



AB KAUNO ENERGIJA
CONDENSED INTERIM SET OF CONSOLIDATED AND PARENT COMPANY'S
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD, ENDED
30 SEPTEMBER 2020, PREPARED ACCORDING TO INTERNATIONAL
FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN
UNION

(UNAUDITED)

Management's Statement to the Shareholders of AB Kauno Energija and the Bank of Lithuania

Pursuant to the Law on Securities of the Republic of Lithuania and to Information Disclosure Rules approved by the decision of the Board of the Bank of Lithuania, we, the management of AB Kauno Energija – General Manager Tomas Garasimavičius, Chief Finance Officer Edmundas Damanskis and Chief Accountant Inga Šliačkusienė confirm that, to the best of our knowledge, the interim financial statement for the 9 month period of 2020, have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and give a true and fair view of the Company's assets and liabilities, its financial position, profit (loss) and cash flows.

General Manager

Tomas Garasimavičius

Chief Finance Officer

Edmundas Damanskis

Chief Accountant

Inga Šliačkusienė

Condensed Interim Statements of Financial Position

	Notes	Group		Company	
		30-09-2020	31-12-2019	30-09-2020	31-12-2019
ASSETS					
Non-current assets					
Intangible assets		78	72	78	71
Property, plant and equipment	6				
Land and buildings		7,262	7,569	6,097	6,300
Structures		104,440	100,344	103,970	99,826
Machinery and equipment		17,680	19,992	15,755	17,675
Vehicles		426	399	413	387
Devices and tools		2,035	2,350	2,033	2,347
Construction in progress and prepayments		14,508	7,360	14,508	7,360
Investment property		405	419	162	166
Total property, plant and equipment		146,756	138,433	142,938	134,061
Right-of-use assets		1,278	1,283	1,071	1,073
Non-current financial assets					
Investments into subsidiaries		-	-	2,064	2,064
Other financial assets		1	1	1	1
Total non-current financial assets		1	1	2,065	2,065
Total non-current assets		148,113	139,789	146,152	137,270
Current assets					
Inventories and prepayments					
Inventories	7	1,375	1,582	1,339	1,523
Prepayments		910	1,155	821	1,097
Total inventories and prepayments		2,285	2,737	2,160	2,620
Amounts receivable within one year					
Trade receivables	8	1,331	8,516	1,331	8,516
Loans to the group companies	21	-	-	443	443
Other receivables	8	304	778	263	749
Total accounts receivable		1,635	9,294	2,037	9,708
Cash and cash equivalents	12	5,388	2,219	5,160	1,940
Assets held for sale		-	57	-	57
Total current assets		9,308	14,307	9,357	14,325
Total assets		157,421	154,096	155,509	151,595

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Condensed Interim Statements of Financial Position (continued)

	Notes	Group		Company	
		30-09-2020	31-12-2019	30-09-2020	31-12-2019
EQUITY AND LIABILITIES					
Equity					
Share capital	1	74,476	74,476	74,476	74,476
Legal reserve	13	7,447	7,447	7,447	7,447
Other reserve	13	2,900	2,900	2,900	2,900
Retained earnings (deficit)					
Profit for the current year		(3,672)	933	(3,591)	747
Profit (loss) for the prior year		5,002	4,069	4,953	4,206
Total retained earnings (deficit)		1,330	5,002	1,362	4,953
Total equity		86,153	89,825	86,185	89,776
Payable amounts and liabilities					
Amounts payable after one year and other long-term liabilities					
Non-current financial liabilities	9	26,546	17,651	25,412	16,517
Financial lease obligations		1,435	1,262	1,225	1,049
Deferred tax liability		5,368	5,368	5,561	5,561
Grants and subsidies		27,110	25,519	26,422	24,710
Employee benefit liability		311	570	302	562
Other provisions	10	1,047	-	1,047	-
Non-current trade liabilities		2	4	2	4
Total non-current liabilities		61,819	50,374	59,971	48,403
Current liabilities					
Current portion of non-current borrowings and financial lease	9	1,189	4,777	1,179	4,208
Trade payables		6,054	6,989	6,002	7,198
Employment-related liabilities		867	694	852	672
Advances received		842	551	843	551
Taxes payable		109	467	107	402
Derivative financial instruments	11	8	12	-	-
Current portion of employee benefit liability		127	149	125	148
Accruals and deferred income		138	152	130	131
Other current liabilities		115	106	115	106
Total current liabilities		9,449	13,897	9,353	13,416
Total liabilities		71,268	64,271	69,324	61,819
Total equity and liabilities		157,421	154,096	155,509	151,595

(the end)

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statements of Profit (Loss) and Other Comprehensive Income

Group	Notes	2020 III quarter	2020 I - III quarter	2019 III quarter	2019 I - III quarter
Revenue					
Sales income	14	2,637	27,884	3,968	38,405
Other operating income	16	386	1,074	120	664
Total operating income		3,023	28,958	4,088	39,069
Expenses					
Fuel and heat acquired		(1,295)	(14,920)	(2,445)	(23,390)
Salaries and social security		(1,647)	(4,826)	(1,652)	(5,346)
Depreciation and amortization		(1,851)	(5,465)	(1,714)	(5,139)
Repairs and maintenance		(333)	(717)	(262)	(675)
Change in impairment of accounts receivable	8	278	(105)	383	322
Taxes other than income tax		(453)	(1,353)	(449)	(1,238)
Electricity		(222)	(795)	(205)	(912)
Raw materials and consumables		(117)	(355)	(114)	(402)
Water		(249)	(818)	(258)	(798)
Change in net realisable value and impairment of non-current assets	7	(110)	(210)	(120)	(120)
Other operating expenses	15	(489)	(1,480)	(475)	(1,632)
Other activities expenses	16	(227)	(381)	(70)	(269)
Total expenses		(6,715)	(31,425)	(7,381)	(39,599)
Operating profit (losses)		(3,692)	(2,467)	(3,293)	(530)
Other interest and similar income	17	49	142	61	170
Interest and other similar expenses	18	(98)	(300)	(116)	(387)
Finance cost, net		(49)	(158)	(55)	(217)
Profit before income tax		(3,741)	(2,625)	(3,348)	(747)
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
Net profit (loss) of the reporting period		(3,741)	(2,625)	(3,348)	(747)
Employee benefit liability (accumulation)		-	-	(118)	(119)
Other provisions which will be reclassified subsequently to profit or loss		(129)	(1,047)	-	-
Comprehensive income		(3,870)	(3,672)	(3,466)	(866)
Net profit (loss) of the reporting period attributable to net owners of the Company		(3,741)	(2,625)	(3,348)	(747)
Total comprehensive income attributable to owners of the Company		(3,870)	(3,672)	(3,466)	(866)
Basic and diluted earnings per share (EUR)	19	(0.09)	(0.06)	(0.08)	(0.02)

