



# AB KAUNO ENERGIJA CONSOLIDATED SEMIANNUAL REPORT OF THE YEAR 2021

Kaunas, 2021

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**Confirmation of the persons responsible for the shareholders of the Company and the Bank of Lithuania**

Following Article 23 of the Law on Securities of the Republic of Lithuania and the Rules for presentation and delivery of periodic and additional formation, approved by the decision No O3-48 of February 28, 2013 of the Board of the Bank of Lithuania, we hereby confirm that, to our best knowledge, the consolidated interim report of the 1 half of the year 2021 of Kauno Energija, PLLC (hereinafter – the Company or the Issuer) includes a fair business development and performance review of the Company and the situation of consolidated companies, together with the description of principal risks and uncertainties encountered.

General Manager

Tomas Garasimavičius

Chief Finance Officer

Edmundas Damanskis

Chief Accountant

Inga Šliačkusienė

## 1. Reporting period of the Consolidated Annual Report

Reporting period for which the AB Kauno Energija Consolidated Interim Report has been prepared is January 1, 2021 – June 30, 2021.

## 2. Companies consisting the Group of companies and their contact details

AB Kauno Energija (hereinafter – the Company or the Issuer) prepares both the Company’s and the Consolidated Financial Statements. The group of companies (hereinafter referred to as the Group) consists of AB Kauno Energija and its subsidiaries – UAB GO Energy LT and UAB Petrašiūnų Katilinė in which the Issuer directly controls 100 per cent of the shares of these companies.

### Main details of the Company:

Name of the Company:	AB Kauno Energija
Legal-organizational form:	Public Limited Liability Company
Headquarters’ address	Raudondvario av. 84, 47179 Kaunas
Code of legal entity:	235014830
Telephone	(8 37) 305 650
Fax	(8 37) 305 622
E-mail:	info@kaunoenergija.lt
Webpage	www.kaunoenergija.lt
Registration date and place	August 22, 1997, Kaunas, Order No 513
Register manager	State Enterprise Centre of Registers Kaunas Branch
VAT payer code	LT350148314

### Main information about the subsidiaries:

Company name	UAB Petrašiūnų Katilinė
Legal-organizational form	Limited Liability Company
Headquarters address	R. Kalantos str. 49, 52303 Kaunas
Code of legal entity	304217723
Telephone	+370 687 48413
Registration date and place	April 1, 2016, Kaunas
Register manager	State Enterprise Centre of Registers Kaunas Branch

Company name	UAB Go Energy LT
Legal-organizational form	Limited Liability Company
Headquarters’ address	Savanorių pr. 347, 49423 Kaunas
Code of legal entity	303042623
Telephone	(8 37) 305 693
E-mail	kent@kaunoenergija.lt
Registration date and place	April 16, 2013, Kaunas
Register manager	State Enterprise Centre of Registers Kaunas Branch

## 3. Nature of core activities of the companies composing the group of companies

The nature of core activities of the Group is manufacture and rendering of services. The Company is the parent company of the Group. The Company generates and supplies heat to consumers (for the purposes of heating and hot water production) in the cities of Kaunas and Jurbarkas and in Kaunas district Akademija town, Ežerėlis town, Domeikava village, Garliava town, Girionys village, Neveronys village, Raudondvaris village, (hereinafter referred to as Kaunas district).

Also, following provisions of the Law on Heat Sector, the Company supplies hot water (is engaged in hot domestic water supplier activities) from May 1, 2010 for consumers in the cities of Kaunas and Jurbarkas and

Kaunas district, who chose the Company as a hot water supplier. As of June 30, 2021, the Company supplied hot water to 725 residential buildings in Kaunas and Kaunas district, and 7 in Jurbarkas city.

In addition, the Company maintains engineering structures (collectors – manifolds) and operates heat and electricity production facilities. The Group and the Company carries out a supervision of indoor heat and hot water supply systems, maintenance of heat unit equipment, repairs of heat units and other heating equipment, provides premises rental services under agreements. The Group and the Company are engaged in licensed activity in accordance with the licenses held. On February 26, 2004 the National Commission for Energy Control and Prices (hereinafter – the Commission) issued a heat supplier licence to the Company. The licence is valid indefinitely. Maintenance of indoor heat and hot water supply systems is pursued following the provisions of Article 20 of The Law on Heat Sector of the Republic of Lithuania.

The vision of the Group and the Company is to be an innovative, competitive, and added value for shareholders creating Company engaged in heat and cooling generation and their centralized supply, maintenance of indoor heating and hot water systems.

**Values of the Group and the Company:**

- More than 50 years of experience in heat production and supply.
- Responsibility towards consumers for reliable heat and hot water supply.
- High qualification of employees allowing to reach the highest efficiency indicators.
- Ability to apply innovative solutions in everyday activities.

**Strategic goals of the Group and the Company:**

AB Kauno Energija is the most advanced and innovative district heating (hereinafter – DH) company in Lithuania.

**Principled guidelines of Company's heat economy strategy are as follows:**

- Increase of safety and reliability of heat supply – the Company intends to formulate an expert assessment of safety / vulnerability of heat supply system, to implement update and modernization of system of parameters data transfer, collection and evaluation, to implement optimization of the network hydraulic mode and increase of speed of parameters reaction / change, to reconstruct and optimize sections of thermofication pipelines and elements (average age of DH pipelines reaches approximately 30 years), to implement update and development of the system of DH network water reserve – emergency replenishment, to implement technical solutions and / or use a good practice increasing reliability and safety, ensuring stability of thermofication mode;
- to actively participate in formation of policy of Kaunas city supply with heat and in increase of Company's desirability and in expansion of district heating market.
- formation of good practice and its publicizing.

## 4. Issuer's agreements with credit institutions

On September 13, 2018 the Issuer Service Agreement with AB SEB Bankas (company code 112021238, Gedimino pr. 12, Vilnius).

## 5. Trade in securities of companies composing the Group of companies in regulated markets

20,031,977 (twenty million thirty-one thousand nine hundred seventy-seven) of the Issuer's ordinary registered shares (VP ISIN code LT0000123010) with the total nominal value equal to EUR 34,855,639.98 (thirty-four million eight hundred fifty-five thousand six hundred thirty-nine euro and 98 cents) were listed in the secondary trade list of Nasdaq Vilnius Baltic stock exchange as of June 30, 2021. The beginning of listing of the Company's shares is December 28, 1998.

## 6. Overview of the condition, performance, and development of the Group of companies

### 6.1. Overview of the condition, performance, and development of the Group of companies

The Company performed its activities in the 1 half of the year 2021 with a main focus on development of capacities of production facilities and increase of reliability of DH network, considering Strategic guidelines of centralized heat supplies of Kaunas city.

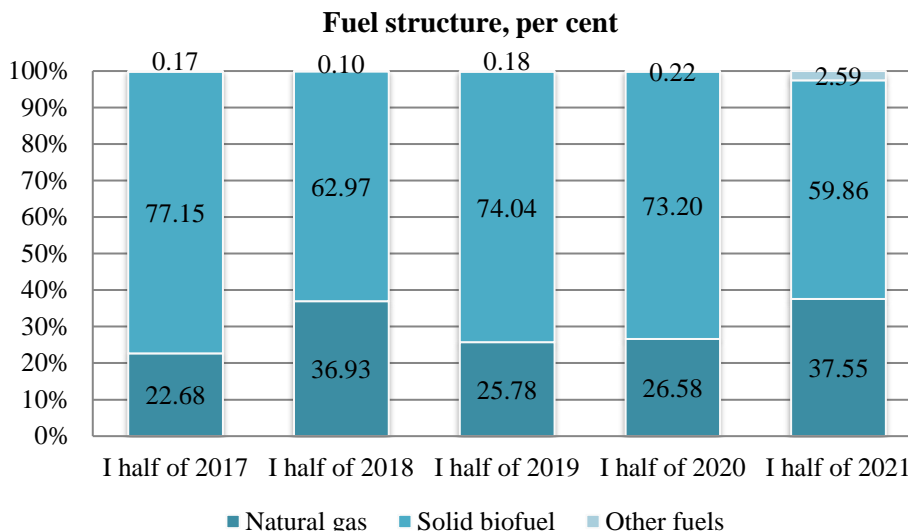
When planning its activities, the Company also considers the AB Kauno Energija Strategy for the Heating System Development for the years 2007–2020 developed in 2016 by the Lithuanian Energy Institute under initiative of the Company. On February 7, 2019 the Supervisory Board of the Company approved the “Adjustment report of AB Kauno Energija Strategy, implementing the directions of the development of the energy sector until 2021”.

The Company covers a major part of heat production and supply market in the cities of Kaunas and Jurbarkas and Kaunas district. Group’s generation capacities consist of Company’s boiler-houses capacities and subsidiary’s UAB Petrašiūnų Katilinė capacities in Kaunas city. Company’s generation capacities consist of Petrašiūnai power plant, 4 boiler-houses in Kaunas integrated network, 7 district boiler-houses in Kaunas district, 1 boiler-house in Jurbarkas city, 14 boiler-houses of isolated networks and 26 local gas burning boiler-houses in Kaunas city (25 of them are gas burned and 1 of them – burned with pellets), also 8 local water heating boiler-houses in Sargėnai catchment. Total installed heat generation capacities of the Group consist of approx. 685 MW, and total energy generation capacity of the Group is approx. 694 MW (including 48 MW capacities of condensational economizers). Total installed heat production capacity of the Company consists of approx. 666 MW (including 48 MW capacities of condensational economizers), electricity generation capacities – 8.75 MW. From them 314.6 MW of heat generation capacities (including 17.8 MW capacities of condensational economizers) and 8 MW of electricity production capacities are in Petrašiūnai power plant. 39.4 MW of heat generation capacities (including 4.4 MW capacities of condensational economizer) is in Jurbarkas city. Total Company’s power generation capacity is 675 MW (including 48 MW of condensational economizers’ capacities).

33 per cent of heat supplied to consumers in the 1 half for the year 2021 was produced in Company’s heat production facilities. The rest of required quantity of heat was purchased from independent heat producers (hereinafter – IHP) in monthly auctions, according to legal acts. Starting from May 2018 an electronic heat purchasing auctions are arranged by the Energy Stock Exchange operator UAB Baltpool. Electronic auctions are carried out in accordance with the Regulations of the Heat Auctions approved by the National Energy Regulatory Council. The Schedule of the Procedure and Conditions for the Purchase of Heat from Independent Heat Producers, the Methodology for Determining Heat Prices, the Rules for the Provision of Information on Energy, Drinking Water Supply and Wastewater Treatment, Sewage and Surface Water Treatment Companies, a Summary of Conditions of Usage of Heat Transfer Networks, and a schedule of the Procedure for Publicly Disclosed Information were changed respectively.

