

**CONSOLIDATED INTERIM REPORT  
OF AB KAUNO ENERGIJA  
FOR THE 1 HALF OF THE YEAR 2014**



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

Following Article 22 of the Law on Securities of the Republic of Lithuania and Rules of Preparation and submission of Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we hereby confirm that, to our best knowledge, this Consolidated Interim Report of AB Kauno Energija (hereinafter – the Company or the Issuer) for the 1 half of the year 2014 represents a true and a fair business development and performance review of the Company is encountered.

Head of the Department of Sales and Consumer Service of AB Kauno Energija,  
Substitute to General Manager of AB Kauno Energija



Rimas Perevičius

Deputy Chief Accountant of AB Kauno Energija



Inga Šliačkuvienė



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## 1. Reporting period of the Consolidated Annual Report

Reporting period, for which the Consolidated Interim Report of AB Kauno Energija was prepared, is the 1 half of the year 2014.

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

AB Kauno Energija (hereinafter referred to as the Company or the Issuer) prepares both the Company's and the consolidated financial statements. The group (hereinafter referred to as the Group) consists of AB Kauno Energija and its subsidiary undertaking UAB Pastatų Priežiūros Paslaugos and UAB Kauno Energija NT, in which the Issuer directly controls 100 per cent of shares.

### Main details of the Company:

Name of the Company:	Open Limited Liability Company Kauno Energija
Legal-organizational form:	Open 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 Pastatų Priežiūros Paslaugos
Legal-organizational form	Private Limited Liability Company
Status of legal entity	In liquidation
Headquarters address	Savanorių pr. 347, 49423 Kaunas
Code of legal entity	300580563
Telephone	(8 37) 305 959
E-mail	info@kaunoenergija.lt
Webpage	www.p-p-p.lt
Fax	(8 37) 311 877
Registration date and place	1 July 2006, Kaunas
Register manager	Kaunas Branch of State Enterprise Centre of Registers
VAT payer code	LT100002506015

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 delivery services. The Company is the parent company of the Group. The Company generates and distributes heat to consumers in the city of Kaunas and town of 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).



After amendment of provisions of the Law on Heat Sector, from 1 May 2010 the Company supplies hot water (is engaged in hot domestic water supplier activities) for part of residential apartment buildings in the city of Kaunas and town of Jurbarkas and Kaunas district (hereinafter the supplies of heat and hot domestic water are referred to as heat, with the exception of information provided in Table 1 “Comparison of financial indicators of the 1 half of the year 2014 with the indicators of the 1 half of the years 2012–2013”) to consumers who chose the Company as a hot water supplier according to legislation. As at 30 June 2014, the Company was a hot water supplier for 355 houses in Kaunas, 3 in Kaunas district and 5 in Jurbarkas. Income from hot water supplies amounts to approximately 3.1 per cent of all of Company’s sales revenue.

In addition, the Company produces electric energy in small quantities in Kaunas city and Kaunas district and steam in Kaunas city, maintains engineering structures (collectors – manifolds), and operates heat and electricity production sources. The Group and the Company carries out a supervision of indoor heat and hot water supply systems, maintenance of heat unit equipment, repairs of buildings and constructions, repairs of heat units and other heating equipment, provides rental services of transport and premises, and other services to individuals and legal entities in relation to the supervision and maintenance of heat economy. The Group and the Company are engaged in licensed activity in accordance with the licenses held.

#### 4. Issuer’s agreements with finance broker companies and (or) credit institutions

On 1 April 2003 the Issuer signed the Service Agreement with AB SEB Bankas (company code 112021238, Gedimino pr. 12, Vilnius), represented by the Finance Markets Department.

#### 5. Trade in securities of companies composing the group of companies in regulated markets (name of regulated market, amount of securities in trade)

As of 30 June 2014, the 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 LTL 120,191,862 (one hundred and twenty million one hundred ninety one thousand eight hundred sixty two litas) as at 30 June 2014 were listed in the secondary trade list of NASDAQ OMX Vilnius Stock Exchange Baltic. The beginning of listing of the Company’s shares is 28 December 1998.

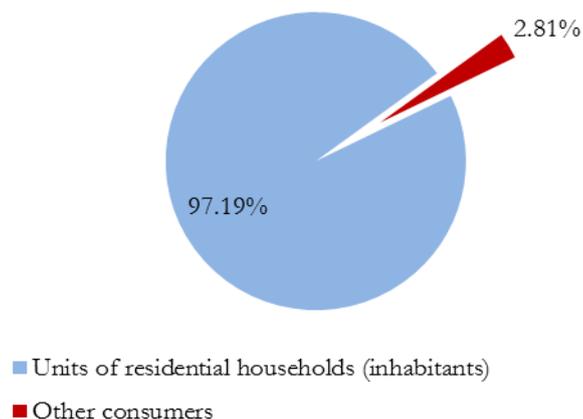
#### 6. Objective overview of the condition, performance and development of the group of companies, and description of exposure to key risks and uncertainties

##### 6.1. Company’s condition, performance and development overview

The Company covers a major part of heat supply market in the city of Kaunas and the town of Jurbarkas and part of Kaunas district. 3,306 businesses, organizations and 114,515 of households, in total 117,821 consumers (objects by addresses) were connected to the Company’s integrated heating and local area networks as at 30 June 2014. Distribution of the number of heat consumers by groups is shown in Chart 1.

*Chart 1*

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



The vision of the Group and the Company is to be a modern, effective, competitive, and added value creating group of companies engaged in heat and electric energy generation, supply and distribution and in maintenance of buildings and indoor heating and hot water supply systems, and property lease. Maintenance of buildings and indoor heating and hot water supply systems are performed following the provisions of Article 20 of the Law on Heat Sector of the Republic of Lithuania.

Values of the Group and the Company:

- 50 years of experience in heat production and supplies business;
- responsibility against consumers for fail-safe heat and hot water supplies and for quality maintenance of buildings and of heating and hot water supplies systems at the lowest cost;
- high qualifications of employees, enabling to reach a highest rates of efficiency;
- ability to implement latest scientific achievements in the activities of the Group and the Company;
- close cooperation with state and municipal institutions, universities, research institutions and with academic institutions;
- ability to participate in development and implementation of scientific programs;
- reputation of reliable, modern and solid group of companies;

Strategic goals of the Group and the Company:

- to reduce the costs of heat generation, supply, delivery of services and management in order to reduce competition in the heat production sector, reduce the final value of centrally supplied heat and hot water for customers;
- to fulfil all measures indicated in investment plans until the end of the year 2015 in order to ensure fail-safe heat supplies for customers and reduction of its costs ;
- to expand the use of renewable energy sources in the Company's heat production facilities in order to reduce the cost of heat production and fulfil the requirement of Directive 2009/28/EB to produce not less than 23 per cent of heat from renewable energy sources in Lithuanian by 2020;
- to expand the competition in the heat generation sector;
- to expand the current position of the Group companies in the market;

The Company continued its activities in the first half of the year 2014 following the strategic guidelines of Kaunas city central heat supplies, approved by decision No T-236 of Kaunas City Council of 7 April 2011 "On the strategic guidelines of Kaunas city central heat supply" and following the Strategy of Kaunas city central heat supplies accepted by decision No T-626 of Kaunas City Council of 14 November 2012 "On the approval of Strategy of Kaunas city central heat supplies".

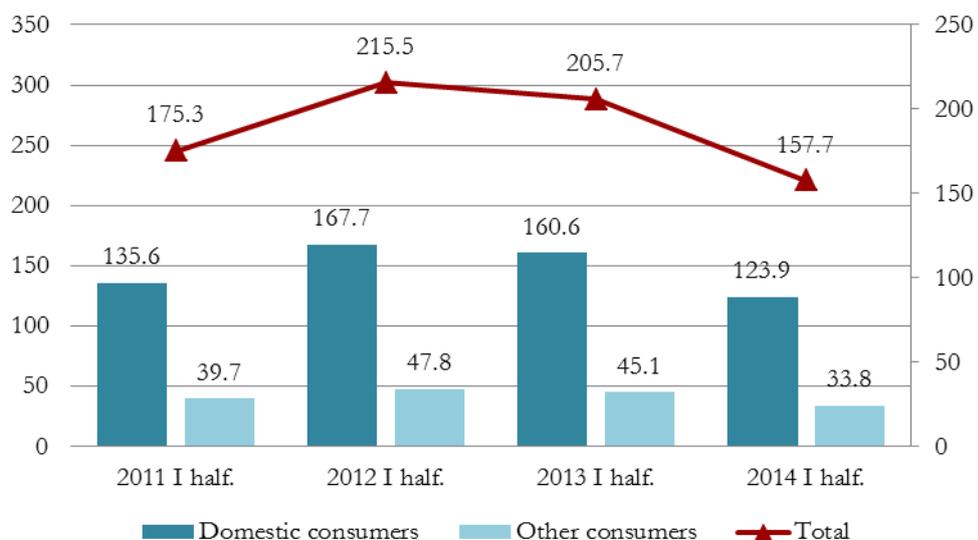
In preparing development guidelines, the Company also takes into account the AB Kauno Energija strategy for the heating system development for the years 2007–2020 developed by the Lithuanian Energy Institute. The Company continues to carry out the trunk pipeline replacement projects co-financed by the European Union structural funds, to optimize pipeline diameters, connect new customers to the district heating network and modernise the sources of heat production. With the start of a new period of the basic heat price approved by the Prices and Energy Control Commission (for the year 2013–2016), and changes in the regulating environment, in order to reduce the heat production costs, heat price to consumers, the Company refocused its activity development guidelines and intends to spend most part of investments to the development and modernisation of new heat generating sources from renewable energy resources.

In the 1 half of the year 2014 the Group's net profit was amounted to LTL 6,267 thousand, the Company's – LTL 6,243 thousand. The Group's operating income was amounted to LTL 160,151 thousand, the Company's – LTL 160,170 thousand. Majority of income was generated from the sales of heat: the Group's – 98.47 per cent, the Company's – 98.46 per cent (supplies of the heat and hot water excluding the costs of cold water).

The Company's income from sales of heat was amounted to LTL 157,706 thousand and decreased by 23.33 per cent compared to the 1 half of the year 2013 (Chart 2). The Company's variable costs of heat supplies (fuel, purchased heat, water and electricity for technology) in the 1 half of the year 2014 were at 23.63 per cent lower (38.9 million litas) compared with the 1 half of the year 2013. More detailed information is provided in section 7.



Company's income from heat sales in 2011 – 1 half of the year 2014, million litas



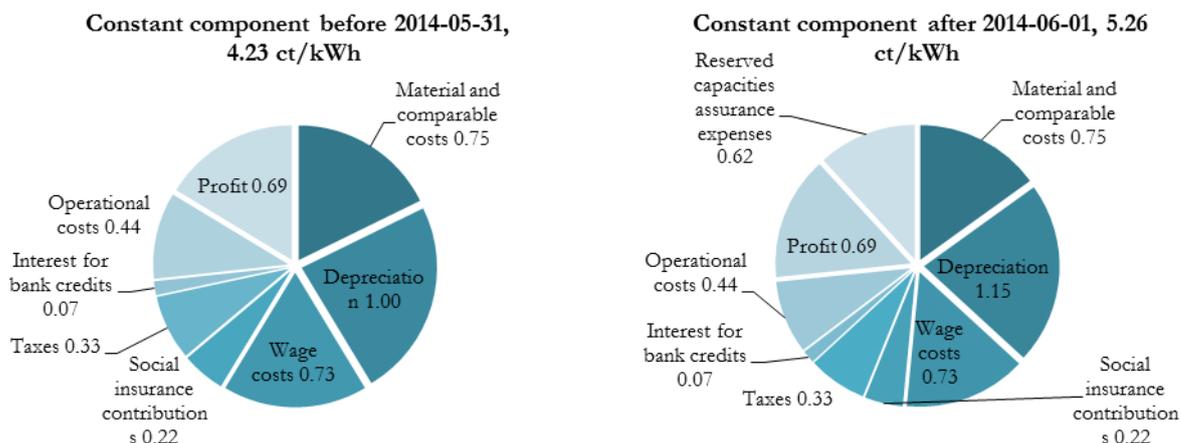
Company's investments in latest technologies (reconstruction of heat production sources, equipping them with, misers, automation of boiler-houses of isolated and integrated networks, e-service system for customers, system of data transfer and processing from remote heat meters, modern customer servicing system based on the 'One Call' principle), reconstruction of heat supply networks helps the Company to reduce heat supply losses, quickly adapt to changes in the market and to become an innovative company of heat and hot water supply, maintenance of heating networks and generation sources in the city of Kaunas and the town of Jurbarkas and in Kaunas district.

