



AB KAUNO ENERGIJA
CONDENSED INTERIM SET OF CONSOLIDATED AND PARENT COMPANY'S
FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD, ENDED
30 SEPTEMBER 2021, 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

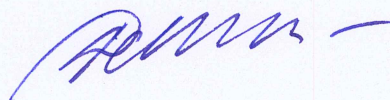
Pursuant to the Law on Securities of the Republic of Lithuania and to Information Disclosure Rules approved by the decision of the Board of the Bank of Lithuania, we, the management of AB Kauno Energija – General Manager Tomas Garasimavičius, Chief Finance Officer Edmundas Damanskis and Chief Accountant Inga Šliačkovienė confirm that, to the best of our knowledge, the interim financial statement for the nine months period of 2021, 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 Šliačkovienė

Condensed Interim Statements of Financial Position

	Notes	Group		Company	
		30-09-2021	31-12-2020	30-09-2021	31-12-2020
ASSETS					
Non-current assets					
Intangible assets		75	117	75	117
Property, plant and equipment	6				
Land and buildings		6,904	7,145	5,723	6,015
Structures		115,707	109,278	115,300	108,824
Machinery and equipment		16,283	18,741	14,878	16,947
Vehicles		394	388	382	375
Devices and tools		2,024	2,238	2,022	2,236
Construction in progress and prepayments		13,390	12,191	13,390	12,191
Investment property		406	401	-	160
Total property, plant and equipment		155,108	150,382	151,695	146,748
Right-of-use assets		1,209	1,266	1,006	1,060
Non-current financial assets					
Investments into subsidiaries		-	-	3,498	2,064
Non-current accounts receivable		403	-	403	-
Other financial assets		409	409	409	409
Total non-current financial assets		812	409	4,310	2,473
Total non-current assets		157,204	152,174	157,086	150,398
Current assets					
Inventories and prepayments					
Inventories	7	1,864	1,361	1,451	1,328
Prepayments		3,444	573	3,751	485
Total inventories and prepayments		5,308	1,934	5,202	1,813
Amounts receivable within one year					
Trade receivables	8	1,782	6,727	1,782	6,727
Loans to the group companies	21	-	-	443	443
Other receivables	8	758	243	542	194
Total accounts receivable		2,540	6,970	2,767	7,364
Cash and cash equivalents	12	9,720	1,800	8,776	1,675
Assets held for sale		-	25	-	-
Total current assets		17,568	10,729	16,745	10,852
Total assets		174,772	162,903	173,831	161,250

(continued on the next page)

Condensed Interim Statements of Financial Position (continued)

	Notes	Group		Company	
		30-09-2021	31-12-2020	30-09-2021	31-12-2020
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	3,000	2,900	3,000	2,900
Retained earnings (deficit)					
Profit for the current year		1,581	(152)	1,957	57
Profit (loss) for the prior year		4,750	5,002	4,910	4,953
Total retained earnings (deficit)		6,331	4,850	6,867	5,010
Total equity		91,254	89,673	91,790	89,833
Payable amounts and liabilities					
Amounts payable after one year and other long-term liabilities					
Non-current financial liabilities	9	34,977	23,534	34,977	22,967
Financial lease obligations		1,424	1,336	1,214	1,127
Deferred tax liability		5,541	5,541	5,743	5,743
Grants and subsidies		31,396	29,966	30,870	29,319
Employee benefit liability		315	375	306	365
Non-current trade liabilities		7	-	6	-
Total non-current liabilities		73,660	60,752	73,116	59,521
Current liabilities					
Current portion of non-current borrowings and financial lease	9	1,555	3,011	974	2,434
Trade payables		5,153	6,802	4,948	6,852
Employment-related liabilities		813	600	800	589
Advances received		639	645	639	644
Taxes payable		300	387	265	367
Derivative financial instruments	11	2	6	-	-
Current portion of employee benefit liability		23	135	22	134
Interest liabilities	10	577	647	577	647
Accruals and deferred income		609	137	598	121
Other current liabilities		187	108	102	108
Total current liabilities		9,858	12,478	8,925	11,896
Total liabilities		83,518	73,230	82,041	71,417
Total equity and liabilities		174,772	162,903	173,831	161,250