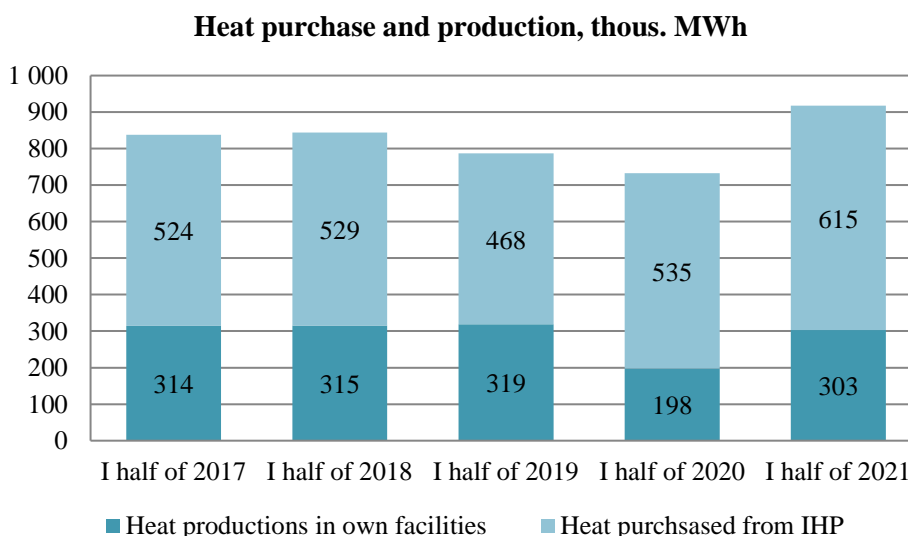
Fuel used by the Company for heat production in the 1 half of the year 2021 is presented in Chart 1.

Chart 1

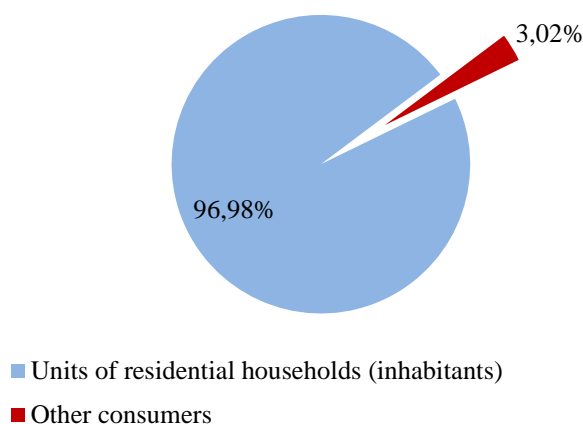


The Company purchased heat during the 1 half of the year 2021 from 12 IHP in Kaunas and Kaunas district as follows: from UAB Kauno Termofikacijos Elektrinė, UAB Idex Taika, UAB Idex Taika Elektrinė, UAB Lorizon Energy, UAB Ekoresursai, UAB Petrašiūnų Katilinė, UAB Aldec General, UAB ENG, UAB Idex Biruliškių, UAB “Ekopartneris”, UAB Foksita and UAB Kauno Kogeneracinė Jėgainė. Total purchases consisted of 615 thousand MWh of heat, i.e., 77 per cent of heat supplied to the. Amounts of heat purchased from IHP and produced with Company’s equipment during the period of the 1 half of the years 2017–2021 are presented in chart 2, thousand MWh:

Chart 2



The Company supplied this produced and purchased heat with integrated and local heat supply networks to 3,682 businesses and organizations as well as to 118,258 households, in total – to 121,940 consumers (objects by addresses) as of June 30, 2021.

**Repartition of Company's heat consumers by groups****Investments**

Investments are made in accordance with Company's investment plan for the year 2021, which has been approved by decision No T-162 of Kaunas City Municipality Council of April 20, 2021 "Regarding investment plan of AB Kauno Energija for the year 2021 and its financing" (hereinafter – Investment plan).

The Company implements trunk pipeline replacement projects co-financed by the European Union structural funds, optimizes pipeline diameters, connects new objects to the DH network and modernises heat production facilities according to Investment plan.

On November 16, 2018 the Company signed a contract with the Lithuanian Business Support Agency (hereinafter – LBSA) for the financing of the project "Development of Kaunas city district heating network in the Aleksotas catchment" (code 04.3.2-LVPA-K-102-04-0001) under the Measure No. 04.3.2-LVPA-K-102 "Modernization and development of heat supply networks" of Priority 4 "Promotion of Energy Efficiency and Renewable Energy Production" of the EU Funds Investment Action Program for 2014–2020. The value of the project is EUR 3.8 million, incl. EUR 1.9 million of EU Structural support.

On November 16, 2018 the Company signed two contracts with the LBSA to finance the projects "Biofuel Boiler Installation in Raudondvaris Boiler House" and "Biofuel Boiler Installation in Jurbarkas Boiler House". A 1.5 MW capacity biofuel-fired boiler is installed in Raudondvaris. The value of the project is EUR 0.5 million, incl. EUR 0.3 million of European Union Structural support. A 4.6 MW capacity biofuel-fired boiler is installed in Jurbarkas. The value of the project is EUR 0.8 million, incl. EUR 0.5 million of European Union Structural support. These projects will be accomplished in 2021.

Two agreements were signed in 2020 on the allocation of support from the Climate Change Program funds for the following Company's projects:

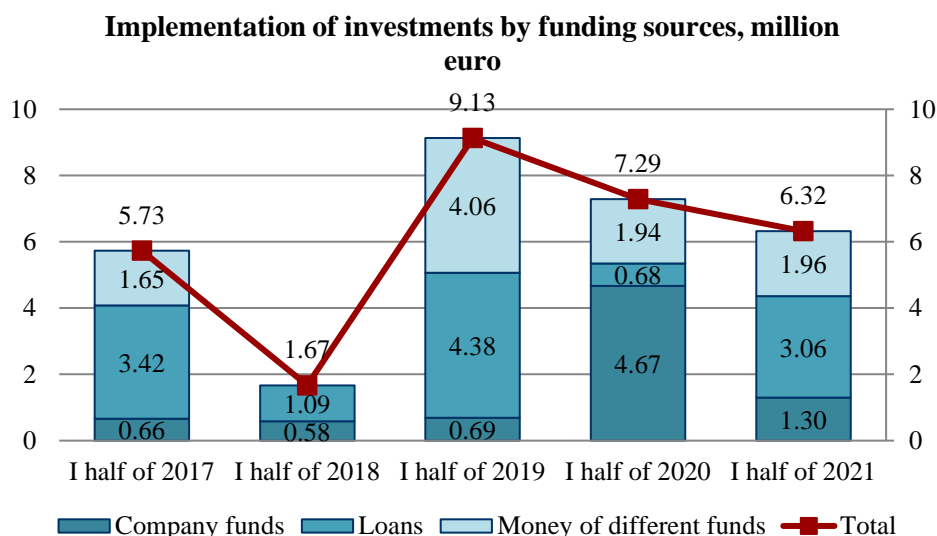
- "Use of an Absorption Heat Pump and Installation of a Solar Light Power Plant at Petrašiūnai Power Plant". A subsidy was allocated for this project. Using it, the Company's Petrašiūnai power plant will be equipped with a 499.8 kW photovoltaic solar power plant and a 2400 kW absorption heat pump. The value of the project is 1.523 million. EUR 0.457 million Eur.
- "Installation of Solar Photovoltaic Power Plants (4 units) in boiler-houses of AB Kauno Energija". The value of the project is EUR 0.080 million, financial support is EUR 0.024 million.

Implementation of these projects will reduce the fuel and electricity consumption and will create preconditions for heat price reduction.



Company’s investments by funding sources of the 1 half of the years 2017–2021 are presented in Chart 4.

Chart 4



## 6.2. Description of exposure to key risks and uncertainties the Company confront with and their impact on activity results

### External risk factors affecting the Company’s core business:

- Increase in competition between heat producers in Kaunas.
- Increase in final (i.e., including all expenditures) price of natural gas and biofuel.
- Ever-changing legal environment.
- Heat production pricing policies.

### Competition environment risk factors.

To operate effectively and reliably in creation the added value for shareholders, the Company is facing threats specific to the sphere of its activity, but also takes advantage of opportunities to work efficiently and effectively by exploiting the available potential. One of the biggest threats that the Company may face is a relatively high price for heat purchased from IHP, who are ranked as private business units committed to profit generation. Purchase of heat is pursued following valid law and the Description of procedure for purchase of heat from independent suppliers of heat approved by NERC. In turn, the Company invests extensively in modernization and construction of its own manufacturing facilities, to reduce the comparative costs of heat production. Thus, it takes advantage of the regulatory environment and reduces the energy purchase price.

Together with coming of new IHP the Company faced additional technical, economical, legal and other issues that needs to solve: management of heat supply network and balancing of power of these producers in case of emergency stop of them, retaining of optimum working parameters of the network, regulation, change and applying of heat purchase from IHP order.

### Commercial risk factors

The Company is a major supplier of the heat produced centrally to the city of Kaunas, part of Kaunas district and the city of Jurbarkas. To retain this market, it is necessary to implement modern and efficient heat production technologies in own production facilities and to focus on production at the lowest cost, benefiting from private differences of different types of fuel.

Company’s heat sales are directly dependent on heat demand, i.e., heat consumption, which is mostly affected by the average outdoor air temperature, the amount of investment of consumers in energy-saving and rational use of heat and the pace of development of the heat sales.

Changes in fuel prices and the price of heat, produced by IHP have an impact on cost of Company's heat and electricity production.

Company's performance is affected by the decrease in sales due to reduced and further reducing heat demand (in pursuance of residential buildings renovation and by installing a heat saving equipment), due to consumer's disconnections from DH network (due to the various reasons). Risks can be mitigated by Company's current and further investments in heat and electricity production facilities, using renewable energy sources, reducing heat production expenditures and the price heat, purchased from IHP as well as the price of heat supplied for consumers, and continually reasonably informing customers on the benefits of DH network systems (safety, reliability, correlation with one sort of fuel, fuel conversion, local pollution sources in residential areas, total environmental pollution, etc.) in comparison with autonomous heating.

