AB Kauno energija

Company code 235014830
Raudondvario pl. 84
Kaunas, Lithuania

KAUNO
ENERGIJA

COMPANY'S CONSOLIDATED CONDENSED SET OF INTERIM FINANCIAL STATEMENTS OF THE 3 MONTHS OF 2023 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)

CONFIRMATION OF RESPONSIBLE PERSONS OF AB KAUNO ENERGIJA TO THE SHAREHOLDERS 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, Director General, 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 3 months ended 31 March 2023, 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
Director General

Edmundas Damanskis
Chief Financial Officer

Rita Plančiūnienė
Chief Accountant

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM FINANCIAL STATEMENTS

	Notes	Group 2023-03-31	Group 2022-12-31	Company 2023-03-31	Company 2022-12-31
ASSETS					
Fixed assets					
Intangible fixed assets		**125**	**98**	**125**	**98**
Land and buildings		6 397	6 468	6 321	6 403
Buildings		132 867	127 521	132 867	127 521
Machinery and equipment		14 622	15 020	14 569	14 975
Vehicles		555	397	555	397
Plant and tools		2 670	2 763	2 668	2 761
Constructions in progress and prepayments		8 228	13 519	8 184	13 477
Investment property		1 131	1 114	-	-
Total property, plant and equipment		**166 470**	**166 802**	**165 164**	**165 534**
Assets managed under the right of use		**1 136**	**1 141**	**879**	**884**
Non-current financial assets					
Investments in subsidiaries		-	-	2 763	2 763
Amounts receivable after one year		39	39	-	-
Other financial assets		75	75	75	75
Financial fixed assets, total		**114**	**114**	**2 838**	**2 838**
Non-current assets, total		**167 845**	**168 155**	**169 006**	**169 354**
Current assets					
Stock and prepayments					
Inventories	**4**	2 749	2 694	1 622	1 879
Prepayments		2 320	2 162	2 005	1 851
Total inventories and prepayments		**5 069**	**4 856**	**3 627**	**3 730**
Amounts receivable within one year					
Short-term deposits		8 000	2 000	8 000	2 000
Trade receivables	**5**	13 112	18 169	13 012	17 978
Other amounts receivable		6 032	5 156	6 024	5 130
Amounts receivable within one year, total		**27 144**	**25 325**	**27 036**	**25 108**
Cash and cash equivalents	**8**	**4 023**	**5 550**	**3 446**	**4 891**
Current assets, total		**36 236**	**35 731**	**34 109**	**33 729**
Assets, total:		**204 081**	**203 886**	**203 115**	**203 083**

(continued on the next page)

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

		Group		Company	
	Notes	**2023-03-31**	**2022-12-31**	**2023-03-31**	**2022-12-31**
EQUITY AND LIABILITIES					
Property					
Capital	**1**	**74 476**	**74 476**	**74 476**	**74 476**
Legal reserve		7 447	7 447	7 447	7 447
Other reserves		3 000	3 000	3 000	3 000
Profit (loss) available for distribution					
Current year profit		7 920	6 356	7 867	6 299
Profit (loss) of the previous years		11 178	4 822	10 920	4 620
Total retained profit (loss)		**19 098**	**11 178**	**18 787**	**10 919**
Total equity		**104 021**	**96 101**	**103 710**	**95 842**
Non-current amounts payable after one year and liabilities					
Long-term financial debts		43 950	43 949	43 950	43 949
Lease (financial lease)		1 145	1 151	887	887
Deferred profit tax liabilities		5 819	5 819	5 819	5 819
Grants and subsidies		31 851	32 211	31 851	32 211
Employee benefit liabilities		374	374	363	363
Accounts payable after one year, and long-term liabilities, total		**83 139**	**83 504**	**82 870**	**83 229**
Accounts payable within one year of and other liabilities					
Current year's share of long-term financial debt and leasing/financial leases		2 248	2 891	2 246	2 889
Short-term financial debts		-	-	-	-
Trade debtors		10 915	18 548	10 773	18 487
Payroll related liabilities		1 173	695	1 152	686
Received prepayments		954	773	843	660
Tax payable		941	500	865	435
Derivative financial instruments					
Current year's share of employee benefit obligations		76	90	75	89

(continued on the next page)

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

		Group		Company	
	Notes	**2023-03-31**	**2022-12-31**	**2023-03-31**	**2022-12-31**
Other provisions	**10**	78	78	78	78
Accrued costs and income of future periods		360	337	342	322
Other short-term amounts payable and liabilities		176	369	161	366
Accounts payable within one year of and other liabilities, total		**16 921**	**24 281**	**16 535**	**24 012**
Total accounts payable and liabilities		**100 060**	**107 785**	**99 405**	**107 241**
Total equity and liabilities		**204 081**	**203 886**	**203 115**	**203 083**

(end)

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

AB „KAUNO ENERGIJA“ Company code 235014830 Raudondvario pl. 84 Kaunas, Lithuania Set of consolidated and company's financial statements for the 3 months of 2023 (in thousands euro, unless specified otherwise)

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

Group	Comments	Q1 2023	2023 from the beginning of year	Q1 2022	2023 from the beginning of year
Operating income					
Sales revenue	**10**	42 897	42 897	32 979	32 979
Other operational incomes	**12**	277	277	393	393
Total operating income		**43 174**	**43 174**	**33 372**	**33 372**
Operating expenses					
Fuel and purchased energy		(28 643)	(28 643)	(22 671)	(22 671)
Salaries, social insurance		(2 117)	(2 117)	(1 886)	(1 886)
Depreciation and amortisation		(1 635)	(1 635)	(1 725)	(1 725)
Repair and maintenance		(135)	(135)	(263)	(263)
Change in impairment of receivables		(7)	(7)	(36)	(36)
Taxes, other than income tax		(466)	(466)	(400)	(400)
Electricity		(622)	(622)	(478)	(478)
Raw materials and materials		(283)	(283)	(284)	(284)
Water		(457)	(457)	(265)	(265)
Change in realisable value of inventories and impairment of fixed assets		(44)	(44)	4	4
Other costs	**10**	(693)	(693)	(555)	(555)
Other operational expenses	**12**	(165)	(165)	(168)	(168)
Operating expenses, total		**(35 267)**	**(35 267)**	**(28 727)**	**(28 727)**
Operating profit (loss)		**7 907**	**7 907**	**4 645**	**4 645**
Other interest and similar income		284	284	28	28
Value impairment of financial assets and short-term investment		-	-	-	-
Interest and other similar costs		(271)	(271)	(28)	(28)
Income from financing and investment activities, net value		**13**	**13**	**-**	**-**
Profit before taxation		**7 920**	**7 920**	**4 645**	**4 645**
Income tax		-	-	-	-
Deferred income tax income (loss)		-	-	-	-
Profit for the reporting period		**7 920**	**7 920**	**4 645**	**4 645**
Termination benefits (accrual), other provisions to be reclassified to profit or loss when certain conditions are met		-	-	-	-
Gross income		**7 920**	**7 920**	**4 645**	**4 645**
Profit for the period attributable to the Company's shareholders		7 920	7 920	4 645	4 645
Gross income attributable to the Company's shareholders		7 920	7 920	4 645	4 645
Earnings per share (EUR)	**19**	**0,19**	**0,19**	**0,11**	**0,11**

(in thousands euro, unless specified otherwise)