In the 1 half of the year 2014 the Company continued to implement new projects of modernization of heat production sources of Kaunas city integrated network. The main projects: installation of new gas burning boilers, condensers (economizers) in existing heat production sources and development of bio-fuel burning projects.

Amendments to the Law on Heat Sector of the Republic of Lithuania and changes in National Commission for Energy Control and Prices (hereinafter – NCC) regulation allowed favourable conditions to invest to construction and reconstruction of heat production sources, thus increasing competition in heat production sector and effectively reducing heat price for consumers.

Management Board of AB Kauno Energija determined by its decision of 28 March 2014 No 2014-8-1 a heat price constituents for the second year of validity of basic heat price, which were agreed by NCC's decision of 6 May 2014 No O3-120. A comparison of constant heat price constituent valid until 31 May 2014 and of a new constituent effective from 1 June 2014 and of their components is presented in Chart 3.

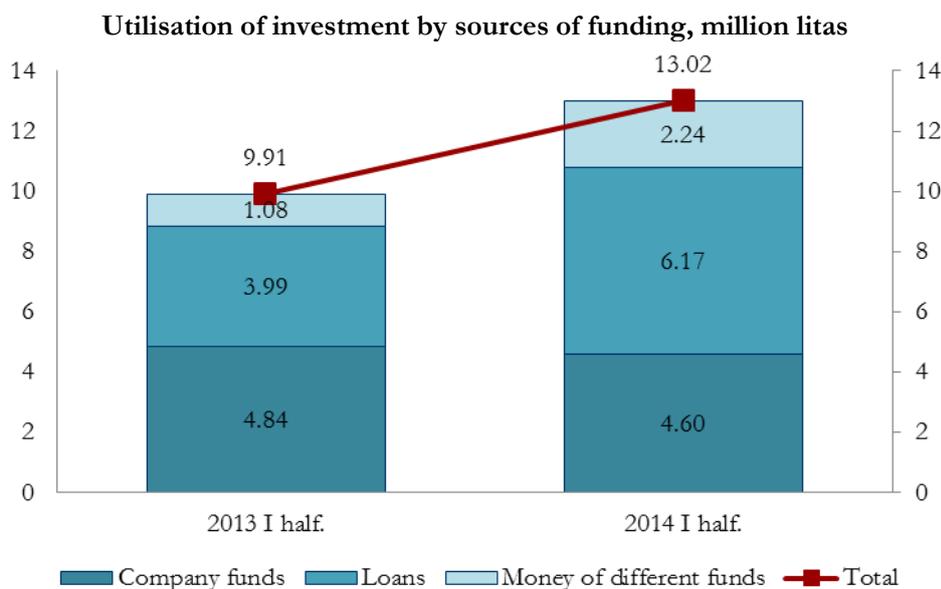
Comparison of constant heat price constituent and its components



The Company makes investments in accordance with the Company's revised investment plan for 2012–2015, which was approved by decision No T-60 of Kaunas City Council of 6 February 2014 “On the revised investment plan of AB Kauno Energija for 2012–2015.” Over the period of 2012–2015, the planned investments in the Company's assets should be 188.04 million litas.

During the 1 half of the year 2014 the Company invested LTL 13.02 million (funds from other sources, among them, i.e. LTL 6.17 million are loans from commercial banks, LTL 2.24 million is a financial support from the European Union Structural Funds and Lithuanian Environmental Investment Fund. Company's investments by funding sources for the 1 half of the years 2013–2014 are shown in Chart 4.

Chart 4



The change of investment uptake of the Issuer during 2009–2013 reflects changes in the amount of investment and macro-economic processes in the country and in the European Union: In 2009, the investment performance was 20.634 million litas, and the volumes of used investments in 2010 amounted to 30.242 million litas. In 2011, the investment volumes compared to 2010 increased by 16.4 per cent. In 2012, compared to 2011, investment volumes changed insignificantly and amounted to 30.661 million litas, while the Company's investments in equity in 2013, compared with 2012, increased by 45.85 per cent. It is planned to implement investments for LTL 109.347 million in the year 2014. Such growth of investment volume is due to the effective operations of the Company, partial investment funding from the European Union structural funds and the Lithuanian Environmental Investment Fund, improved lending conditions (interest rate stabilization), the country's economic recovery from the recession and optimistic expectations.

In the 1 half of the years 2014 the Company conducted new projects of generation source and network modernization:

- (i) 10 MW capacity condenser (economizer) was built in Petrašiūnai power-plant. On 18 March 2014 it was presented to the State Energy Inspectorate, which issued a certificate allowing its operation. A new device is built alongside already existing 100 MW capacity gas boiler PTVM 100. A new device allowed reducing fuel consumption for the production of the same quantity of heat. Total capacity of both devices consists of approximately 110 MW. Along with new condenser (economizer) an automated boiler control system is installed. Common coefficient of efficiency of both devices increased after the installation of condenser (economizer), which now reaches approximately 105 per cent. Existing chimney of the boiler PTVM 100 is also adjusted for the operation with condenser (economizer) (value of the project is LTL 5.4 million);
- (ii) “Reconstruction of Šilkas boiler-house changing used fuel to bio-fuel (II stage)”. It is planned to install 8 MW capacity bio-fuel burned water heating boiler along with 4 MW capacity condenser (economizer) in Šilkas boiler-house by implementing of this project (total value of the project is LTL 8.1 million, support – LTL 3.99 million, project activities were started in June 2014);



- (iii) “Reconstruction of Petrašiūnai power-plant changing used fuel to bio-fuel (I stage)”. It is planned to change steam boiler BKZ No 1 with two bio-fuel burned water heating boilers with capacity of 12 MW each and to install 6 MW capacity condenser (economizer) by implementing of this project (the total capacity of equipment will be 30 MW). The total value of the project is LTL 21.5 million. European Union Structural Funds support for this project in amount of LTL 6 million is already confirmed. Project activities are started in the spring of 2014 and the project is intended to be finished in March 2015.
- (iv) “Reconstruction of Inkaras boiler-house changing used fuel to bio-fuel”. It is planned to install two bio-fuel burned water heating boilers with capacity of 8 MW each and to install 4 MW capacity smoke condenser (economizer) by implementing of this project (the total capacity of equipment will be 20 MW, the total value of the project is LTL 19.3 million, support – LTL 6 million. Starting-up and adjustment works are supposed to be started in the 1 half of this winter. The project is intended to be finished until June 2015). These projects of boiler-houses reconstructions changing used fuel to bio-fuel are implemented under the measure “Use of Renewable Sources for Energy Production” of the 3 priority “Environment and sustainable development” VP3-3.4-ŪM-02-K of Cohesion Promotion Operational Programme.
- (v) “Modernization of the main 5T of Kaunas integrated network” (value of the project is LTL 3.41 million). EU Structural Funds support is LTL 1.71 million;
- (vi) “Modernization of the main 6Ž of Kaunas integrated network” (value of the project is LTL 2.07 million). EU Structural Funds support is LTL 1.03 million;
- (vii) “Modernization of the main 1Ž between heat cameras 1Ž-7 and 1Ž-8 and between heat cameras 1Ž-10 and 1Ž-12 in Chemijos str.” (value of the project is LTL 4.26 million). EU Structural Funds support is LTL 2.00 million;
- (viii) “Modernization of the main 3Ž between heat cameras 3Ž-9 and 3Ž-9-5<sup>e</sup> in A. Baranausko str.” (value of the project is LTL 1.57 million). EU Structural Funds support is LTL 0.79 million;
- (ix) “Modernization of the main 4Ž between heat cameras 4Ž-10 and 4Ž-15 in Taikos av.” (value of the project is LTL 2.12 million). EU Structural Funds support is LTL 1.06 million. Partial financing from EU Structural Funds for all these projects of the mains reconstructions is allocated under the measure “Modernization and development of heat supply system” of the 4 priority “Basic Economic Infrastructure” VP2-4.2-ŪM-04-K of the annex of Operational Programme for Economic Growth.

All of the above mentioned investment projects are included in corrected AB Kauno Energija investment plan of the years 2012 – 2015 and its financing sources, which was approved by the decision of Kaunas city municipality council of 6 February 2014 No T-60. All the projects are successfully started to implement and will be finished in 2014–2015.

In the 1 half of the year 2014 UAB Ernst & Young Baltic accomplished review of principles of accounting, payment and declaration of Company’s immovable property tax for current and past five fiscal periods, in order to determine evaluation of taxing values. Results of review let to calculate lower taxing values for future taxing periods.

In order to increase effectiveness of Company’s employees work UAB Ernst & Young Baltic accomplished in the 1 half of the year 2014 an assessment of inner control system. Company’s inner control elements were analysed during this assessment, efficiency and validity of inner control system were assessed and, considering to Company’s structural changes, recommendations for development of inner control system were formulated.

In the year 2014 VTT Technical Research Centre of Finland invited AB Kauno Energija to take part in the EU H2020 Secure Societies research project I-ACT (Identification and Development of standardised decision support methods for city Adaptation to Climate change) to which it is coordinating. The I-ACT proposal aims to develop a decision support system for co-creation and adaptive management of city resilience based on long-term climate and socioeconomic scenarios with related uncertainties. AB Kauno Energija is ready to be involved as end-user in order to reach I-ACT project objectives. Should the contract be forthcoming to the I-ACT consortium, the Company will make the best effort to provide input, advice and support to the project, depending on its competencies, capabilities and availability.

The rest of information has not changed from that announced in AB Kauno Energija consolidated annual report for the year 2013.



## 6.2. Description of exposure to key risks and uncertainties we confront with and their impact on Company's results

*External risk factors affecting the Company's core business:* inflation, increase of oil prices, ever-changing legal environment, as well as the heat production pricing policies.

The Company, in order to operate effectively and reliably, in creating the added value for shareholders, is faced with specific threats 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 independent manufacturers of heat, which is regulated in the Description of procedure for purchase of heat from independent suppliers of heat. In turn, the Company invests extensively in modernization and construction of its own manufacturing sources, to reduce the comparative costs of heat production. Thus it takes advantage of the regulatory environment and reduces the energy purchase price.

In the 1 half of the year 2014, the Company bought heat from 6 independent heat producers in Kaunas and Kaunas district: UAB Kauno Termofikacijos Elektrinė, UAB GECO Kaunas, UAB Lorizon energy, UAB Ekoresursai, UAB Pramonės Energija, UAB Aldec General and UAB ENG. Total purchases were 616.9 thousand MWh of heat, i.e. 79.7 per cent of heat supplied to the network (in the 1 half of the year 2013 the indicator was 80.2 per cent).