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statements of Profit (Loss) and Other Comprehensive Income

Company	Notes	2020 III quarter	2020 I - III quarter	2019 III quarter	2019 I - III quarter
Revenue					
Sales income	14	2,638	27,889	3,968	38,411
Other operating income	16	360	994	97	580
Total operating income		2,998	28,883	4,065	38,991
Expenses					
Fuel and heat acquired		(1,295)	(15,541)	(2,543)	(24,264)
Salaries and social security		(1,633)	(4,733)	(1,628)	(5,247)
Depreciation and amortization		(1,709)	(5,041)	(1,573)	(4,715)
Repairs and maintenance		(307)	(683)	(243)	(647)
Change in impairment of accounts receivable	8	279	(98)	378	322
Taxes other than income tax		(446)	(1,333)	(443)	(1,219)
Electricity		(216)	(714)	(184)	(811)
Raw materials and consumables		(115)	(347)	(111)	(394)
Water		(248)	(816)	(257)	(796)
Change in net realisable value and impairment of non-current assets	7	(110)	(210)	(120)	(120)
Other operating expenses	15	(485)	(1,451)	(466)	(1,597)
Other activities expenses	16	(210)	(323)	(49)	(207)
Total expenses		(6,495)	(31,290)	(7,239)	(39,695)
Operating profit (losses)		(3,497)	(2,407)	(3,174)	(704)
Other interest and similar income	17	49	141	62	173
Interest and other similar expenses	18	(91)	(278)	(110)	(356)
Finance cost, net		(42)	(137)	(48)	(183)
Profit before income tax		(3,539)	(2,544)	(3,222)	(887)
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
Net profit (loss) of the reporting period		(3,539)	(2,544)	(3,222)	(887)
Employee benefit liability (accumulation)		-	-	(118)	(118)
Other provisions which will be reclassified subsequently to profit or loss		(129)	(1,047)	-	-
Comprehensive income		(3,668)	(3,591)	(3,340)	(1,005)
Basic and diluted earnings per share (EUR)	19	(0.08)	(0.06)	(0.08)	(0.02)

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Changes in Equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
Balance as of 31 December 2018		74,476	6,435	100	8,956	89,967
Transferred to reserves	13	-	1,012	2,900	(3,912)	-
Transferred from reserves	13	-	-	(100)	100	-
Dividends	13	-	-	-	(1,070)	(1,070)
Net profit (loss) of the reporting period		-	-	-	(747)	(747)
Other comprehensive income		-	-	-	(119)	(119)
Balance as of 30 September 2019		74,476	7,447	2,900	3,208	88,031
Profit / loss not recognised in the income statement		-	-	-	(5)	(5)
Net profit (loss) of the reporting period		-	-	-	1,888	1,888
Other comprehensive income		-	-	-	(89)	(89)
Balance as of 31 December 2019		74,476	7,447	2,900	5,002	89,825
Transferred to reserves		-	-	-	-	-
Transferred from reserves		-	-	-	-	-
Dividends		-	-	-	-	-
Net profit (loss) of the reporting period		-	-	-	(2,625)	(2,625)
Other comprehensive income		-	-	-	(1,047)	(1,047)
Balance as of 30 September 2020		74,476	7,447	2,900	1,330	86,153

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statement of Changes in Equity

Company	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
Balance as of 31 December 2018		74,476	6,435	100	9,088	90,099
Transferred to reserves	13	-	1,012	2,900	(3,912)	-
Transferred from reserves	13	-	-	(100)	100	-
Dividends	13	-	-	-	(1,070)	(1,070)
Net profit (loss) of the reporting period		-	-	-	(887)	(887)
Other comprehensive income		-	-	-	(118)	(118)
Balance as of 30 September 2019		74,476	7,447	2,900	3,201	88,024
Net profit (loss) of the reporting period		-	-	-	1,840	1,840
Other comprehensive income		-	-	-	(88)	(88)
Balance as of 31 December 2019		74,476	7,447	2,900	4,953	89,776
Transferred to reserves		-	-	-	-	-
Transferred from reserves		-	-	-	-	-
Dividends		-	-	-	-	-
Net profit (loss) of the reporting period		-	-	-	(2,544)	(2,544)
Other comprehensive income		-	-	-	(1,047)	(1,047)
Balance as of 30 September 2020		74,476	7,447	2,900	1,362	86,185

The accompanying notes are an integral part of these financial statements.

Condensed Interim Statements of Cash Flows

	Group		Company	
	2020 I - III quarter	2019 I - III quarter	2020 I - III quarter	2019 I - III quarter
Cash flows from (to) operating activities				
Comprehensive income	(3,672)	(866)	(3,591)	(1,005)
Adjustments for non-cash items:				
Depreciation and amortization	6,902	6,403	6,344	5,843
Change in impairment of accounts receivable	108	(323)	98	(322)
Interest expenses	300	385	281	356
Change in fair value of derivatives	(4)	2	-	-
Loss (profit) from sale and write-off of property, plant and equipment and value of the shares	(276)	(254)	(276)	(254)
(Amortization) of grants	(1,181)	(988)	(1,060)	(867)
Change in net realisable value and impairment of non-current assets	210	120	210	120
Change employee benefit liability	2	119	-	118
Change in accruals	(11)	3	-	7
Change in provisions	1,047	-	1,047	-
Elimination of other financial and investing activity results	(138)	(170)	(138)	(173)
Total adjustments for non-cash items	6,959	5,297	6,506	4,828
Changes in working capital:				
(Increase) decrease in inventories	(5)	(191)	(28)	(198)
(Increase) decrease in prepayments	245	381	276	392
(Increase) decrease in trade receivables	7,077	8,651	7,078	8,652
(Increase) decrease in other receivables	474	378	495	380
(Decrease) increase in non-current trade payables	(2)	5	(2)	5
(Decrease) increase in trade payables and advances received	(898)	(802)	(1,159)	(947)
(Decrease) increase in employment-related liabilities	(110)	(231)	(103)	(230)
Increase (decrease) in tax payable	(358)	(243)	(295)	(210)
Increase (decrease) in received prepayments	254	(390)	255	(390)
Increase (decrease) in other current liabilities	9	54	9	54
Total changes in working capital:	6,686	7,612	6,526	7,508
Net cash flows from operating activities	9,973	12,043	9,441	11,331