(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	2021 III quarter	2021 I - III quarter	2020 III quarter	2020 I - III quarter
Revenue					
Sales income	14	3,133	30,226	2,637	27,884
Other operating income	16	432	3,462	386	1,074
Total operating income		3,565	33,688	3,023	28,958
Expenses					
Fuel and heat acquired		(1,941)	(15,766)	(1,295)	(14,920)
Salaries and social security		(1,728)	(5,098)	(1,647)	(4,826)
Depreciation and amortization		(1,915)	(5,547)	(1,851)	(5,465)
Repairs and maintenance		(120)	(462)	(333)	(717)
Change in impairment of accounts receivable	8	179	337	278	(105)
Taxes other than income tax		(483)	(1,527)	(453)	(1,353)
Electricity		(170)	(860)	(222)	(795)
Raw materials and consumables		(48)	(316)	(117)	(355)
Water		(233)	(803)	(249)	(818)
Change in net realisable value and impairment of non-current assets	7	48	85	(110)	(210)
Other operating expenses	15	(448)	(1,421)	(489)	(1,480)
Other activities expenses	16	(282)	(440)	(227)	(381)
Total expenses		(7,141)	(31,818)	(6,715)	(31,425)
Operating profit (losses)		(3,576)	1,870	(3,692)	(2,467)
Other interest and similar income	17	51	381	49	142
Interest and other similar expenses	18	(32)	(93)	(98)	(300)
Finance cost, net		19	288	(49)	(158)
Profit before income tax		(3,557)	2,158	(3,741)	(2,625)
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
Net profit (loss) of the reporting period		(3,557)	2,158	(3,741)	(2,625)
Other provisions, which will be reclassified subsequently to profit or loss		-	(577)	(129)	(1,047)
Comprehensive income		(3,557)	1,581	(3,870)	(3,672)
Net profit (loss) of the reporting period attributable to net owners of the Company		(3,557)	2,158	(3,741)	(2,625)
Total comprehensive income attributable to owners of the Company		(3,557)	1,581	(3,870)	(3,672)
Basic and diluted earnings per share (EUR)	19	(0.08)	0.05	(0.09)	(0.06)

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

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

Company	Notes	2021 III quarter	2021 I - III quarter	2020 III quarter	2020 I - III quarter
Revenue					
Sales income	14	3,133	30,231	2,638	27,889
Other operating income	16	237	3,194	360	994
Total operating income		3,370	33,425	2,998	28,883
Expenses					
Fuel and heat acquired		(1,941)	(15,915)	(1,295)	(15,541)
Salaries and social security		(1,720)	(5,045)	(1,633)	(4,733)
Depreciation and amortization		(1,775)	(5,126)	(1,709)	(5,041)
Repairs and maintenance		(118)	(454)	(307)	(683)
Change in impairment of accounts receivable	8	179	346	279	(98)
Taxes other than income tax		(476)	(1,506)	(446)	(1,333)
Electricity		(163)	(803)	(216)	(714)
Raw materials and consumables		(105)	(370)	(115)	(347)
Water		(232)	(801)	(248)	(816)
Change in net realisable value and impairment of non-current assets	7	48	85	(110)	(210)
Other operating expenses	15	(443)	(1,399)	(485)	(1,451)
Other activities expenses	16	(65)	(203)	(210)	(323)
Total expenses		(6,811)	(31,191)	(6,495)	(31,290)
Operating profit (losses)		(3,441)	2,234	(3,497)	(2,407)
Other interest and similar income	17	50	379	49	141
Interest and other similar expenses	18	(28)	(79)	(91)	(278)
Finance cost, net		22	300	(42)	(137)
Profit before income tax		(3,419)	2,534	(3,539)	(2,544)
Corporate income tax		-	-	-	-
Deferred tax income (losses)		-	-	-	-
Net profit (loss) of the reporting period		(3,419)	2,534	(3,539)	(2,544)
Other provisions, which will be reclassified subsequently to profit or loss		-	(577)	(129)	(1,047)
Comprehensive income		(3,419)	1,957	(3,668)	(3,591)
Basic and diluted earnings per share (EUR)	19	(0.08)	0.06	(0.08)	(0.06)

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 2019		74,476	7,447	2,900	5,002	89,825
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
Net profit (loss) of the reporting period		-	-	-	3,253	3,253
Other comprehensive income		-	-	-	267	267
Balance as of 31 December 2020		74,476	7,447	2,900	4,850	89,673
Transferred to reserves	13	-	-	3,000	(3,000)	-
Transferred from reserves	13	-	-	(2,900)	2,900	-
Net profit (loss) of the reporting period		-	-	-	2,158	2,158
Other comprehensive income		-	-	-	(577)	(577)
Balance as of 30 September 2021		74,476	7,447	3,000	6,331	91,254

Company	Notes	Share capital	Legal reserve	Other reserve	Retained earnings (accumulated deficit)	Total
Balance as of 31 December 2019		74,476	7,447	2,900	4,953	89,776
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
Net profit (loss) of the reporting period		-	-	-	3,381	3,381
Other comprehensive income		-	-	-	267	267
Balance as of 31 December 2020		74,476	7,447	2,900	5,010	89,833
Transferred to reserves	13	-	-	3,000	(3,000)	-
Transferred from reserves	13	-	-	(2,900)	2,900	-
Net profit (loss) of the reporting period		-	-	-	2,534	2,534
Other comprehensive income		-	-	-	(577)	(577)
Balance as of 30 September 2021		74,476	7,447	3,000	6,867	91,790