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

Company	**Comments**	**Q1 2023**	**2023 from the beginning of year**	**Q1 2022**	**2022 from the beginning of year**
Operating income					
Sales revenue	**10**	42 809	42 809	32 997	32 997
Other operational incomes	**12**	201	201	208	208
Total operating income		**43 010**	**43 010**	**33 205**	**33 205**
Operating expenses					
Fuel and purchased energy		(28 643)	(28 643)	(22 066)	(22 066)
Salaries, social insurance		(2 049)	(2 049)	(1 845)	(1 845)
Depreciation and amortisation		(1 606)	(1 606)	(1 647)	(1 647)
Repair and maintenance		(135)	(135)	(256)	(256)
Change in impairment of receivables		(7)	(7)	(36)	(36)
Taxes, other than income tax		(456)	(456)	(392)	(392)
Electricity		(622)	(622)	(473)	(473)
Raw materials and materials		(183)	(183)	(152)	(152)
Water		(456)	(456)	(265)	(265)
Change in realisable value of inventories and impairment of fixed assets		(44)	(44)	4	4
Other costs	**11**	(788)	(788)	(592)	(592)
Other operational expenses	**12**	(172)	(172)	(175)	(175)
Operating expenses, total		**(35 161)**	**(35 161)**	**(27 895)**	**(27 895)**
Operating profit (loss)		**7 849**	**7 849**	**5 310**	**5 310**
Other interest and similar income		284	284	31	31
Value impairment of financial assets and short-term investment		-	-	(746)	(746)
Interest and other similar costs		(266)	(266)	(25)	(25)
Income from financing and investment activities, net value		**18**	**18**	**(740)**	**(740)**
Profit before taxation		**7 867**	**7 867**	**4 570**	**4 570**
Income tax		-	-	-	-
Deferred income tax income (loss)		-	-	-	-
Profit for the reporting period		**7 867**	**7 867**	**4 570**	**4 570**
Termination benefits (accrual), other provisions to be reclassified to profit or loss when certain conditions are met		-	-	-	-
Gross income		**7 867**	**7 867**	**4 570**	**4 570**
Earnings per share (EUR)	**19**	**0,18**	**0,18**	**0,11**	**0,11**

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

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Group	Notes	Capital	Legal reserve	Other reserves	Profit (loss) available for distribution	Total
Balance as at 31 December 2021		**74 476**	**7 447**	**3 000**	**4 822**	**89 745**
Formed reserves		-	-	-	-	-
Reversed reserves		-	-	-	-	-
Dividends		-	-	-	-	-
Profit for the reporting period		-	-	-	5 858	5 858
Other gross income		-	-	-	498	498
Balance as at 31 December 2022		**74 476**	**7 447**	**3 000**	**11 178**	**96 101**
Formed reserves		-	-	-	-	-
Reversed reserves		-	-	-	-	-
Profit (loss) of the previous years						
Profit for the reporting period		-	-	-	7 920	7 920
Other gross income		-	-	-	-	-
Balance as at 31 March 2022		**74 476**	**7 447**	**3 000**	**19 098**	**104 021**

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

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Company	Notes	Capital	Legal reserve	Other reserves	Profit (loss) available for distribution	Total
Balance as at 31 December 2021		**74 476**	**7 447**	**3 000**	**5 367**	**90 290**
AB Petrašiūnų boiler house connection result		-	-	-	(747)	(747)
Reversed reserves		-	-	-	-	-
Dividends		-	-	-	-	-
Profit for the reporting period		-	-	-	5 802	5 802
Other gross income		-	-	-	498	498
Balance as at 31 December 2022		**74 476**	**7 447**	**3 000**	**10 920**	**95 842**
Profit for the reporting period		-	-	-	7 867	7 867
Other gross income		-	-	-	-	-
Balance as at 31 March 2023		**74 476**	**7 447**	**3 000**	**18 787**	**103 710**

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

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM CASH FLOW STATEMENTS

	Notes	Group		Company	
		2023	**2022**	**2023**	**2022**
Cash flows from (to) operating activities					
Gross income		**7 920**	**6 356**	**7 867**	**6 299**
Adjustments to non-cash items:					
Depreciation and amortisation		2 067	8 560	2 103	8 360
Write-offs and changes in impairment of receivables		7	(111)	7	(114)
Interest costs		271	299	266	296
Change in the value of fixed-term deposits		-	-	-	-
Loss (gain) on sale and write-down of fixed assets and value of shares		(10)	(17)	(10)	(17)
Grants and subsidies (amortisation)		(384)	(1 778)	(384)	(1291)
Change in realisable value of inventories and impairment of fixed assets		44	44	44	44
Change in employee benefits liability		(14)	(91)	(14)	(125)
Change in lease liability		-	60	-	(66)
Profit tax expense		(6)	71	-	(15)
Change in accruals		23	(172)	6	10
Change in provision liabilities		-	(313)	-	(499)
Revere of other results of financing and investing activities		(284)	(247)	(284)	(502)
Adjustment to total non-cash items		**1 714**	**6 305**	**1 734**	**6 081**
Changes of working capital:					
Decrease (increase) in inventories		(99)	(982)	213	(516)
Decrease (increase) in prepayments		(158)	2 245	(154)	2 204
Decrease (increase) in trade receivables		5 050	(6 529)	4 959	(6 011)
Decrease (increase) in other amounts receivable		(876)	(3 323)	(894)	(3 336)
Increase (decrease) in long-term trade debts		-	72	-	-
Increase (decrease) in trade debtors and advances received		(7 359)	7 405	(7 393)	8 276
Decrease (increase) in liabilities related to employment relations		478	46	466	54
Increase (decrease) in taxes payable		441	(109)	430	(153)
Decrease (increase) in received prepayments		181	203	183	196
Increase (decrease) in other current liabilities		(193)	34	(205)	97
Changes in total working capital		**(2 535)**	**(938)**	**(2 395)**	**811**
Net cash flows from operating activities		**7 099**	**11 723**	**7 206**	**13 191**

(continued on the next page)

(in thousands euro, unless specified otherwise)

CONDENSED INTERIM CASH FLOW STATEMENTS (continued)

		Group		Company	
	Notes	**2023**	**2022**	**2023**	**2022**
Cash flows from (to) investing activities					
Acquisition of intangible fixed assets and property, plant and equipment		(1 870)	(20 252)	(1 846)	(20 220)
Sale of property, plant and equipment		125	56	120	61
Interest received on overdue receivables		-	252	-	252
Acquisition of investments		(6 000)	(2 000)	(6 000)	(3 539)
Net (used) cash flows from investing activities		**(7 745)**	**(21 944)**	**(7 726)**	**(23 443)**
Cash flows from (to) financing activities					
Loans received		-	14 000	-	14 000
Loans repaid		646	(2 816)	(646)	(2 532)
Interest paid		303	(285)	(303)	(284)
Rent payments		-	(98)	-	(96)
Subsidy received		24	1 274	24	1 273
Net cash flows from (used in) financing activities		**973**	**12 075**	**(925)**	**12 361**
Net increase (decrease) in cash flows		**327**	**1 854**	**(1 445)**	**2 109**
Cash and cash equivalents at the beginning of the period		**3 696**	**3 696**	**4 891**	**2 782**
Cash and cash equivalents at the end of the period		**4 023**	**5 550**	**3 446**	**4 891**

(end)

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

AB „KAUNO ENERGIJA“ Company code 235014830 Raudondvario pl. 84 Kaunas, Lithuania Set of consolidated and company's financial statements for the 3 months of 2023 (in thousands euro, unless specified otherwise)

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 31 March 2023 and 31 December 2022 the Company's shareholders were:

	2023-03-31		2022-12-31	
	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. The Company had no treasury shares on 31 March 2023 and 31 December 2022 . As at 31 March 2023 and 31 December 2022, 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 March 2023 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	60	3 093	Lease

The Group's average number of listed employees during the reporting period was 380 and the Company's average number of listed employees was 351.

