



CONSOLIDATED INTERIM REPORT OF AB KAUNO ENERGIJA OF THE 1 HALF OF THE YEAR 2015



Kaunas, 2015



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

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for presentation and delivery of periodic and additional formation, approved by the decision No O3-48 of 28 February 2013 of the Board of the Bank of Lithuania, we hereby confirm that, to our best knowledge, the AB Kauno Energija (hereinafter – the Company or Issuer) Consolidated Interim Report for the 1 half of the year 2015 and Consolidated and Company's Financial Statements for the 1 half of the year 2015, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, represent a true and fair view of Company's and total consolidated assets, liabilities, financial position, profit or loss and cash flows, also that the Consolidated Interim Report for the 1 half of the year 2015 includes a fair business development and performance review, Company's and corporate situation of consolidated companies, along with the description of principal risks and uncertainties encountered.

General Manager of AB Kauno Energija



Rimantas Bakas

Chief Accountant of AB Kauno Energija



Violeta Staškūnienė



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1. Reporting period of the Consolidated Interim Report

Reporting period, for which the Consolidated Interim Report of AB Kauno Energija was prepared, is the 1 half of the year 2015.

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 subsidiaries – liquidated 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
Registration date and place	1 July 2006, Kaunas
Register manager	Kaunas Branch of State Enterprise Centre of Registers
Company name	Private Limited Liability Company Kauno Energija NT
Legal-organizational form	Private Limited Liability Company
Headquarters address	Savanorių pr. 347, 49423 Kaunas
Code of legal entity	303042623
Telephone	(8 37) 305 693
E-mail	kent@kaunoenergija.lt
Registration date and place	16 April 2013, Kaunas
Register manager	Kaunas Branch of State Enterprise Centre of Registers

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

The nature of core activities of the Group is manufacture and 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 Tables 2 and 3 “Comparison of financial indicators of the Group and the Company of the 1 half of the year 2015 with indicators of the 1 half of the years



2011–2014”) to consumers who chose the Company as a hot water supplier according to legislation. As at 30 June 2015, the Company was a hot water supplier for 412 houses in Kaunas, 3 in Kaunas district and 5 in Jurbarkas. Income from hot water supplies amounts to approximately 3.61 per cent of all of Company’s sales revenue.

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

4. Issuer’s agreements with credit institutions

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

5. Trade in securities of companies composing the group of companies in regulated markets

20,031,977 (twenty million thirty one thousand nine hundred seventy seven) of the Issuer’s ordinary registered shares (VP ISIN code LT0000123010) with the total nominal value equal to EUR 34,855,639.98 (thirty four million eight hundred fifty five thousand six hundred thirty nine euro and ninety eight cents) as at 30 June 2015 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. Overview of the condition, performance and development of the group of companies

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

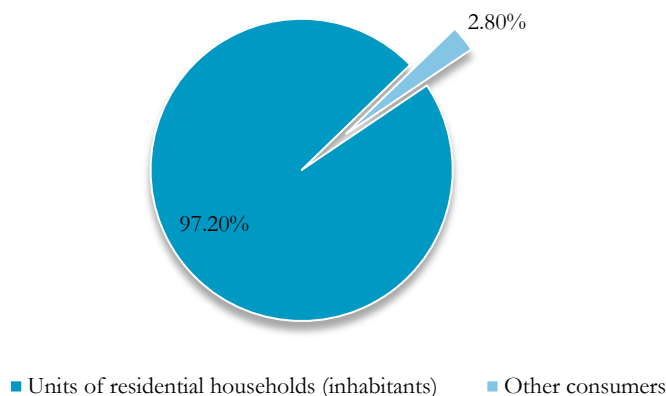
The Company covers a major part of heat supply market in the city of Kaunas and the town of Jurbarkas and part of Kaunas district. By the decision of the main shareholder the main heat and electricity production source – Kauno termofikacijos elektrinė (Kaunas thermofication power-plant) was sold in 2003. In the 1 half of the year 2015 the Company produced 31.7 per cent of heat, supplied to consumers in its own heat production facilities. The rest of required quantity of heat is purchased from independent heat producers (hereinafter – IHP) in monthly auctions, according to legal acts. Information on heat purchase from IHP and production with own equipment is presented in Table 1.