*Economic factors:* The Company is a major supplier of the heat produced centrally to the town of Jurbarkas and the city of Kaunas, and part of Kaunas district. In order to maintain this, it is necessary to adapt to the changing heat supply conditions and continue the implementation of modern and efficient technologies in the production of heat, to focus on the reliable supply at the lowest cost, benefiting from private differences of different types of fuel and delivery of quality service to consumers.

The Company's sales of heat 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.

*Risk of decline in consumption:* Company's performance is affected by the decline in sales due to reduced heat demand, high effect of changes in fuel prices to the price of heat, and these connections of consumers. Risks can be mitigated by the Company investing in renewable energy sources using heat and electricity production facilities, promotion of competition in the heat production industry, thereby reducing the heat production cost and the price of heat offered for consumers, educating consumers about the benefits of district heating systems in comparison with autonomous heating.

*Financial / economic risk:* User solvency decline and debts. Risks can be mitigated by the factoring of debts and applying more stringent debt collection techniques/methods. Other possible financial/economic risk – changes in interest rates in the banking market. Currently, the interest rates are stable.

During the 1 half of the year 2014 compared with the year 2013, heat consumer debts remained almost in the same level. In the 1 half of the year 2014 they were LTL 67.325 million, in the year 2013 – LTL 67.357 million. In the year 2012, the 10 million debt repayment schedule was made with Kaunas city municipality providing the start of debt repayment from 2014. On 3 December 2013 the amendment of the agreement was signed by transferring the final deadline of settlement to 2015. In 2013, the agreement on short-term credit of 10.567 million litas was signed by refinancing the repayment of debts of Kaunas municipality for heat.

In order to recover these debts as soon as possible, the Company uses a variety of active debt management measures, cooperating with debt collection companies, and introducing other new instruments.

In all cases, the Company first notifies the user of his indebtedness. When debtors respond to warnings and contact the Company, the Company discusses the options of debt settlement with them, signs documents guaranteeing the repayment of the debt. If the debtor does not respond to warnings, does not cooperate with the Company, it is then applies to the court for the award of the debt. In such case the debtor must pay not only the debt but also the court and execution costs.



Information on debtors avoiding timely payments is passed to the Creditinfo debtor administration information system according to the laws where all of its participants (different service providers) can see and evaluate the person's solvency. A debtor listed in this database is assigned to a group of unreliable payers and may have difficulties in the future to get a credit, to sign a leasing contract, or, for instance, to become a mobile communication subscriber.

Activities of the Company are cyclical. During the heating season (October – April) the highest 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 has to prepare for the upcoming heating season, i.e. to carry out the repairs and reconstruction of heat supply networks and heat production sources.

*Political and legal factors:* 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 the National Control Commission for Prices and other legislation. Their amendments affect the heating industry.

In 2013, Lithuania adopted a new methodology for calculating the prices of heat, in force since 1 January 2014. Also, the National Control Commission for Prices approved a new Schedule of heat purchase from independently producers enabling the Company to take part in the heat purchasing auction with its manufacturing resources.

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 coming 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 of these costs directly reduce the profit of the Company as the Company has invested 61.8 million litas to the upgrade of from 1997.

The political and legal risks also include political decisions of Kaunas City Municipality, with a controlling stake in the Company, that affect the Company's decision-making on the issues of agenda at the meetings of shareholders (the most significant issues, excluding the shareholder structure formation, are the distribution of profits and support), election of members of the Supervisory Board, who appoint the Company's Management Board members (who are often influenced by the politicians who elected them). The risk can be mitigated by informing the main shareholder of the Company's operations, performance, future plans and non-politicized notification of the board.

The main risks and uncertainties of the financial operations of the Company are provided in Notes 2.25, 2.26 and 23 to the financial statements of the Company for the 1 half of the year 2014 and consolidated statements of AB Kauno Energija.

*Social factors:* social factors that have had an impact on the Company's operations in recent years include the decline in the number of users, slight degree of growth in real consumer income (purchasing power), unemployment and building negative opinions about district heating and of the Company in the public domain.

The rest of information on the social factors has not changed from that announced in AB Kauno Energija consolidated annual report for the year 2013.

*Social risk:* The Company's activities are most important to many Kaunas region residents and businesses due to the value of costs for heating and hot water (as measured in terms of Lithuania, the Company's district heating price was lower than the average among all heat supply companies in the 1 half of the year 2014). This risk is mitigated by raising the awareness of consumers about the Company's activities in order to ensure quality services and greater attention to consumers. The Company receives most complaints for the amount of charges for heat. In order to analyse and resolve these complaints, customer service professionals work with consumers who advise customers in the Company's premises, by phone, in letters and e-mails. Heat users periodically, i.e. 2-4 times per year, are invited to meet with the Company's specialists, and discuss consumer issues related to the Company's activities, and also to mitigate the negative image of the heat suppliers promoted by the media.



*Technical and process factors:* greatest process risks are so shaded with the condition of heating systems. A majority of the Company's trunk pipelines are about thirty years old. Hydraulic testing identifies their weakest points. Every year, about 300 points where cracks occur are identified during the tests. Upon discovery of defects, pipes are exposed and promptly repaired.

Other maintenance work is carried out along with pipe repairs. Each year, leaking shutoff valves are replaced in heat chambers – valves, to which the heating media supply is disconnected in part of the city's neighbourhoods. These works are carried out by the Company out of its own funds.

Mains of heating networks in the most worn out places are reconstructed through the use of support from the EU Structural Funds. In the year 2014, 5 new projects of the reconstruction of the mains of heating network are implemented: "Modernization of the main 5T of Kaunas integrated network", "Modernization of the main 6Ž of Kaunas integrated network", "Modernization of the main 1Ž between heat cameras 1Ž-7 and 1Ž-8 and between heat cameras 1Ž-10 and 1Ž-12 in Chemijos str.", "Modernization of the main 3Ž between heat cameras 3Ž-9 and 3Ž-9-5c in A. Baranausko str.", "Modernization of the main 4Ž between heat cameras 4Ž-10 and 4Ž-15 in Taikos av."

The greatest technical risk factor for heat generation sources is the age of heat production facilities. Each year, boiler repairs and preventive work is carried out during the non-heating season. More information on the Company's production and investment in the modernization of sources is provided in sections 6.1 and 7.

Process risk can be reduced by reconstructing the sources of heat production and supply pipelines, utilizing the latest and advanced technologies and thereby increasing the efficiency of the thermal system. 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. This information has not changed from that announced in AB Kauno Energija consolidated annual report for the year 2013.

*Bank loan repayment:* more on this issue is presented in Note 11 to the explanatory notes of financial statements of AB Kauno Energija for the 1 half of the year 2014. The Group and the Company repay the loans on time.

Every year, significant part of funds for facility upgrade are borrowed, as own resources, i.e. accumulated depreciation and amortization, are not sufficient to perform the necessary investment program. The volumes of the repayment of loans taken out for the investment program, are not included in the sale price of heat, as the price components in accordance with the current methodology, therefore, the Company aims to be profitable, to be financially able to settle with credit institutions in accordance with loan agreements.

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

It has been planned that in 2014, the core business sales revenue will be lower due to reduced heating prices; the amount of heat sold to consumers will remain the same as in 2013. Sales revenue from the main activities, compared with the 1 half of the year 2013, is 22.9 per cent lower. This change was mainly affected by the price of heat, the main part of which contains of purchased heat and fuel component. In the 1 half of the year 2014, the average price of heat (24.80 ct/kWh) was at 10.8 per cent lower than in the 1 half of the year 2013 (27.80 ct/kWh). The amount of heat sold in the 1 half of the year 2014 compared with the 1 half of the year 2013 was at 14.1 per cent less.

Comparison of financial indicators of the 1 half of the year 2014 with the indicators of the 1 half of the years 2013–2013 is presented in Table 1.



Table 1

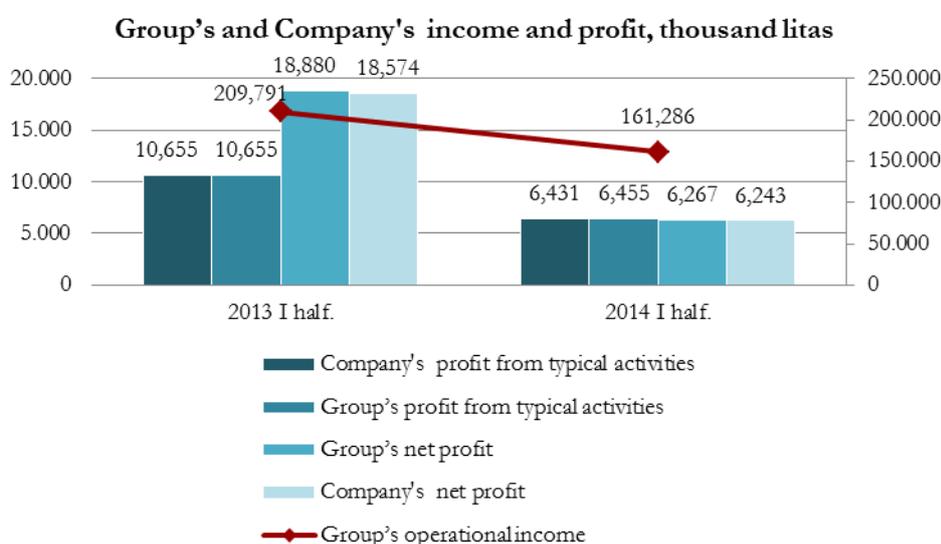
No	Indicator name	Company 1 half of 2012	Group 1 half of 2012	Company 1 half of 2013	Group 1 half of 2013	Company 1 half of 2014	Group 1 half of 2014
1	Net profitability,% (net profit /sales and services)*100	4.6	4.6	8.9	9.1	3.9	3.9
2	Return on tangible assets,% (net profit/average value of tangible assets)*100	2.9	3.0	5.4	5.7	1.7	1.8
3	Debt ratio (liabilities /assets)	0.33	0.33	0.30	0.30	0.35	0.35
4	Debt-to-equity ratio (liabilities / equity)	0.5	0.5	0.4	0.4	0.5	0.5
5	General liquidity ratio (short-term assets / short-term liabilities)	0.87	0.87	1.29	1.29	0.81	0.81
6	Asset turnover ratio ( sales and services/ assets)	0.53	0.54	0.51	0.52	0.38	0.38
7	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand litas	19,418	19,441	27,864	28,226	16,596	16,650
8	Profitability of core business, per cent (operating profit/sales and services)* 100	4.5	4.5	4.5	4.5	3.7	3.7
9	Return on equity (ROE)% (net profit/average equity)*100	3.6	3.8	6.7	7.0	2.3	2.4
10	Return on assets (ROA)% (net profit/ average assets)*100	2.4	2.5	4.5	4.7	1.4	1.5
11	Quick ratio((short-term assets-inventory)/short-term liabilities)	0.80	0.80	1.19	1.19	0.73	0.74
12	Cash ratio (cash in hand and at bank / short-term liabilities)	0.06	0.06	0.11	0.12	0.05	0.05
13	Net earnings per share (net profit/average weighted number of shares in issue)	0.23	0.23	0.43	0.44	0.15	0.15
14	Net profit, thousand litas	9,971	9,959	18,574	18,880	6,243	6,267
15	Assets, thousand litas	406,069	402,587	405,515	402,314	419,216	416,760
16	Equity, thousand litas	273,315	269,958	282,755	280,075	272,216	270,415
17	Equity per share, litas	6.4	6.3	6.6	6.6	6.4	6.3
18	Revenue from sales, thousand litas	216,938	216,997	207,739	208,018	160,170	160,151
18.1	Of them: Heat energy	213,725	213,687	202,814	202,771	154,230	154,204
18.2	Electric energy	185	185	206	206	301	301
18.3	Maintenance of indoor heating and hot water supply systems, heating substation facilities	252	349	111	433	65	72
18.4	Income from the maintenance of collectors	387	387	388	388	392	392
18.5	Hot water supply including cold water price	2,264	2,264	4,057	4,057	4,939	4,939
18.6	Income from maintenance of hot water meters	125	125	163	163	243	243
19	P/E ratio (last share market price of the year /(net profit/number of shares at year-end)	6.66	6.67	4.63	4.56	11.83	11.79



No	Indicator name	Company 1 half of 2012	Group 1 half of 2012	Company 1 half of 2013	Group 1 half of 2013	Company 1 half of 2014	Group 1 half of 2014
20	Share capital, thousand litas	256,392	256,392	256,392	256,392	256,813	256,813
21	Share capital-to-assets ratio	0.63	0.64	0.63	0.64	0.61	0.62
22	Return on equity (capital), per cent (net profit/ capital and reserves)*100	3.8	3.8	7.0	7.2	2.3	2.4
23	Dividend payment ratio (dividend per share/earnings per share)	0.79	0.78	0.00	0.00	0.25	0.14

Comparison of the Company's financial results for the 1 half of the year 2014 (sales revenue, operating profit, net profit) with those for the 1 half of the year 2013 is given in Chart 5.