### **Operational risk**

Limited consumers' solvency and the debts. Risks can be mitigated by the factoring of debts and applying more stringent debt collection techniques / methods.

Detailed information on the risk management policy and credit, exchange rate, interest rate and liquidity risks are provided in an Explanatory Notes of AB Kauno Energija Consolidated and Company's Financial Statements.

During the 1 half of the year 2021 in comparison with the 1 half of the year 2020 heat consumers' debts decreased by approx. 21% and consisted of EUR 6.066 million. Decrease was affected by application of effective methods of debts administration.

To recover these debts as soon as possible, the Company actively uses a variety of legal debt management measures, such as pre-trial actions, judicial recovery, and cooperation with law Companies. In addition, when a debt becomes big, a restriction of heat supplies is applied as a prevention measure (if there are technical possibilities and according to the law).

On January 2, 2018 the Kaunas Unified Service Center "Mano Kaunas" started its operations in Statybininkų str. 3, Kaunas, at the premises of UAB Kauno Švara. Here residents can get immediate information / consultation about Kaunas city services provided by municipality owned companies – AB Kauno Energija, UAB Kauno Švara, UAB Kauno Autobusai, UAB Kauno Butų ūkis, UAB Kauno Gatvių Apšvietimas and UAB Kauno Vandenyys, as well as conclude contracts, pay invoices, requests, certificates, etc.

Activities of the Company are cyclical. During the heating season (October – April) a major operating income is earned. During the non-heating season, the Company's revenues are at their lowest since only heat for hot water is used. In addition, during the non-heating season, the Company incurs more costs because it must prepare for the upcoming heating season, i.e., to carry out the repairs and reconstruction of heat supply networks and heat production facilities.

### **Legal conformity risk**

Energy activities are governed by the Law on Heat Sector, the Law on Energy, the Law on Electricity, the Law on Natural Gas, the Law on Drinking Water Supply and Wastewater Management, Government resolutions, Heat supply and consumption rules, Methodology of heat prices and payments for heat of NCC and other legislation. Their amendments affect the heating industry.

With new amendments of articles 2, 3, 20, 22, 28, 31, and 32 of the Law on Heat Sector No XI-1608 of the Republic of Lithuania that came in affect from November 1, 2011 in accordance with Article 7, the heat and hot water prices may not include any costs related with the indoor building heating (including heat units), and hot water systems. In implementing the legislation, from November 1, 2011 all these costs directly reduce the profit of the Company.

Legal conformity risk is a risk of increase in losses and (or) loss of prestige, an (or) decrease in confidence, which can be determined by the external environment factors (for example, violation of external legal acts, non-compliance of requirements of supervising institutions, etc.) or internal factors (for example, violation of internal legal acts and ethical standards, cases of employee's abuse, etc.).

### **Technical and process factors**

The biggest process risks are so shaded with the condition of heating systems. Company's trunk pipelines are an average about 30 years old. Modernization rate of them is determined by lack of funds – it is necessary to reconstruct more than 13.5 km of pipelines per year to condition of age of heat supply system and the minimum investments should consist of approximately 6 million euros. Hydraulic testing identifies their weakest points. Every year, about 200 points where cracks occur are identified during the tests. Upon discovery of defects, pipes are exposed and promptly repaired.

Mains of heating networks in the most worn-out places are reconstructed using support from the EU Structural Funds. New industrially (polyurethane foam insulation in polyethylene shell) insulated pipes not requiring concrete channels are mounted in the reconstructed sections of the heat supply network. Heat loss is very low in reconstructed sections (process level), while the pipelines no longer pose a threat of rupture and ensure reliable heat supply to consumers.

One of the technical risk factors for heat generation facilities is their age. Some of heat generation facilities are already renewed now. Every year boiler repairs, and preventive work is carried out during the non-heating season. They are necessary to make secure heat supplies and reliability, i.e., securing of heat production facilities and fuel reserves.

More detailed information on Company's production facilities modernization is provided in chapters on operations and development.

### **Ecological factors**

With respect to the Company, they may be divided into those affecting the Company and affected by the Company's operations.

In order not to adversely impact the environment and comply with the pollution limits, vibration and noise values, the Company is guided by the requirements of the Kyoto Protocol, the Helsinki Commission (HELCOM) and environmental constraints of Helsinki Convention, as well as the European Parliament and Council Directive 2001/80/EB of regulating energy emissions and Lithuanian environmental normative document LAND 43-2013 for the use of natural resources, and releases and emissions of air pollutants to the environment in its activities. Main sources of pollution of the Company: burning fossil fuel in the Company's heat sources, production of heat and wastewater, are used in the industrial processes.

The Company pays taxes for atmospheric and water pollution. If allowable emission rate limits or annual limits are exceeded, the Company would pay the fines under the applicable laws of the Republic of Lithuania. The Company was not imposed any penalties in the 1 half of the year 2021.

Main Company's emission reduction measures: modernization of heat generation facilities, heat transfer loss reduction by replacing the existing pipes with the pipes with polyurethane foam insulation, installation of new technology and improvement of existing technological equipment, use of less polluting fuels, and continuous emission monitoring (the fuel balance in the 1 half of the year 2021 was dominated by the solid biofuel – 59.86 %, natural gas – 37.55 %, other fuels – 2.59 %).

## **7. Analysis of financial and non-financial performance results, information related to environmental issues**

Company's sales revenue of the 1 half of the year 2021 was EUR 27,098 thousand and in comparison, with the 1 half of the year 2020 increased by 7.3 per cent (in the 1 half of the year 2020 it consisted of EUR 25,251

thousand). Sales revenue of the Group of the 1 half of the year 2021 was EUR 27,093 thousand (in the 1 half of the year 2020 it consisted of EUR 25,247 thousand).

This change was mainly affected by the increase in the amount of heat sold by 27.9 percent in comparison with the 1 half of the year 2020. The average price of heat sold decreased by 15.9 percent (in the 1 half of the year 2021 it was 3.32 ct/kWh, and in the 1 half of the year 2020 – 3.95 ct/kWh).

Comprehensive income of the Group in the 1 half of the year 2021 is EUR 5.138 thousand, the Company's – EUR 5.953 thousand. Comprehensive income increased by EUR 4.940 and 4.958 thousand respectively in comparison with the 1 half of the year 2020.

Comparison of financial indicators of the Group of the 1 half of the year 2021 with the indicators of the 1 half of the years 2017–2020 is presented in Table 1.

Table 1

No	Indicator of the Group	1 half 2017	1 half 2018	1 half of 2019	1 half of 2020	1 half of 2021
1	Revenue from sales, thousand euros	35,313	38,214	34,437	25,247	27,093
1.1	Including: Heat energy	33,594	36,154	31,806	23,322	25,145
1.2	Maintenance of indoor heating and hot water supply systems, heating substation facilities	3	5	6	6	6
1.3	Income from the maintenance of collectors	125	125	125	124	174
1.4	Hot water supply including cold water price	1,430	1,728	1,713	1,581	1,542
1.5	Income from maintenance of hot water meters	161	202	210	214	226
2	Profit, thousand euros	6,160	5,514	2,600	198	5,138
3	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand euros	10,089	9,507	6,483	4,322	9,022
4	Profitability of core business, per cent (operating profit / sales and services) * 100	15.8	13.1	7.0	-0.4	7.4
5	Net profitability, per cent (net profit / sales and services) *100	17.4	14.4	7.6	0.7	19.0
6	Assets, thousand euros	144,418	146,835	149,712	151,076	165,126
7	Equity, thousand euros	88,642	91,518	91,497	90,023	94,811
8	Return on equity (ROE), per cent (net profit / average equity) *100	7.4	6.5	3.1	0.2	6.0
9	Return on assets (ROA), per cent (net profit / average assets) *100	4.4	3.9	1.8	0.1	3.4
10	Asset turnover ratio (sales and services / assets)	0.24	0.26	0.23	0.17	0.17
11	Return on tangible assets, per cent (net profit/ average value of tangible assets) *100	4.9	4.4	2.1	0.1	3.7
12	Debt ratio (liabilities /assets)	0.39	0.38	0.39	0.41	0.43
13	Debt-to-equity ratio (liabilities / equity)	0.6	0.6	0.6	0.7	0,7
14	General liquidity ratio (short-term assets / short-term liabilities)	1.43	2.10	1.79	0.91	1.24
15	Quick ratio ((short-term assets-inventory) / short-term liabilities)	1.39	1.94	1.66	0.76	1.07

No	Indicator of the Group	1 half 2017	1 half 2018	1 half of 2019	1 half of 2020	1 half of 2021
16	Cash ratio (cash in hand and at bank / short-term liabilities)	0.95	1.55	1.29	0.43	0.73
17	Net earnings per share (net profit / average weighted number of shares in issue)	0.14	0.13	0.06	0.03	0.03
18	Equity per share, euros	2.07	2.14	2.14	2.10	2.22
19	Last share market price of the year /net profit /number of shares at year-end (P / E ratio)	6.39	8.85	16.46	226.47	6.87
20	Share capital, thousand euros	74,476	74,476	74,476	74,476	74,476
21	Share capital-to-assets ratio	0.52	0.51	0.50	0.50	0.45
22	Return on equity (capital), per cent (net profit / capital and reserves) *100	7.9	6.8	3.1	0.2	6.1

Comparison of financial indicators of the Company of the 1 half of the year 2021 with the indicators of the 1 half of the years 2017–2020 is presented in Table 2.

