



# **AB KAUNO ENERGIJA CONSOLIDATED INTERIM REPORT FOR THE 1 HALF OF THE YEAR 2019**



**Kaunas, 2019**



**AB KAUNO ENERGIJA**  
Company code 235014830  
Raudondvario Rd. 84, LT-47179 Kaunas, Lithuania

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

Following Article 23 of the Law on Securities of the Republic of Lithuania and the Rules for presentation and delivery of periodic and additional formation, approved by the decision No O3-48 of 28 February 2013 of the Board of the Bank of Lithuania, we hereby confirm that, to our best knowledge, the consolidated interim report of the 1 half of the year 2019 of AB Kauno Energija (hereinafter – the Company or the Issuer) includes a fair business development and performance review of the Company and the situation of consolidated companies, together with the description of principal risks and uncertainties encountered.

Director of AB Kauno Energija Production Department,  
and Interim Director General

Vaidas Šleivys

Senior Economist of AB Kauno Energija Technology  
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Chief Accountant of AB Kauno Energija

Inga Šliačkuvienė

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## 1. Reporting period of the Consolidated Interim Report

Reporting period, for which the Consolidated Report of the Issuer was prepared, is the 1 half of the year 2019.

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

The Issuer prepares both the Company's and the consolidated financial statements. The group of companies (hereinafter referred to as the Group) consists of AB Kauno Energija and its subsidiary – UAB Kauno Energija NT, in which the Issuer directly controls 100 per cent of the shares. Starting from 27 October 2016 UAB Petrašiūnų Katilinė also became the part of the Group and the Issuer also directly controls 100 per cent of the shares of this company.

### Main details of the Company:

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

### Main information about the subsidiaries:

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

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

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

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

Also, following provisions of the Law on Heat Sector, the Company supplies hot water (is engaged in hot domestic water supplier activities) from 1 May 2010 for consumers in the cities of Kaunas and Jurbarkas and Kaunas district (hereinafter the supplies of heat and hot domestic water without cold water are referred to as heat, with the exception of information provided in Tables 1 and 2), who chose the Company as a hot water supplier. As at 30 June 2019 the Company supplied hot water to 690 residential buildings in Kaunas city, Kaunas district and in



Jurbarkas. Income from hot water supplies amounts to approximately 5.0 per cent of all of Company's sales revenue.

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

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

Values of the Group and the Company:

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

Strategic goals of the Group and the Company are as follows: AB Kauno Energija is the most advanced and innovative DH company in Lithuania.

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

- Increase and expansion of heat economy – Kaunas city needs at least one more than 100 MW capacity modern, up-to-date production facility – cogeneration power-plant, using renewable energy sources (hereinafter – RES) and / or waste, and / or natural gas. New power-plant should ensure tankage / use of reserved fuel, reservation of heat production facilities, stable hydraulic mode of centralized heat supply, flexible reaction to network peak demand changes, should have an emergency replenishment system and should be economically “balanced”;
- Increase of safety and reliability of heat supply – the Company intends to formulate an expert assessment of safety / vulnerability of heat supply system, to implement update and modernization of system of parameters data transfer, collection and evaluation, to implement optimization of the network hydraulic mode and increase of speed of parameters reaction / change, to reconstruct and optimize sections of thermofication pipelines and elements (average age of pipelines of district heating network (hereinafter – DHN) reaches approximately 38 years), to implement update and development of the system of DHN water reserve – emergency replenishment, to implement technical solutions and / or use a good practice increasing reliability and safety, ensuring stability of thermofication mode;
- to actively participate in formation of policy of Kaunas city supply with heat and in increase of Company's desirability and in expansion of district heating market;
- formation of good practice and its publicizing;

#### **4. Issuer's agreements with credit institutions**

On 13 September 2018 the Issuer Service Agreement with AB SEB Bankas (company code 112021238, Gedimino pr. 12, Vilnius), represented by the Finance Markets Department concluded.

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

20,031,977 (twenty million thirty one thousand nine hundred seventy seven) of the Issuer's ordinary registered shares (VP ISIN code LT0000123010) with the total nominal value equal to EUR 34,855,639.98 (thirty four million eight hundred fifty five thousand six hundred thirty nine euro and 98 cents) as at 30 June 2019 were listed in the secondary trade list of Nasdaq Vilnius Baltic stock exchange. The beginning of listing of the Company's shares is 28 December 1998.



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

### 6.1. Overview of the condition, performance and development of the Company

During the 1 half of the year 2019 the Company performed its activities with a main focus on development of capacities of production facilities and increase of reliability of DH network, considering Strategic guidelines of centralized heat supplies of Kaunas city.

When planning its activities, the Company also considers the AB Kauno Energija Strategy for the Heating System Development for the years 2017–2020 developed in 2016 by the Lithuanian Energy Institute under initiative of the Company. The main provisions and guidelines for heat supply to the city until 2021, reaching to ensure technical, economical and management effectiveness of the system of centralized heat supply and reliability of heat supply, without prejudice environmental requirements and considering provisions of Lithuanian legislation and obligatory aspirations of European Union (hereinafter – EU) directives are determined in the strategy.

On 7 February 2019, The Supervisory Board of the Company approved the “Adjustment report of AB Kauno Energija Strategy, implementing the directions of the development of the energy sector until 2021”.

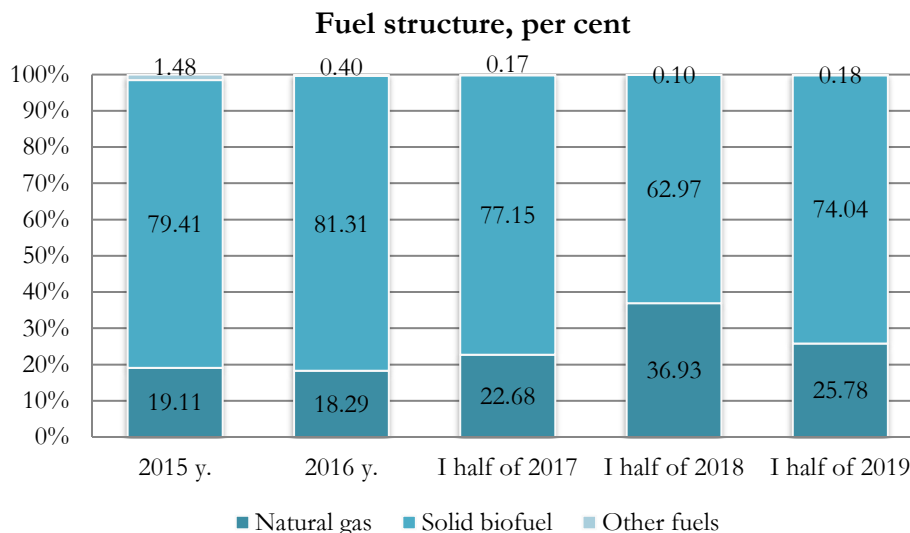
The Company covers a major part of heat production and supply market in the cities of Kaunas and Jurbarkas and Kaunas district. Group’s generation capacities consist of Company’s boiler-houses capacities and subsidiary’s UAB Petrašiūnų Katilinė capacities in Kaunas city. Company’s generation capacities consist of Petrašiūnai power plant, 4 boiler-houses in Kaunas integrated network, 7 district boiler-houses in Kaunas district, 1 boiler-house in Jurbarkas city, 13 boiler-houses of isolated networks and 28 local gas burning boiler-houses in Kaunas city (27 of them are gas burned and 1 of them – burned with pellets), also 8 local water heating boiler-houses in Sargėnai catchment. Total installed heat generation capacities of the Group consist of approx. 607 MW, and total energy generation capacity of the whole Group is approx. 616 MW (including 41 MW capacities of condensational economizers). Total installed heat production capacity of the Company consists of approx. 588 MW (including 41 MW capacities of condensational economizers), electricity generation capacities – 8.75 MW. 314.6 MW of heat generation capacities (including 17.8 MW capacities of condensational economizers) and 8 MW of electricity production capacities of them are in Petrašiūnai power plant. 34.8 MW of heat generation capacities (including 2.8 MW capacities of condensational economizer) is in Jurbarkas city. Total Company’s power generation capacity is 597 MW (including 41 MW of condensational economizers’ capacities).

Almost 40.3 per cent of heat supplied to consumers in the 1 half of the year 2019 was produced in Company’s heat production facilities. The rest of required quantity of heat was purchased from independent heat producers (hereinafter – IHP) in monthly auctions, according to legal acts. Starting from May 2018 an electronic heat purchasing auctions are arranged by the Energy Stock Exchange operator UAB Baltpool. Electronic auctions are carried out in accordance with the Regulations of the Heat Auctions approved by the National Commission for Energy Control and Prices. The Schedule of the Procedure and Conditions for the Purchase of Heat from Independent Heat Producers, the Methodology for Determining Heat Prices, the Rules for the Provision of Information on Energy, Drinking Water Supply and Wastewater Treatment, Sewage and Surface Water Treatment Companies, a Summary of Conditions of Usage of Heat Transfer Networks, and a schedule of the Procedure for Publicly Disclosed Information were changed respectively.

Fuel used by the Company for heat production in the 1 half of the year 2019 is presented in Chart 1.