Table 1

Heat purchase and production, th. MWh	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
Heat production in own facilities	95.3	84.3	178.0	161.4	239.4
Heat purchased from IHP	821.3	818.0	713.1	612.9	516.8
<i>i. e. from UAB Kauno termofikacijos elektrinė</i>	<i>818.9</i>	<i>806.4</i>	<i>603.8</i>	<i>451.3</i>	<i>248.8</i>

As at 30 June 2015 the Company supplied heat with integrated heating and local area networks to 3,314 business and organization as well as to 114,935 households, in total 118,249 consumers (objects by addresses). Repartition of number of heat consumers by groups is shown in 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:

- More than 50 years of experience in heat production and supplies business;
- Social responsibility – 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 expenditures;
- Competitive heat production allowing to reduce heat price for consumers;
- high qualifications of employees, allowing to reach a highest rates of efficiency;
- ability to implement latest scientific achievements in the activities of the Group and the Company;
- analysis and implementation in Company of good management, technological and technical practise of other Lithuanian and foreign companies;
- close cooperation with state and municipal institutions, universities, research institutions and with academic institutions;
- ability to participate in development and implementation of scientific programs;
- partnership in international projects;
- reputation of reliable, modern and solid group of companies;

Strategic goals of the Group and the Company:

- to reduce expenditures of heat generation, supply, delivery of services and management in order to reduce final price 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 expenditures;
- to expand the use of renewable energy sources in the Company's heat production facilities in order to reduce the expenditures 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 increase competition in heat generation sector;
- to expand current position of the Group companies in the market;
- to ensure implementation of Energy Efficiency Directive 2012/27/EU;

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

- Increase and expansion of heat economy – Kaunas city needs at least one bigger than 100 MW capacity modern, up-to-date production facility – cogeneration power-plant, using renewable energy sources (hereinafter – RES) and / or waste, and / or natural gas. New power-plant should ensure tankage / use

of reserved fuel, reservation of heat production facilities, stable hydraulic mode of centralized heat supply, flexible reaction to network peak demand changes, should have an emergency replenishment system and should be economically “balanced”;

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

The Company continued its activities in the 1 half of the year 2015 oriented to development of capacities of production sources and increase of reliability of the network, considering the strategic guidelines of Kaunas city supply with district heating.

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 when planning its activity. 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 DHN and modernise the facilities 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 facilities from renewable energy sources in 2013–2015. Structural support from European Union is also used when implementing guidelines.

Development of Company’s new production facilities after the year 2012 has been determined by cancellation of essential agreed liability of purchasing from UAB Kauno termofikacijos elektrinė not less than 80 per cent of heat, used in Kaunas integrated heating network, which has been included in heat purchase agreement, valid from the year 2003, after the selling of Kaunas thermofication power-plant.

Group's net profit in the 1 half of year 2015 was amounted to EUR 4,773 thousand, the Company's – EUR 4,781 thousand. The Group’s operating revenue from core activities was amounted to EUR 37,468 thousand, the Company's – EUR 37,473 thousand. Majority of revenue was generated from the sales of heat: the Group’s – 97.83 per cent, the Company’s – 97.83 per cent (supplies of the heat and hot water excluding expenditures of cold water).

The Company’s turnover from sales of heat was amounted to EUR 36,660 thousand and decreased by 19.74 per cent as being compared to the 1 half of the year 2014. The Company's variable expenditures in heat supplies (fuel, purchased heat, water and electricity for technology) were at 34.28 per cent lower (EUR 12,496 thousand) in the 1 half of the year 2015 as being compared to the 1 half of the year 2014. More detailed information is provided in section 7 of this interim report.

