

AB Kauno Energija

Company code 235014830

Raudondvario pl. 84

Kaunas, Lithuania



**CONSOLIDATED AND COMPANY'S 12-MONTH CONDENSED
SET OF INTERIM FINANCIAL STATEMENTS OF 2023
PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE
EUROPEAN UNION (UNAUDITED)**

**CONFIRMATION OF RESPONSIBLE PERSONS TO THE SHAREHOLDERS OF AB Kauno
Energija AND THE BANK OF LITHUANIA**

In accordance with the provisions of the Republic of Lithuania Law on Securities and the Information Disclosure Rules approved by the Board of the Bank of Lithuania, we, Tomas Garasimavičius, Chief Executive Officer, Virgilijus Motiejūnas, Chief Financial Officer and Acting Chief Accountant of AB Kauno energija, hereby confirm that to the best of our knowledge, the set of condensed interim financial statements of AB Kauno energija for the 12 months ended 31 December 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

General Manager



Virgilijus Motiejūnas

Director of Finance, acting Chief Accountant



CONDENSED INTERIM FINANCIAL STATEMENTS

	Notes	Group		Company	
		2023-12-31	2022-12-31	2023-12-31	2022-12-31
ASSETS					
Fixed assets					
Intangible fixed assets		249	98	241	98
Land and buildings		6 201	6 468	6 122	6 403
Buildings		134 610	127 521	134 610	127 521
Machinery and equipment		13 824	15 020	13 779	14 975
Vehicles		975	397	975	397
Plant and tools		3 263	2 763	3 217	2 761
Constructions in progress and prepayments		23 483	13 519	23 483	13 477
Investment property		1 114	1 114	-	-
Total property, plant and equipment		183 470	166 802	182 186	165 534
Assets managed under the right of use		1 105	1 141	857	884
Non-current financial assets					
Investments in subsidiaries		-	-	2 763	2 763
Amounts receivable after one year		128	39	-	-
Other financial assets		75	75	75	75
Financial fixed assets, total		203	114	2 838	2 838
Non-current assets, total		185 027	168 155	186 122	169 354
Current assets					
Stock and prepayments					
Inventories	7	1 798	2 694	1 450	1 879
Prepayments		1 021	2 162	944	1 851
Total inventories and prepayments		2 819	4 856	2 394	3 730
Amounts receivable					
Short-term time deposits			2 000		2 000
Trade receivables	8	14 257	18 169	13 441	17 978
Loans to the companies of the group of companies		-	-	-	-
Other amounts receivable		2 743	5 156	2 745	5 130
Amounts receivable within one year, total		17 000	25 325	16 186	25 108
Cash and cash equivalents	11	8 547	5 550	7 315	4 891
Current assets, total		28 366	35 731	25 895	33 729
Assets, total:		213 393	203 886	212 017	203 083

(continued on the next page)

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

	Notes	Group		Company	
		2023-12-31	2022-12-31	2023-12-31	2022-12-31
EQUITY AND LIABILITIES					
Property					
Capital	1	74 476	74 476	74 476	74 476
Legal reserve	12	7 447	7 447	7 447	7 447
Other reserves	12	50	3 000	50	3 000
Profit (loss) available for distribution					
Current year profit		4 514	6 356	3 899	6 299
Profit (loss) of the previous years		11 128	4 822	10 869	4 620
Total retained profit (loss)		15 642	11 178	14 768	10 919
Total equity		97 615	96 101	96 741	95 842
Non-current amounts payable after one year and liabilities					
Long-term financial debts	9	54 736	43 949	54 736	43 949
Lease (financial lease)		1 131	1 151	869	887
Deferred profit tax liabilities		5 819	5 819	5 819	5 819
Grants and subsidies		30 850	32 211	30 850	32 211
Employee benefit liabilities		383	374	363	363
Accounts payable after one year, and long-term liabilities, total		92 919	83 504	92 637	83 229
Accounts payable within one year of and other liabilities					
Current year's share of long-term financial debt and leasing/financial leases	9	3 318	2 891	3 315	2 889
Short-term financial debts		-	-	-	-
Trade debtors		14 079	18 548	14 111	18 487
Payroll related liabilities		715	695	701	686
Received prepayments		840	773	815	660
Tax payable		909	500	717	435
Derivative financial instruments		-	-	-	-
Current year's share of employee benefit obligations		1	90	-	89
Other provisions	10	2 218	78	2 218	78
Accrued costs and income of future periods		440	337	425	322
Other short-term amounts payable and liabilities		339	369	337	366
Accounts payable within one year of and other liabilities, total		22 859	24 281	22 639	24 012
Total accounts payable and liabilities		115 778	107 785	115 276	107 241
Total equity and liabilities		213 393	203 886	212 017	203 083