Table 2

No	Indicator of the Company	1 half 2017	1 half 2018	1 half of 2019	1 half of 2020	1 half of 2021
1	Revenue from sales, thousand euros	35,321	38,222	34,443	25,251	27,098
1.1	Including: Heat energy	33,600	36,162	31,812	23,326	25,150
1.2	Maintenance of indoor heating and hot water supply systems, heating substation facilities	5	5	6	6	6
1.3	Income from the maintenance of collectors	125	125	125	124	174
1.4	Hot water supply including cold water price	1,430	1,728	1,713	1,581	1,542
1.5	Income from maintenance of hot water meters	161	202	210	214	226
2	Profit, thousand euros	6,177	5,537	2,335	77	5,376
3	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand euros	9,723	9,203	5,907	3,776	8,960
4	Profitability of core business, per cent (operating profit / sales and services) * 100	15.89	13.1	6.23	-1.4	8.4
5	Net profitability, per cent (net profit / sales and services) *100	17.5	14.5	6.8	0.3	19.8
6	Assets, thousand euros	141,012	143,131	146,927	148,949	164,221
7	Equity, thousand euros	89,155	91,222	91,364	89,853	95,209
8	Return on equity (ROE), per cent (net profit / average equity) *100	7.2	6.38	2.69	0.09	6.05
9	Return on assets (ROA), per cent (net profit / average assets) *100	4.5	4.0	1.7	0.1	3.4
10	Asset turnover ratio (sales and services / assets)	0.25	0.27	0.24	0.17	0.16
11	Return on tangible assets, per cent	5.1	4.6	1.9	0.1	4.0

No	Indicator of the Company	1 half 2017	1 half 2018	1 half of 2019	1 half of 2020	1 half of 2021
	(net profit/ average value of tangible assets) *100					
12	Debt ratio (liabilities /assets)	0.37	0.36	0.38	0.40	0.42
13	Debt-to-equity ratio (liabilities / equity)	0.6	0.6	0.6	0.7	0.7
14	General liquidity ratio (short-term assets / short-term liabilities)	1.90	2.89	1.82	0.91	1.28
15	Quick ratio ((short-term assets-inventory) / short-term liabilities)	1.85	2.67	1.69	0.77	1.14
16	Cash ratio (cash in hand and at bank / short-term liabilities)	1.27	2.14	1.28	0.40	0.72
17	Net earnings per share (net profit / average weighted number of shares in issue)	0.14	0.13	0.05	0.02	0.04
18	Equity per share, euros	2.08	2.13	2.13	2.10	2.22
19	Last share market price of the year / net profit / number of shares at year-end (P / E ratio)	6.37	8.81	18.33	555.87	6.57
20	Share capital, thousand euros	74,476	74,476	74,476	74,476	74,476
21	Share capital-to-assets ratio	0.53	0.52	0.51	0.50	0.45
22	Return on equity (capital), per cent (net profit / capital and reserves) *100	7.9	6.8	2.8	0.09	6.3

The more detailed analysis of financial indicators of the Group and the Company is provided in Explanatory Notes to the Consolidated and Company's financial statements for the 1 half of the year 2021.

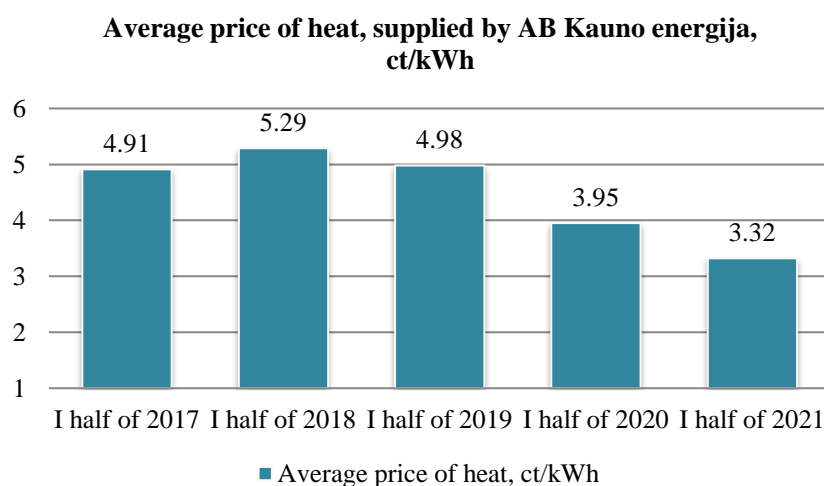
### Environmental impact on operations

The Company's performance can be affected by changes in sales turnovers caused by changed heat demand, which can be caused by consumer investments in the renovation of buildings, heat saving and rational consumption, average higher of lower outdoor temperature during the heating season, changes in fuel prices, heat purchase price from IHP.

Company's reconstructed heat production facilities changing fossil fuel to biofuel will make a serious competition with their costs of production to IHP, operating in Kaunas.

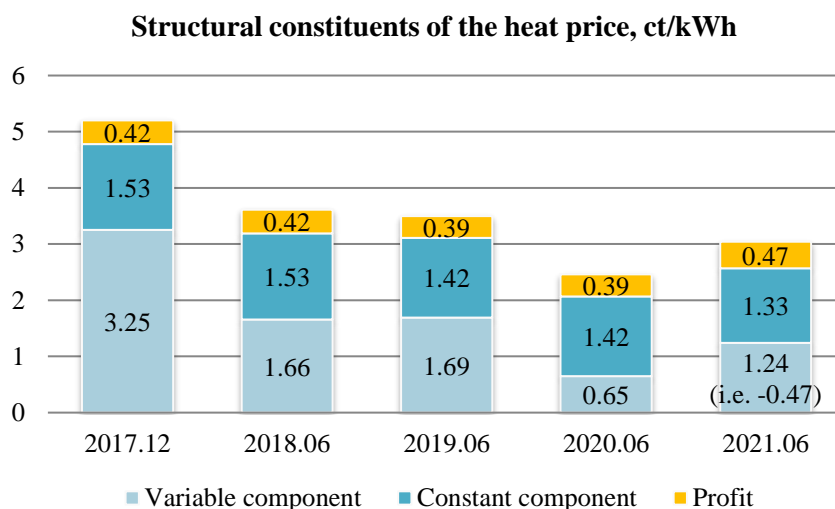
The dynamics of heat price of the Company in the 1 half of the years 2017–2021 is provided in Chart 5.

Chart 5



Constituents of Company’s heat price structure of June of the years 2017–2021 are provided in Chart 6.

Chart 6

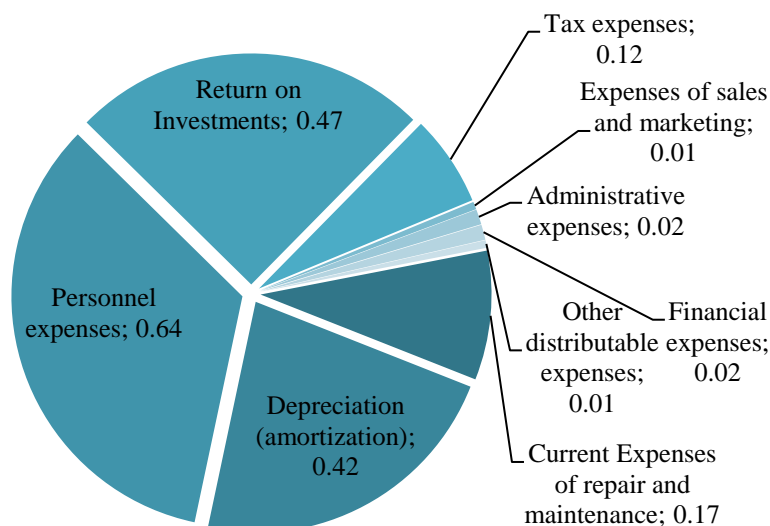


The prices of heat and hot water are calculated and approved in accordance with the Methodology for the determination of heat prices, approved by the resolution of NERC No. O3-96 of July 8, 2009. Constituents of a base heat price are determined for a period of 3-5 years. In the case of regulated pricing services (products), the mechanism of long-term prices applies to heat pricing, i.e., for the base period, the base heat price (price constituents) is determined, which is adjusted for the second and subsequent years by setting the recalculated heat price (price constituents).

On September 25, 2020 the NERC determined unilaterally by the Resolution No. O3E-880 the heat price constituents of AB Kauno Energija for the second year of validity of the basic heat price. The constant constituent of the heat price, valid until October 30, 2020 amounted to 1.81 ct/kWh, and the new constant constituent that entered into force from November 1, 2020 and is currently in force is 1.88 ct/kWh.

Chart 7

**Heat price constant constituent, euro ct/kWh**



The Company recalculates values of heat price variable constituents and final heat prices every month, considering changes in prices of fuel and purchased heat.

## **Information related to environmental issues**

In carrying out their activities, the Group and the Company seek to prudently use natural resources, install fewer polluting technologies, and follow the environmental legislation and apply preventive measures to minimize the negative impact on the environment.

### **Waste management**

The Group and the Company have organized the waste collection, sorting, and disposal of them to waste managers, i.e., to licensed waste management businesses. In 2020, the Group and the Company disposed for recycling 8,335 tons of various waste (absorbents, filter materials, packages containing hazardous chemicals or that are contaminated with them, paper and carton, insulation materials containing asbestos, used tyres, bituminous mixes, batteries and accumulators, fluorescent lamps, concrete, bottom ash, iron, and steel.

### **Wastewater management**

In accordance with the schedule agreed with the Environmental Protection Agency (EPA), the Group and the Company constantly monitor that the effluent discharges from stationary sources are within the permissible limits set out in the integrated pollution prevention and control permits.

### **Air pollution**

The measurement laboratory of stationary air pollution sources of the Group and the Company, in possession with the permit issued by the EPA and following the schedule agreed with EPA, continuously monitors the emissions to the atmosphere from stationary sources to would not exceed the permissible limits established in integrated pollution prevention and control permits. Company's Šilkas, Ežerėlis, Girionys and Noreikiškės boiler-houses, and starting from 2015 – Inkaras boiler-house and Petrašiūnai power-plant use biofuel, thus reducing atmospheric pollution.

Cyclones for smoke cleaning from particulates are installed in Šilkas, Ežerėlis, Girionys, Noreikiškės, Inkaras boiler-houses and Petrašiūnai power-plant. Their working efficiency is checked every year. The Company is involved in the greenhouse gas emissions trading system.

## **8. References and additional explanations**

Main financial data of the Group and the Company are provided in the Explanatory Notes to the Consolidated and Company's Financial Statements of AB Kauno Energija for the 1 half of the year 2021.

### **Internal control over consolidated statements**

When preparing its consolidated financial statements, the Company combines the itemised financial statements of the Company and its subsidiaries, by summing up the items of assets, liabilities, equity, revenue, and expenses. Afterwards, it eliminates the book value of the Company's investment in the subsidiary and Company's share of equity in the subsidiary; amounts on balance sheets, transactions, income and expenses inside the Group (for this purpose, it prepares a reconciled report of all transactions, income and expenses for the period); difference in depreciation of contribution in kind measured at market value as compared to its book value.

For composing of the consolidated financial statements of the Group, the financial statements of the Company and subsidiaries are composed for the same date.

It's controlled if the accounting policy of the Company and its subsidiaries for accounting of similar transactions is the same. The subsidiaries' income and expenses are included into the Consolidated Financial Statements as of the date of acquisition.