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

Condensed Interim Statements of Cash Flows

	Group		Company	
	2021 I - III quarter	2020 I - III quarter	2021 I - III quarter	2020 I - III quarter
Cash flows from (to) operating activities				
Comprehensive income	1,581	(3,672)	1,957	(3,591)
Adjustments for non-cash items:				
Depreciation and amortization	7,111	6,902	6,554	6,344
Change in impairment of accounts receivable	(331)	108	(346)	98
Interest expenses	93	300	79	281
Change in fair value of derivatives	(4)	(4)	-	-
Loss (profit) from sale and write-off of property, plant and equipment and value of the shares	(98)	(276)	(98)	(276)
(Amortization) of grants	(1,301)	(1,181)	(1,180)	(1,060)
Change in net realisable value and impairment of non-current assets	(85)	210	(85)	210
Change employee benefit liability	-	2	-	-
Change in accruals	461	(11)	477	-
Change in provisions	(70)	1,047	(70)	1,047
Elimination of other financial and investing activity results	(377)	(138)	(379)	(138)
Total adjustments for non-cash items	5,399	6,959	4,952	6,506
Changes in working capital:				
(Increase) decrease in inventories	(475)	(5)	(95)	(28)
(Increase) decrease in prepayments	(2,871)	245	(3,266)	276
(Increase) decrease in trade receivables	5,271	7,077	5,278	7,078
(Increase) decrease in other receivables	(475)	474	(335)	495
(Decrease) increase in non-current trade payables	7	(2)	6	(2)
(Decrease) increase in trade payables and advances received	(1,717)	(898)	(1,972)	(1,159)
(Decrease) increase in employment-related liabilities	41	(110)	40	(103)
Increase (decrease) in tax payable	(87)	(358)	(102)	(295)
Increase (decrease) in received prepayments	62	254	63	255
Increase (decrease) in other current liabilities	79	9	(6)	9
Total changes in working capital:	(165)	6,686	(389)	6,526
Net cash flows from operating activities	6,815	9,973	6,520	9,441

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Condensed Interim Statements of Cash Flows (continued)

	Group		Company	
	2021 I - III quarter	2020 I - III quarter	2021 I - III quarter	2020 I - III quarter
Cash flows from (to) the investing activities				
Acquisition of property, plant, equipment and intangible assets	(11,512)	(15,196)	(11,512)	(15,196)
Proceeds from sale of property, plant and equipment	55	525	390	525
Change in the value of long-term receivables	(403)	-	(403)	-
Interest received for overdue accounts receivable	377	138	379	138
Loans granted, changes in value	-	-	(1,434)	-
Net cash flows from investing activities	(11,483)	(14,533)	(12,580)	(14,533)
Cash flows from (to) financing activities				
Proceeds from loans	12,000	15,000	12,000	15,000
(Repayment) of loans	(1,990)	(9,823)	(1,423)	(9,257)
Interest (paid)	(75)	(116)	(69)	(99)
Lease payments	(43)	(104)	(43)	(104)
Received grants	2,696	2,772	2,696	2,772
Net cash flows from (used in) financing activities	12,588	7,729	13,161	8,312
Net (decrease) increase in cash and cash equivalents	7,920	3,169	7,101	3,220
Cash and cash equivalents at the beginning of the period	1,800	2,219	1,675	1,940
Cash and cash equivalents at the end of the period	9,720	5,388	8,776	5,160

(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 22 August 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 2021 and as of 31 December 2020, the shareholders of the Company were as follows:

	30-09-2021		31-12-2020	
	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
	<u>42,802,143</u>	<u>100.00</u>	<u>42,802,143</u>	<u>100.00</u>

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 2021 and 31 December 2020, the Company did not hold any own shares. All shares were fully paid as of 30 September 2021 and as of 31 December 2020.

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. The address of its registered office is as follows: Raudondvario rd. 84, Kaunas, Lithuania starting from 7 July 2021. Other details of the company remain unchanged, all concluded contracts remain valid.

It was decided by the decision of the Management Board of the Company No. 2021-4-2 of March 24 2021 to increase the share capital of UAB GO Energy LT by EUR 1,433,085.60 by issuing 49,485 shares with a par value of EUR 28.96 each, paying for the issue with real estate and a cash contribution. On 9 September 2021, according to the data from the Register of Legal Entities, the amount of the authorized capital of UAB "GO Energy LT" is 2,762,957.75 euros, divided into 95,406 share units.

On 30 April 2021, the Board of AB "Kauno Energija", acting as the sole shareholder of UAB "Petrašiūnų katilinė", by decision No. 2021-7-3 restructured UAB "Petrašiūnų katilinė" into a joint-stock company. The reorganization was completed and the statutes of AB "Petrašiūnų Katilinė" were registered in the Register of Legal Entities on 16 September 2021. AB "Petrašiūnų katilinė" takes over all rights, duties and obligations of UAB "Petrašiūnų katilinė". The authorized capital does not change, i.e. – 231,696 euros and it is divided into 800 ordinary registered shares with a par value of 289.62 euros per share. Other company data remains unchanged, all concluded contracts remain valid.