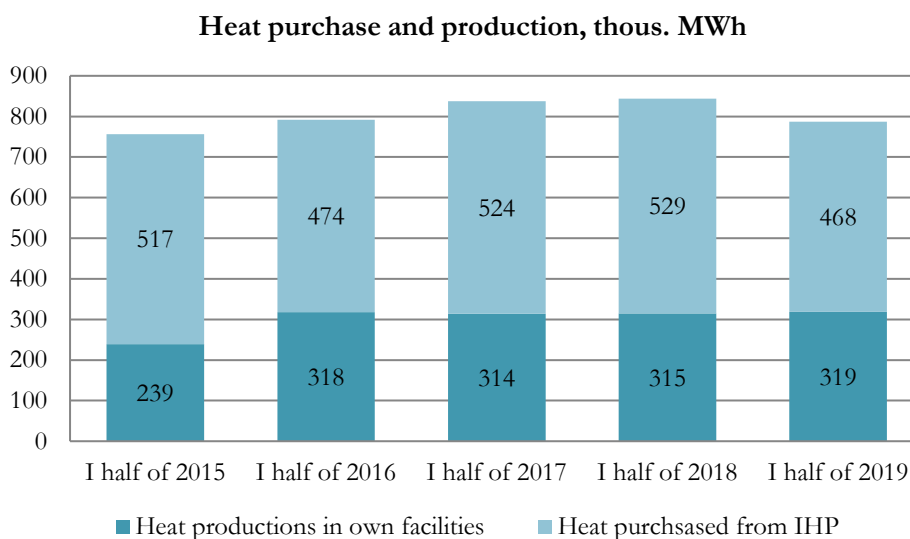


Chart 1



In the 1 half of the year 2019, the Company purchased heat from 11 IHP in Kaunas and Kaunas district: from UAB Kauno Termofikacijos Elektrinė, UAB Danpower Baltic Taika, UAB Danpower Baltic Taika Elektrinė, UAB Lorizon Energy, UAB Ekoresursai, UAB Petrašiūnų Katilinė, UAB Aldec General, UAB ENG, UAB Danpower Baltic Biruliškių, UAB Ekopartneris and UAB Foksita. Total purchases consisted of 467.6 thousand MWh of heat, i.e. 59.7 per cent of heat supplied to the network (in the 1 half of the year 2018 – 63 per cent). Amounts of heat purchased from IHP and produced with Company's equipment during the period of 1 half of the years 2015–2019 are presented in chart 2, thousand MWh:

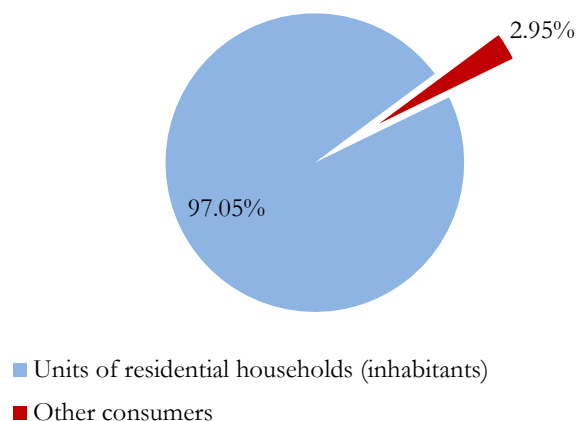
Chart 2



As at 30 June 2019 the Company supplied this produced and purchased heat with integrated and local heat supply networks to 3,528 businesses and organizations as well as to 116,223 households, in total – to 119,751 consumers (objects by addresses).



## Repartition of Company's heat consumers by groups

*Investments*

Company's investments in the latest technologies (the reconstruction of heat generation facilities installing economizers, new biofuel burned boilers, automation of boiler-houses of integrated network, systems of electronic services, system of remote reading of heat meters and data transmission, customer service using "one stop" principle, etc.) help the Company to reduce the price of heat sold. Reconstruction of heat supply networks reduces Company's heat supply losses. All these investments help the Company to adapt to market changes and to be an advanced company of heat and hot water supply, also of maintenance of heat production facilities in Kaunas and Jurbarkas cities and Kaunas district.

Investments are made in accordance with Company's revised investment plan for the year 2019, which was approved by decision No T-63 of Kaunas City Municipality Council of 26 February 2019 "Regarding investment plans of AB Kauno Energija for the year 2019 and 2017–2020 and their financing" (hereinafter – Investment plan).

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

Amendments to the Law on Heat Sector of the Republic of Lithuania and changes in NCC's regulation allowed favourable conditions to invest to construction and reconstruction of heat production facilities, thus increasing competition in heat production sector and effectively reducing heat price for consumers.

In 2020 the company will accomplish two projects, i.e. "Modernization of the main pipeline 6T of integrated network of Kaunas City" (code 04.3.2-LVPA-K-102-01-0010) and "Modernization of the main pipeline 1T of integrated network of Kaunas City" (code 04.3.2-LVPA-K-102-01-0024) according to the financial support agreements signed with the Lithuanian Business Support Agency (hereinafter – LBSA) in December 2016. The value of the projects is EUR 2.3 million, i. e. EUR 1.15 million is financial support from European Union.

On 9 March 2018 the Company signed a support agreement with LBSA for the financing of the project "Installation of up to 1 MW capacity biofuel boiler in Noreikiškės boiler-house" (code 04.1.1-LVPA-K-109-01-0006). The value of the project is EUR 0.25 million, i. e. EUR 0.15 million is European Union structural support. The project is oriented to the increase of efficiency of heat generation facilities and the reduction of greenhouse gas emissions. The new boiler will replace the natural gas used for heat production to biofuel.

On 23 May 2018 the Company signed 7 agreements with LBSA under the Measure No. 4 of the Priority 4 "Promotion of Energy Efficiency and Renewable Energy Production" of the EU Funds Investment Action Program for 2014–2020 No. 04.3.2-LVPA-K-102 "Modernization and development of heat supply networks":

- "Reconstruction of the main pipeline 1T of Kaunas city" (code 04.3.2-LVPA-K-102-02-0028);



- “Reconstruction of the main pipelines 1Ž and 7Ž of Kaunas city” (code 04.3.2-LVPA-K-102-02-0029);
- “Reconstruction of the main pipeline 4T of Kaunas city” (code 04.3.2-LVPA-K-102-02-0030);
- “Reconstruction of the main pipeline 5T of Kaunas city” (code 04.3.2-LVPA-K-102-02-0031);
- “Reconstruction of the main pipeline 8K of Kaunas city” (code 04.3.2-LVPA-K-102-02-0032);
- “Reconstruction of the main pipelines 8H and 9Ž of Kaunas city” (04.3.2-LVPA-K-102-02-0034);
- “Reconstruction of district heating networks in Chemijos and Medvėgalio streets of Kaunas city” (code 04.3.2-LVPA-K-102-02-0035).

These projects are anticipated to be accomplished in 2019–2020. The value of the projects is EUR 19.7 million, i.e. EUR 9.86 million of EU Structural support.

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

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

All these projects are being implemented in 2019 and will be accomplished in 2020.

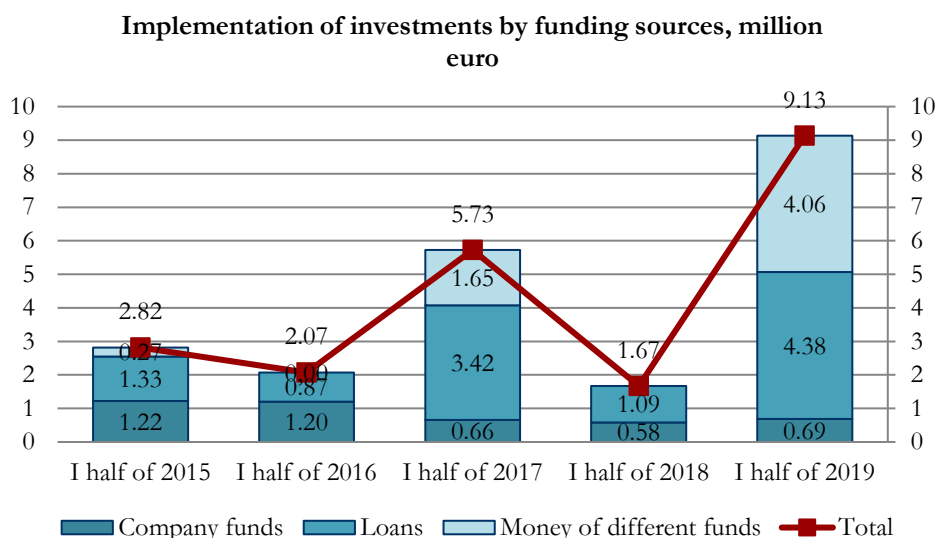
On March 2019 the Company submitted 9 applications under the 6<sup>th</sup> call of the measure 04.3.2-LVPA-K-102 “Modernization and Development of Heat Supply Networks” of 2014–2020 European Union Funds Investment Operational Program. 7 agreements were concluded with LBSA on 12 August 2019 as follows:

- “Reconstruction of the main pipeline 1Ž of Kaunas city” (code 04.3.2-LVPA-K-102-06-0012);
- “Reconstruction of the main pipeline 2T of Kaunas city” (code 04.3.2-LVPA-K-102-06-0014);
- “Reconstruction of the main pipeline 4K of Kaunas city” (code 04.3.2-LVPA-K-102-06-0015);
- “Reconstruction of junction of the main pipelines 4Ž and 1T of Kaunas city” (code 04.3.2-LVPA-K-102-06-0016);
- “Reconstruction of the main pipeline 4Ž of Kaunas city” (code 04.3.2-LVPA-K-102-06-0017);
- “Reconstruction of junction of the main pipelines 5T and 6T of Kaunas city” (code 04.3.2-LVPA-K-102-06-0018);
- “Reconstruction of the main pipeline 7Ž of Kaunas city” (code 04.3.2-LVPA-K-102-06-0019);

All these projects are anticipated to be implemented in 2020 – 2021. The value of the projects is EUR 14.5 million incl. EUR 7.2 million of European Union Structural support.

A major part of Company’s investments was assigned for modernization of heat supply networks and renewal of heat production boilers. Company's investments by funding sources of the 1 half of the years 2015–2019 are presented in Chart 4.





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

*External risk factors affecting the Company's core business:*

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

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

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

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

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

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

Company's performance is affected by the decline in sales due to reduced and further reducing heat demand (in pursuance of residential buildings renovation and by installing a heat saving equipment), due to consumer's



disconnections from DHN (due to the various reasons). Risks can be mitigated by Company current and further investments in heat and electricity production facilities, using renewable energy sources, reducing heat production expenditures and the price heat, purchased from IHP as well as the price of heat supplied for consumers, and continually reasonably informing customers on the benefits of DHN systems (safety, reliability, correlation with one sort of fuel, fuel conversion, local pollution sources in residential areas, total environmental pollution, etc.) in comparison with autonomous heating.