Company’s investments in new technologies (reconstruction of heat production facilities, equipping them with economizers, new biofuel boilers, 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, etc.), 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 heat and hot water supply, maintenance of heating networks and generation facilities company in the city of Kaunas and the town of Jurbarkas and in Kaunas district.

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

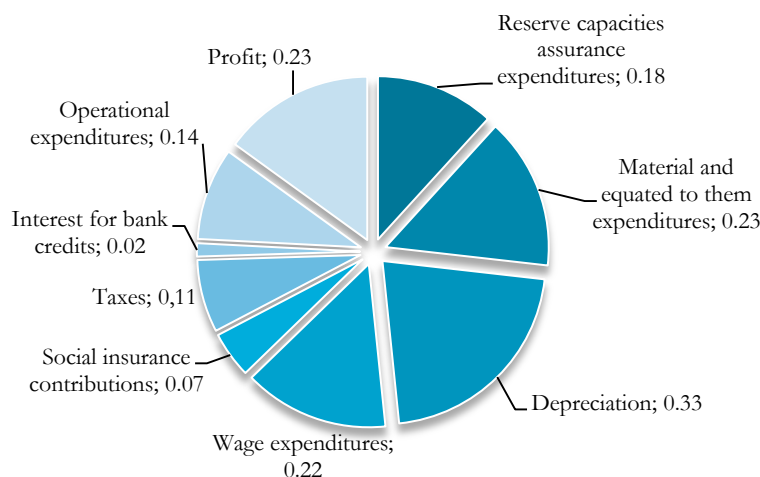


construction and reconstruction of heat production facilities, thus increasing competition in heat production sector and effectively reducing heat price for consumers.

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. Constant constituent of heat price, valid until 31 May 2014 was 1.23 euro ct/kWh. A new constant constituent, valid from 1 June 2014 is 1.53 euro ct/kWh (increase of constant constituent was determined by change in realized heat quantity, inflation, change in investment depreciation and new "expenditures of assurance of reserve capacities" – 0.18 euro ct/kWh). Details of constant heat price constituent, valid from 1 June 2014 are presented in Chart 2.

Chart 2

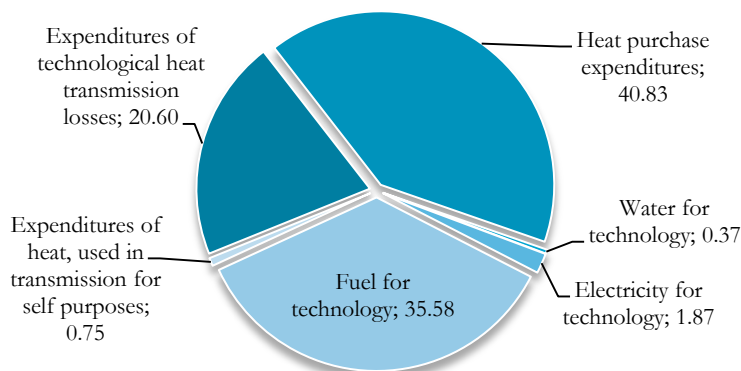
Heat price constant constituent, euro ct/kWh



The Company recalculates values of heat price variable constituents as well as final heat prices every month, considering changes in prices of fuel and purchased heat. Detailed view of heat price variable constituent, valid from June 2015 is presented in Chart 3.