Chart 5



The Group's and the Company's profit of the 1 half of the year 2014 compared to the 1 half of the year 2013 is higher because of the decision of Vilnius Commercial Arbitration Court for the award of 7.054 million litas fine from UAB Kauno Termofikacijos Elektrinė for its failure to perform its obligations under the Investment Agreement.

Starting from 1 July 2013 the Company pays a service fee to UAB Kauno Termofikacijos Elektrinė for guaranteeing the reserve power, i.e. LTL 1.009 million per month for January – February 2014, starting from March 2014 – LTL 0.831 million per month. The fee is included in the price of heat sold to consumers (0.62 cents/kWh), but according to the heat sold in July-December 2013, in 2013 the Company paid to UAB Kauno Termofikacijos Elektrinė 3 million litas more than in the fees collected from users, and during the 1 half of the year 2014 the Company paid almost 1 million more. Consumers will have to cover this difference during 2014–2015.

Company's profit before taxes of the 1 half of the year 2014, compared to the profit of the same period of the year 2013 decreased also due to the decreased heat price and decreased revenue. Company's revenue from the sales of the 1 half of the year 2014 compared to the revenue from the sales of the same period of the year 2013 are lower at 22.9 per cent due to the 14.07 per cent lower quantity of heat sold (useful supplies to the network in the 1 half of the year 2014 was 635.9 thousand MWh, and in the 1 half of the year 2013 – 740.1 thousand MWh), and due to the decreased (at 10.8 per cent) average heat price (in January – June 2014 it was 24.80 ct/kWh, in January – June 2013 it was 27.80 ct/kWh).



The Company's profit decreases also because of the maintenance costs of individual heating units owned by the Company. Those costs may not be included in heat and hot water prices as in accordance with 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 coming in affect from 1 November 2011, “any costs related with the indoor building heating (including heating units), and hot water systems may not be included in heat and hot water prices”. Starting from 1 November 2011 in accordance with the law the costs of maintenance and repair of heating units equipment are not included in the heat price.

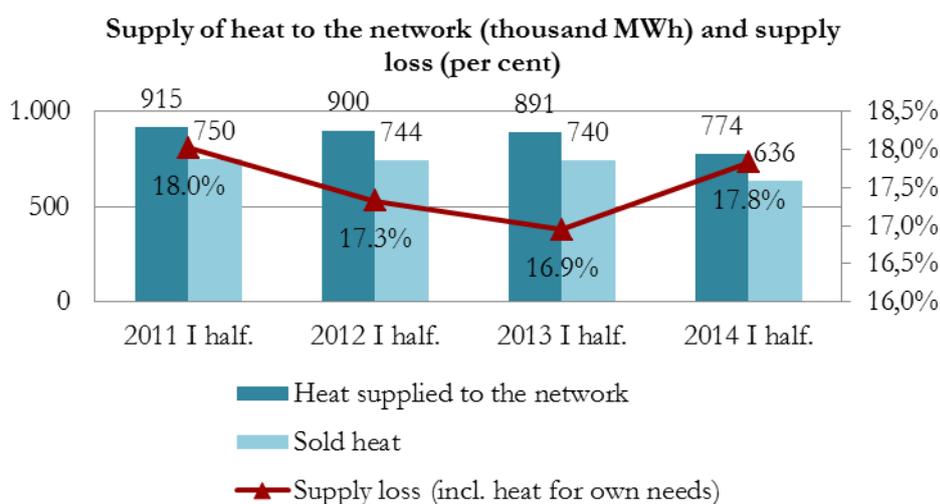
A more detailed analysis of the Group’s and the Company’s financial results is presented in the Notes to Financial Statements for the 1 half of the year 2014.

Comparison of non-financial indicators of the 1 half of the year 2014 with the indicators of the 1 half of the years 2012-2013 is presented in Table 2.

Table 2

No	Indicator name	Measure units	Company 1 half of 2012	Group 1 half of 2012	Company 1 half of 2013	Group 1 half of 2013	Company 1 half of 2014	Group 1 half of 2014
1.	Energy produced and purchased: of which supplied to the network	thousand MWh	900.4	900.4	891.3	891.3	775.2	775.2
1.1.	thermal energy	thousand MWh	899.8	899.8	890.5	890.5	774.1	774.1
1.2.	electric energy	thousand MWh	0.6	0.6	0.8	0.8	1.1	1.1
2.	Energy sold	thousand MWh	744.5	744.5	740.9	740.9	637.0	637.0
2.1.	thermal energy	thousand MWh	743.9	743.9	740.1	740.1	635.9	635.9
2.2.	electric energy	thousand MWh	0.6	0.6	0.8	0.8	1.1	1.1

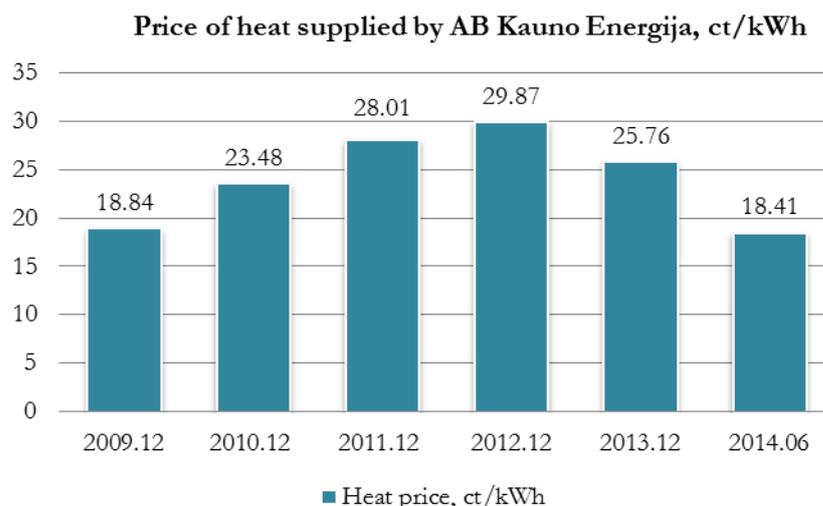
Chart 6



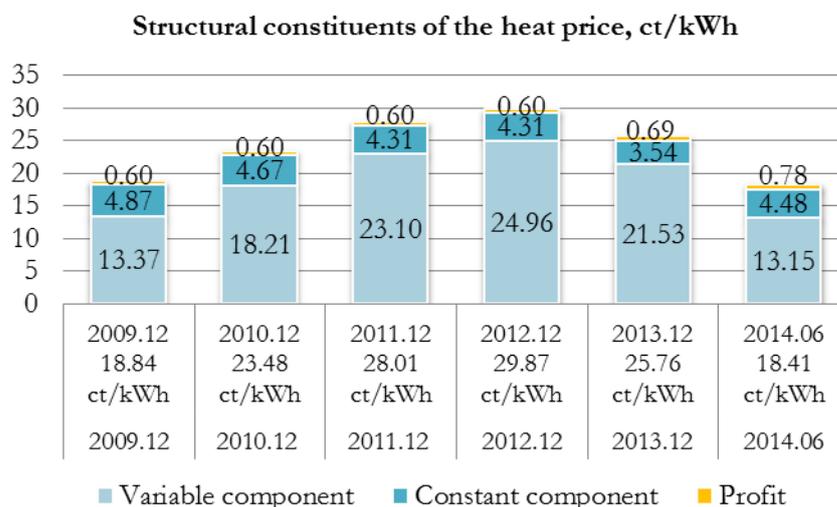
*Environmental impact on operations:* The Company’s performance can be affected by changes in sales turnovers caused by changed heat demand, which can be caused by consumer investments in the renovation of buildings, heat saving and rational consumption, average higher or lower outdoor temperature during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

The dynamics of heat prices of the Company in 2009–2013 and in June 2014 are presented in Chart 7.





Components of Company’s heat price structure in 2009–2013 and in June 2014 are presented in Chart 8.



The rest of information related to environmental issues, management of waste and wastewater, air pollution and human resources issues has not changed from that announced in AB Kauno Energija consolidated annual report for the year 2013.

**8. References to and additional explanations of data presented in the annual financial statements, and key features of internal control and risk management systems relating to the preparation of the consolidated financial statements**

All main financial data of the Group and the Company are presented in the explanatory notes to the consolidated financial statements and financial statements of AB Kauno Energija for the 1 half of the year 2014.

*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 the 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 the purpose of the consolidated financial statements of the Group, the financial statements of the Company and subsidiaries are prepared for the same date.

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 2014**

On 22 July 2014 AB Kauno Energija put an application in reply to Lietuvos Energija, UAB invitation of rendering of non-obligatory proposals of cooperation in implementation of cogeneration power-plants projects. The Company put an application intending for cooperation just in implementation of cogeneration power-plants projects. It's planned that heat capacity of newly installed waste and bio-fuel burned power-plants complex could reach 134 MW and electric capacity – up to 41 MW.

On 29 July 2014 Minister of Energy of the Republic of Lithuania Jaroslav Neverovič visited AB Kauno Energija. Minister was interested in situation of Kaunas heat sector, in implemented bio-fuel and heat networks modernization projects and perspectives of development as well. Situation in Kaunas heat sector was presented to Minister during his visit, as well as already implemented projects of modernization of own heat producing sources and networks. Also projects implemented in the year 2014 were presented to Minister. He was also interested in possibilities of modernization of Petrašiūnai power-plant and of possibilities of co-operation with Lietuvos Energija, UAB.

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

The aim of the Group's and the Company's investment program for the year 2014 is to further develop the Company's heat production, transmission and distribution through increase of use of bio-fuel for heat production, heat supply reliability, expansion of maintenance services of engineering systems and improvement of 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 sources and heat supply networks, to guarantee the quality keeps apply to consumers, the Company adjusted its "Investment plan for the year 2012–2015 and its financing sources" according to which it plans to invest 188.04 million litas.

The main investment goals of the Company for 2013–2016 regulation periods are as follows: to decrease heat production costs in existing sources, increase the share of cheaper types of fuel (bio-fuel) in the total fuels, increase the capacity of own sources until full satisfaction of power demand. In 2013 the Company signed tripartite agreements with the Ministry of Economy and public institution Lithuanian Business Support Agency for the financial support from the European Union Structural Funds, which will grant LTL 15.99 million EU Structural Funds support for projects of boiler-houses reconstructions changing used fuel to bio-fuel and LTL 6.59 million EU Structural Funds support for projects of reconstructions of heat supply networks.