The effects of other competing companies, propagating the only usage of natural gas, irrespective of approved special heating supplies plan, supplies reliability, affection to the only source of fuel, not yet regulated local pollution, in the heat supply sector with the Company are disconnections of consumers from DHN system. Heating equipment disconnection from the DHN and heating mode changes are carried out in accordance with the procedures specified in the “Rules on heat supply and consumption” approved by order No 1-297 of 25 October 2010 of the Minister of Energy of the Republic of Lithuania (and their further amendments) and the Description of procedure for disconnection of the building or heating facilities of premises from heat supply networks at the initiative of consumers approved by order No A 1830 of the director of administration of Kaunas City Municipality of 14 May 2012. Kaunas City Municipality has approved a special heat supply plan, which provides a way to separate the heat supply in different urban areas. Disconnection of buildings in the district heating area from the DH network is only possible with the appropriate permit of Kaunas City Municipality. A special heat supply plan of Kaunas District Municipality was approved by the decision of Kaunas District Municipality No TS-43 of 26 January 2012. A special heat supply plan of Jurbarkas City and District was approved by the decision of Jurbarkas District Municipality No T2-67 of 10 March 2005.

*Operational risk:* Limited consumers’ solvency and the debts. Risks can be mitigated by the factoring of debts and applying more stringent debt collection techniques / methods. Other possible operational risk – changes in interest rates in the banking market.

During the 1 half of the year 2019 in comparison with the 1 half of the year 2018 heat consumers’ debts decreased by 17 % and consisted of EUR 9.053 million in 2019. Decrease was affected by application of effective methods of debts administration.

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

In all cases, the consumer is informed regarding his indebtedness first. When debtors respond to warnings, the options of debt settlement are discussed and the documents ensuring repayment of debt are signed. If the debtor does not respond to warnings and if pre-trial measures are not effective, the judicial recovery begins. The Company then applies to the court and after a decision accompanied with receiving-order – to bailiff. In such case the debtor must pay not only the debt but also the court and execution expenditures. In the first half of the year 2019 a lot of debt prevention actions and pre-trial recovery measures were carried out. Number of debt management actions performed: 17,066 written warnings, 1,047 telephone warnings, 122 accepted bills, 30 written settlements, 91,256 warnings in monthly bills.

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

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

*Legal conformity risk:* Energy activities are governed by the Law on Heat Sector, the Law on Energy, the Law on Electricity, the Law on Natural Gas, the Law on Drinking Water Supply and Wastewater Management,



Government resolutions, Heat supply and consumption rules, Methodology of heat prices and payments for heat of NCC and other legislation. Their amendments affect the heating industry.

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

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

*Social factors:* consumers' disconnections from the system of centralized heat supply can have a negative impact on Company's operations.

However, an increased number of consumers from 119,490 in the year 2018 to 119,751 in the 1 half of the year 2019 had a positive impact on Company's activities.

*Social risk:* Company's activities are socially sensitive to many Kaunas region residents and businesses due to the conditionally high costs for heating and hot water. These costs constitute a significant part of expenses for households. But as the price of heat sold is decreasing, number of complaints regarding big bills also decrease. This decrease was determined by the latest Company's investments in production facilities that allowed reducing the prices of heat and hot water significantly. As measured in terms of Lithuania, the Company's heat price in the 1 half of the year 2019 was near an average heat price of all heat supply companies.

This risk is mitigated by reasonably informing consumers on Company's activities. Articles on Company's activities are coherently published in Company's website and in national or local media. The Company analyses consumer's complaints, provides written responses. Heat consumers periodically are invited to meet Company's specialists and discuss consumer issues related to the Company's activities. Thus, an image of modern and socially responsible company is being created.

*Technical and process factors:* greatest process risks are so shaded with the condition of heating systems. Company's trunk pipelines are an average about 38 years old. Modernization rate of them is determined by lack of funds – it is necessary to reconstruct more than 13.5 km of pipelines per year to condition of age of heat supply system and the minimum investments should consist of approximately 6 million euros. Hydraulic testing identifies their weakest points. Every year, about 200 points where cracks occur are identified during the tests. Upon discovery of defects, pipes are exposed and promptly repaired.

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

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

The other risk factor is the lack of own heat generation capacities after selling the main heat generation facility – Kauno Termofikacijos Elektrinė (KTE) in 2003. Existing Company's own capacities of approx. 467 MW cannot fully cover maximum instantaneous customers' demand in Kaunas integrated network. In addition, heat supplies companies must have reserve capacities that must be a 30 per cent bigger, than the maximum instantaneous demand of heat according to Lithuanian legal acts. This is why the Company is obliged by NCC to buy a reserve capacity security service. In the 1 half of the year 2018 this service was bought from KTE. Considering that and estimating common trends in development of heat economies in Kaunas and Lithuania, one of the aims of the



Company is to continually reasonably invest in own heat production facilities, i.e. to modernize existing and to build new additional heat production capacities. More detailed information on Company's investments and modernization of production facilities is provided in chapters 6.1 and 7.

Technological risk can be mitigated by reconstructing heat production facilities and supply pipelines, utilizing the latest and advanced technologies and thereby increasing the efficiency of the thermal system, capacity of own heat production facilities necessary for secure of reliability. In addition, significant investments in the modernization of the Company's assets must be made according to the country standards and regulations in line with European Union standards and normative acts regulating qualitative and technical indicators of heat supply systems.

*Ecological factors:* In terms of the Company they may be divided into those affecting the Company and there was influenced by the Company's operations.

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

The Company pays taxes for atmospheric and water pollution. If allowable emission rate limits or annual limits are exceeded, the Company must pay the fines under the applicable laws of the Republic of Lithuania. The Company was not imposed any penalties in the 1 half of the year 2019.

Main Company's emission reduction measures: modernization of heat generation sources, heat transfer loss reduction by replacing the existing pipes to the pipes with polyurethane foam insulation, installation of new technology and improvement of existing facilities, use of less polluting fuels, and continuous emission monitoring (in the 1 half of the year 2019, the fuel balance was dominated by solid biofuel – 74.04%, natural gas – 25.78%, other fuels – 0.18 %).

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

Company's sales revenue of the 1 half of the year 2019 was EUR 34,443 thousand and compared to the 1 half of the year 2018 it decreased by 9.89 per cent (in the 1 half of the year 2018 it consisted of EUR 38,222 thousand). Sales revenue of the Group of the 1 half of the year 2019 was EUR 34,437 thousand (in the 1 half of the year 2018 it consisted of EUR 38,214 thousand).

This change was mainly affected by a decrease in heat price, the main part of which consist of fuel and purchased heat constituents, as well as decreased amount of heat sold. The amount of heat sold in the 1 half of the year 2019 was at 6.33 per cent less in comparison with the 1 half of the year 2018. In the 1 half of the year 2019 the average price of heat sold decreased by 5.86 percent. (in the first half of 2019 the heat price was 4.98 ct / kWh, and in the first half of 2018 – 5.29 ct / kWh). The price of heat also decreased due to the additional constituent, which additionally decreased the heat price for consumers with 0.29 ct / kWh to compensate the difference between the actual fuel and heat purchase prices and the prices included in heat price.

The comprehensive income of the Group consisted of EUR 2,600 thousand in the 1 half of the year 2019, and the Company's – of EUR 2,335 thousand. Comprehensive income of the 1 half of the year 2019 in comparison with the 1 half of the year 2018 decreased by EUR 2,914 and 3,387 respectively.

Comparison of financial indicators of the Group of the 1 half of the year 2019 with the indicators of the 1 half of the years 2015–2018 is presented in Table 1.

Table 1

No	Indicator of the Group	1 half 2015	1 half 2016	1 half 2017	1 half 2018	1 half of 2019
1	Revenue from sales, thousand euros	37,468	36,184	35,313	38,214	34,437



No	Indicator of the Group	1 half 2015	1 half 2016	1 half 2017	1 half 2018	1 half of 2019
1.1	Including: Heat energy	35,739	34,514	33,594	36,154	31,806
1.2	Electric energy	122	38	0	0	0
1.3	Maintenance of indoor heating and hot water supply systems, heating substation facilities	16	5	3	5	6
1.4	Income from the maintenance of collectors	113	113	125	125	125
1.5	Hot water supply including cold water price	1,351	1,374	1,430	1,728	1,713
1.6	Income from maintenance of hot water meters	127	140	161	202	210
2	Profit, thousand euros	4,773	7,185	6,160	5,514	2,600
3	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand euros	8,060	10,667	10,089	9,507	6,483
4	Profitability of core business, per cent (operating profit / sales and services) * 100	13.3	15.0	15.8	13.1	7.0
5	Net profitability, per cent (net profit / sales and services) *100	12.7	19.9	17.4	14.4	7.6
6	Assets, thousand euros	129,542	132,473	144,418	146,835	149,712
7	Equity, thousand euros	82,124	87,247	88,642	91,518	91,497
8	Return on equity (ROE), per cent (net profit / average equity) *100	6.0	8.7	7.4	6.5	3.1
9	Return on assets (ROA), per cent (net profit / average assets) *100	3.5	5.4	4.4	3.9	1.8
10	Asset turnover ratio (sales and services / assets)	0.29	0.27	0.24	0.26	0.23
11	Return on tangible assets, per cent (net profit / average value of tangible assets) *100	3.9	6.0	4.9	4.4	2.1
12	Debt ratio (liabilities / assets)	0.37	0.34	0.39	0.38	0.39
13	Debt-to-equity ratio (liabilities / equity)	0.6	0.5	0.6	0.6	0.6
14	General liquidity ratio (short-term assets / short-term liabilities)	1.17	2.46	1.43	2.10	1.79
15	Quick ratio ((short-term assets-inventory) / short-term liabilities)	1.13	2.39	1.39	1.94	1.66
16	Cash ratio (cash in hand and at bank / short-term liabilities)	0.26	1.56	0.95	1.55	1.29
17	Net earnings per share (net profit / average weighted number of shares in issue)	0.11	0.17	0.14	0.13	0.06
18	Equity per share, euros	1.92	2.04	2.07	2.14	2.14
19	Last share market price of the year / net profit / number of shares at year-end (P / E ratio)	4.25	2.98	6.39	8.85	16.46
20	Share capital, thousand euros	74,476	74,476	74,476	74,476	74,476
21	Share capital-to-assets ratio	0.57	0.56	0.52	0.51	0.50
22	Return on equity (capital), per cent (net profit / capital and reserves) *100	6.1	8.9	7.9	6.8	3.1



Comparison of financial indicators of the Company of the 1 half of the year 2019 with the indicators of the 1 half of the years 2015–2018 is presented in Table 2.