Chart 3

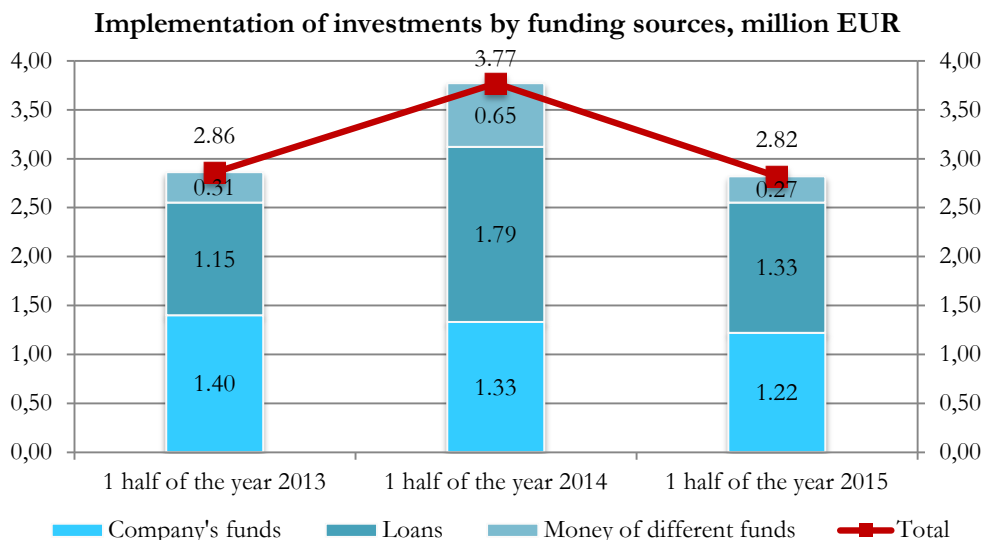
Heat price variable constituent in June 2015, per cent



The Company makes investments in accordance with the Company's revised investment plan for 2012–2015, which was approved by decision No T-9 of Kaunas City Council of 22 January 2015 "Regarding revised investment plan of AB Kauno Energija for 2012–2015". EUR 67.14 million were planned to invest in Company's assets according to approved investment plan during the period of 2012-2015.

During the 1 half of the year 2015 the Company invested EUR 2.82 million (funds from other sources, i.e. EUR 1.33 million – loans from commercial banks, EUR 0.27 million – financial support from the European Union Structural Funds and Lithuanian Environmental Investment Fund are among them). A part of these investments were assigned for equipment of biofuel boiler-houses. These investments reached EUR 1.963 million. Company's investments by funding sources for the 1 half of the years 2013–2015 are shown in Chart 4.

Chart 4



The change of investment uptake of the Issuer during 2010–2014 reflects changes in macro-economic processes in the country and in the European Union: in 2010, the investment performance was EUR 8.928 million. In 2011, the investment volumes compared to 2010 increased by 14.2 per cent. In 2012, compared to 2011, investment volumes changed insignificantly and were amounted to EUR 8.880 million, while the Company's investments in equity in 2013, compared with 2012, increased by 45.84 per cent and consisted of EUR 12.951 million, but in 2014 Company's investment volumes reached EUR 19.651 million and compared to 2013 increased by 51.73 per cent. 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).

In the 1 half of the year 2015 the Company conducted the following projects of modernization of generation facilities and network:

1. "Reconstruction of Šilkas boiler-house changing used fuel to bio-fuel (II stage)". 8 MW capacity bio-fuel burned water heating boiler along with 4 MW capacity condensational economizer in Šilkas boiler-house is installed while implementing this project. Project activities were started in June 2014 and on 6 February 2015 a certificate of test of energy equipment technical state, confirming that new equipment meets all the requirements of legal acts and can be used in accordance with purpose has been received from the State Energy Inspectorate. Total value of the project is EUR 2.327 million, European Union Structural Funds support in amount of EUR 1.154 million is among them. 38.5 thousand MWh of heat was produced with this equipment during the 1 half of the year 2015.
2. "Reconstruction of Petrašiūnai power-plant changing used fuel to bio-fuel (I stage)". While implementing this project, a steam boiler BKZ No 1 was changed with two bio-fuel burned water heating boilers with total capacity of 24 MW. A 6 MW capacity condensational economizer was installed as well (the total capacity of new equipment will reach 30 MW). Project activities were started in the spring of 2014 and on 17 February 2015 a certificate of test of energy equipment technical state, confirming that new equipment meets all the requirements of legal acts and can be used in accordance with purpose has been received from the State Energy Inspectorate. The total value of the project is EUR 6.298 million. European Union Structural Funds support in amount of EUR 1.523 million is among them. 72.7 thousand MWh of heat was produced with this equipment during the 1 half of the year 2015.
3. "Reconstruction of Inkaras boiler-house changing used fuel to bio-fuel". Starting from the year 2000 Inkaras boiler-house was mothballed and did not produce any heat. During implementation of project two bio-fuel burned water heating boilers with capacity of 8 MW each and 4 MW capacity