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Condensed Interim Statements of Cash Flows (continued)

	Group		Company	
	2020 I - III quarter	2019 I - III quarter	2020 I - III quarter	2019 I - III quarter
Cash flows from (to) the investing activities				
Acquisition of property, plant, equipment and intangible assets	(15,196)	(19,143)	(15,196)	(19,142)
Proceeds from sale of property, plant and equipment	525	490	525	490
Interest received for overdue accounts receivable	138	170	138	173
Loans granted	-	-	-	-
Net cash flows from investing activities	(14,533)	(18,483)	(14,533)	(18,479)
Cash flows from (to) financing activities				
Proceeds from loans	15,000	3,306	15,000	3,306
(Repayment) of loans	(9,823)	(3,203)	(9,257)	(2,636)
Interest (paid)	(116)	(267)	(99)	(244)
Lease payments	(104)	(87)	(104)	(87)
Penalties and fines (paid)	-	-	-	-
Dividends paid	-	(1,070)	-	(1,070)
Received grants	2,772	5,759	2,772	5,759
Net cash flows from (used in) financing activities	7,729	4,438	8,312	5,028
Net (decrease) increase in cash and cash equivalents	3,169	(2,002)	3,220	(2,120)
Cash and cash equivalents at the beginning of the period	2,219	8,761	1,940	8,673
Cash and cash equivalents at the end of the period	5,388	6,759	5,160	6,553

(the end)

The accompanying notes are an integral part of these financial statements.

Condensed interim explanatory notes to financial statements

1. General information

AB Kauno Energija (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Raudondvario rd. 84, Kaunas, Lithuania. Data about the Company is collected and stored in the Register of Legal Entities.

The Company is involved in heat and hot water supplies, electricity generation and distribution and also involved maintenance of manifolds. The Company are also involved in maintenance of heating systems. The Company was registered on 1 July 1997 after the reorganization of AB Lietuvos Energija, the Company code 235014830. The Company's shares are traded on the Baltic Secondary List of the AB Nasdaq Vilnius Stock Exchange.

As of 30 September 2020 and as of 31 December 2019, the shareholders of the Company were as follows:

	30-09-2020		31-12-2019	
	Number of shares owned (unit)	Percentage of ownership (percent)	Number of shares owned (unit)	Percentage of ownership (percent)
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 minor shareholders	713,512	1.67	713,512	1.67
	42,802,143	100.00	42,802,143	100.00

The authorised share capital of AB Kauno Energija is in the amount of EUR 74.475.728,82 and it is divided into 42 802 143 ordinary nominal shares with the par value of 1.74 euros. As of 30 September 2020 and 31 December 2019, the Company did not hold any own shares. All shares were fully paid as of 30 September 2020 and as of 31 December 2019.

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

As of 30 September 2020, the Company and the subsidiaries UAB GO Energy LT and UAB Petrašiūnų Katilinė comprise the Group (hereinafter – the Group):

Company	Principal place of business	Share held by the Group	Cost of investment	Profit (loss) for the year	Total equity	Main activities
UAB GO Energy LT	Savanorių Ave. 347, Kaunas	100 percent	1,330	13	1,077	Rent
UAB Petrašiūnų Katilinė	R. Kalantos st. 49, Kaunas	100 percent	1,894	36	624	Heat production

In 2020, the average number of employees at the Group was 385 (418 employees in 2019). In 2020 the average number of employees at the Company was 372 (403 employees in 2019).

1. General information (continued)

Legal Regulations

According to the Law on Heat Industry of the Republic of Lithuania, the Company's activities are licensed and regulated by the National Energy Regulatory Council (hereinafter the Council). On 26 February 2004 the Council granted the Company the heat distribution license. The license has indefinite maturity, but is subject to meeting certain requirements and may be revoked based on the respective decision of the Council. The Council also sets price cap for the heat supply. On the 13 September 2018 the Council determined by its decision No. 03E-283 a new basic heat rates force components for the period till 30 September 2021. According to the heat pricing methodology, base heat costs and prices (price constituents) are applied during the second and subsequent years by recalculating and adjusting the heat price constituents.

On the 2 September 2019 the Council determined by its decision No. 03E-351 a new basic heat rates force components to UAB „Petrašiūnų katilinė“ for the period till 30 September 2024.

Operational Activity

On January 8, 2020 AB Kauno Energija and UAB Fortum Heat Lietuva concluded an agreement regarding purchase of Palemonas district heating economy in Kaunas, according to which AB Kauno Energija purchases a boiler-house and heat supply network along with related equipment from Fortum Heat Lietuva and starts heat supply activities in this neighbourhood from February 1, 2020.

Group's generation capacities consist of Company's generation capacities and 1 subsidiary boiler-house in Kaunas. Company's generation capacities include Petrašiūnai power plant, 4 boiler-houses in Kaunas integrated network, 7 district boiler-houses in Kaunas district, 1 regional boiler-house in Jurbarkas city, 14 boiler-houses in isolated networks and 26 local boiler-house in Kaunas city and 8 water heating boiler-houses in Sargėnai catchment.

Total installed heat generation capacities of the Group consist of approx 677 MW (including 47 MW of condensational economizers) and total power generation capacities of the whole Group consist of approx 686 MW (including 47 MW of condensational economizers). Total installed heat generation capacities of Company amount to 658 MW (including 47 MW of condensing economizers). Electricity generation capacities amount up to 8.75 MW. 314.6 MW of heat generation capacities (including 17.8 MW condensing economizer) and 8 MW of electricity generation capacities are located in Petrašiūnai power plant. 34.8 MW of heat generation capacities (including 2.8 MW condensing economizer) are located in Jurbarkas city. Total Company's power generation capacities consist of approx. 667 MW (including 47 MW of condensing economizers).