*Table 2*

No	Indicator of the Company	1 half 2015	1 half 2016	1 half 2017	1 half 2018	1 half of 2019
1	Revenue from sales, thousand euros	37,473	36,189	35,321	38,222	34,443
1.1	Including: Heat energy	35,744	34,519	33,600	36,162	31,812
1.2	Electric energy	122	38	0	0	0
1.3	Maintenance of indoor heating and hot water supply systems, heating substation facilities	16	5	5	5	6
1.4	Income from the maintenance of collectors	113	113	125	125	125
1.5	Hot water supply including cold water price	1,351	1,374	1,430	1,728	1,713
1.6	Income from maintenance of hot water meters	127	140	161	202	210
2	Profit, thousand euros	4,781	7,017	6,177	5,537	2,335
3	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand euros	8,059	10,520	9,723	9,203	5,907
4	Profitability of core business, per cent (operating profit / sales and services) * 100	13.3	15.0	15.89	13.1	6.23
5	Net profitability, per cent (net profit / sales and services) *100	12.8	19.4	17.5	14.5	6.8
6	Assets, thousand euros	130,270	133,034	141,012	143,131	146,927
7	Equity, thousand euros	82,665	87,631	89,155	91,222	91,364
8	Return on equity (ROE), per cent (net profit / average equity) *100	2.7	4.0	7.2	6.38	2.69
9	Return on assets (ROA), per cent (net profit / average assets) *100	1.6	5.2	4.5	4.0	1.7
10	Asset turnover ratio (sales and services / assets)	0.29	0.27	0.25	0.27	0.24
11	Return on tangible assets, per cent (net profit / average value of tangible assets) *100	1.9	2.8	5.1	4.6	1.9
12	Debt ratio (liabilities / assets)	0.37	0.34	0.37	0.36	0.38
13	Debt-to-equity ratio (liabilities / equity)	0.6	0.5	0.6	0.6	0.6
14	General liquidity ratio (short-term assets / short-term liabilities)	1.16	2.46	1.90	2.89	1.82
15	Quick ratio ((short-term assets-inventory) / short-term liabilities)	1.13	2.39	1.85	2.67	1.69
16	Cash ratio (cash in hand and at bank / short-term liabilities)	0.26	1.56	1.27	2.14	1.28
17	Net earnings per share (net profit / average weighted number of shares in issue)	0.11	0.16	0.14	0.13	0.05
18	Equity per share, euros	1.90	2.05	2.08	2.13	2.13
19	Last share market price of the year / net profit / number of shares at year-end (P / E ratio)	4.24	3.05	6.37	8.81	18.33





No	Indicator of the Company	1 half 2015	1 half 2016	1 half 2017	1 half 2018	1 half of 2019
20	Share capital, thousand euros	74,476	74,476	74,476	74,476	74,476
21	Share capital-to-assets ratio	0.57	0.56	0.53	0.52	0.51
22	Return on equity (capital), per cent (net profit / capital and reserves) *100	6.1	8.7	7.9	6.8	2.8

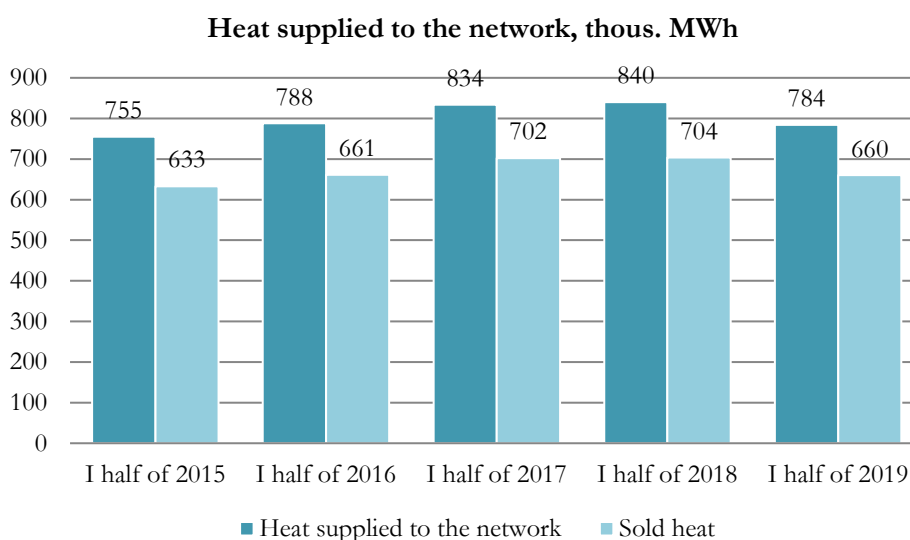
The more detailed analysis of financial indicators of the Group and the Company is provided in notes to Consolidated and Company's financial statements for the 1 half of the year 2019.

Comparison of non-financial indicators of the Company of the 1 half of the year 2019 with the indicators of the 1 half of the years 2015–2018 is provided in Table 3.

Table 3

No	Denomination of Indicator	1 half of 2015	1 half of 2016	1 half of 2017	1 half of 2018	1 half of 2019
1.	Energy produced, purchased and supplied to the network, thous. MWh	756.4	788.8	833.9	839.7	783.7
1.1.	thermal energy	754.8	788.3	833.9	839.7	783.7
1.2.	electric energy	1.6	0.5	0	0	0
2.	Energy sold thous. MWh	634.6	661.1	702.0	704.3	659.7
2.1.	thermal energy	633.0	660.6	702.0	704.3	659.7
2.2.	electric energy	1.6	0.5	0	0	0

Chart 5



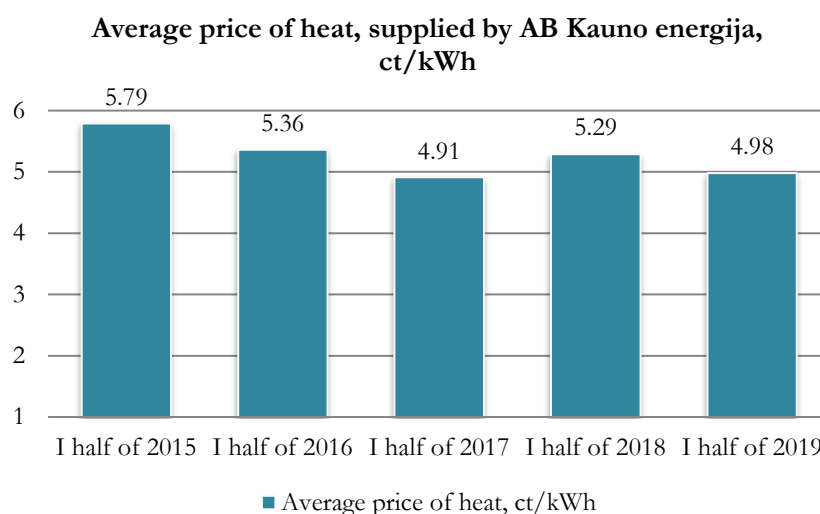
*Environmental impact on operations:* The Company's performance can be affected by changes in sales turnovers caused by changed heat demand, which can be caused by consumer investments in the renovation of buildings, heat saving and rational consumption, average higher of lower outdoor temperature during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

Company's reconstructed heat production facilities changing fossil fuel to biofuel will make a serious competition with their costs of production to IHP, operating in Kaunas. With modernization of its own production facilities the Company reduced heat price for its consumers by more than 14 per cent during the last 5 years.



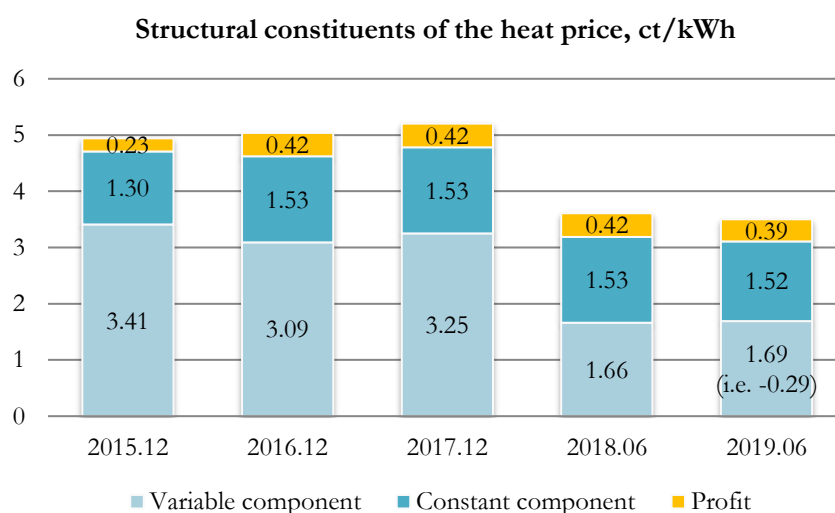
The dynamics of heat price of the Company in the 1 half of the years 2014–2018 is provided in Chart 6.

Chart 6



Constituents of Company's heat price structure of June of the years 2015–2019 are provided in Chart 7.