## 9. Significant events after the end of the reporting period

In September 2021 a new audit company UAB ROSK Consulting was elected. The candidacy of the Company's audit company who shall perform the audit of the Financial Statements for the year 2021 was proposed to the General Meeting of Shareholders by the Management Board in accordance with the results of procurement carried out by the Company in 2021.

In September 2021 the Company performs its rebranding. The new Company's brand is associated with constant movement, which requires constant, never-ending energy. The circles on the new sign symbolize the Perpetuum mobile model, known to many, in which a side ball, when it strikes the inside, transfers the energy of motion to another side ball. And so, it goes on constantly.

The new Company's brand is this:



## 10. Plans and forecasts of activities of the group of companies

Inasmuch investments allow continual business development and profitability, the aims of the Group's and the Company's investment program for the year 2021 is further increase in volumes of heat production and effectiveness, expansion of heat selling market, through increase of use of biofuel for heat production, development of heat transmission and distribution increasing safety and reliability, developing services of maintenance of engineering systems and further improvement of consumers services quality.

In compliance with the provisions of the plan for the facilities on the implementation of the National Renewable Energy Development Strategy, in order to implement the Company's key business objectives and the provisions of the National Energy Independence Strategy related to the assurance of technical requirements for reliability of heat facilities and heat supply networks, to guarantee the quality keeps apply to consumers, Kaunas city municipality decided to approve Company's investment plans with the decision No. T-162 "Regarding Investment Plans of AB Kauno Energija for the Year 2021 and Their Financing" on April 20, 2021.

In 2021 the implementation of Company's investment program will involve further modernization of boiler-houses owned by the Company automating the production process and installing condensational economizers; reconstruction of heat networks; replacement of heat meters. It's important to notice, that implementation of these measures will allow to reduce losses of heat transmission and to perform optimization of heat supply to the consumers and to ensure heat supplies reliability.

## 11. Information on research and development activities

Company's representatives are constantly invited to work in committees of preparation of Energy Engineering studies programs of Kaunas University of Technology and in groups of external and self-evaluation. Working in these groups and committees Company's representatives analyse aims of programs and goals of studies, composition of training plans, appropriateness of staff, material basis, process, and evaluation of studies, as well as program management. Performing external and self-evaluation, committees apply recommendations for improvement of program structures and implementation process, to satisfy the needs of employers and to meet the requirements of national and European legal acts in the field of higher education.

The Company together with the Lithuanian Energy Institute took part in READY project (“Resource efficient cities implementing advanced smart city solutions”) supported by European Commission. 23 companies from Denmark, Sweden, Austria, France, and Lithuania took part in it. Project is finished in 2021. Experiences in implementing the latest energy efficiency measures were shared among participants of the project.

Starting from 2018 the Company together with 9 more European companies and research institutions and with the Innovation and Network Program Institution (INEA), which manages infrastructure and research programs in the EU transport, energy and telecommunications sectors, takes part in the international research project “Flexible combined heat and power generation from renewable energy sources” (FLEXCHX). The essence of the project is to ensure biomass power-plants to work in a full load the whole year. The goal of the project is to create a flexible energy production process, which could be used in various Europe’s energy production facilities in the future, using high effectiveness at the minimal expenditures.

On January 15, 2019 the European Commission has proposed EUR 1.66 million support for project No. 847056 “Residential Building Energy Renovations with On-Bill Financing” (Ren-on-Bill). The application for financing of the project was submitted under the Horizon 2020 program. The Company participates in the project as a partner with 8 other companies from Lithuania, Italy, Germany, Belgium, and Spain. The project is coordinated by Creara Consultores SL (Spain). EUR 71.5 thousand of EU support is allocated for the Company. The aim of the Ren-on-Bill project is to increase investment in residential renovation by promoting the use of OBF (On-Bill Financing) utility schemes based on cooperation between energy suppliers and financial institutions.

The Company, which supplies district heating to Kaunas, responding to the changes of the warming climate, enters a new district cooling market, which is still poorly tested in Lithuania. District cooling is the production and supply of district cooling by converting heat energy into cool and using the existing district heating infrastructure. One of the latest technologies to produce cooling from heat is absorption heat pumps. During a rather sophisticated technological process in them, heat energy is converted into cool, which is supplied to the premises by other devices. One of such absorption heat pumps was also acquired by the Company.

## 12. Information on own shares acquired and held by the Issuer

The Company does not hold the shares of its own. The Company’s subsidiaries have not purchased any of the Company’s shares. Neither the Company nor its subsidiaries purchased or sold own shares during the reporting period.

## 13. Information on the aims of financial risk management, hedging instruments in use

All relevant information on this issue is provided in Explanatory Notes to the Consolidated Financial Statements for the year 2020 of AB Kauno Energija.

## 14. Information on the Issuer’s subsidiary undertakings

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

The authorised capital of UAB GO Energy LT registered in the Register of Legal Entities on June 30, 2021 is 1,329,872 euros and it is divided into 45,921 ordinary registered shares with par value of 28.96 euros each.

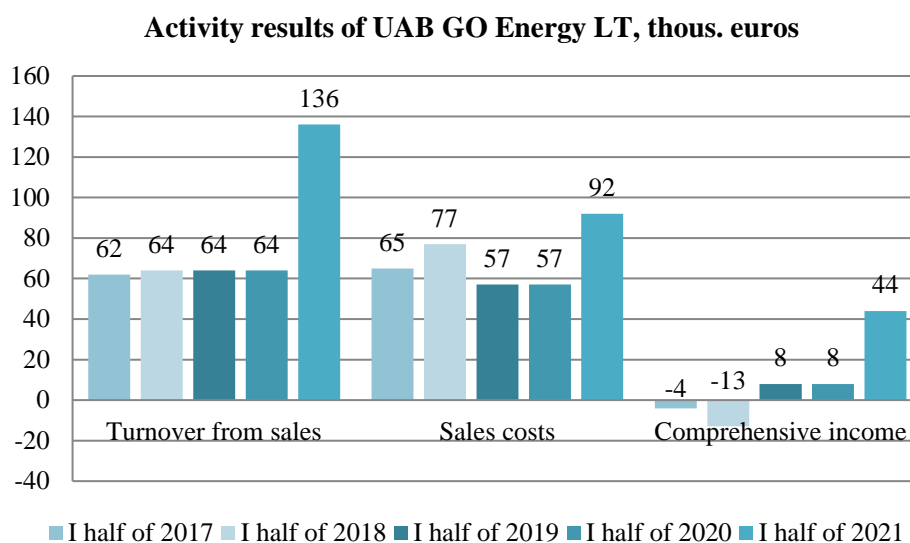
UAB GO Energy LT has no holdings directly or indirectly managed in other companies.

Activities of UAB GO Energy LT include the real estate development, management, leases, purchase, and sale.

As of June 30, 2021, company UAB GO Energy LT had 6 employees.

Comparison of financial indicators of UAB GO Energy LT of the 1 half of the year 2021 with the indicators of the 1 half of the years 2017–2020 is provided in Chart 8.

Chart 8



Authorized capital of UAB Petrašiūnų Katilinė registered at the Register of Legal Entities as of June 30, 2021 is EUR 231,696 and it is divided to 800 ordinary registered shares at par value of EUR 289.62 each.

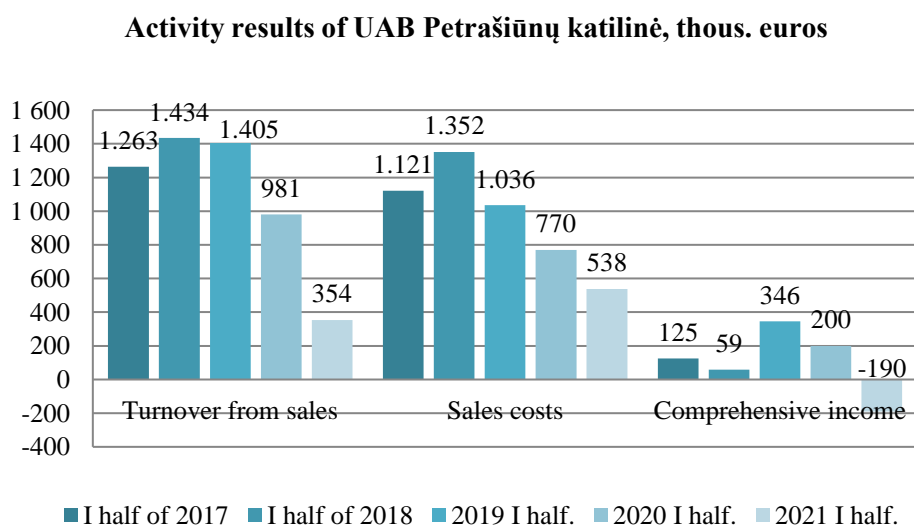
UAB Petrašiūnų katilinė holds no shares directly or indirectly managed in other companies.

Activities of UAB Petrašiūnų Katilinė include production of heat.

UAB Petrašiūnų Katilinė had 6 employees as of June 30, 2021.

Comparison of financial indicators of UAB Petrašiūnų Katilinė of the 1 half of the year 2021 with the indicators of the 1 half of the years 2017–2020 is provided in Chart 9.

Chart 9



## 15. Structure of authorized capital

The authorised capital of the Company registered in the Register of Legal Entities of the Republic of Lithuania as of June 30, 2021 is EUR 74,475,728.82 (seventy-four million four hundred seventy-five thousand seven hundred twenty-eight euros and 82 cents).

Structure of authorized share capital of the Issuer by types of shares is specified in Table 5.

Table 5

Type of shares	Number of shares, units	Nominal value, euros	Total nominal value, euros	Municipal share in the authorised capital, per cent	Share of private shareholders in the authorised capital, per cent
Ordinary nominal shares	42,802,143	1.74	74,475,728.82	98.33	1.67

## 16. Data on shares issued by the Issuer

The authorised capital of AB Kauno Energija was registered on May 18, 2015 by the decision of General Meeting of Shareholders held on April 28, 2015 and amounts to EUR 74,475,728.82 (seventy-four million four hundred seventy-five thousand seven hundred twenty-eight euros and 82 cents) and it is divided to 42,802,143 (forty-two million eight hundred and two thousand one hundred forty-three) ordinary shares of par value of 1.74 euros each.

There are no limitations on the transfer of securities.