The Company makes investments estimating economic situation, competition and financing possibilities. Investment plans are approved by shareholders, and regulated and controlled by Council.

2. Basis of the preparation of financial statements

Condensed interim financial statements of the Company and the Group for the nine months ended 2020 September 30 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and applied 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 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

These financial statements do not include all the information required to prepare a complete set of consolidated and separate financial statements. However, the selected explanatory notes are included to clarify events and transactions that are material to the understanding of changes in the financial position and financial performance of the Group and the Company.

All accounting policies used in preparing the condensed interim financial information are the same as those applied for the preparation of the annual financial statements for 2019.

The Group and the Company has adopted IFRS 16 Leases as of 1 January 2019. The comparative information for 2018 were not adjusted.

There are no new or amended standards and interpretations that are not yet effective and that may have a material impact for the Group/Company.

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

The financial year of the Company coincides with the calendar year.

Management of the Company approved these interim financial statements on 26 October 2020.

3. Use of estimates and judgements for preparation of financial statements

The preparation of the financial statements in accordance with IFRS as adopted by the EU, requires management to make judgements, estimates on assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The principal future assumptions and other significant sources of estimation uncertainty at the interim financial reporting date that pose a significant risk that may require a significant adjustment to the carrying amounts of assets or liabilities for the next financial year are the same as those described in the last annual separate and consolidated financial statements.

4. Lease definition

Until 1 January 2019, when signing contracts, the Group and the Company assessed whether the contract meets the definition of a lease in accordance with IFRIC 4 *Determining whether an arrangement contains a lease*. From 1 January 2019, upon the conclusion of the contract, an assessment of whether the contract is a lease or contains a lease is made on the basis of the new definition. Under IFRS 16, a contract is a lease or contains a lease, if it grants the right to control the use of the identified asset for a specified period in return for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company is a lessee, the Group and the Company have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on the assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group and the Company recognise right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

4. Lease definition (continued)

The Group and the Company present right-of-use assets in 'Right-of-use assets' item as at 30 September 2020: EUR 1,278 thousand and EUR 1,071 thousand (as at 31 December 2019: EUR 1,283 thousand and EUR 1,073 thousand, respectively).

Recognized lease liabilities in the statement of financial position are presented under the current part of lease (finance leases) and long-term financial liabilities and leasing (financial leases) items.

5. Fair value determination

On the initial recognition, the transaction price of the acquired asset or liability, assumed in the exchange transaction for a specific asset or liability, is the price paid for the acquisition of the asset or the receipt of the liability (acquisition cost). For comparison, the fair value of an asset or liability is the price that would be received on the sale of the asset or paid on disposal of the liability (sale / disposal price).

If the Company initially estimates its asset or liability at fair value and the transaction price is different from its fair value, the difference is recognized as a gain or loss unless otherwise stated in IFRSs.

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

- in the underlying asset or liability market, or
- where there are no core markets, the most favourable market for a particular asset or commitment.

When there are no directly observable variables available to the Company on the valuation day, i. e. the quoted prices (unadjusted) in the active markets for identical assets or liabilities are measured at fair value using the directly monitored variables. Adjusted variables are:

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

When there are no observable (directly or indirectly) variables, the fair value is determined by the non-observable variables that the Group and the Company create using valuation techniques.

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

The fair value of the liability reflects the impact of the inactivity risk. The risk of inactivity includes, among other things, the credit risk of the entity itself. In determining the fair value of a liability, an entity shall measure the impact of its credit risk (financial position) and other factors that may affect the likelihood that the liability will or will not be settled.

The Group and the Company must increase the use of relevant observable variables and reduce the use of unobserved variables to achieve fair value measurement - to calculate the price at which the liability or equity instrument would be transferred under a legally settled transaction between market participants on the value determination day at the prevailing market conditions.

The assets and liabilities that are measured at fair value in the statement of financial position or the fair value of which is not determined, but the information about which is disclosed, are classified by the Group and the

5. Fair value determination (continued)

Company according to the fair value hierarchy, where the variables are divided into three levels, depending on their availability:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, available for the Company as at the value determination day;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

6. Property, plant and equipment

During the 9 months period of the year 2020, non-current assets acquired by the Group and the Company amounted to EUR 15,406 thousand and EUR 15,406 thousand, the carrying amount of the disposals amounted to EUR 103 thousand and EUR 103 thousand.

As at 30 September 2020, depreciation of the Group's and the Company's property, plant and equipment amounts to EUR 5,680 thousand and EUR 5,243 thousand, respectively (at 31 December 2019: EUR 7,430 thousand and EUR 6,847 thousand, respectively). The Group's and the Company's depreciation charges of EUR 5,632 thousand and EUR 5,210 thousand (at 31 December 2019: EUR 7,367 thousand and EUR 6,803 thousand) were included in the operating expenses in the statements of Profit (loss) and Other Comprehensive Income. The remaining depreciation costs of EUR 48 thousand and EUR 33 thousand (at 31 December 2019: EUR 63 thousand and EUR 44 thousand) are stated under other activity expenses in the statements of Profit (loss) and Other Comprehensive Income.

The management of the Group and the Company, having assessed the internal and external features, estimated decrease for the property, plant and equipment in amount of EUR 2 thousand in 2020. During the 9 months period of the year 2020, the management of the Group and the Company reversed the impairment of EUR 14 thousand (EUR 26 thousand – during 2019).

As of 30 September 2020, part of the property, plant and equipment of the Group with acquisition cost of EUR 58,688 thousand (EUR 56,556 thousand as of 31 December 2019) and the Company – EUR 58,573 thousand (EUR 56,443 thousand as of 31 December 2019) were fully depreciated, but were still in active use.

As of 30 September 2020 and as of 31 December 2019, the major part of the Group's and the Company's construction in progress consisted of reconstruction and overhaul works of boiler-houses equipment and heat supply networks.