1. General information (continued)

As of 30 September 2021, the Company and the subsidiaries UAB GO Energy LT and AB 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 AB	Raudondvario rd. 84, Kaunas	100 percent	2,764	76	2,586	Rent
Petrašiūnų Katilinė	R. Kalantos st. 49, Kaunas	100 percent	1,894	(317)	220	Heat production

In 2021 the average number of employees at the Group was 369, the average number of employees at the Company was 346.

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 November 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

AB Kauno Energija and UAB Fortum Heat Lietuva entered into an agreement on the purchase and sale of the Palemonas heat economy in Kaunas on January 8, 2020, according to which AB Kauno Energija acquired a boiler house with heat supply networks and related equipment from UAB Fortum Heat Lietuva and from February 1, 2020 started heat supply activities in Palemonas. The agreement was concluded following the decision of the Extraordinary General Meeting of Shareholders of the Company of October 2, 2015 "On the purchase of Palemonas heat economy" and according to the decision of the Management Board of the Company of July 20, 2017 "On the Acquisition of the Heat Economy in Palemonas".

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. Group's generation capacities consist of Company's generation capacities and 1 subsidiary boiler-house in Kaunas.

In September 2021, a gas boiler was dismantled - 1.6 MW, at the address A. Juozapavičiaus pr. 23A in an integrated network boiler room. As of 30 September 2021 total installed heat generation capacities of the Group consist of approx 683 MW (including 48 MW of condensational economizers) and total power generation capacities of the whole Group consist of approx 692 MW (including 48 MW of condensational economizers). Total installed heat generation capacities of Company amount to 664 MW (including 48 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. 39.4 MW of heat generation capacities (including 4.4 MW condensing economizer) are located in Jurbarkas city. Total Company's power generation capacities consist of approx 673 MW (including 48 MW of condensing economizers).

1. General information (continued)

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 30 September 2021 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 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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 2020.

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 25 October 2021.

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.

4. Lease definition (continued)

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.

The Group and the Company present right-of-use assets in 'Right-of-use assets' item as at 30 September 2021: EUR 1,209 thousand and EUR 1,006 thousand (as at 31 December 2020: EUR 1,266 thousand and EUR 1,060 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.

5. Fair value determination (continued)

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 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 nine months period of the year 2021, non-current assets acquired by the Group and the Company amounted to EUR 11,661 thousand and EUR 11,661 thousand, the carrying amount of the disposals amounted to EUR 292 thousand and EUR 26 thousand.

As at 30 September 2021, depreciation of the Group's and the Company's property, plant and equipment amounts to EUR 5,753 thousand and EUR 5,317 thousand, respectively (at 31 December 2020: EUR 7,721 thousand and EUR 7,140 thousand, respectively). The Group's and the Company's depreciation charges of EUR 5,696 thousand and EUR 5,276 thousand (at 31 December 2020: EUR 7,658 thousand and EUR 7,095 thousand) were included in the operating expenses in the statements of Profit (loss) and Other Comprehensive Income. The remaining depreciation costs of EUR 57 thousand and EUR 41 thousand (at 31 December 2020: EUR 63 thousand and EUR 45 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, didn't estimated decrease for the property, plant and equipment in 2021 (EUR 3 thousand – during 2020). During the nine months period of the year 2021, the management of the Group and the Company reversed the impairment of EUR 56 thousand (EUR 22 thousand – during 2020).

As of 30 September 2021, part of the property, plant and equipment of the Group with acquisition cost of EUR 63,025 thousand (EUR 60,667 thousand as of 31 December 2020) and the Company – EUR 62,910 thousand (EUR 60,551 thousand as of 31 December 2020) were fully depreciated, but were still in active use.

As of 30 September 2021 the Group and the Company accounted for assets, not yet ready for use, amounting to EUR 99 thousand in the category Equipment and tools (EUR 90 thousand as of 31 December 2020).

The Group and The Company use assets in their operations, acquired by leasing. The acquisition cost of this asset was EUR 417 thousand as of 30 September 2021 (EUR 310 thousand in 2020 respectively), and the net book value respectively EUR 268 thousand as of 30 September 2021 (EUR 207 thousand as of 31 December 2020).

6. Property, plant and equipment (continued)

As of 30 September 2021 and as of 31 December 2020, 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 2021, property, plant and equipment of the Group with the carrying amount of EUR 11,481 thousand (EUR 11,896 thousand as of 31 December 2020) and the Company of EUR 9,379 thousand (EUR 9,381 thousand as of 31 December 2020) was pledged to banks to secure the loans.