### Main characteristics of shares released into free circulation of securities (as of June 30, 2021).

Securities registration No	A01031430
ISON code of securities	LT0000123010
Number of shares	20 031 977 ordinary nominal shares
Nominal value	EUR 1.74
Total nominal value of shares	EUR 34,855,639.98

### Main characteristics of shares issued and registered for non-public trading (as of June 30, 2021).

ISON code of securities	LT0000128407
Number of shares	22,770,166 ordinary nominal shares
Nominal value	EUR 1.74
Total nominal value of shares	EUR 39,620,088.84

History of trade in Company's securities in the years 2017–2021 is provided in Table 6.

Table 6

Indicator	2017	2018	2019	2020	1 half of 2021
Opening price, euro	0.592	1.18	1.01	0.98	0.82
Highest price, euro	1.180	1.24	1.32	1.03	1.05
Lowest price, euro	0.571	1	0.905	0.77	0.80
Last price, euro	1.180	1	0.98	0.925	1.02
Circulation, units	229,220	147,516	40,868	89,524	57,090
Circulation, million euro	0.19	0.16	0.04	0.07	0.05

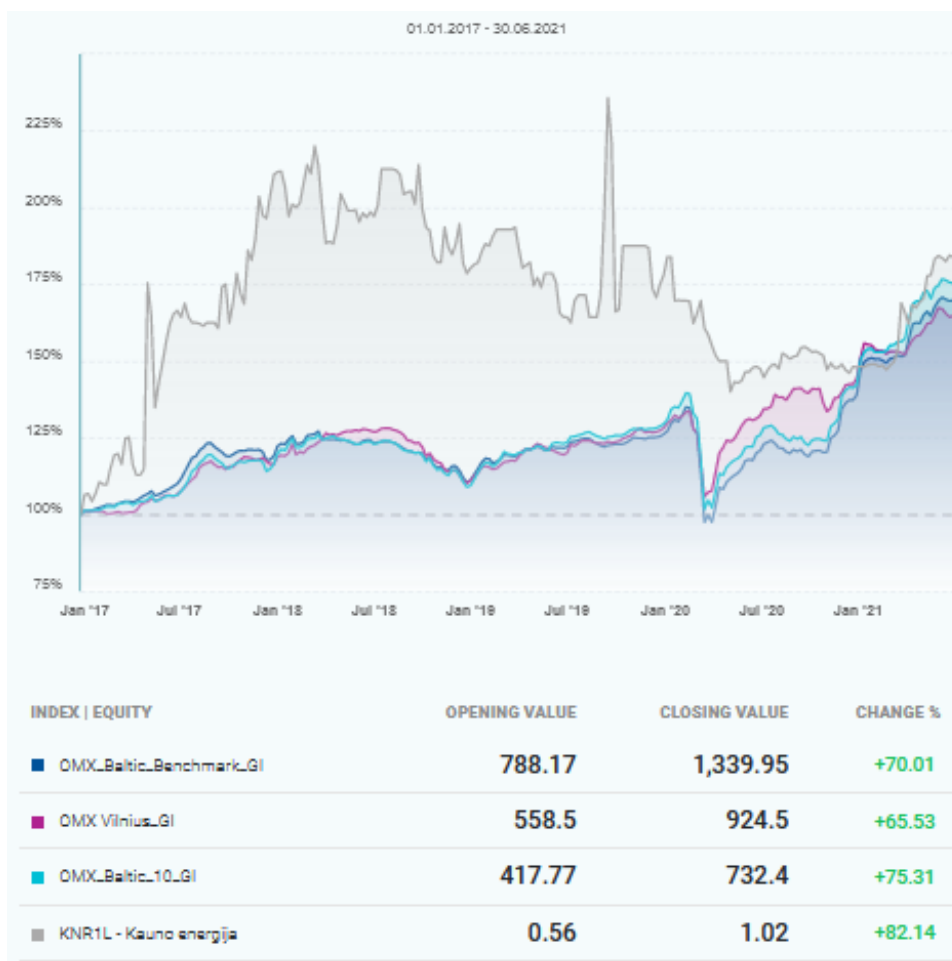
Historical data on share prices (in euro) and turnovers in 2017 – 1 half of the year 2021 is provided in Chart 10.

Chart 10



Comparison of Company’s share price with the index of own sector (utility services) and OMX Vilnius index is given in Chart 11.

Chart 11



## 17. Information on the Issuer's shareholders

The number of Company's shareholders as of June 30, 2021 was 463.

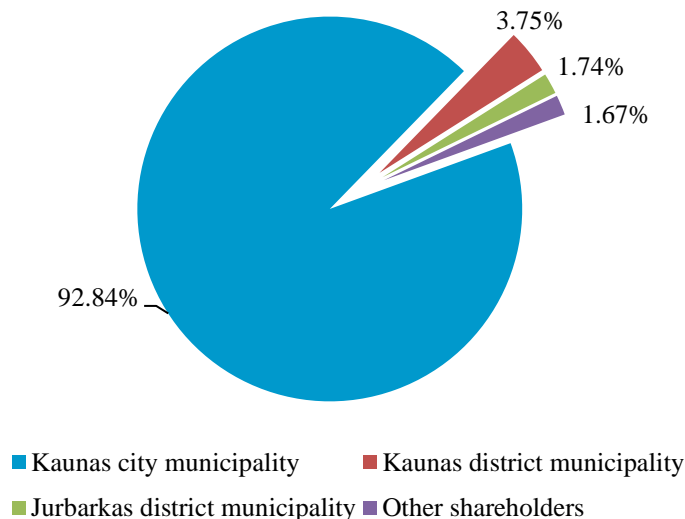
Information on Shareholders of the Issuer who owned more than 5 per cent of the authorised capital of the Company registered on May 18, 2015 (42,802,143 ordinary nominal shares) as of June 30, 2021 is provided in Table 7 and Chart 12.

Table 7

Full name of shareholder (company name, type, headquartered dress, code)	Number of ordinary nominal shares owned by the shareholder, units	Owned share in the authorised capital, per cent	Share of votes carried by owned shares. per cent	Share of votes owned by the shareholder together with acting entities, per cent
Kaunas City Municipality Laisvės al. 96, 44251 Kaunas Code 111106319	39,736,058	92.84	92.84	-
Other shareholders	3,066,085	7.16	7.16	-
Total:	42,802,143	100	100	-

Chart 12

Structure of shareholders as of June 30, 2021



The distribution of the Company's shareholders by groups at the end of the reporting period is presented in Table 8.

Table 8

Group	Number of shares owned by the group, pcs.	Available share of the authorized capital, per cent of the total number of shares
Local authorities	42 088 631	98.33

Group	Number of shares owned by the group, pcs.	Available share of the authorized capital, per cent of the total number of shares
Households	502 558	1.17
Private non-financial enterprises	169 468	0.40
Other financial intermediaries, except insurance companies and pension funds, and financial auxiliaries	41 486	0.10
Other shareholders (foreign controlled non-financial enterprises, financial auxiliaries, deposit-taking companies other than the central bank)	0	0.00
<b>Total</b>	<b>42 802 143</b>	<b>100</b>

17.1. The shareholders, who owned more than 5 per cent of the shares (20,031,977 ORS) issued for public trading (reg. No. A01031430, VP ISIN code – LT0000123010) as of June 30, 2020 are listed in Table 9.

Table 9

Name	Type of shares	Number of shares, units	Total nominal value of shares, euros	Percentage of shares from those released into the public circulation	Share of the authorised capital (%)
Kaunas City Municipality Laisvės al. 96, 44251 Kaunas Code 111106319	Ordinary registered shares	16,965,892	29,520,652	84.69	39.64
Kaunas District Municipality Savanorių pr. 371, 49500 Kaunas, Code 111100622	Ordinary registered shares	1,606,168	2,794,732	8.02	3.75
Other shareholders	Ordinary registered shares	1,459,917	2,540,256	7.29	3.41
<b>Total:</b>		<b>20,031,977</b>	<b>34,855,640</b>	<b>100</b>	<b>46.80</b>

17.2. The shareholders, who owned more than 5 per cent of the shares (22,770,166 ORS) issued for non-public trading (VP ISIN code – LT0000128407) as of June 30, 2021 are listed in Table 10.

Table 10

Name	Type of shares	Number of shares, units	Total nominal value of shares, Euro	Percentage of shares from those released into the public circulation	Share of the authorised capital (%)
Kaunas City Municipality Laisvės al. 96, 44251 Kaunas Code 111106319	Ordinary registered shares	22,770,166	39,620,089	100	53.20

None of the shareholders of the Issuer holds any special rights of control. The rights of all shareholders are the same; they are specified in article 4 of the Law on Companies of the Republic of Lithuania. The number of shares carrying votes at the General Meeting of Shareholders of the Company is 42,802,143 units.

The Company has not been notified on the limitations of voting rights or any other mutual agreements of shareholders which may limit the transfer of securities and / or voting rights.

In 2017, the dividends from the profit of the year 2016 were allocated and paid to the shareholders of the Issuer. Dividend per share was 0.106 euro, in total – 4.537 million euro. The profit was allocated to the statutory reserve, other reserves, and bonuses for employees. A total of 0.1 million euros was allocated for sponsorship.

In 2018, the dividends from the profit of the year 2017 were allocated and paid to the shareholders of the Issuer. Dividend per share was 0.078 euro, in total – 3.339 million euro. The profit was allocated to the statutory reserve, other reserves, and bonuses for employees. A total of 0.1 million euros was allocated for sponsorship.

In 2019, the dividends from the profit of the year 2018 were allocated and paid to the shareholders of the Issuer. Dividend per share was 0.025 euro, in total – 1.070 million euro. The profit was allocated to the statutory reserve, other reserves, and bonuses for employees. A total of 0.05 million euros was allocated for sponsorship.

In 2020, no dividends from the profit of 2019 were allocated and paid to the Issuer’s shareholders.

In 2021, no dividends from the profit of 2020 were allocated and paid to the Issuer’s shareholders.

## 18. Employees

355 employees were employed in the Group as of June 30, 2021. Changes in the number of employees of the Group in 2017 – 1 half of the year 2021 are provided in Table 11.

Table 11

Actual number of employees	Group 31/12/2017	Group 31/12/2018	Group 31/12/2019	Group 31/12/2020	Group 30/06/2021
Total:	513	441	402	365	355
management	6	3	3	3	3
specialists	272	238	214	203	200
workers	235	200	185	159	152

Changes in number of employees of the Company in 2017 – 1 half of the year 2021 are provided in Table 12.