As of 30 September 2020, property, plant and equipment of the Group with the carrying amount of EUR 37,605 thousand (EUR 54,723 thousand as of 31 December 2019) and the Company of EUR 34,952 thousand (EUR 51,655 thousand as of 31 December 2019) was pledged to banks to secure the loans.

7. Inventories

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Technological fuel	1,045	1,156	1,009	1,097
Spare parts	682	623	682	623
Materials	470	413	470	413
	2,197	2,192	2,161	2,133
Less: write-down to the net realisable value of inventory at the end of the period	(822)	(610)	(822)	(610)
Carrying amount of inventories	1,375	1,582	1,339	1,523

Revaluation of the Group's and the Company's inventories to net realisable value as at 30 September 2020 amounted to EUR 822 thousand (at 31 December 2019: EUR 610 thousand). Change in the revaluation of the inventories to net realisable value in the Group's and the Company's statements of Profit (Loss) and Other Comprehensive Income is included in the change of impairment of the realisable value of inventories and the value of property, plant and equipment.

8. Current accounts receivable

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Trade receivables, gross	7,793	15,402	7,793	15,403
Less: expected credit losses	(6,462)	(6,886)	(6,462)	(6,887)
	1,331	8,516	1,331	8,516

Change in the impairment of doubtful receivables as at 30 September 2020 and 31 December 2019 is included in the caption of write-offs and change in allowance for accounts receivables in the Group's and the Company's statements of Profit (loss) and Other Comprehensive Income. Impairment of doubtful receivables is estimated based on the expected credit losses.

8. Current accounts receivable (continued)

Change in expected credit losses of the Group's and the Company's receivables were as follows:

	Group	Company
Balance as of 31 December 2018	8,546	8,548
Expected credit losses recognised	(1,024)	(1,025)
Write-off	(636)	(636)
Balance as of 31 December 2019	6,886	6,887
Expected credit losses recognised	108	107
Write-off	(532)	(532)
Balance as of 30 September 2020	6,462	6,462

During the 9 months period of the year 2020 the Group and the Company wrote off EUR 532 thousand and EUR 532 thousand of bad debts respectively (in 2019 – EUR 636 thousand and EUR 636 thousand).

Analysis of the Group's net trade receivables as at 30 September 2020 and 31 December 2019:

	Trade receivables not past due	Trade receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2020	937	101	67	135	38	53	1,331
2019	7,316	461	47	46	73	573	8,516

Analysis of the Company's net trade receivables as at 30 September 2020 and 31 December 2019:

	Trade receivables not past due	Trade receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2020	937	101	67	135	38	53	1,331
2019	7,316	461	47	46	73	573	8,516

Trade receivables of the Group and the Company are interest-free and their settlement is normally 30 days or agreed on individual basis.

As of 30 September 2020 and 31 December 2019, the Group's and the Company's other receivables included taxes receivable from the state budget, compensations from municipalities for low income families, receivables for sold inventories (metal scrap, heating equipment) and services supplied (maintenance of manifolds and similar services).

8. Current accounts receivable (continued)

Other receivables of the Group and the Company:

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Taxes	185	439	168	439
Other receivables	417	639	434	660
Less: expected credit losses	(298)	(300)	(339)	(350)
	304	778	263	749

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

	Group	Company
Balance as of 31 December 2018	293	347
Expected credit losses recognised	7	3
Write-off	-	-
Balance as of 31 December 2019	300	350
Expected credit losses recognised	-	(9)
Write-off	(2)	(2)
Balance as of 30 September 2020	298	339

The ageing analysis of the Group's other receivables (excluding receivable taxes) as of 30 September 2020 and as of 31 December 2019 is as follows:

	Other receivables not past due	Other receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2020	53	24	16	10	5	11	119
2019	240	54	19	10	8	8	339

The ageing analysis of the Company's other receivables (excluding receivable taxes) as of 30 September 2020 and as of 31 December 2019 is as follows:

	Other receivables not past due	Other receivables past due					Total
		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
2020	29	24	16	10	5	11	95
2019	211	54	19	10	8	8	310

The Group's and the Company's other receivables are non-interest bearing and the payment terms are usually 30 – 45 days.

8. Current accounts receivable (continued)

According to the management opinion, there are no indications as of the reporting date that the debtors will not meet their payment obligations regarding trade receivables and other receivables that are neither impaired nor past due.

Credit risk

The Group and the Company do not have any credit concentration risk because they work with a large number of customers.

Customers	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Private persons	116 543	115 434	116 543	115 434
Other legal entities	2 622	2 037	2 623	2 038
Legal entities financed from municipalities' and state budget	530	617	530	617
	119 695	118 088	119 696	118 089

Trade receivables of the Group and the Company by the customer groups:

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Private persons	1,199	6,723	1,199	6,723
Other legal entities	83	1,042	83	1,042
Legal entities financed from municipalities' and state budget	49	751	49	751
	1,331	8,516	1,331	8,516

9. Financial liabilities

All loans of the Group and the Company are accounted for and repaid in euros. The weighted average of the interest rate (%) on the outstanding loans was as follows:

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Current borrowings	-	-	-	-
Non-current borrowings	1.19	1.71	1.19	1.76

Management of the Company has negotiated interest rate cuts with the Ministry of Finance for the financial loan borrowed on March 31, 2014 and maturing on December 1, 2034. The interest rate will be revised on December 31, 2020 at the moment of partial repayment of the loan. Earlier interest rate revisions or loan refinancing are economically unhelpful as the penalties under the loan agreement would be significantly greater than the economic benefits that could be gained.

On August 7, 2020 the Company signed a loan agreement with the European Investment Bank in amount of EUR 55 million. The Extraordinary General Meeting of Shareholders of AB Kauno Energija approved the contract on August 4, 2020.

The loan will be used in 5 years to finance the Company's investment program and cover loans. The Company plans to invest in the installation of innovative heat and cooling production facilities using renewable energy sources, digitalization of processes, as well as modernization of pipelines and construction of new pipelines during the next 5 years.

A part of the loan in amount of EUR 15 million was withdrawn on August 24, 2020.

The Company used a part of the loan to repay existing loans.