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 the Council, by its Resolution No. O3E-283, established new components of the basic heat price for the Company, which were in force during the audited period. 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.

Economic activities

The Company's production capacities consist of the Petrašiūnai power plant, 4 regulated and 10 automated boiler houses in the integrated network of Kaunas city, 7 regional boiler houses in Kaunas district, 1 in Jurbarkas, 11 isolated network and 26 local (household) boiler houses in Kaunas city, as well as 2 boiler houses for water heating in Sargėnai district.

The boiler house under the ownership of AB Kauno energija became a division of the Company in March 2022. In July 2022, the Petrašiūnai power plant's capacity was reduced due to environmental requirements.

The total installed thermal capacity of the Company as at 31 December 2022 is approximately 596 MW (of which 53 MW are condensing economizers), electrical, 8.75 MW, including 220 MW thermal capacity of 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 605 MW (of which 53 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 Regulatory Council.

The Company's management approved these financial statements on 25 April 2023. The Company's shareholders have a statutory right to approve these financial statements or disapprove them and require the management to draft new financial statements.

1. Summary of significant accounting policies

2.1. Confirmation of Conformity

The separate and consolidated financial statements (hereinafter the "financial statements") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations thereof. Standards have been issued by the International Accounting Standards Board (IASB) and interpretations have been issued by the International Financial Reporting Interpretations Committee (IFRIC).

2.2. Basis of preparation of the financial statements

These financial statements are prepared on an historical cost basis, except for financial assets and liabilities for which changes in fair value are recognised as profit or loss. Historical cost is essentially based on the fair value of the consideration paid for an asset. These financial statements are prepared based on a presumption that the Company and the Group will continue as a going concern in the foreseeable future.
The financial year of the Company and other Group companies coincides with the calendar year.

2. Summary of significant accounting policies (continued)

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

All amounts in these financial statements are recorded and presented in euro (rounded to the nearest thousand euro, unless otherwise stated) – the functional and presentation currency of the Group and the Company.

2.3. Application of new and/or amended IFRS International Financial Reporting Interpretations Committee's (IFRIC) interpretations

(a) New and/or amended standards and interpretations applicable from 1 January 2022:

The following amended standards issued by the International Accounting Standards Board (IASB) and adopted by the EU, as well as additions and clarifications to existing standards, are currently in force and have been applied by the Company and the Group during this year:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022);
- IFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021).

The application of the standards, amendments and interpretations listed above did not materially affect the financial statements of the Company and the Group.

(b) Standards, amendments to existing standards and interpretations issued by the IASB, adopted by the EU but not yet effective:

As at the date of these consolidated financial statements, the Company and the Group has not early adopted the following new and revised IFRS standards, amendments and interpretations that have been endorsed but not yet effective:

- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The management of the Company and the Group does not expect that the adoption of these standards, amendments and interpretations will have a material impact on the Company's and the Group's financial statements in the period of initial application.

(c) Standards, amendments to existing standards and interpretations that are not yet effective and have not yet been endorsed by the EU:

IFRSs currently endorsed by EU are not significantly different from the standards, endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

2. Summary of significant accounting policies (continued)

2.3. Application of new and/or amended IFRS International Financial Reporting Interpretations Committee’s (IFRIC) interpretations (continued)

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective date; Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

The management of the Company and the Group does not expect that the adoption of these standards, amendments and interpretations will have a material impact on the Company's and the Group's financial statements in the period of initial application.

2.4. Consolidation principles

<u>Consolidation principles</u>

The consolidated financial statements of the Group include AB Kauno energija and its subsidiaries. The financial statements of the subsidiaries are for the same reporting period as those of the Parent Company. The consolidated financial statements are prepared on the basis of uniform accounting principles for like transactions and other events in similar circumstances.

Businesses acquired or disposed of during the year are included in the consolidated financial statements from the date of the transfer of control or until the date on which control is lost. Intercompany transactions, balances and unrealised gains and losses are eliminated on consolidation. The gross income of subsidiaries is attributable to the owners of the enterprise and to the non-controlling interest, even if the result of the non-controlling interest is negative.

A subsidiary is an undertaking controlled, directly or indirectly, by its parent undertaking. Typically, a company is controlled when the Group directly or indirectly owns more than 50 percent of the company's share capital carrying the voting rights and/or when it is able to control the financial and operating activities so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements at the beginning and end of the control dates.

<u>Changes in the Group's equity interest in subsidiaries</u>

Changes in the Group's equity interest in subsidiaries that do not result in a loss of control of the Group by the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect changes in their respective interests in subsidiaries. Any difference between the adjustment for the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributable to the owners of the entity.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the sum of the fair value of the consideration received and the aggregate of the fair value of any retained interest; and (ii) the previous carrying amounts of the subsidiary's assets (including goodwill) and liabilities and non-controlling interests. When a subsidiary's assets are accounted for by remeasuring the fair value amount and the related gain or loss has been included in comprehensive income and accumulated in equity, the amounts previously included in other comprehensive income and accumulated in equity are accounted for in the same way as the disposal of the related asset (i.e. reclassified to profit or loss or transferred directly to retained earnings, as specified in the relevant IFRS). The fair value of the remaining investment in the former subsidiary at the date of the loss of control is treated as the fair value at initial recognition for subsequent accounting purposes in accordance with IFRS 9 Financial Instruments, or, if appropriate, as the acquisition cost of the investment in an associate or jointly controlled entity at initial recognition.

2. Summary of significant accounting policies (continued)

2.5. Investments in subsidiaries

In the statement of financial position of the company, investments in subsidiaries are accounted for using the acquisition cost method. Dividends received from subsidiaries are recognised in profit or loss and other comprehensive income.
IAS 36 “Impairment of Assets” applies impairment criteria to determine whether it is necessary to recognise impairment losses in respect of the Company's investment in a subsidiary. When necessary, the full carrying amount of an investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (the higher of its value in use and its fair value less costs to sell) with its carrying amount. Any impairment losses recognised shall form part of the carrying amount of the investment. Any reversal of an impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2.6. Intangible Assets

Intangible assets acquired separately
Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The useful life and depreciation method are reviewed at each reporting date, prospectively recording any changes in the estimate assessment. The amortisation calculation shall be discontinued from the first day of the month following the disposal of the asset or when the total cost of the acquisition of an intangible asset is transferred to cost or to the value of another asset. Intangible assets with an indefinite useful life acquired separately are carried at cost less impairment losses.

Derecognition of intangible assets
An intangible asset is derecognised when it is sold or when no future economic benefit is expected from the use or sale of the asset. Gains or losses arising from the derecognition of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Licenses
Amounts paid for licenses are capitalized and amortized over the term of validity (3 to 4 years).

Software
The new software acquisition costs are capitalized and recognized as an intangible fixed asset if these costs are not an integral part of the hardware. Software is amortized over a period no longer than 3 years.

Costs incurred in order to restore or maintain the future economic benefits that the Company expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

Set of consolidated and company's financial statements for the 3 months of 2023 (in thousands euro, unless specified otherwise)

2. Summary of significant accounting policies (continued)

2.7. Accounting for emission allowances

Emission allowances received shall be accounted for using the net commitment method. Under this approach, the Group and the Company account for emission allowances at nominal value.