condensational economizer were installed (the total capacity 20 MW). The contract on boiler-house reconstruction works was signed on 5 August 2014. On 17 February a certificate of test of energy equipment technical state, confirming that new equipment meets all the requirements of project and legal acts and can be used in accordance with purpose has been received from the State Energy Inspectorate. The total value of the project is EUR 5.709 million. European Union Structural Funds support in amount of EUR 1.738 million is among them. 63.2 thousand MWh of heat was produced with this equipment during the 1 half of the year 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. The main objective of implementation of these projects is to even more reduce Company’s comparable expenditures of heat production and the final heat price for consumers as well.

4. The Company started a replacement of “Šilkas” boiler-house boiler No 6 in 2015. Instalment of the new 9 MW capacity biofuel burned water heating boiler instead of existing boiler No 6 of DKVR type, adapted to work on biofuel, is being planned in order to reduce heat production expenditures. Anticipated value of the project is EUR 637 thousand (EUR 232 thousand of them is support from LEIF);
5. “Modernization of the main 5T of Kaunas integrated network” (value of the project is EUR 1.046 million). EU Structural Funds support is EUR 0.494 million. Construction works of the project were completed in October 2014. Final report on project implementation was approved by LBSA in February 2015;
6. “Modernization of the main 6Ž of Kaunas integrated network” (value of the project is EUR 0.630 million). EU Structural Funds support is EUR 0.296 million. Construction works of the project were completed in November 2014. Final report on project implementation was approved by LBSA in February 2015;
7. “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 EUR 1.359 million). EU Structural Funds support is EUR 0.579 million. Construction works of the project were completed in October 2014. Final report on project implementation was approved by LBSA in March 2015;
8. “Modernization of the main 3Ž between heat cameras 3Ž-9 and 3Ž-9-5^c in A. Baranausko str.” (value of the project is EUR 0.417 million). EU Structural Funds support is EUR 0.208 million. Construction works of the project were completed in October 2014. Final report on project implementation was approved by LBSA in May 2015;
9. “Modernization of the main 4Ž between heat cameras 4Ž-10 and 4Ž-15 in Taikos av.” (value of the project is EUR 0.612 million). EU Structural Funds support is EUR 0.306 million. Construction works of the project were completed in October 2014. Final report on project implementation was approved by LBSA in March 2015.

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.

Company’s generation capacities consist of a power plant in Petrašiūnai, 4 boiler-houses in Kaunas integrated network, 7 district boiler-houses in Kaunas district, 1 boiler-house in Jurbarkas city, 13 boiler-houses of isolated networks and 29 local gas burning boiler-house in Kaunas city. Total installed heat generation capacity in Kaunas city consist of 551.453 MW of heat production capacities (including 37.5 MW of condensational economizers) and of 8.75 MW of electricity production capacities as at 30 June 2015. Production capacities in Petrašiūnai power plant consist of 294.8 MW of heat production capacities (including 16 MW of condensational economizer capacity) and 8 MW of electricity production capacity. Production capacities in Jurbarkas branch consist of 29.8 MW of heat production capacities (including 2.8 MW of condensational economizer capacity). Total energy generation capacity of the Company is 560.203 MW (including 37.5 MW of condensational economizers’ capacities).

In January – February 2015, after construction and operation start of the new Company’s biofuel burned boiler-houses (total capacity of biofuel burned boilers with condensational economizers in Kaunas integrated network amounts to 72 MW), the part of heat, produced using biofuel in integrated network increased up to 70-100 per



cent, estimating currently working biofuel equipment of IHP. The Company builds biofuel equipment coherently pursuing strategy of Company's development, approved by city municipality council and seeking to further reduce heat price for consumers. By increasing and modernizing production capacities the Company increasingly occupies part of heat production market and it seems likely that in 2015 it will produce in own production facilities and will supply to DHN more than 40 per cent of all heat demand.