Table 12

Actual number of employees	Company 31/12/2017	Company 31/12/2018	Company 31/12/2019	Company 31/12/2020	Company 30/06/2021
Total:	501	427	389	354	344
management	4	1	1	1	1
specialists	269	234	210	200	196
workers	228	192	178	153	147

Education of employees of the Group as at the end of the reporting period.



Table 13

No	Education	Group 31/12/2017	Group 31/12/2018	Group 31/12/2019	Group 31/12/2020	Group 30/06/2021
1	Secondary incomplete	5	3	3	1	1
2	Secondary	185	156	139	124	124
3	College	75	62	59	49	43
4	Higher	248	220	201	191	187
	Total:	513	441	402	365	355

Education of employees of the Company as at the end of the reporting period.

Table 14

No	Education	Company 31/12/2017	Company 31/12/2018	Company 31/12/2020	Company 31/12/2020	Company 30/06/2021
1	Secondary incomplete	5	3	3	1	1
2	Secondary	181	151	135	121	118
3	College	73	60	57	47	43
4	Higher	242	213	194	185	182
	Total:	501	427	389	354	344

Company's management pays a lot of attention on increase in work efficiency, working conditions improvement, supply with latest working tools, professional development, planning of internal activities and control implementation, also for improvement of consumer service quality. Executive and professional qualification levels suit their positions, and work experience and practical knowledge of subject of other employees makes them possible to work in their positions. Staff turnover in the Group and the Company is inconsiderable.

To increase work efficiency, the Company conducts an annual work performance evaluation of structural units' managers, the main goal of which is to evaluate the employee's qualifications and abilities of functions performance assigned in job regulations, to properly evaluate employees' activities, provide feedback on the goals execution in order to increase employee loyalty, satisfaction with conducted work, encouraging them to improve. The result of this process is information allowing better coordination of the Company's activities and for encouraging employees to improve their working activities.

The Company actively cooperates with educational institutions and enables high school students to apply theoretical knowledge and gain practical skills. When there is a need for new employees, the most active and best students are given the opportunity to get a job in the Company.

The salary of employees of the Issuer consists of the constant part of salary, variable part of salary, benefits and allocations paid according to the Labour Code of the Republic of Lithuania and other laws, Collective agreement of the Company, and bonuses. Bonuses are paid from net profit, if the General Meeting of Shareholders allocates part of the profit for the bonuses of the Company employees.

The Collective agreement provides the special rights and responsibilities of the Issuer's employees or part of them. The Collective agreement that became effective in the Company on January 1, 2019 covers special rights as follows:

1. For continuous employment within the Company employees are granted additional paid leave.
2. The record of service of employees who worked in Lithuanian energy system companies and who were redeployed to the Company according to the corporate employer agreement, i.e., when the transfer was carried

out according to the Labour Code or the Law on Employment Contract, is considered uninterrupted and those employees are granted an additional paid leave for an uninterrupted record of service within the Company.

3. At the agreement of the employer and employee, the employee may be granted unpaid leave for family related issues and other important reasons.

4. Company's employees are entitled to additional paid leave.

The employer obligates:

1. To ensure the conditions of preventive health check and, if necessary, rehabilitation treatment of employees, to provide free health services at the Company's occupational health unit.

2. In case of death of an employee, the Company pays an allowance in the amount of two monthly average salaries of the last year of the Company gives free transport or covers transport costs. The allowance is granted to the burying person.

3. In case of death of a close relative of the employee (father (adoptive father), mother (adoptive mother), child (adoptee), or spouse), the employee is granted the allowance of the average salary of the previous year of the Company, given free transport or transport costs are covered.

4. In case of birth of one or more children, employees are granted 50 per cent of the of the average salary of the previous year of the Company for each child.

5. In case of wedding, employees are granted 50 per cent of the of the average salary of the previous year of the Company.

6. Employees who are growing up three or more children under the age of 16, widows (widowers) and unmarried persons who grow up one child or children (adoptees) alone, if they are studying at secondary schools until the age of 19, and while studying at higher schools or colleges full-time till the age of 21, or if they are caring for other family members with heavy or moderate disability level or lower than 55 per cent working ability level, or family members who have reached the retirement age, which according to the laws are established a major or moderate level of special needs, once a year are granted 50 per cent of the of the average salary of the previous year of the Company according to the date of request.

7. For the 40<sup>th</sup>, 50<sup>th</sup> and 60<sup>th</sup> anniversary, as proposed by the head of the division, for excellent performance of employees having the 15 and 20 years of continuous employment with the Company are granted a monetary gift of 25 per cent and having over 20 years of continuous work experience – a monetary gift of 50 per cent of the average salary of the previous year of the Company.

8. In other cases, where the material support is needed (loss due to natural disasters or other reasons beyond the employee's control), employees are granted the allowance of up to 3 the average salaries of the previous year of the Company.

9. In case of a serious illness or accident of the employee, he is granted an allowance of up to 5 average salaries of the previous year of the Company. Illness allowance is granted once a year (in 12 months).

10. For the occasions of the Lithuanian Energy Day and jubilees of the Company deserving employees are granted a monetary gift of up to 150 euros.

## 19. Procedure for amending the Issuer's Statutes

The Statutes of the Issuer say that the General Meeting of Shareholders of the Company has the exceptional right to amend the Statutes other than the exceptions provided in the Law on Companies of the Republic of Lithuania. The resolution on the amendment of the Company's Statutes 2/3 qualified majority of votes of the members participating in the meeting of shareholders is needed.

The Statutes of the Company were amended on October 22, 2020 by the decision of the General Meeting of Shareholders. The new wording of the Statutes was registered on November 25, 2020 in the Register of Legal Entities of the Republic of Lithuania. It can be found on Company's website at [www.kaunoenergija.lt](http://www.kaunoenergija.lt).

## 20. Issuer's management bodies

According to the Statutes of the Company, the management bodies of the Company include the General Meeting of Shareholders, a collegial management body – the Supervisory Board, a collegial management body – the Management Board, and a sole management body – General Manager.



Decisions of the General Meeting of Shareholders made on the issues within the competence of the General Meeting of Shareholders provided for in the Statutes of the Company are binding to its shareholders, the Supervisory Board, the Management Board, and the General Director, and to other employees of the Company.

All persons who are the shareholders of the Company on the date of the General Meeting of Shareholders have the right to attend the Company's General Meeting of Shareholders personally or by proxy or be represented by persons with whom they had entered into the agreement on the transfer of the voting right. The record date of the meeting of the Company is the fifth working day before the General Meeting of Shareholders or the fifth working day before the repeat General Meeting of Shareholders. A person attending the General Meeting and entitled to vote shall provide a document which is a proof of his personal identity and sign the registration list of the Meeting of Shareholders. A person who is not a shareholder shall additionally provide a document attesting to his right to vote at the General Meeting of Shareholders.

1 (one) General Meeting of Shareholders was convoked in the 1 half of the year 2021. Company's General Manager and the Chief Finance Officer attended it. Issuers' shareholders can ask questions and can get answers or explanations from Company's managers and speakers.

The collegial management body – Supervisory Board is elected by the General Meeting of Shareholders according to the procedure specified in the Law on Companies of the Republic of Lithuania. The Supervisory Board consists of 7 (seven) members. The Supervisory Board is elected for a term of 4 (four) years. The Supervisory Board elects the chairman of the Supervisory Board from among its members. The General Meeting of shareholders may remove from office the entire Supervisory Board or its individual members before the expiry of the term of office of the Supervisory Board. Where individual members of the Supervisory Board are elected, they shall be elected only until the expiry of the term of office of the current Supervisory Board.

The Supervisory Board elects and dismisses the Management Board members and supervises the activities of the Board and the General manager of the Company; submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit / loss allocation and the annual report of the Company as well as the activities of the Board and the General Manager of the Company; submits proposals to the Board and the General Manager of the Company to revoke their decisions which are in conflict with laws and other legal acts, the statutes of the Company or decisions of the General Meeting of Shareholders; addresses other issues assigned to the scope of powers of the Supervisory Board by decisions of the General Meeting of Shareholders regarding the supervision of the activities of the Company and its management bodies. The Supervisory Board shall not be entitled to assign or delegate the functions assigned to the scope of its powers by the Law on Companies of the Republic of Lithuania and the statutes of the Company to other bodies of the Company.

The Supervisory Board, following the resolution No. 1K-18 of August 21, 2008 of the Securities Commission of the Republic of Lithuania "Regarding The Requirements For Audit Committees", as well as "Guidelines For The Application Of Requirements For Audit Committees" which were approved by the decision of the Securities Commission of November 28, 2008 approves the internal rules of procedure for forming the Audit Committee and elects the Audit Committee members.

The Supervisory Board of the Company approved on May 21, 2019 a new wording of the internal rules of procedure of the Audit Committee of the Company.

The Management Board is a collegial management body of the Company. The Management Board is comprised of 5 (five) members. The Management Board is elected for the period of 4 (four) years by the Supervisory Board. The Supervisory Board can remove from office the entire Management Board *incorpore* or its individual members before the expiry of their term. If individual members of the Management Board are

elected, they shall serve only until the expiry of the term of office of the current Management Board. The Management Board elects the chairman of the management Board from among its members.

The General Manager is the manager of the Company. The manager of the Company is a sole person management body of the Company organising its activities. Authority and responsibilities of the administration members of the Company are established by the order of the General Manager.

## 20.1. Data on the committees in the Company

The members of Audit Committee appointed by the decision No. 2019-4 of the Supervisory Board of May 21, 2019:

Full name	Position	Beginning of term	End of term*
Mr. Mindaugas Šimkus	Independent member of Audit Committee	May 21, 2019	April 26, 2023
Mr. Artūras Aladaitis	Member of Audit Committee	December 6, 2019	April 26, 2023

\* The term of office of the Audit Committee coincides with the term of office of the Supervisory Board of the Company.

In carrying out its activities, the Audit Committee follows the internal rules of procedure of the Company's Audit Committee approved by decision No 2019-4 of May 21, 2019 of the meeting of the Supervisory Board of the Company. The Audit Committee performs its functions provided for in article 52 of the Law on Audit of the Republic of Lithuania. The Audit Committee performed the monitoring of the process of financial statements audit performed by independent auditor in the 1 half of the year 2021.