Commitments to acquire additional emission allowances are recognised when they arise (e.g. commitments are not accounted for on the basis of expected future emissions) and are accounted for only when the actual emissions of the Group and the Company exceed the amount of available emission allowances.

Under the net commitment approach, the Group and the Company assess the lack of emission allowances by comparing the quantity of emission allowances available with the actual annual emissions.

Sales of emission allowances are recorded at the amount of the sales transaction. Any differences between the fair value of the sale and the carrying amount of the allowances held shall be recognised as profit or loss, regardless of whether there is an actual or expected shortfall in the allowances at the time of the transaction. Where the sale of emission allowances results in an actual shortfall of emission allowances, the financial position reports shall recognise additional liabilities, including profits or losses that affect the relevant costs.

2.8. Property, plant and equipment

Property, plant and equipment is carried at acquisition cost, which does not include routine maintenance costs, less accumulated depreciation and estimated impairment losses, if any. The cost of acquisition includes the cost of replacing property, plant and equipment when they are incurred, provided that these costs qualify for the recognition of the asset.

Property classified as construction in progress, under construction for production, supply or administrative purposes, or for other purposes not yet determined, is carried at acquisition cost less impairment losses. The cost includes professional fees and capitalised borrowing costs of long run assets in accordance with the accounting policies of the Group and the Company. Depreciation of these assets shall begin using the same method of depreciation as for other immovable property when the property is ready for its intended use.

Depreciation is recognised in such a way that, over the useful life of the asset, its cost (excluding land and construction in progress) less its residual value is written off on a straight-line basis. The estimated useful lives, residual values, and depreciation methods are reviewed at each year-end, with any changes in the accounting estimate accounted for prospectively.

The useful service lives are reviewed every year to ensure that the period of depreciation is consistent with the expected useful life of the long-term tangible asset.
Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings	15 – 50
Investment property	50
Buildings	15 – 70
Machinery and equipment	5 – 20
Vehicles	4 – 10
Plant and tools	3 – 16

Land is not depreciated.

2. Summary of significant accounting policies (continued)

2.8. Property, plant and equipment (continued)

An asset is recognised as non-current when it has a useful life of more than one year and the acquisition cost exceeds EUR 144.81.
Property, plant and equipment acquired under finance leases are depreciated over their useful lives using the same useful lives as own assets.
Property, plant and equipment are derecognised when they are sold or when no future economic benefits are expected from the use or sale of the asset. Any gain or loss arising on the sale or write-down of an item of property, plant and equipment is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the profit (loss) statement and other comprehensive income.

Subsequent repair costs are added to the cost of an asset if it is probable that future economic benefits will flow to the Group and the Company from the expenditure and the cost of the expenditure can be measured reliably. The carrying amount of the modified portion is derecognised. All other repair costs are recognised as an expense that affects profit or loss for the period when they are incurred.

Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Depreciation is not charged on construction in progress until the asset is placed in service or is ready for use.

Fixed assets for resale
Property, plant and equipment, or groups of saleable assets that consist of assets and liabilities that are expected to be recovered primarily through sale and not through continuing use, are classified as held for sale. Immediately before classifying an asset as held for sale, the asset (or parts of a pool of available-for-sale assets) is measured in accordance with the applicable International Financial Reporting Standards as adopted for application in the European Union (non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less the cost of selling such assets).

Impairment losses on assets held for sale measured at the time of initial classification and subsequent gains and losses related to the revaluation of assets shall be included in profit or loss. Revenue from the reversal of depreciation is not recognised at a higher amount than accumulated impairment losses.
When property, plant and equipment is recorded as held for sale, depreciation is no longer charged.

2.9. Impairment of property, plant and equipment and intangible assets other than goodwill

At each date of preparation of the statement of financial position, the Group and the Company shall review the residual value of property, plant and equipment and intangible assets to determine whether there is any indication that these assets are impaired. If any such indication exists, the Group and the Company assesses the recoverable amount of the asset in order to be able to assess the impairment loss (if any). Where it is impossible to assess the recoverable value of assets, the Group and the Company estimates the recoverable amount in the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, the assets of the Group and the Company are also allocated to separate income-generating groups of assets, or alternatively, they are allocated to the lowest cash-generating unit for which a reasonable and consistent basis of allocation can be identified.

2. Summary of significant accounting policies (continued)

2.9. Impairment of property, plant and equipment and intangible assets other than goodwill (continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments conditions, time value of money and the risks associated with the assets, which was not taken into account in estimating the future cash flows.

If the estimated recoverable amount of the asset (or cash-generating unit) is less than its carrying amount of this asset, the carrying amount of the asset is reduced to the recoverable value of this asset (or cash-generating unit). Impairment losses are recognised immediately through profit or loss. The Group and the Company have one group of cash-generating units for the heat business.

If after the recognition of impairment loss the value of the asset increases, the carrying amount of the asset (cash-generating unit) is increased to the newly estimated recoverable amount, but so that the increase does not exceed the carrying value of the asset (cash-generating unit) if the losses due to value impairment in previous years had not been recognized. Reversals of impairment losses are recognised immediately in profit or loss.

2.10. Investment property

Property, plant and equipment are assets that the Company manages and controls in order to generate rental income and/or increase the value of these assets. Assets that are used for the production of goods, services or for administrative purposes, and the sale of which is classified as a typical activity of the Company, not included in property, plant and equipment. Investment property is initially valued at acquisition cost, including related transaction costs. Subsequent to initial recognition, buildings are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis so as to write off the cost of the asset on a straight-line basis over the asset's useful life of 8-50 years. Depreciation of investment property is accounted for in the cost item of the profit or loss and other comprehensive income statement.

2.11. Financial assets

The Group and the Company classify their financial assets in the following groups:

- financial assets that are measured at fair value in subsequent periods, with the change in fair value recognised in other comprehensive income or profit or loss; and
- financial assets measured at amortised cost.

The classification depends on the financial asset management model and the contractual cash flow conditions.

Recognition and initial measurement
Trade receivables are initially recognised when they arise. On initial recognition, all other financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the instrument. Financial assets (other than trade receivables without a significant financing component) or financial liabilities are initially measured at fair value plus, if the instrument is not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue. Trade receivables without a significant financing component are initially recognised at transaction price.

2. Summary of significant accounting policies (continued)

2.11. Financial assets (continued)

Classification and subsequent assessment

At initial recognition, financial assets are classified and measured as follows:

- amortised cost;
- at fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless the Group and the Company change their financial asset management model. In this case, all related financial assets shall be reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortised cost if it meets both of the following criteria and is not classified as an asset measured at fair value through profit or loss:

- the entity intends to hold the asset for contractual cash receipts;
- contractual cash flows on specific dates include only payments of principal and interest on the amount due.

Write-off

The carrying amount of a financial asset is written down, in whole or in part, if there is no realistic prospect of its recovery. This usually occurs when the Group and the Company determine that the debtor does not have sufficient assets or sources of income to generate sufficient cash flows to repay the amounts written off. However, financial assets that are written off may be recovered to meet debt collection requirements imposed by the Group and the Company.

Assessment of significantly increased credit risk

The Group and the Company assess the probability of default at the initial recognition of financial assets and at each balance sheet date, taking into account whether there has been a significant increase in credit risk since initial recognition. In order to assess whether there has been a significant increase in credit risk, the Group and the Company compare the risk of default on assets at the date of preparation of the statements with the risk of default on initial recognition. In analysing whether credit risk has increased significantly, the following factors shall be assessed:

- significant changes in the internal credit rating;
- significant changes in the external credit rating (if any);
- actual or foreseeable material adverse changes in the business environment, financial or economic situation which may materially affect the ability of the customer to meet its obligations;
- actual or anticipated significant changes in the client's performance.

