-term trade debts	-2	7	-89	6
Increase (decrease) in trade debtors and advances received	-5 613	-1717	-2 644	-1972
Decrease (increase) in liabilities related to employment relations	257	41	265	40
Increase (decrease) in taxes payable	-473	-87	-454	-102
Decrease (increase) in received prepayments	208	62	164	63
Increase (decrease) in other current liabilities	-325	79	3	-6
Changes in total working capital	2 310	-165	6 615	-389
Net cash flows from operating activities	7 480	6 815	8 575	6 520

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CONDENSED INTERIM CASH FLOW STATEMENTS (continued)

Notes	Group		Company	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Cash flows from (to) investing activities				
Acquisition of intangible fixed assets and property, plant and equipment	-13 099	-11 512	-13 091	-11 512
Sale of property, plant and equipment	129	55	-16	390
Change in value of long-term receivables	154	-403	-	-403
Interest received on overdue receivables		377	154	379
Acquisition of investments, change in value		-	-2 677	-1 434
Net (used) cash flows from investing activities	-12 816	-11 483	-15 630	-12 580
Cash flows from (to) financing activities				
Loans received	14 000	12 000	14 000	12 000
Loans repaid	-1 779	-1 990	-1 779	-1 423
Interest paid	-134	-75	-134	-69
Rent payments	-263	-43	-50	-43
Subsidy received	1 057	2 696	2 836	2 696
Net cash flows from (used in) financing activities	12 881	12 588	14 872	13 161
Net increase (decrease) in cash flows	7 545	7 920	7 818	7 101
Cash and cash equivalents at the beginning of the period	3 696	1 800	2 782	1 675
Cash and cash equivalents at the end of the period	11 241	9 720	10 599	8 776

(end)

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

NOTES TO THE CONDENSED SET OF 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 1 July 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 30 September 2022 and 31 December 2021 the Company's shareholders were:

	2022-09-30		2021-12-31	
	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. On 30 September 2022 and 31 December 2021 the Company had no treasury shares. On 30 September 2022 and 31 December 2021, 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. Other details of the Company remain unchanged, all existing contracts remain valid.

On 2 March 2022, AB Petrašiūnų katilinė was reorganised by merging it with AB Kauno energija. AB Petrašiūnų katilinė was deregistered from the Register of Legal Entities

On 31 September 2022 the Company and its subsidiary UAB GO Energy LT 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	231	2 853	Lease

The Group's average number of listed employees during the reporting period was 376 and the Company's average number of listed employees was 350.

1. General information (continued)

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 30 September 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), electrical capacity is 8.75 MW, of it in Petrašiūnai power plant – 314.6 MW thermal capacity (of which 17.8 MW is condensing economizer) and 8 MW of electrical capacity, 39.4 MW of thermal capacity in Jurbarkas (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 based on an assessment of the economic situation, the competitive environment and the availability of financing. Investment plans are approved by the shareholders and coordinated by the Board.

2. Basis of preparation of the financial statements

The condensed interim financial statements of the Company and the Group for the nine-month period ended 31 September 2022 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 2021 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.

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

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 2021.

The new standards and amendments effective from 1 January 2022 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 2022.

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.

Assets held under right-of-use, the Group and the Company show under right-of-use assets at 30 September 2022 were EUR 1152 thousand and EUR 951 thousand respectively (on 31 December 2021: EUR 1,207 thousand and EUR 1,006 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:

- 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 first 9 months of 2022, the Group's and the Company's acquisitions of fixed assets amounted to EUR 7847 thousand and EUR 7840 thousand, respectively, the residual value of property, plant and equipment sold amounted to EUR 1 thousand and EUR 95 thousand, respectively.

The depreciation expense for property, plant and equipment of the Group and the Company as at 30 September 2022 amounts to EUR 6,360 thousand and EUR 6279 thousand respectively (on 30 September 2022: EUR 5753 thousand and EUR 5317 thousand, respectively). The amounts of the Group's and the Company's depreciation expenses were included in operating expenses in the profit and loss and other comprehensive income statements (depreciation and amortisation and other expenses).

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 2022.

Part of the Group's property, plant and equipment with an acquisition value of EUR 74,050 thousand as at 30 September 2022 (on 31 December 2021: EUR 74,050 thousand), EUR 66,127 thousand for the Company, was fully depreciated (on 31 December 2021: EUR 66,036 thousand), but still used in business operations.

On 30 September 2022 and 31 December 2021 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 30 September 2022, property, plant and equipment with a residual value equal to the Group's EUR 9,526 thousand (on 31 December 2021: EUR 11,945 thousand), and the Company's EUR 9,526 thousand (on 31 December 2021: EUR -9,300 thousand), was pledged to banks as collateral for the loans.