## 20.2. Information on the members of the Company's Supervisory Board:

Members of the Supervisory Board of the Company as of June 30, 2021:

Full name	Position	Beginning of term	End of term
Mr. Antanas Etneris	Chairman of the Supervisory Board	April 26, 2019	April 26, 2023
Mrs. Rūta Šimkaitytė - Kudarauskienė	Deputy chairman of the Supervisory Board	April 2, 2020	April 26, 2023
Mr. Konstantinas Pesenka	Member of the Supervisory Board	April 26, 2019	April 26, 2023
Mr. Mindaugas Šimkus	Member of the Supervisory Board	April 26, 2019	April 26, 2023
Mr. Saulius Lazauskas	Member of the Supervisory Board	April 2, 2020	April 26, 2023
Mr. Justas Limanauskas	Member of the Supervisory Board	April 2, 2020	April 26, 2023

Company's Supervisory Board comprised of five independent members and of one member of Kaunas City Municipality administration, as he partially represents the controlling shareholder, i.e., Kaunas City Municipality, holding 92.84 per cent of the Company's voting shares.

1 session of the Supervisory Board was held during the 1 half of the year 2021. More than ½ of the members of the Supervisory Board attended the session.

### Mr. Antanas Etneris

Mr Antanas Etneris, director of UAB Wisewood (code 302527538, Ringuvos str. 74, LT-45245 Kaunas), director of UAB Mana Grupė (code 303991865, Kruonio str. 16, Kaunas), director of UAB Airhotel (code 302598948, Oro Uosto str. 2, Karmėlava, LT-54460 Kaunas distr.), member of the Board of UAB Stoties Turgus, member of the Board of UAB Kauno Vandeny.

Holds no shares of the company. Holds the shares of the companies UAB Wisewood, UAB Mana Ranga, UAB Mana Grupė, UAB Airhotel, UAB Dramart, UAB Ukraineičių 4, UAB Vėjo Dukra, UAB Plėtros Fondas, UAB Aguonų Projektai, UAB My Group.

**Mrs. Rūta Šimkaitytė-Kudarauskienė**

Head of the Legal and Consulting Department of Kaunas City Municipality (company code 111106319, Laisvės av. 96, LT-44251 Kaunas); Director of UAB Centrinis Knygynas (company code 133607044, Laisvės av. 81, LT-44297 Kaunas).

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

**Mr. Saulius Lazauskas**

General Director of UAB Kauno Švara (company code 132616649, Statybininkų str. 3, LT-50124 Kaunas), Member of the Board of UAB Kauno Vandenys, Member of the Board of PI Kaunas Region Waste Management Centre”.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

**Mr. Justas Limanauskas**

Director of the budgetary institution Parkavimas Kaune (company code 134929849, Puodžių str. 24-1, LT-44295 Kaunas); director of the budgetary institution “S. Dariaus and S. Girėno Aerodromas” (company code 135087311, Veiverių str. 132, LT-46337 Kaunas).

Holds no shares of the company. No interest in the capital of other Lithuanian companies.

**Mr. Konstantinas Pesenka**

Member of the Management Board of UAB Windex Group (code 303522864, Draugystės str. 17-1, Kaunas), chairman of the Management Board of UAB Kauno Vandenys.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

**Mr. Mindaugas Šimkus**

Head of economics of UAB Vičiūnų Grupė (code 303211678, V. Krėvės av. 97, LT-50369 Kaunas), member of the Board of UAB Kauno Švara, member of the Board of UAB Kauno Vandenys.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

**20.3. Information on the members of the Company’s Management Board**

Members of Company’s Management Board as of June 30, 2021:

Full name	Position	Beginning of term	End of term
Nerijus Mordas	Chairman of the Management Board	May 21, 2019	May 21, 2023
Paulius Keras	Deputy chairman of the Management Board	May 21, 2019	May 21, 2023
Algimantas Stasys Anužis	Member of the Management Board	May 21, 2019	May 21, 2023
Karolis Šiugžda	Member of the Management Board	May 21, 2019	May 21, 2023
Karolis Dekeris	Member of the Management Board	May 21, 2019	May 21, 2023

9 sessions of Company’s Management Board were held in the 1 half of the year 2021. More than 2/3 members of the Management Board attended all the sessions.



**Mr. Nerijus Mordas**

Chief finance officer of UAB Vičiūnų Grupė (code 303211678, V. Krėvės av. 97, LT-50369 Kaunas). Member of Company's Management Board from June 1, 2015.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr. Nerijus Mordas charged EUR 10.2 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



**Mr. Paulius Keras**

Deputy Director of Kaunas city municipality (code 111106319, Laisvės av. 96, LT-44251 Kaunas). Member of the Management Board of the Company from May 21, 2019.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr. Paulius Keras charged EUR 6.1 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



**Mr. Algimantas Stasys Anužis**

Member of the Council of Kaunas Chamber of Commerce, Industry and Crafts, president of Lithuanian Veterans Basketball League.

Member of Company's Management Board from June 1, 2015.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr. Algimantas Stasys Anužis charged EUR 6.1 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



**Mr. Karolis Šiugžda**

Lawyer of UAB Vičiūnų Grupė (code 303211678, V. Krėvės av. 97, LT-50369 Kaunas), lawyer of UAB Groward Group (code 302764932, V. Krėvės av. 97, LT-50369 Kaunas).

Member of Company's Management Board from May 21, 2019.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr. Karolis Šiugžda charged EUR 6.1 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



**Mr. Karolis Dekeris**

Marketing Director of UAB Kauno Autobusai (code 133154754, Raudondvario rd. 105, LT-47185 Kaunas).

Member of Company's Management Board from May 21, 2019.

Holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr. Karolis Šiugžda charged EUR 6.1 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.

#### **20.4. Information on the General Manager and Chief accountant of the Company:**

##### **Mr. Tomas Garasimavičius**

General Director of the Company from March 30, 2020. Education - higher university, Vilnius University in 2003, Bachelor of Political Science, Vilnius University in 2005, Master of Political Science, Creighton University, USA 2005, Master of Political Science. Workplaces during the last 10 years and positions: Head of the Sustainable Energy Development Division of Energetikos Agentūra, PI (June 2010 – December 2012), Adviser to the Prime Minister of the Republic of Lithuania on Energy (December 2012 – December 2016), Member of the Supervisory Board of UAB Lietuvos Energija (July 2013 – July 2017), Member of the Nomination and Remuneration Committee of the Supervisory Board of UAB Lietuvos Energija (July 2013 – July 2017), Member of the Risk Management Supervisory Committee of the Supervisory Board of UAB Lietuvos Energija (September 2013 – July 2017), Member of the Support Fund Council of UAB Lietuvos Energija (September 2014 – September 2017), Adviser to the Prime Minister of the Republic of Lithuania on Energy and the Environment (January 2017 – March 2018), Adviser to the Mayor of Kaunas city on Energy (June 2018 – March 2020).

Holds no shares of the Company. No interest in the capital of other companies.

##### **Mrs. Inga Šliačkuvienė**

Company's chief accountant from August 1, 2019. Education – higher university, Kaunas University of Technology, Faculty of Economics and Management – Bachelor of Economics. Workplaces during the last 10 years and positions: Company's Senior Accountant (from August 2009), Deputy Chief Accountant of the Company (from May 2014).

Company's General Manager and the Chief Accountant charged 69.10 thousand euros of remuneration in 1 half of the year 2021, and the average amount per member is 34.55 thousand euros. No other assets had been transferred; no guarantees granted.

## **21. Information on significant agreements**

There are no significant agreements that would come into force, change or termination in case of change in controls of Issuer (their impact as well, except cases when due to the character of agreements the disclosure of them would make a significant harm).

## **22. Information on agreements of the Issuer and its managerial body members or employees**

There are no agreements of the Issuer or its managerial body members or employees (which provide for compensation in case of their resignation or termination of employment on no grounds or in case their employment is terminated due to changes in controls of the Issuer).

## **23. Information on major transactions with related parties**

There were no larger individual transactions. More detailed information is provided in the Note 25 of the Explanatory Notes to the Financial Statements.

## **24. Information on harmful transactions concluded on behalf of the Issuer during the reporting period**

There are no harmful transactions concluded on behalf of the Issuer during the reporting period (not complying with the Company's objectives, normal market conditions, detrimental to the interests of shareholders and other interest groups etc.) which were or are likely to have an adverse effect on the Issuer's activities and (or)

performance in the future, as well as information on transactions entered into in a conflict of interest between the Issuer's management, controlling shareholders or other related parties' obligations to the Issuer and their private interests and (or) other duties.

## 25. Information on compliance with the Governance Code of Companies and the Company's corporate social initiatives and policies

Information on compliance with the corporate governance code is provided in Annex 1 to this Annual Report. Annual reports on the Company's corporate social initiatives and policies are provided in Annex 2 to this Annual Report named AB Kauno Energija Report on Social Responsibility and it is announced on the Company's website.

## 26. Data on publicised information

In performing its obligations under the applicable legislation regulating the securities market, the Issuer has announced the following information starting from January 1, 2021 over the GlobeNewswire news distribution service, in which notices are disseminated within the European Union. This information was also posted on the website of the Issuer. All the information is available on website of Nasdaq Vilnius (<http://www.nasdaqbaltic.com/market/?lang=lt>) and Issuer's website (<http://www.kaunoenergija.lt>).

<b>Title</b>	<b>Announcement category</b>	<b>Language</b>	<b>Time</b>
Convocation of the Extraordinary General Meeting of Shareholders of AB Kauno Energija	General meeting of shareholders	EN, LT	19/08/2021 12:40
Business activity results of the 1 half of the year 2021	Notification on material event	EN, LT	30/07/2021 16:00
Audited annual information of AB Kauno Energija for the year 2020	Annual information	EN, LT	30/04/2021 13:15
Resolutions of the General Meeting of Shareholders of AB Kauno Energija	General meeting of shareholders	EN, LT	30/04/2021 13:11
Activity results of the 1 quarter of the year 2021	Interim information	EN, LT	30/04/2021 13:02
Regarding the approval of the Supervisory Board of AB Kauno Energija for the audited results	Notification on material event	EN, LT	23/04/2021 14:31
Convocation of General Meeting of Shareholders of AB Kauno Energija, agenda and the resolution projects	General meeting of shareholders	EN, LT	01/04/2021 09:20
Activity results of 12 months of the year 2020	Interim information	EN, LT	28/01/2021 17:20
AB Kauno Energija became a participant of another legal entity	Notification on material event	EN, LT	15/01/2021 18:09