(end)

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

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

Group	Comments	Q4 2023	2023 from the beginning of year	Q4 2022	2022 from the beginning of year
Operating income					
Sales revenue	13	37 270	86 044	39 218	87 992
Other operational incomes	15	518	1 864	95	1 441
Total operating income		37 788	87 908	39 313	89 433
Operating expenses					
Fuel and purchased energy		(21 852)	(53 764)	(26 207)	(58 119)
Salaries, social insurance		(2 933)	(8 804)	(2 060)	(7 931)
Depreciation and amortisation		(1 727)	(6 695)	(1 479)	(6 447)
Repair and maintenance		(308)	(891)	(287)	(870)
Change in impairment of receivables	8	(341)	255	(485)	111
Taxes, other than income tax		(826)	(2 467)	(608)	(2 249)
Electricity		(179)	(1 628)	(1 088)	(2 537)
Raw materials and materials		(543)	(1 391)	(612)	(1 460)
Water		(1 208)	(1 970)	(286)	(1 048)
Change in realisable value of inventories and impairment of fixed assets	7	420	318	58	(44)
Other costs	14	(1 207)	(2 772)	(557)	(2 122)
Other operational expenses	15	(27)	(486)	(288)	(747)
Operating expenses, total		(30 731)	(80 295)	(33 899)	(83 463)
Operating profit (loss)		7 057	7 613	5 414	5 970
Other interest and similar income		532	689	90	247
Value impairment of financial assets and short-term investment		-	-	-	-
Interest and other similar costs		(1 166)	(1 331)	(134)	(299)
Income from financing and investment activities, net value		(634)	(642)	(44)	(52)
Profit before taxation		6 423	6 971	5 370	5 918
Income tax		(318)	(318)	(75)	(75)
Deferred income tax income (loss)		-	-	15	15
Profit for the reporting period		6 105	6 653	5 310	5 858
Termination benefits (accrual), other provisions to be reclassified to profit or loss when certain conditions are met		(2 139)	(2 139)	498	498
Gross income		3 966	4 514	5 808	6 356
Profit for the period attributable to the Company's shareholders		6 105	6 653	5 310	5 858
Gross income attributable to the Company's shareholders		3 966	4 514	5 808	6 356
Earnings per share (EUR)	16	0,14	0,16	0,12	0,14