7. Inventories

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Technological fuel	1,077	1,125	1,077	1,093
Spare parts	1,068	623	655	623
Materials	462	431	462	430
	2,607	2,179	2,194	2,146
Less: write-down to the net realisable value of inventory at the end of the period	(743)	(818)	(743)	(818)
Carrying amount of inventories	1,864	1,361	1,451	1,328

Revaluation of the Group's and the Company's inventories to net realisable value as at 30 September 2021 amounted to EUR 743 thousand (at 31 December 2020: EUR 818 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	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Trade receivables, gross	7,090	12,735	7,090	12,736
Less: expected credit losses	(5,308)	(6,008)	(5,308)	(6,009)
	1,782	6,727	1,782	6,727

Change in the impairment of doubtful receivables as at 30 September 2021 and 31 December 2020 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.

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

	Group	Company
Balance as of 31 December 2019	6,886	6,887
Expected credit losses recognised	(17)	(17)
Write-off	(861)	(861)
Balance as of 31 December 2020	6,008	6,009
Expected credit losses recognised	(326)	(327)
Write-off	(374)	(374)
Balance as of 30 September 2021	5,308	5,308

8. Current accounts receivable (continued)

During the nine months period of the year 2021 the Group and the Company wrote off EUR 374 thousand and EUR 374 thousand of bad debts respectively (in 2020 – EUR 861 thousand and EUR 861 thousand).

Analysis of the Group's net trade receivables as at 30 September 2021 and 31 December 2020:

	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	
2021	1,439	95	74	113	26	35	1,782
2020	6,248	309	35	33	49	53	6,727

Analysis of the Company's net trade receivables as at 30 September 2021 and 31 December 2020:

	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	
2021	1,439	95	74	113	26	35	1,782
2020	6,248	309	35	33	49	53	6,727

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 2021 and 31 December 2020, 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).

Other receivables of the Group and the Company:

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Taxes	391	16	369	7
Other receivables	655	523	492	522
Less: expected credit losses	(288)	(296)	(319)	(335)
	758	243	542	194

8. Current accounts receivable (continued)

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

	Group	Company
Balance as of 31 December 2019	300	350
Expected credit losses recognised	(1)	(12)
Write-off	(3)	(3)
Balance as of 31 December 2020	296	335
Expected credit losses recognised	(5)	(13)
Write-off	(3)	(3)
Balance as of 30 September 2021	288	319

The ageing analysis of the Group's other receivables (excluding receivable taxes) as of 30 September 2021 and as of 31 December 2020 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	
2021	315	18	18	5	3	8	367
2020	174	16	14	10	5	8	227

The ageing analysis of the Company's other receivables (excluding receivable taxes) as of 30 September 2021 and as of 31 December 2020 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	
2021	121	18	18	5	3	8	173
2020	134	16	14	10	5	8	187

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

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.

8. Current accounts receivable (continued)

Customers	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Private persons	117,355	116,807	117,355	116,807
Other legal entities	2,751	2,681	2,752	2,682
Legal entities financed from municipalities' and state budget	537	521	537	521
	120,643	120,009	120,644	120,010

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

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Private persons	1,487	5,284	1,487	5,284
Other legal entities	134	813	134	813
Legal entities financed from municipalities' and state budget	161	630	161	630
	1,782	6,727	1,782	6,727

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 as of 30 September 2021 and as of 31 December 2020 was as follows:

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Non-current borrowings	0.38	0.36	0.37	0.33

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.

A second part of the loan in amount of EUR 12 million was withdrawn on August 16, 2021.

9. Financial liabilities (continued)

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

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Non-current borrowings:	34,967	23,534	34,967	22,967
Payable in 2 to 5 years	10,196	8,499	10,196	7,932
Payable in more than 5 years	24,771	15,035	24,771	15,035
Current portion of non-current borrowings	1,453	2,876	886	2,309
	36,420	26,410	35,853	25,276

The Group and the Company accounted for interest payable to financial institutions by amounts of EUR 10 thousand and EUR 10 thousand, respectively, which were stated under non-current liabilities in the statement of financial position as at 30 September 2021.

Detailed information on the loans of the Group as of 30 September 2021:

	Credit institution	Date of contract	Sum EUR thousand	Term of maturity	Balance as of 30/09/2021 EUR thousand	A Part of 2021, EUR thousand
1	MF Lithuania*	09/04/2010	2,410	15/03/2034	1,217	-
2	MF Lithuania*	26/10/2010	807	15/03/2034	501	-
3	Luminor**	22/08/2021	3,403	29/04/2022	567	567
4	AB SEB Bank	16/08/2021	12,000	18/08/2036	12,000	-
5	MF Lithuania*	15/01/2014	793	01/12/2034	582	42
6	MF Lithuania*	31/03/2014	7,881	01/12/2034	5,790	413
7	EIB***	07/08/2020	15,000	24/08/2035	14,000	250
8	AB SEB Bank	22/12/2016	4,127	30/11/2024	1,763	181
					36,420	1,453

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

According to loan agreement signed between Luminor Bank AS and the Group's subsidiary AB 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. AB 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 20.