7. Inventories

	Group		Company	
	2022-09-30	2021-12-31	2022-09-30	2021-12-31
Technological fuels	1 692	1 254	1 692	1 177
Spare parts	1 655	927	672	655
Materials	334	300	334	300
	3 681	2 481	2 698	2 132
To be deducted: write-down to net realisable value at the end of the period	(827)	(725)	(827)	(725)
Carrying amount of inventories	2 854	1 756	1 871	1 407

The write-down of the Group's and the Company's inventories to net realisable value as at 30 September 2022 amounted to EUR 827 thousand (on 31 December 2021: EUR 725 thousand). The change in the write-down of inventories to net realisable value in 2022 and 2021 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	
	2022-09-30	2021-12-31	2022-09-30	2021-12-31
Trade receivables	7 666	16 473	7 512	16 596
To be deducted: expected credit losses	(4 323)	(4 944)	(4 323)	(4 934)
	3 343	11 529	3 189	11 662

Change in impairment of doubtful receivables as at 30 September 2022 and 31 December 2021 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.

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 30 September 2020 and 31 December 2021 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).

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.

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 30 September 2022 and 31 December 2021 was as follows:

	Group		Company	
	2022-09-30	2021-12-31	2022-09-30	2021-12-31
Short-term	-	-	-	-
Long-term	0,80	0,36	0,80	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 16 August 2021, a loan tranche of EUR 12 million was taken out. The Company used part of the loan to repay the existing loans. On 22 August 2022, a loan tranche of EUR 14 million was taken out. The Company used part of the loan to repay the existing loans.

9. Financial debts (continued)

Repayment terms of long-term loans:

	Group		Company	
	2022-09-30	2021-12-31	2022-09-30	2021-12-31
Long-term financial debts (loans):	46 658	32 658	46 658	32 658
Payable between 2 and 5 years	16 572	10 380	16 572	10 380
Payable after 5 years	30 086	22 278	30 086	22 278
Current portion of long-term loans	886	2 876	886	2 309
	47 544	35 534	47 544	34 967

On 30 September 2022 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 28 thousand and EUR 25 thousand respectively.

Group's detailed information on loans as at 30 September 2022:

	Credit institution	Date of contract	Amount, thousands EUR	Maturity	Balance as at 2022.09.30 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	1 123	94
2	Ministry of Finance of the Republic of Lithuania *	2010-10-26	807	2034-03-15	462	38
3	Luminor**	2021-08-22	3 403	2022-04-29	-	284
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	42
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	13 000	1 000
8	EIB***	2020-08-07	14 000	2037-08-24	14 000	
9	AB SEB bank	2016-12-22	4 127	2024-11-30	1 042	723
					47 544	2 594

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

Company's detailed information on loans as at 30 September 2022:

	Credit institution	Date of contract	Amount, thousands EUR	Maturity	Balance as at 2022.09.30 in thousands EUR	To be refunded in 2022, thousand EUR
1	Ministry of Finance of the Republic of Lithuania *	2010-04-09	2 410	2034-03-15	1 123	94
2	Ministry of Finance of the Republic of Lithuania *	2010-10-26	807	2034-03-15	462	38
3	Luminor**	2021-08-22	3 403	2022-04-29	-	284

AB „KAUNO ENERGIJA“		Įmonės kodas 235014830 Raudondvario pl. 84 Kaunas, Lietuva		2022 m. 9 mėnesių konsoliduotųjų ir bendrovės finansinių ataskaitų rinkinys (tūkst. eurų, jei nenurodyta kitaip)		
4	EIB*** Ministry of Finance of the Republic of Lithuania *	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	42
6	EIB***	2020-08-07	15 000	2035-08-24	13 000	1 000
7	EIB***	2020-08-07	14 000	2037-08-24	14 000	
8	AB SEB bank	2016-12-22	4 127	2024-11-30	1 042	723
					47 544	2 594

* 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. Under the loan agreements, 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.

As at 30 September 2022 and 31 December 2021, the Company partially missed the target for the net financial debt to EBITDA ratio.

Loan agreements contain certain restrictions. The Company may not grant dividends, issue and/or obtain new loans, make grants, sell or lease mortgaged assets without the written consent of the banks. Such written consents were obtained from the banks.

The Group's and the Company's immovable property, bank accounts 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. 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 10 months of 2020 to cover future price reduction obligations. In October to December 2020, EUR 312,000 was returned to consumers as a result of price cuts. During the months of January and August 2021, the remaining part of EUR 647 thousand was returned to consumers.

11. Cash and cash equivalents

	Group		Company	
	2022-09-30	2021-12-31	2022-09-30	2021-12-31
Cash on the road	81	166	81	166

Cash in the bank	11 160	3 530	10 518	2 616
	11 241	3 696	10 599	2 782

Group bank accounts with a balance of EUR 8,733 thousand on 30 September 2022 (EUR 3530 thousand on 31 December 2021) and the Company's EUR 8,733 thousand (on 31 December 2020: EUR 2616 thousand) are pledged to banks as collateral for the loan.

12. Changes in equity

Legal reserve and other reserves

The legal 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 legal reserve may not be distributed as dividends but can be used to cover future losses.

Dividends

In 2022, the result of 2021 was left in retained earnings.