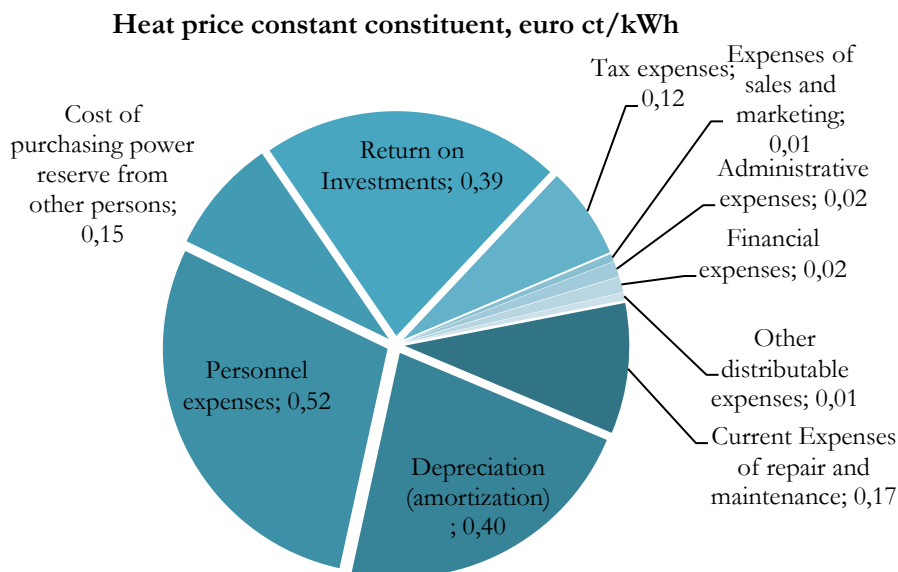
Chart 7



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

Management Board of AB Kauno Energija determined by its decision of 24 October 2018 No. 2016-26-2 heat price constituents for the first year of validity of basic heat price, which were agreed by NCC's decision of 16 November 2018 No. O3E-390. Constant heat price constituent, valid until 30 November 2018 was 1.95 ct/kWh (incl. profit), and a new constant constituent, valid from 1 December 2018 is 1.81 ct/kWh (incl. profit) (decrease of constant constituent was determined by the decrease in reserve capacity assurance expenditures from 0.26 ct/kWh to 0.15 ct/kWh). Details of constant heat price constituent are provided in Chart 8.

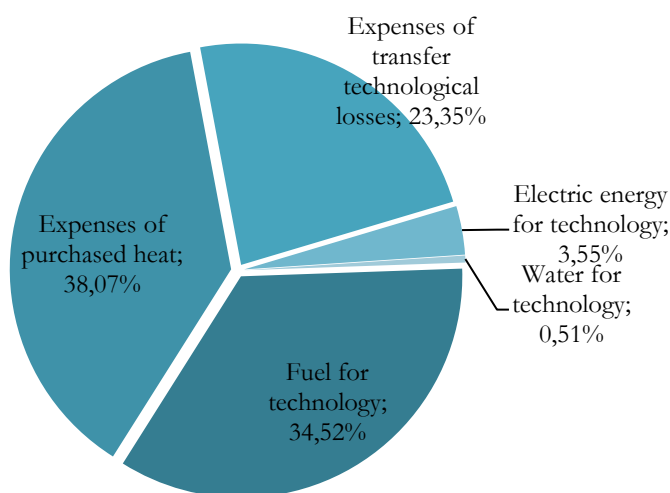
Chart 8



The Company recalculates values of heat price variable constituents and final heat prices every month, considering changes in prices of fuel and purchased heat. The additional constituent has been determined by the decision of the Management Board of the Company, to compensate the difference between actual price and prices of fuel and heat purchase included in heat price. This additional constituent reduces the price for consumers by 0.62 ct/kWh and it has been determined valid starting from May 2018 until November 2018. After determination of the new base price, the additional constituent reduces the price by 0.29 ct/kWh from December 2018. Details of variable heat price constituent valid on June 2019 are provided in Chart 9.

Chart 9

#### Heat price variable constituent in June 2019, per cent



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

*Waste management.* The Group and the Company have organized the waste collection, sorting and disposal of them to waste managers, i.e. to licensed waste management businesses. In the 1 half of the year 2019, the Group and the Company disposed for recycling 1,029.880 tons of bottom ash, slag and boiler's dust, 0.858 tons of packages that contains hazardous chemicals or that are contaminated with them, 0.042 tons of absorbents, filter materials

(including non-redefined oil filters), dust cloths, protective clothing; 15.147 tons of mixed municipal waste, 0.990 tons of used tyres, 0.623 tons of laboratory chemicals, including mixtures of laboratory chemicals, consisting of or containing hazardous materials; 0.940 tons of insulation materials containing asbestos, 1.160 tons of paper and carton, 0.066 tons of fluorescent lamps, 5.080 tons of concrete, 2.180 tons of bricks, tiles and ceramic composites, 22.020 tons of bituminous mixes.

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

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

Cyclones for smoke cleaning from particulates are installed in Šilkas, Ežerėlis, Girionys, Noreikiškės, Inkaras boiler-houses and Petrašiūnai power-plant. Their working efficiency is checked every year. The Company is involved in the greenhouse gas emissions trading system. This system includes emission allowances (EA) allocated to Petrašiūnai power-plant, Šilkas, Pergalė, Garliava, Jurbarkas boiler-houses and Noreikiškės boiler-house with a cogeneration power-plant.

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

Main financial data of the Group and the Company are provided in the explanatory notes to the consolidated and Company's financial statements for the 1 half of the year 2019.

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

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

It's controlled if the accounting policy of the company and its subsidiaries for accounting of similar transactions is the same. The subsidiaries' income and expenses are included into the consolidated financial statements as of the date of acquisition.

## **9. Significant events after the end of the 1 half of the year 2018**

On 31 July 2019 the Management Board of the Company approved unaudited consolidated and Company's financial statements for the 1 half of the year 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

On 10 September 2019 the Extraordinary General Meeting of Shareholders was held, where it was decided to approve the standard form of the activity contract of the Board member of the Company controlled by the Municipality and to approve the new wording of the Statutes of the Company.

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

Inasmuch investments allow continual business development and profitability, the aims of the Group's and the Company's investment program for the year 2019 is further increase in volumes of heat production and effectiveness, expansion of heat selling market, through increase of use of biofuel for heat production,



development of heat transmission and distribution increasing safety and reliability, developing services of maintenance of engineering systems and further improvement of consumers services quality.

In compliance with the provisions of the plan for the facilities on the implementation of the National Renewable Energy Development Strategy, in order to implement the Company's key business objectives and the provisions of the National Energy Independence Strategy related to the assurance of technical requirements for reliability of heat facilities and heat supply networks, to guarantee the quality keeps apply to consumers, Kaunas city municipality decided to approve Company's investment plans with the decision No. T-63 "Regarding Investment Plans of AB Kauno Energija for the Year 2019 and for the Years 2017–2020 and Their Financing" on 26 February 2019.

The main investment goals of the Company for the regulation period of the years 2017–2020 are as follows: use of renewable energy sources, increase in reliability of heat supply to consumers in Kaunas and Jurbarkas cities and Kaunas district, and anticipated reception of EU Structural support under the 4 priority "Promoting energy efficiency and production and use of renewable energy" of Operational Programme for the European Union Funds' Investments in 2014-2020.

In 2019 the implementation of Company's investment program will involve further modernization of boiler-houses owned by the Company automating the production process and installing condensational economizers; reconstruction of heat networks; replacement of heat meters. Implementation of these measures will allow to reduce losses of heat transmission and to perform optimization of heat supply to the consumers and to ensure heat supplies reliability.

It is planned that in 2019 in comparison with 2018, the Group's sales turnover will remain in similar level as in 2018. The greatest impact on the Group's and the Company's income and expenses will be made by fuel and purchased heat price changes, as the price of heat is recalculated every month under the requirements of the law. A significant influence on the price of purchased heat is provided by the procedures established by the NCC (for example, a description of the procedure and conditions for the purchase of heat from independent heat producers), the conditions of competition between the heat supplier and the IHP. The Group's profit in comparison with 2018 is planned to be less due to the recalculated heat price constituents and compensation to consumers which was started to return. The results planned may be adjusted by change in heat demand, i.e. consumption, which is mainly affected by the average outdoor air temperature, the amount of user investments in housing renovation, energy-saving and its rational use, decisions of NCC regarding issues of heat pricing, as well as changes in the economic situation in Lithuania.

## **11. Information on research and development activities**

It's indicated in EU Directive of renewable sources and in Lithuanian national legal acts, that a part of renewable sources in total end energy consumption must consist not less, than 23 per cent until the year 2020, and the part falling on heating – up to 40 per cent. Meanwhile in Kaunas this indicator exceeds 80 per cent already.

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

Company's representatives took part as every year in national conference "Heat energetics and technologies" organized by Kaunas University of Technology at the end of January.

The Company along with Lithuanian Energy Institute takes part in READY project ("Resource efficient cities implementing advanced smart city solutions") supported by European Commission. 23 companies from Denmark, Sweden, Austria, France and Lithuania take part in it. Project will be pursued until the year 2022 by applying the latest measures of effective energy consumption in Kaunas city.



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

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

On 16 May 2019, another new electric car charging station was launched in Kaunas. It is located at Raudondvario Road 84 near the Company’s administrative building. This is not the first public electric car charging station in Kaunas, but it is exceptional. Part of the electricity consumed at this station is generated from renewable energy - solar energy. It is “collected” right here by a solar power plant installed on the Company’s administrative building. Even though this share of renewable energy is still small, it is already a breakthrough in the use of renewable energy sources. The station was installed by the Company to take another step towards the use of advanced future technologies.

Furthermore, the Company takes part in programmes “Green Light” and “Motor Challenge”, supported by European Commission, the aim of whose is effective energy consumption in lighting and pumps operation systems.

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

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

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

All relevant information on this issue is provided in Explanatory Notes to the consolidated financial statements for the 1 half of the year 2019 of AB Kauno Energija.

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

Company’s Board approved by its decision of 6 April 2012 a reorganization of subsidiary UAB Pastatų Priežiūros Paslaugos by separating assets from activities and by creating on the base of separated assets a new company with the same legal form, named UAB Kauno Energija NT.

After completion of the procedures of reorganisation in the way of separation of AB Kauno Energija subsidiary UAB Pastatų Priežiūros Paslaugos, a statutes of the newly established entity UAB Kauno Energija NT were registered in the Register of Legal Entities on 16 April 2013. Company's headquarter address is Savanorių pr. 347, 49423 Kaunas, company number 303042623.

The authorised capital of UAB Kauno Energija NT registered in the Register of Legal Entities on 30 June 2019 in total of 1,329,872 euros is divided into 45,921 ordinary registered shares with par value of 28.96 euros each.

UAB Kauno Energija NT has no holdings directly or indirectly managed in other companies.

Activities of UAB Kauno Energija NT include the real estate development, management, leases, purchase and sale.