Based on the Group's and the Company's debt recovery statistics, management considers that the credit risk has increased from the time of initial recognition only if the contractual payments are delayed by more than 30 days.

ECL valuation – trade receivables and other contract assets

The Group and the Company apply a simplified approach to the calculation of lifetime expected credit losses over the lifetime of the asset, using the provisioning matrix for all trade receivables and other receivables. In order to calculate expected credit losses using the provisioning matrix, trade receivables and other receivables are classified into separate groups according to the general characteristics of credit risk. The amounts of each group are analysed on the basis of the number of days past due and a loss indicator shall be assigned to each group of amounts past due. Loss ratios are calculated using management's expert judgement using statistical recovery information for the last 2 years.

For receivables from customers that do not have a significant financing component, the estimated credit loss is accounted for over the entire term of the debt.

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2. Summary of significant accounting policies (continued)

2.11. Financial assets (continued)

Such information shall be adjusted, if necessary, in the light of forward-looking information. The table below provides information on the expected credit losses calculated for the Group and the Company for each group of overdue amounts.

As trade receivables and other receivables generally do not include collateral or other credit protection, the expected loss ratio corresponds to the probability of default.

Trade receivables:

		Overdue in days						
Group	**Not overdue**	**from 1 to 30**	**from 31 to 90**	**from 91 to 180**	**from 181 to 270**	**from 271 to 360**	**from 361 up to 720**	**more than 721**
Expected credit loss rate %	0	0	20	50	60	80	90	100
Company								
Expected credit loss rate %	0	0	20	50	60	80	90	100

2.12. Derivative financial instruments

Till 2022, the Group and the Company used derivative financial instruments such as interest rate swaps to hedge interest rate risk. Such derivatives are recognised at fair value on the trade date and remeasured at fair value in subsequent periods. Derivative financial instruments are accounted for as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.
Any gain or loss arising from a change in the fair value of derivatives during the year is accounted for directly in profit or loss.
The fair value of interest rate swaps is determined by reference to the market value of similar instruments.

2.13. Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value refers to the estimated selling price of inventories less any estimated selling costs. The cost of inventories is calculated using the FIFO method.
The cost of inventories is reduced by discounts and write-downs received from suppliers during the reporting period and applied to inventories held in stock.

2.14. Provisions

A provision is recorded when, as a result of a past event, the Company has a present obligation (legal or constructive) and it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.
The amount recognised as a provision is the best estimate at the end of the reporting period of the consideration that will be required to settle the present obligation, taking into account the risks and uncertainties arising from the obligation. When a provision is valued using the estimated cash flows to cover a liability, its carrying value is the present value of these cash flows.

2. Summary of significant accounting policies (continued)
2.14 Provisions (continued)

Where it is expected that part or all of the economic benefits needed to cover the provision will be recovered from a third party, the amount receivable is covered by the asset if it is certain that the compensation will be received and that the amount receivable can be measured reliably.

2.15. Cash and cash equivalents

Cash consists of cash in bank accounts and in cash in hand, and cash in transit. Cash equivalents are short-term, highly liquid investments that are readily converted to known amounts of cash. The term of such investments does not exceed three months, and the risk of value changes is very insignificant.

2.16. Employee benefits

Recognition of post-employment benefits is recognised as an expense when the employees have performed the service that entitles them to the benefits.
The post-employment benefit liabilities recognised in the statement of financial position reflect the present value of the defined benefit obligations in the collective agreement, adjusted by unrecognised actuarial gains or losses and unrecognised past service costs, and reduced by the fair value of the plan assets. Any assets arising from this calculation may not exceed the cost of unrecognised actuarial losses and past service plus the present value of repayments and reductions in future plan contributions.

2.17. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset the preparation of which for the intended use or sale takes a long time are included in the cost of the asset until the asset is prepared for the intended use or sale.
Investment income earned on a temporary investment of a specific amount borrowed that has not yet been used for a qualifying asset shall be deducted from the borrowing costs allowed for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18. Financial liabilities and equity instruments

The Group and the Company recognise financial liabilities at the acquisition cost of the liabilities.
The Group and the Company classify financial liabilities into the following categories:

- measured at amortised cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group and the Company classify trade debts, financial debts, leasing liabilities, interest liabilities and other payables as financial liabilities measured at amortised cost.
<u>Derecognition of financial liabilities</u>
The Group and the Company derecognise financial liabilities when, and only when, the obligations of the Group and the Company are discharged, cancelled or expire.

2. Summary of significant accounting policies (continued)

2.19. Lease

The Group and the Company are the lessee

At the commencement date, the lessee shall measure the lease liability at the present value of the lease payments outstanding at that date, including the following:

- fixed charges (including those assimilated to fixed charges) less any rental incentives receivable;
- variable rents that depend on an index or rate initially measured using an index or rate at the start date;
- the amounts that the tenant should pay under the liquidation value guarantees;
- penalties for terminating the lease if it is assumed that the tenant will exercise its option to terminate the lease during the lease term.

Rents is discounted using the interest rate provided for in the lease agreement, if that rate can be easily determined. If that rate cannot be easily determined, the tenant shall use the borrowing rate calculated by the lessee.

The interest rate specified in the lease is the interest rate that results in the present value of the lease payments and the unguaranteed residual value being equal to the sum of the fair value of the leased asset and any initial direct costs incurred by the lessor.

The lease liability is measured at amortised cost using an imputed interest rate consistent with the discount rate used to discount the lease payments. Interest expense relating to a lease liability is allocated over the lease term and recognised in profit or loss.

The cost of an asset held under right of use at initial recognition comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made on or before the commencement date less any lease incentives received;
- any primary direct costs incurred by the lessee; and
- an estimate of the cost of restoring the asset.

Thereafter, the lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. If, before the end of the lease period, the ownership of the leased asset is transferred to the tenant , or if the price of the asset managed under the right of use indicates that the tenant will exercise the right to purchase, the tenant shall calculate the depreciation of the asset managed under the right of use from the beginning to the end of the useful life of the leased asset. Alternatively, the lessee shall calculate the depreciation of the right-of-use asset from the commencement date to the earlier of: the end of the useful life of an asset held under a right-of-use arrangement, or the end of a lease term.

Payments relating to short-term leases or leases of low-value assets are recognised as an expense through profit or loss on a straight-line basis. Short-term leases are considered to be leases with a term of 12 months or less. Low-value assets include tools and small items of office furniture.

The Group and the Company are the lessor

In transactions where the Company is a lessor, the assessment of whether the concluded Agreement is a finance or operating lease are carried out on the date of commencement of the lease. For the purpose of determining the type of lease assignment, all risks and rewards of ownership of the leased asset are assessed jointly or substantially transferred from the lease.

2. Summary of significant accounting policies (continued)

2.19 Lease (continued)

If substantially all the risks and rewards of ownership of the leased asset are transferred, such leases are treated as finance leases. Otherwise, as operating leases.

In transactions in which the Company acts as an intermediate Lessor, the sublease shall be classified on the basis of the right-of-use assets specified in the main agreement.