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

Company	Comments	Q4 2023	2023 from the beginning of year	Q4 2022	2022 from the beginning of year
Operating income					
Sales revenue	13	36 168	85 048	38 133	87 013
Other operational incomes	15	424	1 044	283	903
Total operating income		36 592	86 092	38 416	87 916
Operating expenses					
Fuel and purchased energy		(21 711)	(53 764)	(25 794)	(57 847)
Salaries, social insurance		(2 543)	(8 330)	(2 011)	(7 798)
Depreciation and amortisation		(1 792)	(6 632)	(1 453)	(6 293)
Repair and maintenance		(288)	(861)	(286)	(859)
Change in impairment of receivables	8	(344)	255	(485)	114
Taxes, other than income tax		(804)	(2 407)	(579)	(2 182)
Electricity		(184)	(1 628)	(1 085)	(2 529)
Raw materials and materials		(371)	(829)	(224)	(682)
Water		(1 208)	(1 970)	(286)	(1 048)
Change in realisable value of inventories and impairment of fixed assets	7	420	318	58	(44)
Other costs	14	(1 161)	(2 866)	(714)	(2 420)
Other operational expenses	15	(26)	(492)	(288)	(754)
Operating expenses, total		(30 012)	(79 206)	(33 147)	(82 342)
Operating profit (loss)		6 580	6 886	5 269	5 574
Other interest and similar income		528	688	90	250
Value impairment of financial assets and short-term investment		746	-	1 004	258
Interest and other similar costs		(1 168)	(1 330)	(134)	(296)
Income from financing and investment activities, net value		106	(642)	960	212
Profit before taxation		6 686	6 244	6 229	5 786
Income tax		(206)	(206)	-	-
Deferred income tax income (loss)		-	-	15	15
Profit for the reporting period		6 480	6 038	6 244	5 801
Termination benefits (accrual), other provisions to be reclassified to profit or loss when certain conditions are met		(2 139)	(2 139)	498	498
Gross income		4 341	3 899	6 742	6 299
Earnings per share (EUR)	16	0,15	0,14	0,15	0,14

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

Group	Notes	Capital	Legal reserve	Other reserves	Profit (loss) available for distribution	Total
Balance on 31 December 2021		74 476	7 447	3 000	4 822	89 745
Profit for the reporting period		-	-	-	5 858	5 858
Other gross income		-	-	-	498	498
Balance on 31 December 2022		74 476	7 447	3 000	11 178	96 101
Formed reserves		-	-	50	(50)	-
Reversed reserves		-	-	(3 000)	3 000	-
Dividends		-	-	-	(3 000)	(3 000)
Profit for the reporting period		-	-	-	6 653	6 653
Other gross income		-	-	-	(2 139)	(2 139)
Balance on 31 December 2023		74 476	7 447	50	15 642	97 615

Company	Notes	Capital	Legal reserve	Other reserves	Profit (loss) available for distribution	Total
Balance on 31 December 2021		74 476	7 447	3 000	5 367	90 290
Loss on connection of Petrašiūnai boiler house		-	-	-	(747)	(747)
Profit for the reporting period		-	-	-	5 801	5 801
Other gross income		-	-	-	498	498
Balance on 31 December 2022		74 476	7 447	3 000	10 919	95 842
Formed reserves		-	-	50	(50)	-
Reversed reserves		-	-	(3 000)	3 000	-
Dividends		-	-	-	(3 000)	(3 000)
Profit for the reporting period		-	-	-	6 038	6 038
Other gross income		-	-	-	(2 139)	(2 139)
Balance on 31 December 2023		74 476	7 447	50	14 768	96 741

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

CONDENSED INTERIM CASH FLOW STATEMENTS

	Notes	Group		Company	
		2,023 m	2022	2,023 m	2022
Cash flows from (to) operating activities					
Gross income		4 514	6 356	3 899	6 299
Adjustments to non-cash items:					
Depreciation and amortisation		8 627	8 560	8 597	8 360
Write-offs and changes in impairment of receivables		(255)	(111)	(255)	(114)
Interest costs		1 331	299	1 330	296
Change in the value of fixed-term deposits		-	-	-	-
Loss (gain) on sale and write-down of fixed assets and value of shares		26	(17)	16	(17)
Grants and subsidies (amortisation)		(1 361)	(1 778)	(1 361)	(1 291)
Change in realisable value of inventories and impairment of fixed assets		(318)	44	(318)	44
Change in employee benefits liability		(89)	(91)	(89)	(125)
Change in lease liability		(6)	71	(18)	(66)
Profit tax expense		318	60	206	(15)
Change in accruals		14	(172)	14	10
Change in provision liabilities		2 140	(313)	2 140	(499)
Reverse of other results of financing and investing activities		(689)	(247)	(963)	(502)
Adjustment to total non-cash items		9 738	6 305	9 299	6 081
Changes of working capital:					
Decrease (increase) in inventories		1 214	(982)	747	(516)
Decrease (increase) in prepayments		1 141	2 245	907	2 204
Decrease (increase) in trade receivables		3 892	(6 529)	4 517	(6 011)
Decrease (increase) in other amounts receivable		2 413	(3 323)	2 385	(3 336)
Increase (decrease) in long-term trade debts		(89)	72	-	-
Increase (decrease) in trade debtors and advances received		(3 196)	7 405	(3 089)	8 276
Decrease (increase) in liabilities related to employment relations		20	46	15	54
Increase (decrease) in taxes payable		409	(109)	282	(153)
Decrease (increase) in received prepayments		67	203	155	196
Increase (decrease) in other current liabilities		(348)	34	(29)	97
Changes in total working capital		5 523	(938)	5 890	811
Net cash flows from operating activities		19 775	11 723	19 088	13 191