All these investment projects are included in the adjusted investment plan for the year 2012–2015 of AB Kauno Energija and its financing sources, approved by Kaunas City Municipality Council on 17 November 2012 in its decision No T-60. The projects are launched successfully and will be finished in 2014–2015.

In addition to the above mentioned projects the implementation of Company's investment program in 2014 will involve further modernization of boiler-houses owned by the Company automating the production process and mounting condensers (economizers); reconstruction of heat networks; replacement of heat meters. Implementation of these measures will allow to reduce heat production, transmission and selling losses and to perform optimization of heat supply to the consumers and to ensure heat supplies reliability.

due to the future decrease in heat sales, related to the renovation of buildings.



It is planned that by 2014, compared with 2013, the Group's sales revenue will be lower due to the reduced heating rates; the amount of heat sold to consumers will remain the same as in 2013. 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 under the requirements of the law is recalculated every month. The Group profit will remain at a similar level compared with 2013. The submitted data may be adjusted by the heat demand change, i.e. consumption, which is mainly affected by the average outdoor air temperature, the size of user investment in housing renovation, energy-saving and its rational use, as well as changes in the economic situation in Lithuania.

#### **11. Information on research and development activities of the group of companies**

On 27 March 2014 an open discussion “National peculiarities of heat sector, assessing practical experience and forecasts” arranged by AB Kauno energija has been held at Lithuanian Energy Institute at which representatives of authorities, scientific institutions and energetics specialists – practitioners shared their experience and providences regarding problems of Lithuanian and separately Kaunas heat sector, regarding valid order of heat purchase from independent heat producers and offered a suggestions on what could be done in order to decrease heat price for consumers even more.

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

The Company does not hold its own shares. The Company's subsidiary has not purchased any of the Company's shares. Neither the Company nor its subsidiary has purchased or sold own shares during the reporting period.

#### **13. Information on the aims of financial risk management, hedging instruments in use and subject to hedging accounting, and the scope of exposure of the group of companies to price risk, credit risk, liquidity risk and cash flow risk, provided the group of companies uses financial instruments and it is important for the assessment of assets, equity, liabilities, financial position and performance results of the group of companies**

All relevant information on this issue is presented in Notes 2.11, 15, 23, 24 to the consolidated financial statements for the 1 half of the year 2014 of AB Kauno Energija and the Company.

#### **14. Information on the Issuer's branch office and subsidiary undertakings**

The Company's branch office Jurbarko Šilumos Tinklai was established by the decision of the Company's Management Board, and registered on 9 September 1997 at the address V. Kudirkos g. 11, 4430 Jurbarkas. The Company's branch produces and sells heat to consumers in the town of Jurbarkas.

The Company's branch Jurbarko Šilumos Tinklai had 35 employees as at 30 June 2014.

On 1 July 2006 the Company registered a subsidiary Pastatų Priežiūros Paslaugos, headquarters address Savanorių pr. 347, 49423 Kaunas, company number 300580563.

On 31 December 2013 an authorised capital of the subsidiary in the amount of 10 000 litas was registered at the Register of Legal Entities and was divided into 100 ordinary nominal shares at the par value of 100 litas each, of ordinary nominal shares of UAB Pastatų Priežiūros Paslaugos.

The Company's subsidiary UAB Pastatų Priežiūros Paslaugos has no holdings directly or indirectly managed in other companies.

Activities of UAB Pastatų Priežiūros Paslaugos includes the maintenance of heating and hot water supply systems of the buildings, maintenance of heating unit equipment, repair of buildings and structures, repair of heating units and their heating equipment, delivery of transport services and other activities such as the lease of premises.

As from 1 July 2012, in accordance with item 2 of article 20 of the Law on Heat Sector of the Republic of Lithuania, “the person maintaining the building heating can hot water system (operator) in apartment houses may not be the heat supplier or persons related with the heat supplier in employment relations or prices providing services or products to the heat supplier, or the manufacturers of heating units and devices used for



heat production and heat metering, or other equipment, also persons engaged in the retail and wholesale trade of fuel used for heat production, or persons belonging in conjunction with the aforementioned entities to the group of related economic entities according to the Law on Competition” (this restriction is not applied for the maintenance of the heating and hot water systems of apartment houses in buildings in the residential locations in which, according to the information of the Athenian Department of statistics, the population is less than 50 000).

With regard to the provisions of the Law on amendment and supplement of articles 2, 3, 20, 22, 28 and 31 of the law on heating facilities of 20 May 2003 on the separation of maintenance of the heating can hot water systems in the buildings from that heat production and supply, in 2012 the board of the Company approved to the reorganisation of UAB Pastatų Priežiūros Paslaugos by way of separation, in performing the separation of activities carried out by the subsidiary by creating a new company with the same legal form, named UAB Kauno Energija NT.

On 21 February 2003, following the decision of the board of AB Kauno Energija which is the sole shareholder of UAB Pastatų Priežiūros Paslaugos, it was decided to reduce the authorised capital up to 4,602 thousand litas by eliminating the eye can related loss of 152 thousand litas. The articles of association of UAB Pastatų Priežiūros Paslaugos were newly registered on 6 March 2013.

It has been decided by the decision of the meeting of shareholders of UAB Pastatų Priežiūros Paslaugos of 22 March 2013 to transfer the contribution of shareholders of 45 thousand litas to cover the loss, and the contribution of shareholders of 100 thousand litas that were transferred on 22 March 2013.

After completing the procedures of reorganisation by way of separation of UAB Pastatų Priežiūros Paslaugos, a subsidiary of AB Kauno Energija, the articles of association of UAB Pastatų Priežiūros Paslaugos (company number 300580563) continuing the activities were registered in the register of legal entities on 16 April 2013.

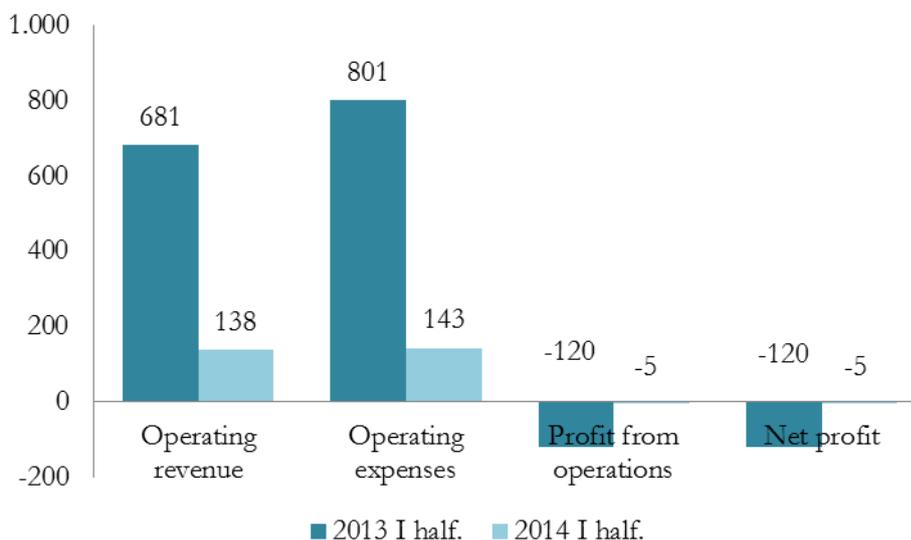
On 11 December 2013, following the decision of AB Kauno Energija performing the functions of the sole shareholder of UAB Pastatų Priežiūros Paslaugos, it was decided to liquidate the open limited liability company Pastatų Priežiūros Paslaugos (company code 300580563) from 16 December 2013; in the same decision the director of Pastatų Priežiūros Paslaugos was dismissed from 16 December 2013, and the advocate Aiva Dumčaitienė of the lawyer professional community Magnusson ir partneriai was appointed as the liquidator of UAB Pastatų Priežiūros Paslaugos 16 December 2013.

As at 30 June 2014, UAB Pastatų Priežiūros Paslaugos had no employees.

The comparison of the financial results of UAB Pastatų Priežiūros Paslaugos for the 1 half of the year 2014 (operating income, operating profit, net profit) with the indicators of the 1 half of the year 2013 is given in Chart 9.

Chart 9

Income, costs and profit of UAB Pastatų Priežiūros Paslaugos, thousand litas



After completion of the the procedures of reorganisation by way of separation of UAB Pastatų Priežiūros Paslaugos, a subsidiary of AB Kauno Energija, the articles of association 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 2014 in total 4 592 100 litas was divided into 45 921 ordinary nominal shares with the par value of 100 litas each.

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

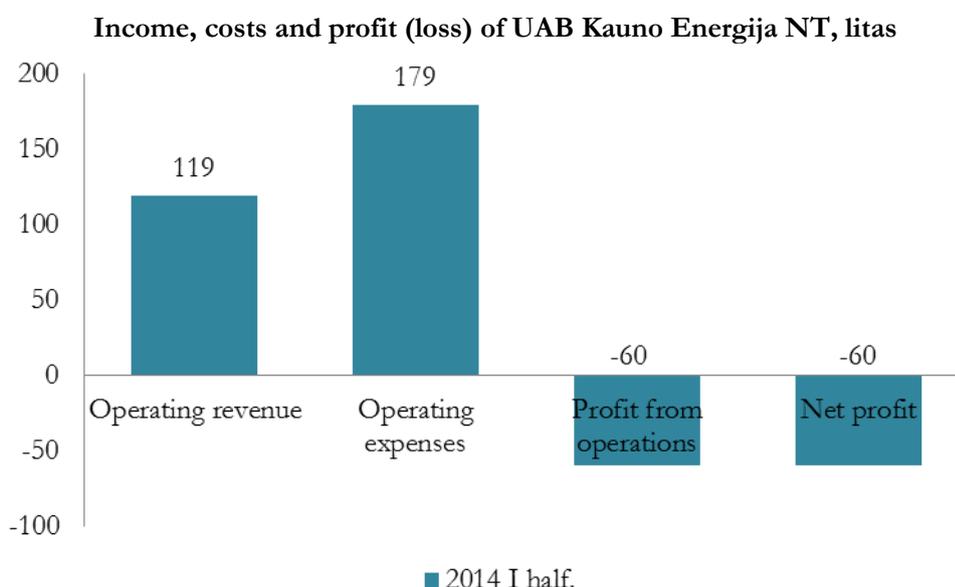
Activities of UAB Kauno Energija NT include the real estate development, management, leases, purchase and sale.

Turnover of UAB Kauno Energija NT – in the 1 half of the year 2014 was LTL 119.1 thousand, profit (loss) was amounted to LTL 60.0 thousand.

As at 30 June 2014 UAB Kauno Energija NT had 3 employees.

Financial indicators of UAB Kauno Energija NT in the 1 half of the year 2014 (operating income, operating profit, net profit) are given in Chart 10.

Chart 10



## 15. Structure of authorized capital

The authorised capital of the Company registered in the Register of Legal Entities on 30 June 2014 is LTL 256 812 858 (two hundred and fifty six million eight hundred twelve thousand eight hundred fifty eight litas).

Structure of authorized share capital by types of shares is specified in Table 3.

Table 3

Type of shares	Number of shares, units	Nominal value, litas	Total nominal value, litas	Municipal share in the authorised capital, litas	Share of private shareholders in the authorised capital, litas
Ordinary nominal shares	42 802 143	6	256 812 858	98.33	1.67

## 16. Data on shares issued by the Issuer

The authorised capital registered on 20 March 2014 amounts to LTL 256 812 858 (two hundred and fifty six million eight hundred twelve thousand eight hundred fifty eight litas) and it is divided to LTL 42 802 143 (forty two million eight hundred and two thousand one hundred forty three) ordinary shares of par value of 6 litas.