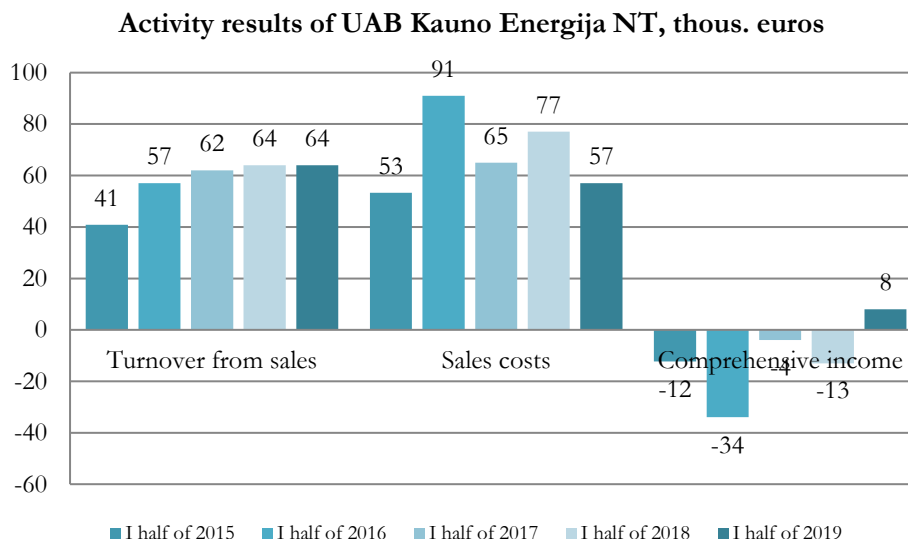
Turnover of UAB Kauno Energija NT of the 1 half of the year 2019 was EUR 64 thousand, Comprehensive income was amounted to EUR 7.6 thousand.



As at 30 June 2019 UAB Kauno Energija NT had 5 employees.

Comparison of financial indicators of UAB Kauno Energija NT of the 1 half of the year 2019 with the indicators of the 1 half of the years 2015–2018 is provided in Chart 10.

Chart 10



On 27 October 2016 the procedures of acquisition of 100 per cent of the shares of UAB Petrašiūnų Katilinė were accomplished. Statutes of newly established legal entity with the residence address R. Kalantos str. 49, 52303 Kaunas, code 304217723 were registered at the Register of Legal Entities on 22 May 2017.

Authorized capital of UAB Petrašiūnų Katilinė registered at the Register of Legal Entities on 30 June 2019 amounts to EUR 231,696 and is divided to 800 ordinary registered shares at par value of EUR 289.62 each.

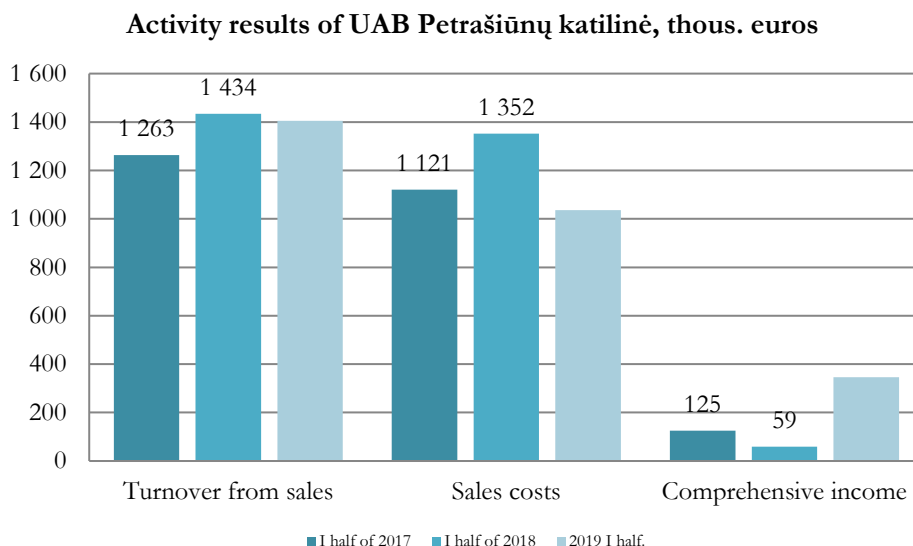
UAB Petrašiūnų katilinė has no holdings directly or indirectly managed in other companies.

Activities of UAB Petrašiūnų Katilinė include production of heat.

UAB Petrašiūnų Katilinė had 10 employees as at 30 June 2019.

UAB Petrašiūnų Katilinė financial indicators of the 1 half of the year 2019 are as follows: operating revenue amounts to EUR 1,405 thousand, operating expenditures amount to EUR 1,036 thousand, and Comprehensive income amounts to EUR 346 thousand.

Comparison of financial indicators of UAB Petrašiūnų Katilinė of the 1 half of the year 2019 with the indicators of the 1 half of the years 2017–2018 is provided in Chart 11.



## 15. Structure of authorized capital

The authorised capital of the Company registered in the Register of Legal Entities of the Republic of Lithuania as at 30 June 2019 is EUR 74,475,728.82 (seventy-four million four hundred seventy-five thousand seven hundred twenty-eight euros and 82 cents).

Structure of authorized share capital of the Issuer by types of shares is specified in Table 4.

Table 4

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

## 16. Data on shares issued by the Issuer

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

There are no limitations on the transfer of securities.

### 16.1. Main characteristics of shares released into free circulation of securities (as at 30 June 2019).

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

### 16.2. Main characteristics of shares issued and registered for non-public trading (as at June 30, 2019).

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

History of trade in Company's securities in the years 2015–2019 is provided in Table 5.





Table 5

Indicator	2015	2016	2017	2018	2019 m. birželio 30 d.
Opening price, euro	0.486	0.459	0.592	1.18	1.01
Highest price, euro	0.479	0.600	1.180	1.24	1.1
Lowest price, euro	0.400	0.401	0.571	1	0.91
Last price, euro	0.459	0.560	1.180	1	0.92
Circulation, units	41,193	190,801	229,220	147,516	24,003
Circulation, million euro	0.02	0.10	0.19	0.16	0.02
Capitalisation, million euro	9.19	11.22	23.64	20.03	18.43

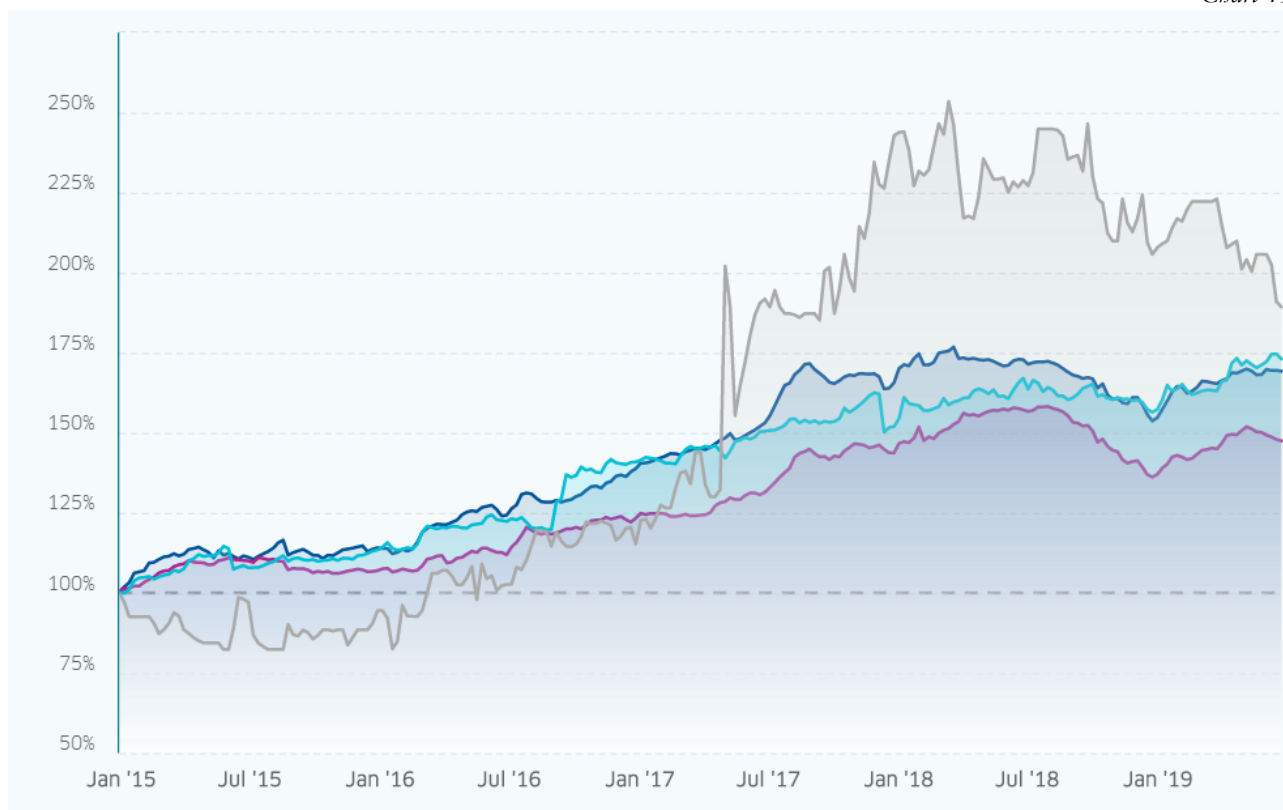
Historical data on share prices (in euro) and turnovers in as at 30 June 2015–2019 is provided in Chart 12.

Chart 12



Comparison of Company's share price with the index of own sector (utility services) and OMX Vilnius index is given in Chart 13.

Chart 13



Data of Chart 13:

Index/Shares	01/01/2015	30/06/2019	+/-%
—OMX Baltic Benchmark GI	566.56	959.52	69.36
—OMX Vilnius	452.42	665.87	47.18
—B7000GI Utilities	1,531.33	2,649.44	73.02
—KNR1L	0.486 EUR	0.92 EUR	89.3

## 17. Information on the Issuer's shareholders

The total number of Company's shareholders (accounting securities of clients of other account managers (not of SEB bank) as one shareholder) as at 30 June 2019 was 398.