(continued on the next page)

CONDENSED INTERIM CASH FLOW STATEMENTS (continued)

	Notes	Group		Company	
		2,023 m	2022	2,023 m	2022
Cash flows from (to) investing activities					
Acquisition of intangible fixed assets and property, plant and equipment		(25 457)	(20 252)	(25 439)	(20 220)
Sale of property, plant and equipment		63	56	67	61
Interest received on overdue receivables		275	252	275	255
Acquisition of investments, change in value		2 000	(2 000)	2 000	(3 539)
Net (used) cash flows from investing activities		(23 119)	(21 944)	(23 097)	(23 443)
Cash flows from (to) financing activities					
Loans received		14 000	14 000	14 000	14 000
Loans repaid		(2 816)	(2 816)	(2 816)	(2 532)
Interest paid		(1 745)	(285)	(1 745)	(284)
Rent payments		(98)	(98)	(6)	(96)
Dividend paid		(3 000)	-	(3 000)	-
Subsidy received		-	1 274	-	1 273
Net cash flows from (used in) financing activities		6 341	12 075	6 433	12 361
Net increase (decrease) in cash flows		2 997	1 854	2 424	2 109
Cash and cash equivalents at the beginning of the period		5 550	3 696	4 891	2 782
Cash and cash equivalents at the end of the period		8 547	5 550	7 315	4 891

(end)

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

NOTES TO THE CONDENSED SET OF INTERIM FINANCIAL STATEMENTS**1. General information**

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

The Company is engaged in the supply of heat and hot water, production and sale of electricity and maintenance of collector-tunnels. The Company also provides heating system maintenance services. The Company was registered on 1 July 1997 following the reorganisation of AB Lietuvos energija. The company code 235014830. The Company's shares are traded on the Baltic Additional Trading List of the Nasdaq Vilnius Stock Exchange.

As at 31 December 2023 and 31 December 2022, the Company's shareholders were:

	2023-12-31		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. As at 31 December 2023 and 31 December 2022, the Company had no own shares. As at 31 December 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 December 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	459	3 081	Energy engineer, lease

The Company and the Group also own a 22% interest in UAB Kauno miesto paslaugų centras. The cost of the investment is EUR 75 thousand (the amount of the investment is included under Other financial assets).

The Group's average number of listed employees during the reporting period was 375 and the Company's average number of listed employees was 338.

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 reporting 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, 5 boiler houses in Kaunas integrated network, 7 regional boiler houses in Kaunas district, 1 in Jurbarkas, 14 isolated network and 26 local (household) boiler houses in Kaunas city, as well as 8 boiler houses for water heating in Sargėnai district.

In March 2022 The Petrašiūnų boiler house under the ownership of AB Kauno energija became a division of the Company. 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 Board.

2. Basis of preparation of the financial statements

The condensed interim financial statements of the Company and the Group for the twelve-month period ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter the IFRSs) as applicable to interim financial reporting (International Accounting Standard (IAS) 34 "Interim Financial Reporting"). This unaudited financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements do not include all the information necessary for the preparation of the full set of consolidated and separate financial statements. However, selected notes are included to explain events and transactions and to provide an understanding of significant changes in the Group's and the Company's financial position and financial performance.

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

All accounting principles applied in the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements for 2022.

The new standards and amendments effective from 1 January 2023 have no material impact on the Group's and Company's financial statements.