There are no limitations on the transfer of securities.

16.1. Main characteristics of shares are released into free circulation of securities (as at 30 June 2014).

Securities registration No	A01031430
ISON code of securities	LT0000123010
Number of shares	20 031 977 ordinary nominal shares
Nominal value	LTL 6
Total nominal value of shares	LTL 120 191 862

16.2. Main characteristics of shares issued and registered for non-public trading (as at 30 June 2014).

ISON code of securities	LT0000128407
Number of shares	22 770 166 ordinary nominal shares
Nominal value	LTL 6
Total nominal value of shares	LTL 136 620 996

History of trade in Company's securities in 2010–2013 and in the 1 half of the year 2014 is given in Table 4.

Table 4

Indicator	2010	2011	2012	2013	2014 06 30
Opening price (litas/euro)	2.45/0.710	2.072/0.600	1.951/0.565	1.996/0.578	2.034/0.589
Highest price (litas/euro)	3.18/0.921	2.659/0.770	2.037/0.590	2.034/0.589	2.072/0.600
Lowest price (litas/euro)	1.903/0.551	1.105/0.320	1.433/0.415	1.581/0.458	1.640/0.475
Last price (litas/euro)	2.072/0.600	1.209/0.350	1.996/0.578	2.034/0.589	1.657/0.480
Circulation, units	77 729	90 239	80 421	36 355	47 547
Circulation, million (litas/euro)	0.2/0.06	0.18/0.05	0.13/0.04	0.06/0.02	0.09 /0.03
Capitalisation, million (litas/euro)	41.5/12.02	24.21/7.01	39.98/11.58	40.74/11.80	33.20 /9.62

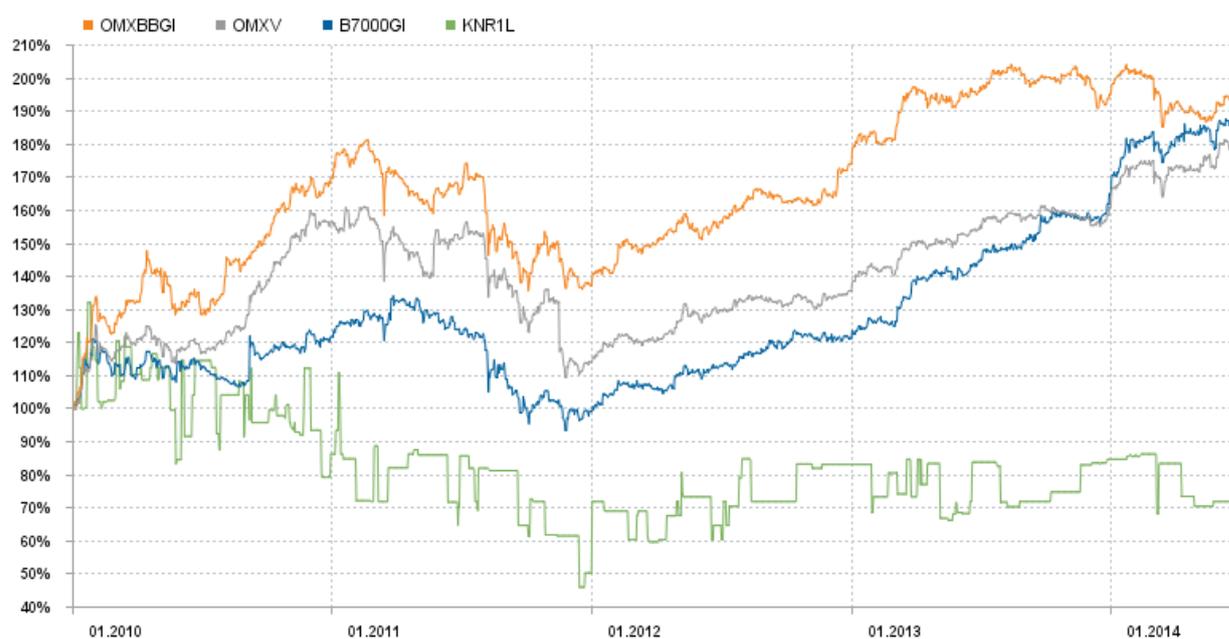
Historical data on share prices (in euro) and turnovers in 2010–2013 and in the 1 half of the year 2014 are given in Chart 11.

Chart 11



Chart 12

Comparison of Company's share price with the index of own sector (utility services) and OMX Vilnius index



Details of Chart 12:

Index/Shares	01.01.2010	30.06.2014	+/-%
OMX Baltic Benchmark GI	314.42	611.24	94.40
OMX Vilnius	261.77	471.95	80.29
B7000GI Utility services	814.75	1 549.57	90.19
KNR1L	0.70 EUR	0.50 EUR	-28.07



17. Information on the Issuer's shareholders

The total number of company's shareholders as at 30 June 2014 was 217.

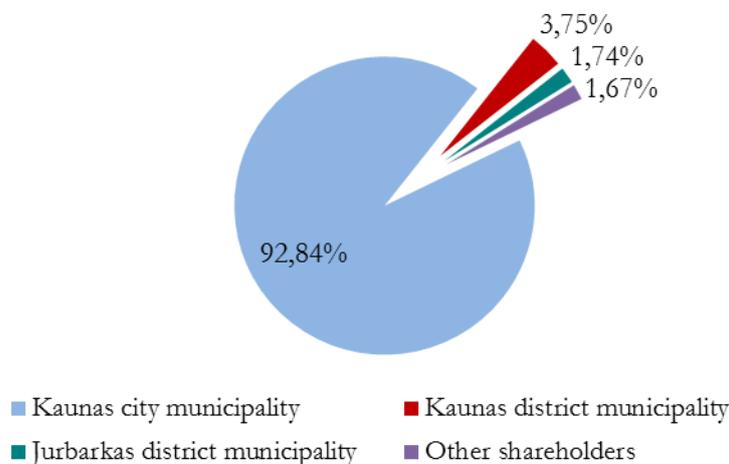
Information on Shareholders of the Issuer as at 30 June 2014 owning more than 5 per cent of the authorised capital of the Company registered on 20 March 2014 (42 802 143 ordinary nominal shares), are given in Table 5 and Chart 13.

Table 5

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	39 665 892	92.84	92.84	-
Other shareholders	3 066 085	7.16	7.16	-
Total:	42 731 977	100	100	-

Chart 13

Structure of shareholders as at 30 June 2014



17.1. The shareholders, whose ownership interest as at 30 June 2014 exceeded 5 per cent of the Company's shares (20 031 977 PVA) issued for non-public trading (VP ISIN code – LT0000123010), are listed in Table 6.

Table 6

Name	Type of shares	Number of shares, units	Total nominal value of shares, litas	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 nominal shares	16 965 892	101 795 352	84.69	39.64



Name	Type of shares	Number of shares, units	Total nominal value of shares, litas	Percentage of shares from those released into the public circulation	Share of the authorised capital (%)
Kaunas District Municipality Savanorių pr. 371, 49500 Kaunas, Code 111100622	Ordinary nominal shares	1 606 168	9 637 008	8.02	3.75
Other shareholders	Ordinary nominal shares	1 459 917	8 759 502	7.29	3.41
<b>Total:</b>		<b>20 031 977</b>	<b>120 191 862</b>	<b>100</b>	<b>46.80</b>

17.2. The shareholders, whose ownership interest as at 30 June 2014 exceeded 5 per cent of the Company's shares (22 770 166 ordinary registered shares) issued for non-public trading (VP ISIN code – LT0000128407), are listed in Table 7.

Table 7

Name	Type of shares	Number of shares, units	Total nominal value of shares, litas	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 nominal shares	22 770 166	136 620 996	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 in 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 2010, the dividends from the profit of 2009 were allocated and paid to the shareholders of the Issuer. Dividend per share is 0.084 litas, in total – 3.589 million litas.

In 2011, no dividends were allocated and paid to the shareholders of the Issuer. The profit of 2010 was allocated to the statutory reserve, the reserve for investment and support.

In 2012, the dividends from the profit of the year 2011 were allocated and paid to the shareholders of the Issuer. Dividend per share is LTL 0.25, in total LTL 10.683 million.

In 2013, no dividends were allocated and paid to the shareholders of the Issuer. Following the decision no 3 of the ordinary general meeting of shareholders, the profit was allocated to the statutory reserve, other reserves (repair of heating units), support, and part of the profit was transferred to the next financial year. A total of 0.15 million litas was allocated for support and charity.

In 2014, the dividends from the profit of the year 2013 were allocated and paid to the shareholders of the Issuer. Dividend per share is LTL 0.01 (EUR 0.0028962), in total LTL 428,021 (EUR 123,963).

## 18. Employees

As at 30 June 2014, 547 employees were employed in the Group in total. Changes in the number of employees in 2012 – in the 1 half of the year 2014 are specified in Table 8.



Table 8

Abdul number of employees	Company 2012-06-30	Group 2012-06-30	Company 2013-06-30	Group 2013-06-30	Company 2014-06-30	Group 2014-06-30
Total:	587	625	552	571	544	547
including: management	4	6	4	5	4	5
specialists	313	326	300	305	289	290
workers	270	293	248	261	251	252

Education of employees of the Group and the Company at the end of the period

Table 9

No	Education	Company 2012-06-30	Group 2012-06-30	Company 2013-06-30	Group 2013-06-30	Company 2014-06-30	Group 2014-06-30
1	Secondary incomplete	9	10	7	8	6	6
2	Secondary	219	239	209	219	210	211
3	College	84	90	78	81	75	75
4	Higher	275	286	258	263	253	255
	Total:	587	625	552	571	544	547

Average conditional number and average monthly salary of employees  
(at the end 30 June 2014 before taxes)

Table 10

No	Employees	Company	Group
1.1.	Average conditional number of managers	3.8	4.8
1.2.	Average monthly salary of managers	9,854.4	8,009.8
2.1.	Average conditional number of specialists	277.3	281.3
2.2.	Average monthly salary of specialists	2,787.6	2,766.1
3.1.	Average conditional number of workers	240.2	241.2
3.2.	Average monthly salary of workers	2,031.6	2,025.4

The salary of the Issuer consists of the on some 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 allocated part of the profit for the bonuses of the Company employees. From 1998 till 2014, the general meeting of shareholders has never allocated part of the profit for the bonuses of the Issuer's employees.

The Collective agreement provides for the special rights and responsibilities of the Issuer's employees or part thereof. Under the Collective agreement that became effective in the Company on 28 January 2013:

1. For continuous employment with the Company employees are granted additional paid leave:
2. After working for 5 years 1 calendar day.
3. from 6 to 10 years 2 calendar days;
4. After working for more than 10 years 3 calendar days;
5. for every subsequent 5 years 1 calendar day.

6. The length of service of employees of the Lithuanian power system companies transferred 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 not interrupted, and such employees are granted additional paid leave for a continuous period of employment with the Company.

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

8. Company's employees are entitled to additional paid leave in the following cases:



- |   |                  |
|---|------------------|
| 9. Creating a family  | 3 calendar days; |
| 10. Death of a close relative (one of the parents or parents of the spouse, the spouse, brother, sister, daughter, or legal foster son, foster daughter, grandson, granddaughter) | 3 calendar days; |
| 11. Wife's birth giving   | 1 calendar day;  |
| 12. Wedding of the employee's daughter, son or legal foster-child   | 3 calendar days; |
13. employees, raising a child studying at a general education school under twelve years of age, are given a day off during the first day of the academic year, paying such employees the average wage.
14. Employees who take entrance exams to universities, higher schools and colleges and successfully study in them, if their chosen specialty is within the interests of the Company and the job carried out, are granted the statutory paid educational leave, by paying 50 per cent of the employee's average salary.