Detailed information on the loans of the Company as of 30 September 2021:

	Credit institution	Date of contract	Sum EUR thousand	Term of maturity	Balance as of 30/09/2021 EUR thousand	A Part of 2021, EUR thousand
1	MF Lithuania*	09/04/2010	2,410	15/03/2034	1,217	-
2	MF Lithuania*	26/10/2010	807	15/03/2034	501	-
3	AB SEB Bank	16/08/2021	12,000	18/08/2036	12,000	-
4	MF Lithuania*	15/01/2014	793	01/12/2034	582	42
5	MF Lithuania*	31/03/2014	7,881	01/12/2034	5,790	413
6	EIB***	07/08/2020	15,000	24/08/2035	14,000	250
7	AB SEB Bank	22/12/2016	4,127	30/11/2024	1,763	181
					35,853	886

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

9. Financial liabilities (continued)

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 the bank, 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.

The Company complied with financial covenants as at 30 September 2021 and 31 December 2020.

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

The costs of the heat generation capacity reservation service shall be included in the basic heat price as one of the components in accordance with the methodology established by the Council. During the last year, after the Company has installed new production facilities and modernized the existing ones, the heat capacity reservation service has not been purchased since 2020 and no heat production capacity reserve costs incurred accordingly. At the end of 2019, the Company applied to the Council with a request not to include in the heat price the non-incurred costs of the capacity reserve, but the recalculation of the heat price in the Council was approved only from November 2020. Without waiting for the decision of the Council, the Company has formed a provision since the beginning of the year to reimburse the costs of the capacity reserve non-incurred but paid at the price and starting from the autumn of heating season began to repay this accumulated overpayment from the provision, reducing the price to consumers. The Company during 2020 has formed a provision for capacity reserve tax in amount of EUR 959 thousand to cover future price reduction commitments. During November and December of the year 2020, EUR 312 thousand were returned to consumers by reducing the price. During 2021 – EUR 647 thousand. The amount of the provision and the liability decreased accordingly.

Article 17 of the Law on Heat Economy of the Republic of Lithuania stipulates that consumers must be provided with the technical possibilities of uninterrupted heat supply when it is temporarily impossible to use the main heat supply system. However, if consumers use the heat supply system only as a back-up, they must compensate the heat supplier for the back-up capacity. Kaunas Clinics Hospital of the Lithuanian University of Health Sciences (hereinafter - Kaunas Clinics) are included in the list of health institutions that require a reserve heating device, approved by the writing of Ministry of Health of the Republic of Lithuania No. 10- (13.6-20) - 2280 of May 13, 2004.

Kaunas Regional Court awarded the Company with EUR 2,515,622.48 from Kaunas Clinics by the decision which entered into force on June 8, 2020 for the reserve capacity provision service provided during the period of January 1, 2010 – 31 May, 2019 (Note 20).

Taking into account that part of the costs of the reserve power service and return on investment in amount of EUR 576,627 was included in the heat price applied to the Company's heat consumers, the final heat price will be reduced with this sum. The Board of the Company adopted the decision No. 2021-9-1 on June 22, 2021 "Regarding the determination of additional constituents of the heat price of AB Kauno Energija" to reimburse these costs to consumers. The Company formed a provision in amount of EUR 576,627 on June 30, 2021.

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 567 thousand as at 30 September 2021. This derivative instrument is recognized at fair value calculated by the bank as at 30 September 2021 – EUR 2 thousand (31 December 2020 – EUR 6 thousand).

12. Cash and cash equivalents

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Cash in transit	63	109	63	110
Cash at bank	9,657	1,691	8,713	1,565
	9,720	1,800	8,776	1,675

The Group's accounts in banks amounting to EUR 3,452 thousand as of 30 September 2021 (as of 31 December 2020 – EUR 366 thousand) and the Company's to EUR 3.428 thousand as of 30 September 2021 (as of 31 December 2020 – EUR 287 thousand) are pledged as collateral for the loans (Note 9).

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 Company cancelled other reserves (EUR 2,900 thousand) by the decision of the shareholders of April 30, 2021, transferred EUR 3,000 thousand from retained earnings to other reserves, i. e. the reserve of EUR 2,950 thousand has been formed for the implementation of investments and the reserve of EUR 50 thousand for charity.

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.

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.

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.

In 2020 year the result of 2019 is left in unallocated profit.