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

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

The management of the Company has approved the following interim financial statements as at 13 February 2024.

3. Application of assessments in preparation of financial statements

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

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

4. Definition of lease

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

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

The Group and the Company, as tenant, have previously classified the lease as an operating or finance lease based on an assessment of whether the lease agreement essentially provides for the transfer of all risks and rewards of ownership. The Group and the Company recognise right-of-use assets and lease liabilities in lease agreements in accordance with the provisions of IFRS 16. These leases are shown in the balance sheet.

Assets held under usufruct are presented by the Group and the Company under the item of assets held under usufruct.

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

5. Measurement of fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Property, plant and equipment

During the first 12 months of 2023, the Group's and the Company's acquisitions of fixed assets amounted to EUR 25,457 thousand and EUR 25,439 thousand, respectively,

Depreciation expense for property, plant and equipment of the Group and the Company as at 31 December 2023 amounts to EUR 8,627 thousand and EUR 8,597 thousand, respectively (31 December 2022: EUR 8,560 thousand and EUR 8,349 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 34,694 thousand as at 31 December 2023 (on 31 December 2022: EUR 35,085 thousand), EUR 34,694 thousand for the Company, was fully depreciated (on 31 December 2022: EUR 35,085 thousand), but still used in business operations.

On 31 December 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 December 2023, property, plant and equipment with a residual value equal to the Group's EUR 8,548 thousand (on 31 December 2022: EUR 8,548 thousand), and the Company's EUR 8,548 thousand (on 31 December 2022: EUR 8,548 thousand), was pledged to banks as collateral for the loans.

7. Inventories

	Group		Company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Technological fuels	1 162	1 602	1 162	1 602
Spare parts	747	1 515	399	700
Materials	338	346	338	346
	2 247	3 463	1 899	2 648
To be deducted: write-down to net realisable value at the end of the period	(449)	(769)	(449)	(769)
Carrying amount of inventories	1 798	2 694	1 450	1 879

The write-down of the Group's and the Company's inventories to net realisable value as at 31 December 2023 amounted to EUR 449 thousand (on 31 December 2022: EUR 769 thousand). The change in the write-down of inventories to net realisable value in 2022 and 2023 is included in the Group's and the Company's Statements of Profit and Loss and Other Gross income under the item of costs of changes in the realisable value of inventories and fixed assets.

8. Amounts receivable within one year

	Group		Company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Trade receivables	18 799	22 995	17 943	22 764
To be deducted: expected credit losses	(4 542)	(4 826)	(4 502)	(4 786)
	14 257	18 169	13 441	17 978

Change in impairment of doubtful receivables as at 31 December 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 December 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.

Credit risk

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

9. Financial debts

All loans of the Group and the Company are accounted for and repaid in euro. The weighted average (percentage) of the interest rate on outstanding loans at 31 December 2023 and 31 December 2022 was as follows:

	Group		Company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Short-term	-	-	-	-
Long-term	4,41	2,39	4,41	2,39

On 7 August 2020, the Company signed a EUR 55 million investment financing 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. On 19 September 2023, a loan tranche of EUR 14 million was taken out.

Repayment terms of long-term loans:

	Group		Company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Long-term financial debts (loans):	54 736	43 949	54 736	43 949
Payable between 2 and 5 years	22 506	17 414	22 506	17 414
Payable after 5 years	32 230	26 535	32 230	26 535
Current portion of long-term loans	3 231	2 769	3 231	2 769
	57 967	46 718	57 967	46 718

On 31 December 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 227 thousand and EUR 227 thousand respectively.