The employer undertakes:

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 or a branch (depending on where the employee has worked), 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, mother, child, or spouse), the employee is granted the allowance of the average salary of the previous year of the Company or an affiliate (depending on where the employee works), 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 or an affiliate (depending on where the employee works) 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 or an affiliate (depending on where the employee works);
6. employees who are raising three or more children under the age of 16, widows (widowers) and unmarried persons who raise one child or children 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 or an affiliate (depending on where the employee works) according to the date of request;
7. for the 40th, 50th and 60th 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 or an affiliate (depending on where the employee worked);
8. in other cases, where the material support is needed (loss due to natural disasters or other reasons beyond the employee's control), at the mutual agreement of the representatives who have signed the Collective Agreement, employees are granted a benefit of up to 2000 litas;
9. In the event 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 or an affiliate (depending on where the employee worked) at the mutual agreement of the representatives who have signed the Collective Agreement;
10. For the occasions of the Lithuanian Energy Day and jubilees of the Company deserving employees are granted a monetary gift of up to 500 litas.

## 19. Procedure for amending the Issuer's Articles of Association

The articles of association of the Issuer provide that the general meeting of shareholders of the company has the exceptional right to amend the articles of association other than the exceptions provided in the Law on Companies of the Republic of Lithuania. The resolution on the amendment of the Company's articles of association 2/3 qualified majority of votes of the members participating in the meeting of shareholders.

Articles of association of the Company were amended on 6 January 2014 by the decision of the extraordinary general meeting of shareholders. Increased Company's share capital was indicated in them and the amendments of legislation assessed. The new version of the articles of association was registered in the Register of Legal Entities of the Republic of Lithuania on 20 March 2014. It can be found in the Internet website of the Company at [www.kaunoenergija.lt](http://www.kaunoenergija.lt).



## 20. Issuer's management bodies

According to the articles of association 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 board, and a sole management body – the head of the company – director general.

Decisions of the general meeting of shareholders made on the issues within the competence of the general meeting of shareholders provided for in the articles of association of the Company are binding to its shareholders, the Supervisory Board, the board and the general director, and other employees of the Company.

All persons who are the shareholders of the Company on the date of the General meeting of shareholders shall have the right to attend the Company's general meeting of shareholders in person 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 produce 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 produce a document attesting to his right to vote at the general meeting of shareholders.

The collegial management body – Supervisory Board is selected 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 board members and supervisors the activities of the board and the head 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 appropriation and the annual report of the Company as well as the activities of the board and the manager of the Company; submits proposals to the board and the manager of the Company to revoke their decisions which are in conflict with laws and other legal acts, the articles of association 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 articles of association of the company to other organs of the Company.

The Supervisory Board, in accordance with resolution No 1K-18 of 21 August 20 weight 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 20 weight of the Securities Commission, approved 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 version of the internal rules of procedure of the Audit Committee of the open limited liability company Kauno Energija on 21 February 2013.

The Board is a collegial management body of the company. The board is comprised of 7 (seven) members. The board is elected for the period of 4 (four) years by the Supervisory Board. The Supervisory Board can remove from office the entire Board *in corpore* or its individual members before the expiry of their term. If individual members of the board are elected, they shall serve only until the expiry of the term of office of the current board. The board elects the chairman of the board from among its members.

The board elect and removes from office the head of the Company, fixes his salary and sets other terms of the employment contract, approves his job description, provides incentives for him and impose penalties; makes other decisions assigned to the competence of the board by the Law on Companies of the Republic of Lithuania, articles of association or the company or resolutions of the general meeting of shareholders.



The general manager is the head of the Company. The head 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 director general.

## 20.1. Data about the committees in the Company

*(Committee members: full names, information on participation in the authorised capital of the issuer, beginning and end of each person's term of office, workplaces, powers, main functions)*

On 21 February 2013 the Supervisory Board elected Valerija Stankūnienė, deputy chief accountant of the company, and Inga Dragūnienė, senior economist of the Economic and Planning Division of the Financial Department of the Company, as the members of the Audit Committee.

On 10 April 2013, the Supervisory Board appointed the Supervisory Board member Edita Gudišauskienė to the independent members of the Company's Audit Committee. It carries out the activities of the Audit Committee since 11 April 2013.

Full name	Position title	Beginning of term	End of term*
Edita Gudišauskienė	Audit Committee, independent member	11 April 2013	30 April 2016
Inga Dragūnienė	Audit Committee, member	21 February 2013	30 April 2016
Valerija Stankūnienė	Audit Committee, member	21 February 2013	30 April 2016

\* 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 2013-1 of 21 February 2015 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 met 2 times during the 1 half of the year 2014. The attendance of the Audit Committee members was 100 per cent.

Mrs. Inga Dragūnienė is senior economist of the Economics and Planning Division of the Financial Department of the Company. She held the position of the Audit Committee members from 18 August 2011. On January 3, 2012 was re-elected to the members of the Audit Committee and held the position until the withdrawal date of the Supervisory Board, i.e. 28 September 2012. She has a higher university education, Kaunas University of Technology, Master of Management Science in the field of Financial Management (2001). Workplaces in the last 10 years, and positions held: 1998-10-15 – 2006-07-25 senior accountant of the company, 2006-07-26 – 2009-11-01 deputy senior accountant of UAB Pastatų Priežiūros Paslaugos, 2009-11-02 – 2010-05-07 referent of administration of UAB Pastatų Priežiūros Paslaugos.

Inga Dragūnienė holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mrs. Valerija Stankūnienė is a chief accountant of UAB Texera. Valerija was a deputy senior accountant of the company. She held the position of the Audit Committee member from 18 August 2011, on 3 January 2012. Re-elected to the members of the Audit Committee and held the position until the cancellation date of the Supervisory Board, i.e. 28 September 2012. Valerija has a higher university education, Vilnius University, accounting specialty (1983). Workplaces in the last 10 years, and positions held: 2003-02 – 2010-01 chief accountant of UAB Arisbaltija, 2010-01 – 20014-05 deputy chief accountant of the Company.

Valerija Stankūnienė holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mrs. Edita Gudišauskienė is a Chief Officer of economics and finance of UAB Kauno autobusai, member of the Supervisory Board of the Company. Mrs. Edita Gudišauskienė is the independent member of Company's Audit Committee, acting in the Audit Committee since 11 April 2013. University education, Kaunas University of Technology, Faculty of Mechanical Engineering – Master of Science of Thermal Engineering (1995), Faculty of Economics and Management, Master of Science of Financial Management, (2001), Faculty of Social Sciences,



Master of Regional Development – Public Administration. Workplaces in the last 10 years, and positions held: 2000-04-02 – 2006-08-30 senior accountant in children the right products and service of Kaunas City Municipality, 2006-08-31 – 2007-03-29 senior specialist, 2007–2010 Deputy Mayor of Kaunas City Municipality on the matters of communities and social issues, 2010–2011 director of administration of Kaunas City Municipality, 2011–2012 Deputy Minister of Agriculture of Republic of Lithuania.

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

*(full name, information on participation in the authorised capital of the issuer, beginning and end dates of the term of office of each person, information on the amounts of money calculated by the issuer during the reporting period, other transferred assets and granted guarantees for those persons in total, and average values per one member of the Company's Supervisory Board, board member, members of administration (head of the Company, senior financier), information on participation in the activities of other companies, institutions and organisations (names of the company, institution and organisation, and position title)*

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

*Members of the Supervisory Board of the Company as at 30 June 2014:*

Full name	Position title	Beginning of term	End of term
Andrius Kupčinskas	Chairman of the Supervisory Board	28 September 2012	30 April 2016
Stanislovas Buškevičius	Member of the Supervisory Board	28 September 2012	30 April 2016
Židrūnas Garšva	Member of the Supervisory Board	6 January 2014	30 April 2016
Edita Gudišauskienė	Member of the Supervisory Board	28 September 2012	30 April 2016
Ričardas Juška	Member of the Supervisory Board	29 April 2014	30 April 2016
Aušra Ručienė	Member of the Supervisory Board	28 September 2012	30 April 2016
Gediminas Žukauskas	Member of the Supervisory Board	28 September 2012	30 April 2016

The Company's Supervisory Board consists of seven members who are also the members of the Kaunas City Council, as they partially represent the controlling shareholder, i.e. Kaunas City Municipality (all members of the Supervisory Board are the members of Kaunas City Council) holding 92.82 per cent of the Company's voting shares.

A total of 2 meetings of the Supervisory Board were held during the 1 half of the year 2014. More than 2/3 members of the Supervisory Board attended all the meetings.



Mr. Andrius Kupčinskas is a Mayor of Kaunas city, Member of the Kaunas City Municipality Council.

Chairman of the Strategic Planning Commission of Kaunas City Council, Member of the Board of Academic Affairs, representative of the Business Council of Kaunas City Municipality, since 2007 the board member of the Lithuanian Association of Local Authorities (LSA), member of the Kaunas Regional Development Council (KRPT) and member of the EU Committee of the Regions.

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

Mr. Stanislovas Buškevičius is a Deputy Mayor of Kaunas city, Member of the Kaunas City Municipality Council, Member of the Culture and Art Committee of Kaunas City Council, Chairman of the Award Council.

Mr. Stanislovas Buškevičius holds no shares of the Company. No interest in the capital of the Lithuanian companies.



Mr. Židrūnas Garšva is a Member of the Kaunas City Municipality Council, Head of Committee of City Economy of Kaunas City Council, Head of Commission of privatization, Member of Commission of Strategic Planning, representative of Kaunas city municipality in business Council.

Mr. Židrūnas Garšva holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mrs. Edita Gudišauskienė is a Chief Officer of Economics and Finances of UAB Kauno autobusai, an independent member of the Audit Committee of the Company, member of the Kaunas City Municipality Council, chairman of the Budget and Finance Committee of Kaunas City Municipality, chairman of Lampėdžiai community centre.

Mrs. Edita Gudišauskienė holds no shares of the Company. No interest in the capital of the Lithuanian companies.



Mr. Ričardas Juška is a Mayor of Jurbarkas district municipality, member of Jurbarkas district municipality council, chairman of Commission of Privatization of Jurbarkas district municipality council, member of the Board of Association of Lithuanian Municipalities (ALM) since 2011, chairman of Committee of Health Issues of ALM, member of Council of Regional Development of Tauragė county, member of the Supervisory Board of Tauragė Regional Waste Management Center, member of Movement of Liberals of the Republic of Lithuania, chairman of Jurbarkas section of Movement of Liberals of the Republic of Lithuania.

Mr. Ričardas Juška is a member of the Supervisory Board of the Company since 29 April 2014.

Mr. Ričardas Juška holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mrs. Aušra Ručienė is a lawyer, member of Kaunas City Municipality Council, chairman of City Development, Investments and Tourism Committee of Kaunas City Municipality Council, member of Anticorruption Commission, member of Strategic Planning Commission, also a member of Council of Academic Issues.

Mrs. Aušra Ručienė holds no shares of the Company. She is a shareholder of UAB Ručenta.



Mr. Gediminas Žukauskas is Operational director of UAB Kauno Vandeny, member of the Kaunas City Municipality Council, chairman of Self-Government and Communities Development Committee of Kaunas City Municipality Council, member of Titles Contriving and Perpetuation of Memories Commission, member of Privatization Commission, member of Strategic Planning Commission, chairman of Panemunė Community centre.

Mr. Gediminas Žukauskas holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Artūras Tepelys is a member of the Kaunas City Municipality Council. Member of Social, Health and Education Committee of Kaunas City Municipality Council, member of Control Committee, member of Administration Commission, member of Anticorruption Commission, Deputy Director of the Company's branch Jurbarko Šilumos Tinklai, member of Company's Supervisory Board from 28 September 2012 to 29 April 2014.