9. Financial liabilities (continued)

Terms of repayment of non-current borrowings are as follows:

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Non-current borrowings:	26,535	17,651	25,401	16,517
Payable in 2 to 5 years	9,914	10,910	8,780	9,776
Payable in more than 5 years	16,621	6,741	16,621	6,741
Current portion of non-current borrowings	910	4,618	910	4,051
	27,445	22,269	26,311	20,568

The Group and the Company accounted for interest payable to financial institutions by amounts of EUR 11 thousand, which were stated under non-current liabilities in the statement of financial position as at 30 September 2020.

Detailed information on the loans of the Group as of 30 September 2020:

	Credit institution	Date of contract	Sum EUR thousand	Term of maturity	Balance as of 30/09/2020 EUR thousand	A Part of 2020, EUR thousand
1	MF Lithuania*	09/04/2010	2,410	15/03/2034	1,310	-
2	MF Lithuania*	26/10/2010	807	15/03/2034	539	-
3	Luminor**	22/08/2012	3,403	29/04/2022	1,134	-
4	MF Lithuania*	15/01/2014	793	01/12/2034	624	42
5	MF Lithuania*	31/03/2014	7,881	01/12/2034	6,203	414
6	AB SEB Bank	09/03/2015	579	28/02/2022	150	24
7	EIB***	07/08/2020	15,000	24/08/2035	15,000	250
8	AB SEB Bank	22/12/2016	4,127	30/11/2024	2,485	180
					27,445	910

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

According to loan agreement signed between Luminor Bank AS and the Group's subsidiary UAB Petrašiūnų Katilinė on 22 August 2012, the subsidiary has to comply with following covenants: equity capital ratio (including support granted by the Lithuanian Business Support Agency) at least 40 %, DSCR not less than 1.3, and total financial debt to EBITDA ratio should be not more than 3.0. UAB Petrašiūnų Katilinė does not comply with all financial ratios as determined by the bank. The mentioned loan is secured by issuing a guarantee to the bank as described in Note 19.

9. Financial liabilities (continued)

Detailed information on the loans of the Company as of 30 September 2020:

	Credit institution	Date of contract	Sum EUR thousand	Term of maturity	Balance as of 30/09/2020 EUR thousand	A Part of 2020, EUR thousand
1	MF Lithuania*	09/04/2010	2,410	15/03/2034	1,310	-
2	MF Lithuania*	26/10/2010	807	15/03/2034	539	-
3	MF Lithuania*	15/01/2014	793	01/12/2034	624	42
4	MF Lithuania*	31/03/2014	7,881	01/12/2034	6,203	414
5	AB SEB Bank	09/03/2015	579	28/02/2022	150	24
6	EIB***	07/08/2020	15,000	24/08/2035	15,000	250
7	AB SEB Bank	22/12/2016	4,127	30/11/2024	2,485	180
					26,311	910

* LR Ministry of Finance; ** Luminor bank AB; *** European Investment Bank.

AB SEB Bankas has determined that the Company must comply with the quarterly net financial debt / EBITDA ratio, which must not exceed 4.5. According to loan agreement between the Company and OP Corporate Bank Plc Lithuanian branch, the Company's own equity ratio (equity/total assets), shall not be lower than 35 %. The requirements of the European Investment Bank also stipulate that the Company must comply with both of these indicators.

There are certain restrictions prescribed in the loan agreements. The Company cannot distribute dividends, issue or/and obtain new loans, assume and continue any guarantees, provide charity, sell or rent pledged assets without banks written consent of the banks.

The immovable property (Note 6), bank accounts (Note 12) and land lease right of the Group and the Company were pledged as collateral for the borrowings.

10. Other provisions

During the last year, after the Company has installed new production facilities and modernized the existing ones, the heat production reservation service is not acquired since 2020 and no power reserve tax costs are incurred.

At the end of 2019, the Company applied to Council with a request to recalculate the base heat price, however, without waiting for Council 's decision, it will additionally reduce the heat price for consumers starting from the next heating season.

The fee for the reservation service according to the methodology established by Council is included in the base heat price as one of the components.

Taking into account the fact that this fee is included in the base heat price as one of the components according to the methodology established by Council, the Company formed a power reserve tax provision in amount of EUR 1,047 thousand during 9 months of 2020 to cover future price reduction commitments.

11. Derivative financial instruments

On 16 December 2016, the Group entered into an interest rate SWAP agreement. According to the agreement, the Group pays to the bank a fixed interest rate (0.21 %), while the bank pays to the Group a variable interest rate of 6 months EURIBOR. The nominal value of the transaction was EUR 1,134 thousand as at 30 September 2020. This derivative instrument is recognized at fair value calculated by the bank as at 30 September 2020 – EUR 8 thousand (31 December 2019 – EUR 12 thousand).

12. Cash and cash equivalents

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Cash in transit	64	148	64	148
Cash at bank	5,324	2,071	5,096	1,792
Cash on hand	-	-	-	-
	5,388	2,219	5,160	1,940

The Group's accounts in banks amounting to EUR 2,074 thousand as of 30 September 2020 (as of 31 December 2019 – EUR 1,039 thousand) and the Company's to EUR 1,915 thousand as of 30 September 2020 (as of 31 December 2019 – EUR 804 thousand) are pledged as collateral for the loans (Note 9).

Cash and cash equivalents in banks, which were evaluated in accordance with long-term borrowing ratings*:

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
AA-	2,107	1,822	1,948	1,543
A+	3,116	194	3,047	194
A	-	1	-	1
Bank with no rating attributed	101	54	101	54
	5,324	2,071	5,096	1,792

*- external credit ratings set by *Standart & Poor's* agency.

13. Changes in equity

Legal and other reserves

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 percent of net profit calculated in accordance with IFRS are compulsory until the reserve reaches 10 percent of the share capital. The legal reserve cannot be distributed as dividends but can be used to cover any future losses.

The reserves were not re-formed on April 30, 2020 by the decision of the Company's shareholders.

On 26 April, 2019 the Company annulled other reserves (EUR 100 thousand) by the decision of shareholders, EUR 1,012 thousand transferred from retained earnings to legal reserve and EUR 2,900 thousand to other reserves. Other reserves was formed: for support – EUR 50 thousand, for implementation of investments – EUR 2,850 thousand.