Details of the Group's and Company's loans as at 31 December 2023:

	Credit institution	Date of contract	Amount, thousands EUR	Maturity	Balance as at 2023.12.31, in thousands EUR	To be repaid in 2024, thousand EUR
1	Ministry of Finance of the Republic of Lithuania *	2010-04-09	2 410	2034-03-15	1 030	95
2	Ministry of Finance of the Republic of Lithuania *	2010-10-26	807	2034-03-15	423	38
3	EIB***	2020-08-07	12 000	2036-08-18	11 547	906
4	Ministry of Finance of the Republic of Lithuania *	2014-01-15	793	2034-12-01	458	41
5	Ministry of Finance of the Republic of Lithuania *	2014-03-31	7 881	2034-12-01	4 549	414
6	EIB***	2020-08-07	15 000	2035-08-24	11 750	1 000
7	AB SEB bank	2016-12-22	4 127	2024-11-30	210	210
8	EIB***	2020-08-07	14 000	2037-08-24	14 000	528
9	EIB***	2020-08-07	14 000	2038-09-29	14 000	-
					57 967	3 232

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

AB SEB bankas has determined that the Company must comply with the net financial debt to EBITDA ratio set for the quarter, which must not exceed 4.5. Under the loan agreements, the Company's equity ratio (total equity/total assets) must be at least 35%. The European Investment Bank's requirements also stipulate that the Company must comply with both of these indicators. As at 31 December 2023, the Company has met its targets.

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.

10. Other provisions

The cost of the heat production capacity reservation service is included in the basic heat price as one of the components in accordance with the methodology established by the Board. As a result of the installation of new generation facilities and the modernisation of existing generation facilities by the Company in recent years, the thermal capacity reservation service has not been purchased from 2020 onwards, and consequently no thermal capacity reserve costs are incurred. At the end of 2019, the Company applied to the Board to exclude the costs of the power reserve from the heat price, but the Board only approved the recalculation of the heat price from November 2020. The Company made a provision from the beginning of the year to reimburse the unrecovered, but over-priced, costs of the power reserve, and from the beginning of the autumn 2020 heating season started to reimburse the provision for this accumulated overpayment through a reduction in the price to consumers. The Company has made a power reserve tax provision of EUR 959 thousand in 10 months of 2020 to cover future price reduction obligations. In October to December 2020, EUR 312,000 was returned to consumers as a result of price cuts. During the months of January and August 2021, the remaining part of EUR 647 thousand was returned to consumers. 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. The outstanding part was returned within 2023. As at 31 December 2023, the Company has made an additional provision of EUR 2,139 thousand to cover the differences in the actual cost of electricity, purchased heat, fuel and production included in the price of heat sold and actually incurred, i.e. to cover future price reduction liabilities.

11. Cash and cash equivalents

	Group		Company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Cash on the road	700	619	700	619
Cash in the bank	7 847	4 931	6 615	4 272
	8 547	5 550	7 315	4 891

The Group's bank accounts with a balance of EUR 1,073 thousand as at 31 December 2023 (31 December 2022: EUR 1,480 thousand) and the Company's bank accounts with a balance of EUR 1,073 thousand (31 December 2022: EUR 1,480 thousand) are pledged to the banks as security for loans granted.

12. Changes in equityStatutory reserve and other reserves

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

Other reserves

By the resolution of shareholders of 27 April 2023, the Company cancelled the other reserves (EUR 3,000 thousand), allocated EUR 3,000 thousand from the profit for the payment of dividends and created a reserve of EUR 50 thousand for support.

Dividends

In 2023, a dividend of EUR 3,000 thousand was paid by the resolution of shareholders.

13. Sales income

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

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

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

	Group		Company	
	2,023 m	2022	2,023 m	2022
Heat supply	78 647	81 338	78 660	81 458
Hot water supply	6 476	5 742	5 467	4 643
Maintenance of hot water metering devices	551	487	551	487
Maintenance of collectors	348	348	348	348
Maintenance of heating and hot water systems in buildings	17	17	17	17
Cooling supply	5	10	5	10
Sale of tradable emission allowances	-	50	-	50
	86 044	87 992	85 048	87 013

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

	Group		Company	
	2,023 m	2022	2,023 m	2022
Residents	63 047	65 124	63 047	65 236
Other users	9 561	8 846	9 561	8 846
Budgetary organisations financed from the state budget	5 705	6 044	5 705	6 044
Budgetary organisations financed from municipal budgets	3 856	4 203	3 856	4 203
Institutions financed by territorial sickness funds	2 313	2 182	2 313	2 182
Industrial users	1 562	1 593	566	502
	86 044	87 992	85 048	87 013