2.20. Grants and subsidies

Government grants are not recognised until there is sufficient assurance that the Group and the Company will comply with the requirements associated with them and that the grants will be received.
Government grants are recognised in profit or loss on a systematic basis over the period in which the Group and the Company recognise the related reimbursement of the costs for which they are intended. Government grants, the principal condition whereof is that the Group and the Company should purchase, construct or otherwise acquire non-current assets, are recognised as deferred income in the statement of financial position and are recognised in a systematic and rational manner in profit or loss over the useful life of the related assets.
Grants that are received in the form of long-term assets, plant and equipment or intended to purchase, construct or otherwise acquire, are considered to be asset-related grants. The Company classifies assets acquired free of charge in this group of grants.
Assets received for no consideration are carried at fair value on initial recognition.
Receivables for reimbursement of expenses or income foregone during the reporting period or prior period, as well as all other grants not attributable to grants related to assets, shall be treated as grants that reduce costs.
Grants related to revenue are recognised as part of the utilised portion to the extent that costs are incurred during the period (by reducing the proportion of costs incurred) or to the extent of the estimated foregone revenue for which the grant is intended to compensate.
The unused balance of the grant is shown in the Grants (deferred income) line of the statement of financial position.

2.21. Income tax

Income tax expense reflects current year tax and deferred tax.

<u>Current year's tax</u>
Tax of the current year is payable based on taxable profit for the year. Taxable profit differs from the profit reported in the statement of comprehensive income because of the income or expense that is taxable or deductible in the following year and the income or expense that is never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The Group and the Company are subject to a corporate income tax rate of 15 per cent in 2022 (15 per cent in 2021).

<u>Deferred tax</u>
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary differences relate to goodwill, or to the initial recognition of assets or liabilities (other than in a business merger) that are not affected by either taxable or financial profit at the time they arise (transactions).

2. Summary of significant accounting policies (continued)

2.21. Income tax (continued)

Deferred tax liabilities are recognised to offset temporary tax differences. Deferred income tax assets are recognised for deductible temporary differences only to the extent that it is probable that sufficient taxable profit will be available to realise the benefit of the temporary differences and is expected to be realised in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered by the Group and the Company.

Deferred tax assets and liabilities are measured using the tax rates that will apply to the Group and the Company in the year in which those temporary differences are expected to be recovered or settled, based on tax rates (and tax laws) that have been or will be approved before the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax is accounted for in profit or loss unless they relate to items not recognised in profit or loss (in other comprehensive income or directly in equity). In such a case, the tax is also recognised outside profit or loss, or when it arises on initial recognition of the business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

2.22. Basic and diluted earnings per share

The basic and diluted earnings per share shall be calculated by dividing the profit for the reporting period attributable to shareholders by the weighted average of the ordinary shares issued. There is no difference between basic and diluted earnings per share.

2.23. Recognising revenue

The Group and the Company recognise revenue to reflect the transfer of the committed goods or services to the purchasers in an amount that is consistent with the consideration that the entity expects to receive in exchange for the said goods or services, less value added tax, discounts and rebates. An entity shall recognise revenue on the basis of this core guiding principle in the following steps:

Step 1: identification of the contract (s) with the buyer – the contract is an agreement between two or more parties that defines their enforceable rights and obligations.

Step 2: identification of performance obligations under the contract – obligations under the contract to transfer the goods or services to the buyer. If these goods or services can be distinguished, such liabilities are treated as operating liabilities, which are accounted for separately.

Step 3: the transaction price is determined – the transaction price is equal to the contracted amount of consideration that the entity expects to receive in exchange for the goods or services transferred to the buyer.

The transaction price may consist of a fixed amount of consideration paid by the buyer, but may sometimes also include variable consideration or consideration other than cash. The transaction price is also adjusted for the time value of money if the contract includes a significant funding component, as well as for any consideration payable to the buyer.

2. Summary of significant accounting policies (continued)

2.23. Recognising revenue (continued)

Step 4: The transaction price is attributable to the contracted performance obligation – as a rule, an entity attributes the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each good or service contracted to be transferred. If data on individual selling prices is not observable in the market, the entity makes an estimate.

Step 5: revenue is recognised when the entity discharges the performance obligation by transferring the committed goods or services to the buyer (i.e. when the buyer obtains control of those goods or services). The amount of revenue recognised is equal to the amount attributed to the settled performance obligation. An operating liability may be settled at a certain point in time or over a certain period of time.

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and the Company, and when specific criteria have been met for each type of revenue as described below. The Group and the Company rely on historical performance, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised using the methods described below:
Revenue from sales of heat and hot water
Revenue from the sale of heat is recognised on the basis of bills issued to residential customers and other customers for heat and hot water heating. Consumers are billed once a month according to the readings of the heat meter. At the end of the period, revenue not invoiced for services rendered is accrued on an accrual basis.

Income from the sales of goods
Proceeds from the sale of goods are recognized when all of the following conditions are met:

- The Group and the Company transferred ownership control to the buyer;
- The Group and the Company do not maintain either continuing management of goods sold at the level normally associated with ownership or effective control;
- the amount of such revenue can be measured reliably;
- it is probable that the Group and the Company will obtain the economic benefits associated with the transaction and the costs incurred or to be incurred in connection with the transaction can be measured reliably.

Financing elements
The Group and the Company do not have, and do not expect to have, any contracts where the period between the provision of goods or services and payment by the customer exceeds one year. For this reason, the Group and the Company do not account separately for the financing element.

Other income
Lease income is recognised on an accrual basis when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and can be measured reliably
Late payment fee is recognized as income when it is received.

2. Summary of significant accounting policies (continued)

2.23. Recognising revenue (continued)

Dividend income from investments is recognised when the shareholders' right to receive payment is established (if it is likely that the economic benefits associated with the item will flow to the Group and the Company and the amount of the income can be measured reliably).
Interest income is recognized when it is probable that the Group and the Company will receive economic benefits and the amount of revenue can be measured reliably. Interest income is accrued over the period, according to the outstanding part and the applicable effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset up to the net carrying amount on initial recognition.

2.24. Expense recognition

Expenses are recognised on the basis of the accrual and comparability principles in the reporting period in which the related income is earned, regardless of the time of spending the cash. In those cases when costs incurred cannot be directly attributed to the specific income and they will not generate income during the future periods, they are recognised as incurred.
Amount of costs is usually accounted in the amount of paid and payable, excluding VAT. When long period of settlement is provided, and interest is not distinguished, the amount of costs is assessed by discounting the settlement amount at the market interest rate.

2.25. Foreign currency transactions

For the purpose of preparing the financial statements of individual Group entities, transactions in currencies other than the Company's functional currencies (foreign currencies) are accounted for at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are converted at the daily exchange rate of that day. Non-monetary items that are carried at fair value and denominated in a foreign currency are converted at the exchange rate at the date of fair value measurement. Non-monetary units carried at the cost of acquiring a foreign currency are not converted.

The presentation currency shall be the euro (EUR). Operations denominated in foreign currency shall be converted into euro at the official rate of the European Central Bank on that date. Monetary assets and liabilities are converted into euro at the exchange rate at the date of the statement of financial position.
Exchange differences arising from operations in foreign currencies shall be included in profit or loss at the time when they arise. Gains and losses arising from exchange rate changes in the conversion of monetary assets or liabilities into euro shall be included in profit or loss when they arise.

2.26. Application of assessments in preparation of financial statements

In preparing the financial statements, management is required to make certain judgements, estimates and assumptions that affect the amounts of income, expenses, assets and liabilities that are disclosed and to disclose uncertainties at the date of preparation of the report. However, the uncertainty of these assumptions and estimates may affect the results, which may require significant future adjustments to the carrying amounts of assets or liabilities.