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	2021 I - III quarter	2020 I - III quarter	2020
Heat supplies	27,466	25,193	37,147
Hot water supplies	2,148	2,174	2,935
Maintenance of hot water meters	340	322	433
Maintenance of manifolds	261	187	268
Maintenance of heat and hot water systems	9	8	11
Cooling supplies	2	-	-
Sale of emission allowances	-	-	1,236
	30,226	27,884	42,030

Company	2021 I - III quarter	2020 I - III quarter	2020
Heat supplies	27,471	25,198	37,153
Hot water supplies	2,148	2,174	2,935
Maintenance of hot water meters	340	322	433
Maintenance of manifolds	261	187	268
Maintenance of heat and hot water systems	9	8	11
Cooling supplies	2	-	-
Sale of emission allowances	-	-	1,236
	30,231	27,889	42,036

Sales income by user groups:

Group	2021 I - III quarter	2020 I - III quarter	2020
Residents	23,256	21,948	31,815
Other users	3,004	2,670	5,138
Budgetary organizations financed from the state budget	2,013	1,847	2,785
Budgetary organizations financed from municipal budgets	1,372	1,158	1,791
Institutions funded by Territorial Health Insurance funds	464	143	340
Industrial users	117	118	161
	30,226	27,884	42,030

14. Sales income (continued)

Company	2021 I - III quarter	2020 I - III quarter	2020
Residents	23,256	21,948	31,815
Other users	3,009	2,675	5,144
Budgetary organizations financed from the state budget	2,013	1,847	2,785
Budgetary organizations financed from municipal budgets	1,372	1,158	1,791
Institutions funded by Territorial Health Insurance funds	464	143	340
Industrial users	117	118	161
	30,231	27,889	42,036

15. Other expenses

Other expenses as of 30 September 2021 include:

	Group			Company		
	2021 I - III quarter	2020 I - III quarter	2020	2021 I - III quarter	2020 I - III quarter	2020
Equipment verification and inspection	131	135	183	131	133	181
Maintenance of manifolds	271	289	381	271	289	381
Cash collection expenses	108	120	157	108	120	157
Expenses of ash utilization	112	98	141	106	89	131
Information technology expenses	43	62	84	43	62	84
Consulting expenses	99	55	71	98	55	71
Employees related expenses	45	64	124	45	64	124
Customer bills issue and delivery expenses	56	61	78	56	61	78
Membership fee	77	75	96	77	75	96
Maintenance of long term assets and related services	50	54	76	50	54	76
Transport expenses	60	49	80	60	49	80
Debts collection expenses	35	57	69	35	57	69
Insurance	56	51	58	52	46	51
Communication expenses	20	20	26	19	19	25
Advertising expenses	20	28	38	20	28	38
Audit expenses	27	28	33	27	28	28
Rent of equipment and machinery	49	29	57	49	29	57
Sponsorship	1	1	1	1	1	1
Other expenses	161	204	326	151	192	311
	1,421	1,480	2,079	1,399	1,451	2,039

16. Other activities income and expenses

	Group		
	2021 I - III quarter	2020 I - III quarter	2020
Income from other operating activities			
Sold inventories	207	231	554
Various services rendered	482	292	402
Damage compensation received	-	37	37
Income from previous periods	6	-	-
Gain from sale of non-current assets	115	422	495
Other	2,652	92	112
	3,462	1,074	1,600

	Company		
	2021 I - III quarter	2020 I - III quarter	2020
Income from other operating activities			
Sold inventories	207	231	554
Various services rendered	214	212	288
Damage compensation received	-	37	37
Income from previous periods	6	-	-
Gain from sale of non-current assets	115	422	495
Other	2,652	92	112
	3,194	994	1,486

	Group		
	2021 I - III quarter	2020 I - III quarter	2020
Expenses from other operating activities			
Cost of rendered services	(387)	(204)	(285)
Cost of inventories sold	(1)	(1)	(2)
Expenses from previous periods	(18)	(16)	(15)
Write off of non-current assets	(17)	-	-
Other	(17)	(160)	(16)
	(440)	(381)	(318)

	Company		
	2021 I - III quarter	2020 I - III quarter	2020
Expenses from other operating activities			
Cost of rendered services	(150)	(146)	(199)
Cost of inventories sold	(1)	(1)	(2)
Expenses from previous periods	(18)	(16)	(15)
Write off of non-current assets	(17)	-	-
Other	(17)	(160)	(16)
	(203)	(323)	(232)

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		
	2021 I - III quarter	2020 I - III quarter	2020	2021 I - III quarter	2020 I - III quarter	2020
Interest from late payment of accounts receivable	377	138	177	377	138	177
Change in market value of derivative financial instruments	4	4	6	-	-	-
Interest	-	-	-	2	3	4
	381	142	183	379	141	181

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

	Group			Company		
	2021 I - III quarter	2020 I - III quarter	2020	2021 I - III quarter	2020 I - III quarter	2020
Interest	(93)	(300)	(365)	(79)	(278)	(337)
Impairment of non-current financial assets	-	-	333	-	-	333
	(93)	(300)	(32)	(79)	(278)	(4)

19. Basic and diluted earnings per share

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

	Group		Company	
	2021 I - III quarter	2020	2021 I - III quarter	2020
Net profit (loss) of the reporting period	2,158	628	2,534	837
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)	0.05	0.01	0.06	0.02

20. Commitments and contingencies

On June 22, 2019, the Company placed a claim for the Kaunas Clinics to pay compensation in amount of EUR 5,120,680 for heat reserve capacity ensured by the Company to Kaunas clinics starting from the year 2010 until May 2019. Kaunas Clinics did not agree with the claim, so the Company brought a lawsuit against Kaunas Clinics 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 Kaunas Clinics 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 Kaunas Clinics placed an appeal to dismiss the claim. The Lithuanian Court of Appeal issued a ruling in the case on March 4, 2021 by which the decision of the Kaunas Regional Court was left unchanged. The decision came into force on March 4, 2021. Considering this, Kaunas Clinics complied with the judgment on March 16, 2021.