Mr. Artūras Tepelys charged LTL 32 thousand of salary in the 1 half of the year 2014. No charged bonuses, no transfer of other assets and no granted guarantees.

Mr. Artūras Tepelys holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Valys Venslovas is a Technical director of UAB Kauno Vandenyys, member of Kaunas City Council, chairman of the Education and Sports Committee of Kaunas City Council, member of the Control Committee, member of the vote counting commission, member of the Traffic Safety Commission, member of the Strategic Planning Commission, member of the Court Decisions and Orders Control Committee, representative of Kaunas City Municipality at Kaunas City Tripartite Council, member of the Board of International Hunting Club Safari, member of Company's Supervisory Board from 15 July 2013 till 6 January 2014.

Mr. Valys Venslovas holds no shares of the Company. No interest in the capital of the Lithuanian companies.

During the reporting period, the members of Supervisory Board were not charged any sums of money (salary, bonuses), had no transfers of other assets and granted no guarantees.

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

As at 30 June 2014 the members of the Company's Management Board were as follows:

Full name	Position title	Beginning of term	End of term
Valdas Lukoševičius	Chairman of the Management Board	28 September 2012	30 April 2016
Sigitas Groblys	Deputy chairman of the Management Board	28 September 2012	30 April 2016
Juozas Augutis	Member of the Management Board	28 September 2012	30 April 2016
Rimantas Bakas	Member of the Management Board	28 September 2012	30 April 2016
Saulius Meškauskas	Member of the Management Board	28 September 2012	30 April 2016
Vaclovas Miškinis	Member of the Management Board	28 September 2012	30 April 2016
Mindaugas Varža	Member of the Management Board	28 September 2012	30 April 2016

The Company's Board held 17 meetings in the 1 half of the year 2014. More than 2/3 members of the Management Board attended all the sessions.



Mr. Valdas Lukoševičius is a Doctor of technical sciences, Manager of Strategy and Investment Projects division of the Company till 13 February 2014, Chairman of the Company's Management Board since 28 September 2012, President of the Lithuanian Energy Consultants Association (LEKA), Associated Professor of Thermal and Nuclear Energy Department of Kaunas University of Technology (KUT).

Mr. Valdas Lukoševičius holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Valdas Lukoševičius charged LTL 9 thousand of salary, also LTL 11.8 thousand of bonuses from the profit of the year 2013 in the 1 half of the year 2014. No transfer of other assets and no granted guarantees.

Mr. Sigitas Groblys is a Partner in Law Firm *Foresta* Business Law Group, Member of the Company's Management Board since 28 September 2012, member of the Board of UAB Litpirma, Chairman of the Board of Gintaras Steponavičius Support Fund.

Mr. Sigitas Groblys holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Sigitas Groblys charged LTL 11.8 thousand of bonuses from the profit of the year 2013 during reporting period. No salary, no transfer of other assets and no granted guarantees.



Mr. Juozas Augutis is a Habilitated Doctor of Technology, Vice-Rector of Vytautas Magnus University, Professor at Mathematics and Statistics Department of Vytautas Magnus University (VMU), Member of the Company's Management Board since 28 September 2012. Full member of the Lithuanian Academy of Sciences, FP6 and FP7 expert, Expert of the Lithuanian Council of Science, Expert of the Lithuanian State Science and Studies Foundation, manager of the Energy Security Centre of Vytautas Magnus University (VMU), Safety Committee chairman of Ignalina NPP, member of the editorial board of magazines *Energetika*, *Journal of Civil Engineering Management and Mathematics and Mathematical Modelling*, member of the Lithuanian Mathematics Informatics and Lithuanian Energy Institute councils, member of the European Safety Reliability and Data Association ESREDA SRA, Senate and Board member of Vytautas Magnus University (VMU), member of the Lithuanian Society of Mathematicians and Statisticians Association. Chairman of the group panel the National Research Programme "Sustainable Energy" and Chairman of the group panel the National Research Programme "Energy for the Future".

Mr. Juozas Augutis holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Juozas Augutis charged LTL 11.8 thousand of bonuses from the profit of the year 2013 during reporting period. No salary, no transfer of other assets and no granted guarantees.

Mr. Rimantas Bakas is a Doctor of Technical science, General Manager of the Company, Member of the Company's Management Board since 2012 September 28, Member of the Lithuanian Thermal Engineers Association, board member of PI Kaunas Regional Energy Agency, Scientific Council Member of the Lithuanian Energy Institute, Member of the Lithuanian District Heating Association Council, Chairman of Master Qualification Committee of the Thermal and Nuclear Energy Department of Kaunas University of Technology, certified expert of the PET Lithuanian Committee on Energy approved by the Lithuanian committee of the World Energy Council. Member of Company's Management Board from 3 May 2011 until 2 January 2012. In 2008, participated as a working group member in the development of the study "Europe's Vulnerability to Energy Crises" presented to the European Commission.

Mr. Rimantas Bakas holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Rimantas Bakas charged LTL 98 thousand of salary. No bonuses, no transfer of other assets and no granted guarantees. Mr. Rimantas Bakas refused bonuses from the profit of the year 2013.



Mr. Saulius Meškauskas is a Deputy Head of Energy Department of Kaunas City Municipality Administration, Member of the Management Board of the Company since 28 September 2012.

Mr. Saulius Meškauskas holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mr. Saulius Meškauskas charged LTL 11.8 thousand of bonuses from the profit of the year 2013 during reporting period. No salary, no transfer of other assets and no granted guarantees.

Mr. Vaclovas Miškinis is a Habilitated Doctor, Head of Complex Energy Research Laboratory of the Lithuanian Energy Institute, Prof., Dr. Habil. Dr., Vice-Chairman of the Scientific Council of the Lithuanian Energy Institute. Member of the Management Board of the Company since 28 September 2012.

Mr. Vaclovas Miškinis holds no shares of the Company. No interest in the capital of the Lithuanian companies.



Mr. Vaclovas Miškinis charged LTL 11.8 thousand of bonuses from the profit of the year 2013 during reporting period. No salary, no transfer of other assets and no granted guarantees.



Mr. Mindaugas Varža is a Director at UAB Novrita, Director at UAB Kauno Verslo Grupė, he is a Member of the Management Board of the Company since 28 September 2012.

Mr. Mindaugas Varža holds no shares of the Company. No interest in the capital of the Lithuanian companies.

No salary, no bonuses, no transfer of other assets and no granted guarantees during the reporting period. Mr. Mindaugas Varža refused bonuses from the profit of the year 2013.

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

Mr. Rimantas Bakas is a Doctor of Technical science. The Company's CEO since 24 November 2008, Member of the Board of the Company since 28 September 2012. Member of the Lithuanian Thermal Engineers Association, member of council of PI Kaunas Regional Energy Agency, Member of Council of The Lithuanian District Heating Association, Member of Scientific Council of Lithuanian Energy Institute, Chairman of Master Qualification Committee of the Thermal and Nuclear Energy Department of Kaunas University of Technology, certified expert of the PET Lithuanian Committee on Energy approved by the Lithuanian committee of the World Energy Council, Member of the Board of the Company from 3 May 2011 to 2 January 2012. Mr. Rimantas Bakas has a higher university education of Kaunas University of Technology, finished in 1985, industrial thermal energy engineer. Work experience and positions over the last 10 years: Chief Project Manager of Strategy Division of the Company 2003-05 – 2006-01, Head of Strategy Division – 2006-01 – 2008-11.

Mr. Rimantas Bakas was awarded with letters of appreciation from the Lithuanian District Heating Association (2007), Lithuanian Electricity Association (2008), Lithuanian Committee of World Energy Council (2010), Minister of Energy of the Republic of Lithuania (2013), Chairman of the Seimas of the Republic of Lithuania (2013), Lithuanian Committee of World Energy Council (2013), and the 600th Anniversary medal of Kaunas City Municipality (2008), Medal of Honour of Lithuanian energetics (2011).

Mr. Rimantas Bakas holds no shares of the Company. No interest in the capital of the Lithuanian companies.

Mrs. Violeta Staškūnienė is a Company's Chief Accountant since 16 January 2003. She has a University education from Vilnius University, finished in 1984, labour economics, profession – economist. Work experience and positions over the last 10 years: 2003-01 – 2004-06 UAB Energijos realizacijos centras, chief accountant.

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 the Lithuanian companies.

The total amount of money incurred to the General Manager and the Chief Accountant of the Company during the 1 half of the year 2014 is LTL 149.2 thousand, while the average amount per member is LTL 74.6 thousand. No other assets have been transferred, no guarantees granted.

**22. All significant agreements, where the Issuer is one of the contractual parties, and which would come into effect, would be subject to amendments or termination in case of changes in controls of the Issuer, also their impact, except for cases where due to the nature of agreements, the disclosure of such agreements would cause significant damages to the Issuer**

None.

**23. All agreements of the Issuer and 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**

None.



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

There were no larger individual transactions. More information is presented in Note 25 of the explanatory notes to financial statements.

**25. Information about 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**

*(It is necessary to disclose the substance matter of significant transactions, the nature of conflicts of interest and their impact on the transaction)*

None.

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

Information about compliance with the corporate governance code is presented in Annex 1 to the annual report of AB Kauno Energija of the year 2013. Annual reports on the Company's corporate social initiatives and policies are published 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 over the past 6 months over the GlobeNewswire news distribution service, in which notices are disseminated within the European Union. Such information was also posted on the website of the Issuer. All information is available on **NASDAQ OMX Vilnius** websites (<http://www.baltic.omxgroup.com/?id=3304>) and the issuer's website (<http://www.kaunoenergija.lt>).

Title	Notice category	Language	Time
Economic performance in the 1st half of 2014	Notice of stock event	English, Lithuanian	2014-08-01 11:20:10
The activity results of the 3 months of the year 2014	Notice of stock event	English, Lithuanian	2014-04-30 16:22:53
Financial statements with the annual report	Annual information	English, Lithuanian	2014-04-30 11:05:40
Resolutions of the General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	English, Lithuanian	2014-04-29 17:17:47
Information on suggested additional candidate for the members of Supervisory Board of AB Kauno Energija	Notice of stock event	English, Lithuanian	2014-04-23 17:34:19
Change of agenda of the General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	English, Lithuanian	2014-04-17 15:08:21
Convocation and resolutions projects of General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	English, Lithuanian	2014-04-03 20:11:56
Articles of Association with increased Authorised Capital of AB Kauno Energija were registered at the Register of Legal entities	Other information	English, Lithuanian	2014-03-21 14:05:37
An intermediate unaudited financial statement of 12 months of the year 2013	Notice of stock event	English, Lithuanian	2014-02-05 16:09:35
Information about the notice of Vilnius Court of Commercial Arbitration (addition)	Notice of stock event	English, Lithuanian	2014-01-31 14:27:10



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Title	Notice category	Language	Time
Information about the notice of Vilnius Court of Commercial Arbitration	Notice of stock event	English, Lithuanian	2014-01-31 14:00:59
12-month economic performance in 2013	Notice of stock event	English, Lithuanian	2014-01-30 17:43:07
Information on the beginning of consultations with UAB Fortum Heat Lietuva	Other information	English, Lithuanian	2014-01-23 13:04:27
Resolutions of the extraordinary general meeting of shareholders of AB Kauno Energija	Notice of stock event	English, Lithuanian	2014-01-07 09:11:48

Head of the Department of Sales and Consumer Service of AB Kauno Energija,  
Substitute to General Manager of AB Kauno Energija



Rimas Perevičius