<u>Estimates and assumptions</u>
The main assumptions and other significant sources of measurement uncertainty that affect the future at the date of preparation of the statements of financial position and which give rise to material risks and which may require a material adjustment to the carrying amounts of assets or liabilities in the next financial year are discussed below:

2. Summary of significant accounting policies (continued)
2.26. Application of assessments in preparation of financial statements (continued)

Property, plant and equipment – useful life
The main assumptions used to determine the useful lives of property, plant and equipment are:
- the expected life of the asset,
- anticipated technical, technological or other obsolescence due to service innovation or changes in services,
- legal or similar restrictions on the use of assets, such as the date of validity of finance lease agreements.

Investments in subsidiaries – impairment losses
To assess the recoverability of investments in subsidiaries, the Company's management calculates the recoverable amount of the investment by discounting the future cash flows of the subsidiaries to their present value using a weighted average discount rate on capital costs reflecting current market assumptions about the time value of money (Note 5).

Realisable value of inventories
The Company's management forms a 100% impairment charge on inventories (except for the process fuels) acquired earlier than one year ago (Note 8).

Impairment of receivables
The Group and the Company recognise a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost as follows: trade receivables, other receivables and accrued income. Loss ratios are calculated using management's expert judgement using statistical recovery information for the last 2 years. In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in assessing the amount of the ECL, the Group and the Company consider reasonable and supportable information that is relevant and accessible without excessive cost or effort. This information includes both quantitative and qualitative data and analysis based on the Group's historical experience and reasoned credit assessment, including prospective information.
Provisions for losses on financial assets measured at amortised cost are deducted from the total carrying amount of such assets. The provision for impairment losses is presented in the income statement and included in operating expenses as an impairment charge.

Deferred profit tax assets
Deferred income tax assets are recognised for all unused tax losses, with a statement of what is expected to be the tax profit before the losses are offset. Significant management judgements are required to determine the amounts of deferred tax assets that may be recognised based on estimates of the expected future amounts and periods of taxable profits and based on future tax planning strategies (Note 22).

Fair value of financial instruments
Fair value is the amount for which an asset or service could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s length transaction.

2. Summary of significant accounting policies (continued)
2.26. Application of assessments in preparation of financial statements (continued)

Fair value of financial assets and financial liabilities are valued based on quoted market prices, discounted cash flow models or option pricing models, depending on the circumstances.
In determining the fair value of assets or liabilities, the Company focuses on available market data, as much as possible. The fair values are presented in three levels of the fair value hierarchies on the basis of the variables used in the valuation methods:

- Level 1: prices quoted at active markets of similar assets or liabilities (unadjusted);
- Level 2: other variables except the quoted prices of assets and liabilities included in Level 1 that are observed directly (i.e., as prices), or indirectly (i.e., derived from prices);
- Level 3: variables of assets and liabilities not based on the observable market data (non-observable variables).

Where for the purpose of measuring the fair value of assets or liabilities the variables may be attributed to the different levels of the fair value hierarchy, the hierarchy level of the fair value to which the entire fair value established is attributed shall be established on the basis of the lowest level variable material for the measurement of the entire fair value. The Company recognizes the amounts of the fair value hierarchy levels transferred to the end of the reporting period in which the change occurred.

2.27. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources generating economic benefits is small.
A contingent asset is not recognised in the financial statements but is disclosed when an inflow of economic benefits is probable.

2.28. Subsequent events

Post-reporting events that provide additional information about the situation of the Group and the Company at the date of preparation of the statements of financial position (adjusting events) are reflected in the financial statements. Events after the date of the balance sheet that are not corrective events, are described in the notes when they are significant.

2.29. Offsetting and comparative information

When preparing the financial statements, assets and liabilities, income and expenses are not offset unless the specific International Accounting Standards specifically require such offsetting.

2.30. Segment reporting

Segment information shall be reported in the same manner as other internal reporting to the chief operating decision maker. The chief operational decision maker responsible for allocating resources and assessing the performance of the segments is the Board, which takes strategic decisions.
The activities of the Group and the Company are carried out in a single segment, therefore, these financial statements do not provide additional disclosures about the segments.

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AB „KAUNO ENERGIJA“ Company code 235014830 Raudondvario pl. 84 Kaunas, Lithuania Set of consolidated and company's financial statements for the 3 months of 2023 (in thousands euro, unless specified otherwise)

3. Property, plant and equipment

During the first 3 months of 2023, the Group's and the Company's acquisitions of property, plant and equipment amounted to EUR 1 827 thousand and EUR 1 820 thousand, respectively, and the residual value of property, plant and equipment sold and written off amounted to EUR 120 thousand and EUR 120 thousand.

Depreciation expense for property, plant and equipment of the Group and the Company as at 31 March 2023 amounts to EUR 1 635 thousand and EUR 1 606 thousand, respectively (31 March 2022: EUR 1 725 thousand and EUR 1 845 thousand). 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 2023.

Part of the Group's property, plant and equipment with an acquisition value of EUR 36 394 thousand as at 31 March 2023 (on 31 December 2022: EUR 35 805 thousand), EUR 36 394 thousand for the Company, was fully depreciated (on 31 December 2022: EUR 35 805 thousand), but still used in business operations.

On 31 March 2023 and 31 December 2022 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 March 2023, property, plant and equipment with a residual value equal to the Group were EUR 8478 thousand (31 December 2022: EUR 8 548 thousand) and EUR 8 478 thousand (31 December 2022: EUR 8 548 thousand) of the Company's assets have been pledged to the banks as security for the loans.

4. Inventories

	Group		Company	
	2023-03-31	**2022-12-31**	**2023-03-31**	**2022-12-31**
Technological fuels	1 372	1 602	1 372	1 602
Spare parts	1 851	1 515	724	700
Materials	338	346	338	346
	3 561	3 463	2 434	2 648
To be deducted: write-down to net realisable value at the end of the period	(812)	(769)	(812)	(769)
Carrying amount of inventories	**2 749**	**2 694**	**1 622**	**1 879**

The write-down of the Group's and the Company's inventories to net realisable value as at 31 March 2023 amounted to EUR 812 thousand. (on 31 December 2022: EUR 769 thousand). The change in the write-down of inventories to net realisable value in 2023 and 2022 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.

(in thousands euro, unless specified otherwise)

5. Amounts receivable within one year

	Group		Company	
	2023-03-31	**2022-12-31**	**2023-03-31**	**2022-12-31**
Trade receivables	17 965	22 995	17 825	22 764
To be deducted: expected credit losses	(4 853)	(4 826)	(4 813)	(4 786)
	13 112	**18 169**	**13 012**	**17 978**

Change in impairment of doubtful receivables as at 31 March 2023 and 31 December 2022 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 31 March 2023 and 31 December 2022 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 generally mature in

30 - 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.

6. 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 March 2023 and 31 December 2022 was as follows:

	Group		Company	
	2023-03-31	**2022-12-31**	**2023-03-31**	**2022-12-31**
Short-term	-	-	-	-
Long-term	0,84	0,84	0,84	0,84

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.

6. Financial debts (continued)

Repayment terms of long-term loans:

	Group		Company	
	2023-03-31	**2022-12-31**	**2023-03-31**	**2022-12-31**
Long-term financial debts (loans):	**43 949**	**43 949**	**43 949**	**43 949**
Payable between 2 and 5 years	17 414	17 414	17 414	17 414
Payable after 5 years	26 535	26 535	26 535	26 535
Current portion of long-term loans	2 147	2 769	2 147	2 769
	46 096	**46 718**	**46 096**	**46 718**

On 31 March 2023 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 136 thousand and EUR 136 thousand respectively.