20. Commitments and contingencies (continued)

The awarded amount received from Kaunas Clinics is accounted for in the item of Other operating income in the Income Statement.

The Parties, with a view to definitively resolve the dispute for the newly incurred debts over the period from June 1, 2019 until March 1, 2021 concluded a settlement agreement on May 25, 2021 according to which Kaunas Clinics agreed to pay EUR 570,041.40 in compensation for the reserve power assurance service provided by the Company during this period, paying it in equal parts in 2 years. This peaceful agreement was approved by the Kaunas District Court on June 2, 2021.

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, filed a complaint to the Vilnius Regional Administrative Court but the court rejected the Company's complaint by the decision of April 22, 2021. Considering this, the Company has filed an appeal to the Supreme Administrative Court of Lithuania, which has not yet been examined.

DNSB "Rotušės 10" has filed a lawsuit against the company regarding the rerouting of heat supply networks from the building at Rotušės a. 10, Kaunas and 86,139.74 euros in damages. A mediation process is currently underway in the case with the intention to resolve the dispute amicably. The company would not object to the rerouting of the heat supply networks at the plaintiff's expense and does not acknowledge the damage. The court has ordered the Department of Cultural Heritage to provide findings on the possible damage that will result in the resumption of the mediation process.

The Lithuanian Business Support Agency (hereinafter - LVPA) has initiated an investigation into the breach of the financing agreement regarding the signing of two additional agreements with the contractor during the "Aleksotas" Phase II project (construction of "Aleksotas" pumping station and heat supply networks). The company has provided the LVPA their explanations and arguments, but the LVPA has yet to reach a decision

On 21 September 2021, a written warning was received from the Department of Environmental Protection under the Ministry of the Environment (hereinafter - AAD) regarding the withdrawal of the pollution permit for the "Garliava" container-type mobile boiler room. The warning has been appealed to the director of the AAD, the complaint has not yet been investigated

Leasing and construction work purchase arrangements

Future liabilities of the Group and the Company under valid purchase arrangements as of 30 September 2021, amounted to EUR 22,626 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 2021, the carrying amount of the loan is EUR 567 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.

On 4 December 2020 the Company has signed an agreement on the establishment of UAB Kauno Miesto Paslaugu Centras (Kaunas City Services Centre) with other companies controlled by Kaunas City Municipality. The share of shares subscribed by the Company was 22%, the number of ordinary registered shares was 75,460. The par value of the share is 1 euro. The Company's subscribed shares are accounted at the value of EUR 75,460 in the article Other Financial Assets of The Statement Of Financial Position.

As of 30 September 2021 and 31 December 2020, the Group and the Company did not have any other 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-imones-ir-istaigos/>.

As of 30 September 2021 and 31 December 2020, 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 were as follows:

30 September 2021	Purchases	Sales	Receivables	Payables
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	897	2,036	343	206
Jurbarkas city municipality	10	132	2	2
31 December 2020	Purchases	Sales	Receivables	Payables
Kaunas city municipality and entities financed and controlled by Kaunas city municipality	1,269	2,512	619	268
Jurbarkas city municipality	15	167	-	2

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

As of 30 September 2021, the Group's and the Company's allowance for overdue receivables from entities financed and controlled by municipalities amounted to EUR 253 thousand (as of 31 December 2020 – EUR 253 thousand). The amounts outstanding are unsecured and will be settled in cash. No guarantees on receivables have been received.

21. Related parties transactions (continued)

As of 30 September 2021 and as of 31 December 2020, the Company's transactions with the subsidiaries and the inter-company balances were as follows:

AB Petrašiūnų Katilinė	Purchases	Sales	Receivables	Payables
30 September 2021	354	9	821	-
31 December 2020	1,177	11	443	220

UAB GO Energy LT	Purchases	Sales	Receivables	Payables
30 September 2021	70	9	41	2
31 December 2020	14	11	50	3

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

As of 30 September 2021, the Company has determined an impairment in amount of EUR 41 thousand (as of 31 December 2020, in amount of EUR 50 thousand EUR) for the receivables from subsidiaries.

Remuneration of the management and other payments

As of 30 September 2021, the Group's and the Company's management team comprised 2 and 1 persons, respectively (as of 31 December 2020 – 3 and 1).

	Group		Company	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Key to management remuneration	71	59	63	47

In the year 2021 and 2020, 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.