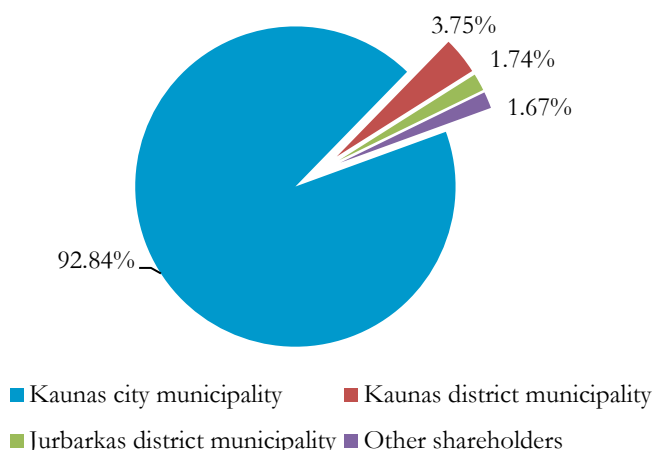
Information on Shareholders of the Issuer who owned as at 30 June 2019 more than 5 per cent of the authorised capital of the Company registered on 18 May 2015 (42,802,143 ordinary nominal shares), is provided in Table 6 and Chart 14.

Table 6

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



Structure of shareholders as at 30 June 2019



Repartition of shareholders of the Company in accordance with groups at the end of the reporting period is provided in table 7.

Table 7

The name of the Group	Number of shares owned by the Group, pcs.	Own part of share capital, per cent from all the shares
Local authorities	42,088,631	98.33
Households	311,003	0.73
Securities of other accounts keepers clients	323,801	0.76
Private non-financial enterprises	53,508	0.12
Other financial brokers, except insurance companies and pension funds and other auxiliary enterprises	25,200	0.06
Other shareholders (non-financial enterprises controlled from abroad, financial auxiliary enterprises, companies holding deposits, except central bank)	0	0
Total	42,802,143	100

17.1. The shareholders, who owned more than 5 per cent of the shares (20,031,977 ORS) issued for public trading (reg. No. A01031430, VP ISIN code – LT0000123010) as at 30 June 2019 are listed in Table 8.

Table 8

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



17.2. The shareholders, who owned more than 5 per cent of the shares (22,770,166 ORS) issued for non-public trading (VP ISIN code – LT0000128407) as at 30 June 2019 are listed in Table 9.

Table 9

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

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

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

In 2015, the dividends from the profit of the year 2014 were allocated and paid to the shareholders of the Issuer. Dividend per share was 0.003 euro, in total – 0.129 million euro. The profit was allocated to the statutory reserve, other reserves. A total of 0.2 million euros was allocated for sponsorship and charity.

In 2016, the dividends from the profit of the year 2015 were allocated and paid to the shareholders of the Issuer. Dividend per share was 0.042 euro, in total – 1.798 million euro. The profit was allocated to the statutory reserve, other reserves, bonuses for the members of the Management Board and bonuses for employees. A total of 0.05 million euros was allocated for sponsorship.

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

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

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

## 18. Employees

A total of 427 employees were employed in the Group as at 30 June 2019. Changes in the number of employees of the Group in 2015–2018 and in the 1 half of the year 2019 are provided in Table 10.

Table 10

Actual number of employees	Group 31/12/2015	Group 31/12/2016	Group 31/12/2017	Group 31/12/2018	Group 30/06/2019
Total:	526	521	513	441	427
including: management	4	6	6	3	3
specialists	279	284	272	238	222
workers	243	231	235	200	202

Changes in number of employees of the Company in 2015–2018 and in the 1 half of the year 2019 are provided in Table 11.



Table 11

Actual number of employees	Company 31/12/2015	Company 31/12/2016	Company 31/12/2017	Company 31/12/2018	Company 30/06/2019
Total:	523	508	501	427	414
including: management	3	4	4	1	1
specialists	278	280	269	234	218
workers	242	224	228	192	195

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

Table 12

No	Education	Group 31/12/2015	Group 31/12/2016	Group 31/12/2017	Group 31/12/2018	Group 30/06/2019
1	Secondary incomplete	7	5	5	3	3
2	Secondary	195	187	185	156	152
3	College	72	73	75	62	66
4	Higher	252	256	248	220	209
	Total:	526	521	513	441	427

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

Table 13

No	Education	Company 31/12/2015	Company 31/12/2016	Company 31/12/2017	Company 31/12/2018	Company 30/06/2019
1	Secondary incomplete	7	5	5	3	3
2	Secondary	194	183	181	151	148
3	College	72	71	73	60	64
4	Higher	250	249	242	213	199
	Total:	523	508	501	427	414

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

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

The company actively cooperates with educational institutions and enables high school students to apply theoretical knowledge and gain practical skills.

The salary of employees of the Issuer consists of the constant part of salary, variable part of salary, benefits and allocations paid according to the Labour Code of the Republic of Lithuania and other laws, Collective agreement of the Company, and bonuses. Bonuses are paid from net profit, if the General Meeting of Shareholders allocates part of the profit for the bonuses of the Company employees. From 1998 till 2014, the General Meeting of Shareholders has never allocated any part of the profit for the bonuses of the Issuer's employees. In the year 2019

the General Meeting of shareholders allocated EUR 470 thousand from the profit of the year 2018 as bonuses to employees.

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

1. For continuous employment within the Company employees are granted additional paid leave.
2. The record of service of employees who worked in Lithuanian energy system companies and who were redeployed to the Company according to the corporate employer agreement, i.e. when the transfer was carried out according to the Labour Code or the Law on Employment Contract, is considered uninterrupted and those employees are granted an additional paid leave for an uninterrupted record of service within the Company.
3. At the agreement of the employer and employee, the employee may be granted unpaid leave for family related issues and other important reasons.
4. Company's employees are entitled to additional paid leave.

The employer obligates:

1. To ensure the conditions of preventive health check and, if necessary, rehabilitation treatment of employees, to provide free health services at the Company's occupational health unit;
2. In case of death of an employee, the Company pays an allowance in the amount of two monthly average salaries of the last year of the Company gives free transport or covers transport costs. The allowance is granted to the burying person;
3. In case of death of a close relative of the employee (father (adoptive father), mother (adoptive mother), child (adoptive), or spouse), the employee is granted the allowance of the average salary of the previous year of the Company, given free transport or transport costs are covered;
4. In case of birth of one or more children, employees are granted 50 per cent of the of the average salary of the previous year of the Company for each child;
5. In case of wedding, employees are granted 50 per cent of the of the average salary of the previous year of the Company;
6. Employees who are growing up three or more children under the age of 16, widows (widowers) and unmarried persons who grow up one child or children (adoptees) alone, if they are studying at secondary schools until the age of 19, and while studying at higher schools or colleges full-time till the age of 21, or if they are caring for other family members with heavy or moderate disability level or lower than 55 per cent working ability level, or family members who have reached the retirement age, which according to the laws are established a major or moderate level of special needs, once a year are granted 50 per cent of the of the average salary of the previous year of the Company according to the date of request;
7. For the 40<sup>th</sup>, 50<sup>th</sup> and 60<sup>th</sup> anniversary, as proposed by the head of the division, for excellent performance of employees having the 15 and 20 years of continuous employment with the Company are granted a monetary gift of 25 per cent, and having over 20 years of continuous work experience – a monetary gift of 50 per cent of the average salary of the previous year of the Company;
8. In other cases, where the material support is needed (loss due to natural disasters or other reasons beyond the employee's control), employees are granted the allowance of up to 3 the average salaries of the previous year of the Company;
9. In case of a serious illness or accident of the employee, he is granted an allowance of up to 5 average salaries of the previous year of the Company. Illness allowance is granted once a year (in 12 months);
10. For the occasions of the Lithuanian Energy Day and jubilees of the Company deserving employees are granted a monetary gift of up to 150 euros.

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

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

The Statutes of the Company were amended on 26 April 2019 by the decision of the General Meeting of Shareholders stating that the stamp is no longer used in Company's activities and the documents and transactions are valid without a stamp. The new wording of the Statutes was registered on 15 May 2019 in the Register of Legal Entities of the Republic of Lithuania. It can be found on Company's website at [www.kaunoenergija.lt](http://www.kaunoenergija.lt).



## 20. Issuer's management bodies

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



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

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

1 (one) General Meeting of Shareholders was convoked in the 1 half of the year 2019. Company's General Manager and the Chief Finance Officer attended it. Issuers' shareholders are allowed to ask questions and to get answers or explanations from Company's managers and speakers.

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

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

The Supervisory Board, following resolution No 1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania „On the requirement for Audit Committees“, „Guidelines for the application of requirements for Audit Committees“, approved in the decision of 28 November 2008 of the Securities Commission, approves the internal rules of procedure for forming the Audit Committee, and electing the Audit Committee members.

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

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

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

## 20.1. Data on the committees in the Company

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

Full name	Position	Beginning of term	End of term*
Mrs Ramunė Bičkauskienė	Independent member of Audit Committee	21 May 2019	26 April 2023
Mr Mindaugas Šimkus	Independent member of Audit Committee	21 May 2019	26 April 2023
Mr Gediminas Menkevičius	Member of Audit Committee	21 May 2019	26 April 2023

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

In carrying out its activities, the Audit Committee follows the internal rules of procedure of the Company's Audit Committee approved by decision No 2019-4 of 21 May 2019 of the meeting of the Supervisory Board of the Company. The Audit Committee performs its functions provided for in article 52 of the Law on Audit of the Republic of Lithuania. The Audit Committee performed the monitoring of the process of financial statements audit performed by independent auditor and had one session in the 1 half of the year 2019. Financial statements of the Company of the year 2018 were reviewed during the session.

## 21. Members of collegiate bodies, Company's manager, chief financier

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

*Members of the Supervisory Board of the Company as at 30 June 2019:*

Full name	Position	Beginning of term	End of term
Mr Visvaldas Matijošaitis	Chairman of the Supervisory Board	26 April 2019	26 April 2023
Mrs Ramunė Bičkauskienė	Member of the Supervisory Board	26 April 2019	26 April 2023
Mr Antanas Etneris	Member of the Supervisory Board	26 April 2019	26 April 2023
Mr Konstantinas Pesenka	Member of the Supervisory Board	26 April 2019	26 April 2023
Mr Mindaugas Šimkus	Member of the Supervisory Board	26 April 2019	26 April 2023
Mr Visvaldas Varžinskas	Member of the Supervisory Board	26 April 2019	26 April 2023
Mr Andrius Palionis	Member of the Supervisory Board	26 April 2019	26 April 2023

Company's Supervisory Board comprised of seven dependant members, who are also the members of the Kaunas City Municipality Council, as they partially represent the controlling shareholder, i.e. Kaunas City Municipality, holding 92.84 per cent of the Company's voting shares.