14. Other costs

Other costs include:

	Group		Company	
	2,023 m	2022	2,023 m	2022
Equipment inspection and testing	205	234	205	234
Maintenance of collectors	362	362	362	362
Money collection costs	122	126	122	126
Ash recovery costs	173	173	173	173
Information Technologies costs	123	80	123	80
Consulting Services	252	181	252	181
Employee-related costs	118	118	118	118
Invoicing costs	111	98	111	98
Membership fee	111	97	111	97
Maintenance of fixed assets and related services	102	86	102	86
Transport costs	91	104	91	104
Debt collection costs	141	91	141	91
Insurance	107	49	107	49
Communication costs	54	32	54	32
Costs for advertising	93	35	93	35
Audit costs	33	23	33	23
Rental of equipment and machinery	58	56	58	56
Sponsorship	143	53	143	53
Other costs	373	124	468	422
	2 772	2 122	2 867	2 420

15. Other operating income and expense**Other operating income includes:**

	Group		Company	
	2,023 m	2022	2,023 m	2022
Other operational incomes				
Inventories sold	238	213	238	213
Miscellaneous services rendered	1 088	987	284	449
Compensation received	-	-	-	-
Revenue from previous periods	-	-	-	-
Profit from the sale of fixed assets	14	11	14	11
Other	524	230	508	230
	1 864	1 441	1 044	903

Other operating expenses include:

	Group		Company	
	2,023 m	2022	2,023 m	2022
Other operational expenses				
Cost of miscellaneous services rendered	(173)	(306)	(173)	(306)
Inventories sold	(111)	(214)	(111)	(214)
Cost of previous periods	(73)	(30)	(73)	(30)
Sale of fixed assets, write-off	(23)	(119)	(23)	(119)
Other	(106)	(78)	(112)	(85)
	(486)	(747)	(492)	(754)

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

16. Basic and diluted earnings per share

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

	Group		Company	
	2,023 m	2022	2,023 m	2022
Profit for the reporting period	6 653	5 801	6 037	5 801
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)	0,16	0,14	0,14	0,14

17. Commitments and contingencies not included in the balance sheet

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

In 2023 June 29 The Court of Appeal of Lithuania left unchanged the 2023 February 7 The decision of the Kaunas District Court: to reject the claim of the DNSB "Rotušės 10".

18. Related party transactions

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

On 4 December 2020, the Company and other companies controlled by Kaunas City Municipality signed an agreement on the establishment of UAB Kauno miesto paslaugų centras.

In 2022 and 2023, 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.

In 2022 and 2023, the Group's and the Company's transactions with Jurbarkas City Municipality, Kaunas City Municipality and companies financed and controlled by Kaunas City Municipality, and their debts and liabilities as at the end of the periods were as follows:

31 December 2023	<u>Purchases</u>	<u>Sales</u>	<u>Amounts receivable</u>	<u>Amounts payable</u>
Kaunas City Municipality, companies financed and fully managed by it	1 930	9 028	1 141	467
Jurbarkas district municipality	19	282	1	4
31 December 2022	<u>Purchases</u>	<u>Sales</u>	<u>Amounts receivable</u>	<u>Amounts payable</u>
Kaunas City Municipality, companies financed and fully managed by it	1 234	8 345	3 105	253
Jurbarkas district municipality	15	292	14	3

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

On 31 December 2023 and 31 December 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	<u>Purchases</u>	<u>Sales</u>	<u>Amounts receivable</u>	<u>Amounts payable</u>
31 December 2023	1963	138	19	225
31 December 2022	77	12	43	-

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

	<u>Group</u>		<u>Company</u>	
	<u>2023-12-31</u>	<u>2022-12-31</u>	<u>2023-12-31</u>	<u>2022-12-31</u>
Wages and salaries charged to the management	136	103	130	97
Reimbursements of employee benefits calculated for the management	-	-	-	-

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

19. Events after the date of the balance sheet

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