Group's detailed information on loans as at 31 March 2023:

	Credit institution	**Date of contract**	**Amount, thousands EUR**	**Maturity**	**Balance as at 2022.12.31 in thousands EUR**	**Share of 2022 in thousands EUR**
1	Ministry of Finance of the of Lithuania *	2010-04-09	2 410	2034-03-15	1 029	94
2	Ministry of Finance of the Republic of Lithuania *	2010-10-26	807	2034-03-15	424	38
3	Luminor**	2021-08-22	3 403	2022-04-29	-	-
4	EIB***	2021-08-16	12 000	2036-08-18	12 000	453
5	Ministry of Finance of the Republic of Lithuania *	2014-01-15	793	2034-12-01	499	42
6	Ministry of Finance of the Republic of Lithuania *	2014-03-31	7 881	2034-12-01	4 963	327
7	EIB***	2020-08-07	15 000	2035-08-24	12 500	1 000
8	EIB***	2020-08-07	14 000	2035-08-24	14 000	-
9	AB SEB bank	2016-12-22	4 127	2024-11-30	681	193
					46 096	**2 147**

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

Details of the Company's loans as at 31 March 2023:

	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	1 029	94
2	Ministry of Finance of the Republic of Lithuania *	2010-10-26	807	2034-03-15	424	38
3	Luminor**	2021-08-22	3 403	2022-04-29	-	-
4	EIB***	2021-08-16	12 000	2036-08-18	12 000	453
5	Ministry of Finance of the Republic of Lithuania *	2014-01-15	793	2034-12-01	499	42
6	Ministry of Finance of the Republic of Lithuania *	2014-03-31	7 881	2034-12-01	4 963	327
7	EIB***	2020-08-07	15 000	2035-08-24	12 500	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	681	193
					46 096	**2 147**

(in thousands euro, unless specified otherwise)

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

6. 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.
The Company has met the target ratio of net financial debt to EBITDA on 31 March 2023 .

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.

7. 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. The Company formed a provision of EUR 577 thousand as of 30 June 2021 to ensure reserve capacity, part of which has been returned to customers as of 2022, for a total of EUR 498 thousand returned during 2022.

8. Cash and cash equivalents

	Group		Company	
	2023-03-31	**2022-12-31**	**2023-03-31**	**2022-12-31**
Cash on the road	361	619	361	619
Cash in the bank	3 662	4 931	3 085	4 272
	4 023	**5 550**	**3 446**	**4 891**

The Group's bank accounts with a balance of EUR 331 thousand (31 December 2022: EUR 1 480 thousand) and the Company's bank accounts with a balance of EUR 331 thousand (31 December 2022: EUR 1 480 thousand) at 31 March 2023 and 31 December 2022, respectively, are pledged to the banks as security for loans granted.

(in thousands euro, unless specified otherwise)

9. Changes in equity

<u>Statutory reserve and other reserves</u>

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.

<u>Dividends</u>

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

10. 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:

	Group		Company	
	2023	2022	2023	2022
Heat supply	40 995	31 592	40 995	31 610
Hot water supply	1 590	1 131	1 590	1 131
Maintenance of hot water metering devices	219	116	131	116
Maintenance of collectors	87	87	87	87
Maintenance of heating and hot water systems in buildings	5	3	5	3
Cooling supply	1	-	1	-
Sale of tradable emission allowances	-	50	-	50
	42 897	**32 979**	**42 809**	**32 997**

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

	Group		Company	
	2023	2022	2023	2022
Residents	30 967	24 056	30 967	24 056
Other users	5 119	3 570	5 031	3 588
Budgetary organisations financed from the state budget	3 191	2 583	3 191	2 583
Budgetary organisations financed from municipal budgets	2179	1 759	2 179	1 759
Institutions financed by territorial sickness funds	1 123	839	1 123	839
Industrial users	318	172	318	172
	42 897	**32 979**	**42 809**	**32 997**

(in thousands euro, unless specified otherwise)

11. Other costs

Other expenses as at 31 March 2023 include:

	Group		Company	
	2023	**2022**	**2023**	**2022**
Equipment inspection and testing	14	32	89	32
Maintenance of collectors	91	65	91	90
Money collection costs	31	34	31	34
Ash recovery costs	73	58	73	58
Information Technologies costs	26	32	26	32
Consulting Services	48	51	48	51
Employee-related costs	22	21	22	21
Invoicing costs	27	24	27	24
Membership fee	30	24	30	24
Maintenance of fixed assets and related services	16	16	16	16
Transport costs	27	25	27	25
Debt collection costs	33	18	33	18
Insurance	34	41	34	41
Communication costs	14	7	14	7
Costs for advertising	3	5	3	5
Audit costs	-	-	-	-
Rental of equipment and machinery	18	19	18	19
Sponsorship	116	-	116	-
Other costs	70	83	90	95
	693	**555**	**788**	**592**

12. Other operating income and expense

Other operating income includes:

	Group		Company	
	2023	**2022**	**2023**	**2022**
Other operational incomes				
Inventories sold	65	84	65	84
Miscellaneous services rendered	128	268	52	83
Compensation received	15	-	15	-
Revenue from previous periods	-	-	-	-
Profit from the sale of fixed assets	-	-	-	-
Other	69	41	69	41
	277	**393**	**201**	**208**

Other operating expenses include:

	Group		Company	
Other operational expenses	**2023**	**2022**	**2023**	**2022**
Cost of miscellaneous services rendered	(65)	(23)	(72)	(62)
Inventories sold	(43)	(84)	(43)	(84)
Cost of previous periods	(28)	(12)	(28)	(12)
Sale of fixed assets, write-off	(1)	-	(1)	-
Other	(28)	(49)	(28)	(17)
	(165)	**(168)**	**(172)**	**(175)**

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

(in thousands euro, unless specified otherwise)

13. Basic and diluted earnings per share

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
Profit for the reporting period	7 920	4 645	7 867	4 570
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)	**0,19**	**0,11**	**0,18**	**0,11**

14. 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.

15. 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 2023 and 2022, 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 2023 and 2022, 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 March 2023	**Purchases**	**Sales**	**Amounts receivable**	**Amounts payable**
Kaunas City Municipality, companies financed and fully managed by it	533	5 708	2 422	451
Jurbarkas district municipality	5	161	58	3

31 March 2022	**Purchases**	**Sales**	**Amounts receivable**	**Amounts payable**
Kaunas City Municipality, companies financed and fully managed by it	316	3 550	1394	223
Jurbarkas district municipality	3	125	46	3

(in thousands euro, unless specified otherwise)

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

On 31March 2022 and 31 March 2022 the Company's transactions with subsidiaries and the balance sheet balances at the end of the period were as follows:

UAB GO Energy LT	**Purchases**	**Sales**	**Amounts receivable**	**Amounts payable**
31 March 2023	39	64	13	13
31 March 2022	29	6	43	10

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 31 March 2023 the Group's and the Company's management consists of 2 and 1 persons (2 and 1 at 31 March 2022) respectively.

	Group		**Company**	
	2023-03-31	**2022-03-31**	**2023-03-31**	**2022-03-31**
Wages and salaries charged to the management	29	34	27	32
Reimbursements of employee benefits calculated for the management	-	-	-	-

During 2023 and 2022, there were no loans, guarantees, other disbursements or accruals to the management of the Group and the Company, or transfers of assets.

16. 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.