4 sessions of the Supervisory Board were held during the 1 half of the year 2019. More than ½ of members of the Supervisory Board attended the session.







Mr Visvaldas Matijošaitis, a Mayor of Kaunas city (code 111106319, Laisvės av. 96, LT-44251 Kaunas), Member of the Kaunas City Municipality Council. Founder, leader and Chairman of the board of public election committee Vieningas Kaunas (United Kaunas), Chairman of the board of association Mentor Lietuva, President of association Žalgirio Fondas (Žalgiris Fund). Mr Visvaldas Matijošaitis holds no shares of the Company. Mr V. Matijošaitis holds the shares of Vičiūnai Group of companies.



Dr Visvaldas Varžinskas, a member of the Kaunas City Municipality Council, Chairman of Committee of Sustainable Development and Investments (code 111106319, Laisvės av. 96, LT-44251 Kaunas), Docent of Environmental Engineering Institute of Kaunas University of Technology, Head of Centre of Packaging Innovations and research of Kaunas University of Technology, member of the Committee on Circular Economy Policy Formation of the European Commission for the Urban Agenda for the EU; expert of Technical Committee TK 42 of Lithuanian Standards Board (LSB), member of the board of public election committee Vieningas Kaunas, member of council of National Cluster of Renewable Energy of Baltic Littoral. Mr Visvaldas Varžinskas holds no shares of the Company. No interest in the capital of other Lithuanian companies.



Mrs Ramunė Bičkauskienė, administrative director of UAB Vičiūnų Grupė (code 303211678, V. Krėvės av. 97, Kaunas); Director of UAB MIR Projektai (code 302836883, Vėjo str. 59, Didvyrių vil., Kaunas distr.), member of the Kaunas City Municipality Council, chairwoman of committee of Economics and Finances (code 111106319, Laisvės av. 96, LT-44251 Kaunas).

Holds no shares of the Company. Holds the shares of the companies UAB MIR Projektai, AB Apranga, AB Šiaulių bankas, AB Vilkyškių Pieninė.



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

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



Mr Andrius Palionis, Deputy Mayor of Kaunas city (code 111106319, Laisvės av. 96, LT-44251 Kaunas), Member of the Board of public election committee Vieningas Kaunas (United Kaunas), chairman of the Committee of City Maintenance and Services (code 111106319, Laisvės av. 96, LT-44251 Kaunas).

Mr Andrius Palionis holds no shares of the Company. No interest in the capital of other Lithuanian companies.



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

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



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

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

Members of the Supervisory Board of the Company until 21 February 2019:

Mr. Tomas Bagdonavičius is a member of the Kaunas City Municipality Council, head of Business planning and analysis of UAB Vičiūnai Group (code 303211678, V. Krėvės av. 97, LT-50369 Kaunas), member of Public election committee United Kaunas.

Holds no shares of the Company. Mr. T. Bagdonavičius holds the shares of UAB Baltic Fish Export.

Members of the Supervisory Board of the Company until 26 June 2019:

Mr. Darius Razmislevičius is a member of the Kaunas City Municipality Council, Chairman of Health and Social Affairs Committee, Deputy director of the budget institution Parkavimas Kaune (code 134929849, Puodžių g. 24-1, LT-44239 Kaunas).

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

Mr. Rimantas Mikaitis is a member of the Kaunas City Municipality Council (Chairman of City Maintenance and Services Committee); Director of Athletics Federation of Lithuania (code 190722989, Kareivių g. 6, LT-09117 Vilnius).

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

## 21.2. Information on the members of the Company's Management Board

*Members of Company's Management Board as at 30 June 2019:*

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



9 sessions of Company's Management Board were held in the 1 half of the year 2019. More than 2/3 members of the Management Board attended all the sessions.



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

Mr Nerijus Mordas holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr Nerijus Mordas charged EUR 5.70 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



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

Mr Paulius Keras holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr Paulius Keras charged EUR 1.26 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr Algimantas Stasys Anužis, member of the Council of Kaunas Chamber of Commerce, Industry and Crafts, president of Lithuanian Veterans Basketball League.

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

Mr Algimantas Stasys Anužis holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr Algimantas Stasys Anužis charged EUR 4.86 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



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

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

Mr Karolis Šiugžda holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr Karolis Šiugžda charged EUR 1.26 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.



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

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

Mr Karolis Šiugžda holds no shares of the Company. No interest in the capital of other Lithuanian companies.

Mr Karolis Šiugžda charged EUR 1.26 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.

Members of Company's Management Board until 21 May 2019:

Mr Eugenijus Ušpuras, a habilitated doctor, chief of Laboratory of Nuclear Installation Safety (code 111955219, Breslaujos str. 3, LT-44403 Kaunas), Lithuanian Energetic, full member of the Lithuanian Academy of Sciences, professor.

Member of Company's Management Board from 1 June 2015 until 21 May 2019.

Mr Eugenijus Ušpuras holds no shares of the Company. No interest in the capital of other Lithuanian companies. Mr Eugenijus Ušpuras charged EUR 3.60 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr Giedrius Bielskus, a director of public institution S. Dariaus ir S. Girėno Sporto Centras (S. Darius and S. Girėnas Sports Centre) (code 133556183, Perkūno av. 5, LT-44221 Kaunas).

Member of Company's Management Board from 1 June 2015 until 21 May 2019.

Mr Giedrius Bielskus holds no shares of the Company. No interest in the capital of other Lithuanian companies. Mr Giedrius Bielskus charged EUR 3.60 thousand of remuneration under agreement of activity of member of the Management Board. No bonuses estimated, nor any assets were transferred or guarantees issued during the reporting period.

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

Mr Vaidas Šleivys, Director of Production of the Company, Interim General Director since 11 December 2018. Education – university degree from Kaunas University of Technology in 2001, thermal engineering. Director of the Company's Production Department since 14 April 2014, Project Manager of UAB Nomine Consult (code 304493084, Lvovo str. 25-701, Vilnius) since 5 March 2018.

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

Mrs Violeta Staškūnienė, Company's Chief Accountant since 16 January 2003. She has a University education from Vilnius University, graduated in 1984, labour economics, profession – economist.

Mrs Violeta Staškūnienė holds 2,641 of the Company's shares, which represent less than 5 per cent of the authorised capital. No interest in the capital of other Lithuanian companies.

Company's General Manager and the Chief Accountant charged 71.18 thousand euros of remuneration, and the average amount per member is 35.59 thousand euros during the 1 half of the year 2019. No other assets had been transferred, no guarantees granted.

## **22. Information on significant agreements**

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

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

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

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

There were no larger individual transactions. More detailed information is provided in the Explanatory Notes to financial statements.

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

There are no harmful transactions concluded on behalf of the Issuer during the reporting period (not complying with the Company's objectives, normal market conditions, detrimental to the interests of shareholders and other interest groups etc.) which were or are likely to have an adverse effect on the Issuer's activities and (or) performance in the future, as well as information on transactions entered into in a conflict of interest between the Issuer's management, controlling shareholders or other related parties' obligations to the Issuer and their private interests and (or) other duties.



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

Information on compliance with the corporate governance code is provided in Annex 1 to the Annual report of the year 2018. Annual reports on the Company's corporate social initiatives and policies are provided in Annex 2 to the Annual report of the year 2018 named AB Kauno Energija Report on Social Responsibility and on the Company's website.

## 27. Data on publicised information

In performing its obligations under the applicable legislation regulating the securities market, the Issuer has announced the following information starting from 1 January 2019 over the GlobeNewswire news distribution service, in which notices are disseminated within the European Union. This information was also posted on the website of the Issuer. All the information is available on website of Nasdaq Vilnius (<http://www.nasdaqbaltic.com/market/?lang=lt>) and Issuer's website (<http://www.kaunoenergija.lt>).

Title	Announcement category	Language	Time
Resolutions of the Extraordinary General Meeting of Shareholders of AB Kauno Energija	General meeting of shareholders	EN, LT	10/09/2019 16:40
Amendment to the agenda of the Extraordinary General Meeting of Shareholders of PLLC Kauno Energija	General meeting of shareholders	EN, LT	26/08/2019 15:05
Convocation of the Extraordinary General Meeting of Shareholders of PLLC Kauno Energija	General meeting of shareholders	EN, LT	16/08/2019 11:28
Business activity results of the 1 half of the year 2019	Notification on material event	EN, LT	31/07/2019 15:00
Information on election of the Chairman of Management Board and the Deputy Chairman of Management Board of AB Kauno Energija	Notification on material event	EN, LT	03/06/2019 11:59
Information on election of managing bodies of AB Kauno Energija	Notification on material event	EN, LT	22/05/2019 15:00
Activity results of the 1 quarter of the year 2018	Interim information	EN, LT	26/04/2019 11:00
Audited annual information of PLLC Kauno Energija for 2018	Annual information	EN, LT	26/04/2019 10:45
Dividend payment ex-date of PLLC Kauno Energija	Notification on material event	EN, LT	26/04/2019 10:20
Resolutions of the General Meeting of Shareholders of PLLC Kauno Energija	General meeting of shareholders	EN, LT	26/04/2019 10:15
Supplement of the agenda of the General Meeting of Shareholders of PLLC Kauno Energija	General meeting of shareholders	EN, LT	11/04/2019 15:00
Convocation of General meeting of shareholders of PLLC Kauno Energija	General meeting of shareholders	EN, LT	29/03/2019 15:00
Information on resignation of the member of Supervisory Board of AB Kauno Energija	Notification on material event	EN, LT	21/02/2019 12:00
Update: Activity results of 12 months of the year 2018	Interim information	EN, LT	31/01/2019 09:00
Activity results of 12 months of the year 2018	Interim information	EN, LT	30/01/2019 15:49