13. Changes in equity (continued)

On 26 April, 2018 the Company annulled other reserves (EUR 100 thousand) by the decision of shareholders, EUR 3,168 thousand transferred from retained earnings to legal reserve and EUR 100 thousand to other reserves. Reserve was formed for support – EUR 100 thousand.

Annual payments

The Company allocated EUR 470 thousand on April 26, 2019 from the distributable profit of the year 2018 to the members of the Board and the Supervisory Council, employee bonuses and other purposes in accordance with the decision of the shareholders, and EUR 500 thousand on April 26, 2018 from the profit of the year 2017 respectively.

Dividends

On 26 April 2019 the Annual General Meeting of Shareholders has made a decision to pay EUR 1,070 thousand, i.e. at 2.5 cents a share in dividends from the profit of the year 2018.

On 26 April 2018 the Annual General Meeting of Shareholders has made a decision to pay EUR 3,339 thousand, i.e. at 7.8 cents a share in dividends from the profit of the year 2017.

14. Sales income

The Group's and the Company's activities are heat supplies, maintenance of manifolds, electricity production and other activities. Starting from the year 2010, a part of inhabitants chose the Company as the hot water supplier. Those activities are inter-related, so consequently for management purposes the Group's and the Company's activities are organised as one main segment – heat energy supply.

The activity of the Group and the Company is seasonal because the major part of sales income is earned during the heating season, which starts in October and ends in April.

The Group's and the Company's sales income according to the activities are stated below:

Group	2020 I - III quarter	2019 I - III quarter	2019
Heat supplies	25,193	34,469	49,711
Hot water supplies	2,174	2,399	3,228
Maintenance of hot water meters	322	315	422
Maintenance of manifolds	187	188	251
Maintenance of heat and hot water systems	8	9	12
Sale of emission allowances	-	1,025	1,025
	27,884	38,405	54,649

Company	2020 I - III quarter	2019 I - III quarter	2019
Heat supplies	25,198	34,475	49,721
Hot water supplies	2,174	2,399	3,228
Maintenance of hot water meters	322	315	422
Maintenance of manifolds	187	188	251
Maintenance of heat and hot water systems	8	9	12
Sale of emission allowances	-	1,025	1,025
	27,889	38,411	54,659

14. Sales income (continued)

Sales income by user groups:

Group	2020 I - III quarter	2019 I - III quarter	2019
Residents	21,948	28,817	41,195
Other users	2,670	4,623	6,207
Budgetary organizations financed from the state budget	1,847	2,720	3,963
Budgetary organizations financed from municipal budgets	1,158	1,861	2,734
Institutions funded by Territorial Health Insurance funds	143	195	286
Industrial users	118	189	264
	27,884	38,405	54,649

Company	2020 I - III quarter	2019 I - III quarter	2019
Residents	21,948	28,817	41,195
Other users	2,675	4,629	6,217
Budgetary organizations financed from the state budget	1,847	2,720	3,963
Budgetary organizations financed from municipal budgets	1,158	1,861	2,734
Institutions funded by Territorial Health Insurance funds	143	195	286
Industrial users	118	189	264
	27,889	38,411	54,659

15. Other expenses

Other expenses include:

	Group			Company		
	2020 I - III quarter	2019 I - III quarter	2019	2020 I - III quarter	2019 I - III quarter	2019
Equipment verification and inspection	135	170	212	133	170	211
Maintenance of manifolds	289	287	383	289	287	383
Cash collection expenses	120	132	176	120	132	176
Expenses of ash utilization	98	107	160	89	99	144
Information technology expenses	62	89	114	62	89	114
Consulting expenses	55	68	88	55	68	87
Employees related expenses	64	80	136	64	80	136
Customer bills issue and delivery expenses	61	75	93	61	75	93
Membership fee	75	68	89	75	68	89
Maintenance of long term assets and related services	54	50	65	54	50	64
Transport expenses	49	44	64	49	44	64
Debts collection expenses	57	74	96	57	74	96
Insurance	51	57	64	46	51	56
Communication expenses	20	31	40	19	31	40
Advertising expenses	28	44	57	28	44	57
Audit expenses	28	33	38	28	33	34
Rent of equipment and machinery	29	6	14	29	6	14
Sponsorship	1	1	1	1	1	1
Other expenses	204	216	398	192	195	376
	1,480	1,632	2,288	1,451	1,597	2,235

16. Other activities income and expenses

	Group		
	2020 I - III quarter	2019 I - III quarter	2019
Income from other operating activities			
Sold inventories	231	37	42
Various services rendered	292	274	386
Damage compensation received	37	-	-
Income from previous periods	-	-	-
Gain from sale of non-current assets	422	270	286
Other	92	83	105
	1,074	664	819

	Company		
	2020 I - III quarter	2019 I - III quarter	2019
Income from other operating activities			
Sold inventories	231	37	42
Various services rendered	212	190	276
Damage compensation received	37	-	-
Income from previous periods	-	-	-
Gain from sale of non-current assets	422	270	286
Other	92	83	105
	994	580	709

	Group		
	2020 I - III quarter	2019 I - III quarter	2019
Expenses from other operating activities			
Cost of rendered services	(204)	(186)	(269)
Cost of inventories sold	(1)	(37)	(42)
Expenses from previous periods	(16)	(10)	(10)
Other	(160)	(36)	(30)
	(381)	(269)	(351)

	Company		
	2020 I - III quarter	2019 I - III quarter	2019
Expenses from other operating activities			
Cost of rendered services	(146)	(124)	(188)
Cost of inventories sold	(1)	(37)	(42)
Expenses from previous periods	(16)	(10)	(10)
Other	(160)	(36)	(30)
	(323)	(207)	(270)

The Group and the Company rents real estate, supplies technical water, provide services of maintenance of heating equipment, transportation services.