13. 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, 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:

	<u>Group</u>		<u>Company</u>	
	<u>Q1-Q3</u> <u>2022</u>	<u>Q1-Q3</u> <u>2021</u>	<u>Q1-Q3</u> <u>2022</u>	<u>Q1-Q3</u> <u>2021</u>
Heat supply	44 973	27 466	45 079	27 471
Hot water supply	3 110	2 148	3 110	2 148
Maintenance of hot water metering devices	360	340	360	340
Maintenance of collectors	261	261	261	261
Maintenance of heating and hot water systems in buildings	12	9	12	9
Cooling supply	8	2	8	2
Sale of tradable emission allowances	50	-	50	-
	48 774	30 226	48 880	30 231

Sales revenues by consumer groups of the Group and the Company are presented below:

	<u>Group</u>		<u>Company</u>	
	<u>Q1-Q3</u> <u>2022</u>	<u>Q1-Q3</u> <u>2021</u>	<u>Q1-Q3</u> <u>2022</u>	<u>Q1-Q3</u> <u>2021</u>
Residents	37 011	23 256	37 011	23 256
Other users	4 773	3 004	4 879	3 009
Budgetary organisations financed from the state budget	3 281	2 013	3 281	2 013

Budgetary organisations financed from municipal budgets	2 269	1 372	2 269	1 372
Institutions financed by territorial sickness funds	1 198	464	1 198	464
Industrial users	242	117	242	117
	48 774	30 226	48 880	30 231

14. Other costs

Other expenses as at 30 September 2022 include:

	Group		Company	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Equipment inspection and testing	216	131	216	131
Maintenance of collectors	271	271	271	271
Money collection costs	94	108	94	108
Ash recovery costs	116	112	116	106
Information Technologies costs	66	43	66	43
Consulting Services	89	99	89	98
Employee-related costs	91	45	91	45
Invoicing costs	69	56	69	56
Membership fee	75	77	75	77
Maintenance of fixed assets and related services	63	50	63	50
Transport costs	77	60	77	60
Debt collection costs	60	35	60	35
Insurance	45	56	45	52
Communication costs	22	20	22	19
Costs for advertising	24	20	24	20
Audit costs	23	27	23	27
Rental of equipment and machinery	37	49	37	49
Sponsorship	52	1	52	1
Other costs	75	161	216	151
	1 565	1 421	1 706	1 399

15. Other operating income and expense

Other operating income includes:

	Group		Company	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Other operational incomes				
Inventories sold	523	207	151	207
Miscellaneous services rendered	690	482	336	214
Compensation received	-	-	-	-
Revenue from previous periods	-	6	-	6
Profit from the sale of fixed assets	8	115	8	115
Other	125	2 652	125	2 652
	1 346	3 462	620	3 194

Other operating expenses include:

	Group		Company	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Other operational expenses				
Cost of miscellaneous services rendered	-214	-387	-221	-150
Inventories sold	-152	-1	-152	-1
Cost of previous periods	-30	-18	-30	-18
Sale of fixed assets, write-off	-	-17	-	-17
Other	-63	-17	-63	-17
	-459	-440	-466	-203

15. Other operating income and expense (continued)

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

16. Basic and diluted earnings per share

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

	Group		Company	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Profit for the reporting period	548	1581	(443)	1957
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	0,05	-0,01	0,06

17. Commitments and contingencies not included in the balance sheet

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.

18. 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.

In 2022 and 2021, the Group and the Company did not have any significant transactions with other companies controlled by Kaunas City Municipality, except for the purchase or provision of 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:

In 2022 and 2021, 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:

30 September 2022	Purchases	Sales	Amounts receivable	Amounts payable
Kaunas City Municipality, companies financed and fully managed by it	869	4 315	337	197
Jurbarkas district municipality	11	150	2	3

18. Related party transactions (continued)

30 September 2021	Purchases	Sales	Amounts receivable	Amounts payable
Kaunas City Municipality, companies financed and fully managed by it	897	2 036	343	206
Jurbarkas district municipality	10	132	2	2

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

On 30 September 2022 and 30 September 2021 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
30 September 2022	839		-	-
30 September 2021	354	9	821	0

UAB GO Energy LT	Purchases	Sales	Amounts receivable	Amounts payable
30 September 2022	112	78	8	68
30 September 2021	53	8	41	3

UAB GO Energy LT provides real estate management services to AB Kauno energija and participates in unregulated energy development projects together with its parent company.

Management's salary and other benefits

On 30 September 2022 the Group's and the Company's management consists of 2 and 1 persons (3 and 1 persons on 30 September 2021), respectively.

	Group		Company	
	2022-09-30	2021-09-30	2022-09-30	2021-09-30
Wages and salaries charged to the management	78	71	73	63
Reimbursements of employee benefits calculated for the management	-	-	-	-

During 2022 and 2021, there were no loans, guarantees, other disbursements or accruals to the management

of the Group and the Company, or transfers of assets.

19. Events after the date of the balance sheet

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.