17. Other interest and similar income

	Group		Company	
	2020 I - III quarter	2019	2020 I - III quarter	2019
Interest from late payment of accounts receivable	138	210	138	210
Change in market value of derivative financial instruments	4	3	-	-
Interest	-	-	3	4
	142	213	141	214

18. Financial assets and short-term investments impairment, interest and other similar expenses

	Group		Company	
	2020 I - III quarter	2019	2020 I - III quarter	2019
Interest	(300)	(484)	(278)	(445)
Impairment of non-current financial assets	-	-	-	-
Penalties and fines	-	-	-	-
	(300)	(484)	(278)	(445)

19. Basic and diluted earnings per share

Calculation of the basic and diluted earnings per share of the Group is as follow:

	Group		Company	
	2020 I - III quarter	2019	2020 I - III quarter	2019
Net profit (loss) of the reporting period	(2,625)	1,141	(2,544)	953
Number of shares (thousand), opening balance	42,802	42,802	42,802	42,802
Number of shares (thousand), closing balance	42,802	42,802	42,802	42,802
Average number of shares (thousand)	42,802	42,802	42,802	42,802
Basic and diluted earnings per share (EUR)	(0.06)	0.03	(0.06)	0.02

20. Commitments and contingencies

On June 22, 2019, the Company placed a claim for the Hospital of Lithuanian University of Health Sciences (LSMU) Kauno Klinikos (hereinafter referred to as Kauno Klinikos) to pay compensation in amount of EUR 5,120,680 for heat reserve capacity ensured by the Company to Kauno Klinikos starting from the year 2010 until May 2019. Kauno Klinikos did not agree with the claim, so the Company brought a lawsuit against Kauno Klinikos regarding adjudgment of unpaid compensation for reserve heat capacity until June 2019 (EUR 5,204,131 of total liability together with reckoned interest). Kaunas Regional Court examined the case and decided in June 8, 2020 to grant the action in part, i.e. the Company was awarded EUR 2,515,622 compensation from the Kauno Klinikos for the reserve power, 6 percent of annual interest from the amount awarded from the date of initiation of the case in court (July 29, 2019) until the full execution of the court decision and EUR 3,534 of legal costs. The remainder of the action was dismissed. The Company, not agreeing with the decision, placed an appeal to the Lithuanian Court of Appeal on July 8, 2020 to satisfy the claim in full, and Kauno Klinikos placed an appeal to dismiss the claim. The case has not been assigned yet.

20. Commitments and contingencies (continued)

The Council made a decision on September 25, 2020 No. O3E-880 "Regarding unilateral determination of heat price components of AB Kauno Energija", by which unilaterally determined heat price components for Company for the 2nd year of validity of the base price, including interest in amount of EUR 509,530 calculated in accordance with Item 77¹ of the Heat Price Determination Methodology, which was calculated by Council for the additional Company's income which is being returned to its customers, taking into account that their repayment was arranged for more than 1 year (4 years).

The Company, disagreeing with the calculation of interest, placed a complaint to the Vilnius Regional Administrative Court. The case is still pending.

Leasing and construction work purchase arrangements

Future liabilities of the Group and the Company under valid purchase arrangements as of 30 September 2020, amounted to EUR 16,093 thousand.

Guarantees

On 28 November 2016, the Company provided a guarantee in an amount of EUR 3,913 thousand to Luminor bank AS regarding the liabilities of the subsidiary UAB Petrašiūnų Katilinė to this bank according to credit agreement concluded on 22 August 2012, for the amount of EUR 3,403 thousand. On 28 November 2016, the Company provided guarantee in amount of EUR 95 thousand to Luminor bank AS regarding liabilities of subsidiary UAB Petrašiūnų Katilinė to this bank according to transaction of derivative financial instruments, described in Note 11. As of 30 September 2020, the carrying amount of the loan is EUR 1,134 thousand.

21. Related parties transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

As of 30 September 2020 and 31 December 2019, the Group and the Company did not have any significant transactions with the other companies controlled by Kaunas city municipality, except for the purchases or sales of the utility services. The services provided to the Kaunas city municipality and the entities controlled by the Kaunas city municipality were executed at market prices. A list of companies related to the Municipality of Kaunas can be found here:

<http://www.kaunas.lt/administracija/struktura-ir-kontaktai/pavaldzios-imonės-ir-istaigos/>.

As of 30 September 2020 and 31 December 2019, the Group's and the Company's transactions with Jurbarkas city municipality, Kaunas city municipality and the entities, financed and controlled by the Municipality of Kaunas and their amounts receivable and payable at the end of the year were as follows:

21. Related parties transactions (continued)

30 September 2020	Purchases	Sales	Receivables	Payables
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	915	1,685	274	217
Jurbarkas city municipality	11	108	1	3
31 December 2019	Purchases	Sales	Receivables	Payables
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	1,225	4,111	695	225
Jurbarkas city municipality	14	266	6	1

Sales include amounts of compensations for deprived people for housing heating costs, cold and hot water and also wastewater costs.

As of 30 September 2020, the Group's and the Company's allowance for overdue receivables from entities financed and controlled by municipalities amounted to EUR 254 thousand (as of 31 December 2019 – EUR 257 thousand). The amounts outstanding are unsecured and will be settled in cash. No guarantees on receivables have been received.

As of 30 September 2020 and as of 31 December 2019, the Company's transactions with the subsidiaries and the inter-company balances at the end of the year were as follows:

UAB Petrašiūnų Katilinė	Purchases	Sales	Receivables	Payables
30 September 2020	981	10	449	-
31 December 2019	2,398	5	443	432
UAB GO Energy LT	Purchases	Sales	Receivables	Payables
30 September 2020	5	9	51	-
31 December 2019	6	9	58	-

Receivables from UAB Petrašiūnų Katilinė comprise a loan granted. There was no provision established for expected credit losses on the loan granted.

As of 30 September 2020, the Company has determined an impairment in amount of EUR 51 thousand (as of 31 December 2019, in amount of EUR 58 thousand EUR) for the receivables from subsidiaries.

21. Related parties transactions (continued)

Remuneration of the management and other payments

As of 30 September 2020, the Group's and the Company's management team comprised 3 and 1 persons, respectively (as of 31 December 2019 – 3 and 1).

	Group		Company	
	30-09-2020	31-12-2019	30-09-2020	31-12-2019
Key to management remuneration	52	66	32	40
Calculated post-employment benefits to management	1	1	1	-

In the year 2020 and 2019, the management of the Group and the Company did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

22. Subsequent events

There were no other events that would have a significant impact on or require disclosure in the financial statements subsequent to the reporting date.