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

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

The rest of information remains the same as the information, provided in AB Kauno Energija consolidated annual report of the year 2014.

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 in fuel prices, ever-changing legal environment, as well as the heat production pricing policies.

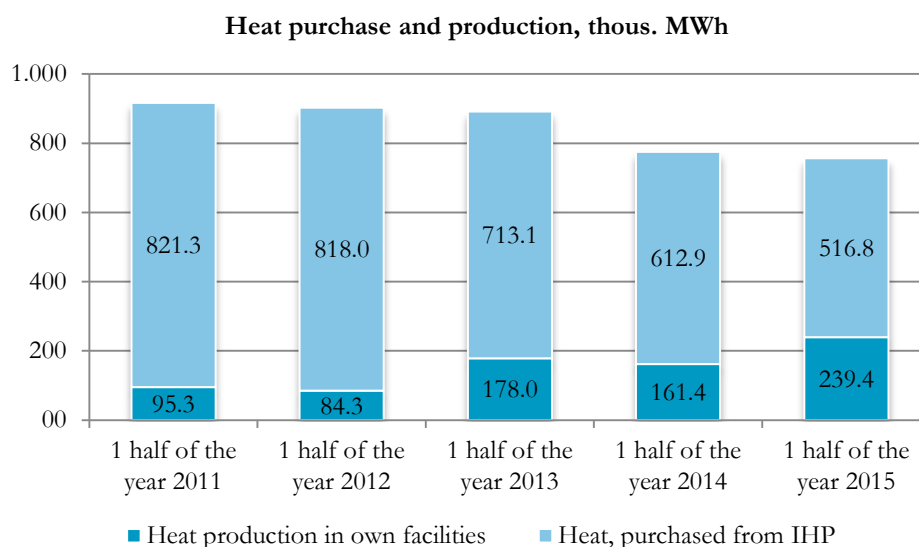
The Company, in order to operate effectively and reliably, in creating the added value for shareholders, is faced with specific threats to the sphere of its activity, but also takes advantage of opportunities to work efficiently and effectively by exploiting the available potential. One of the biggest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

In the 1 half of the year 2015 the Company purchased heat from 9 independent heat producers (hereinafter – IHP) in Kaunas and Kaunas district. These IHP are as follows: UAB Kauno Termofikacijos Elektrinė, UAB GEKO Kaunas, UAB Lorizon Energy, UAB Ekopartneris, UAB Ekoresursai, UAB Pramonės Energija, UAB Aldec General, UAB ENG and UAB Oneks Invest. Total purchases consisted of 516.8 thousand MWh of heat, i.e. 68.3 per cent of heat supplied to the network (in the 1 half of the year 2014 – 79.2 per cent).

The Company has received applications from 11 potential IHP at the moment (with total capacity of approximately 400 MW) regarding connection of their heat production facilities to Company's integrated heat supply network. Along with coming of IHP a new additional issues raised and Company has to solve them. These are additional technical, economical, legal and other issues, such as network management and balancing of IHP capacities in the case of emergency stop, maintaining of optimum working parameters, regulation of order of heat purchase from IHP and its vicissitude and appliance. The Company placed an application in 2014 to take part in contest, announced by Lietuvos Energija, UAB, "Regarding Cooperation for Implementation of Modernization Projects of Heat Economies of Vilnius and Kaunas Cities, By Installing Cogeneration Power-plants, Using Local and Renewable Energy Sources". In March 2015 Company's offer has been recognized as suitable. On 20 May 2015 Lietuvos Energija UAB signed a cooperation agreement with UAB Fortum Heat Lietuva regarding development of project of new co-generation power plant. It is anticipated in agreement, that except UAB Fortum Heat Lietuva the shares of a new power plant can be offered also to the Company.

The main fuel used by the Company for heat and electricity production in the 1 half of the year 2015 was solid fuel – 77.20 per cent, other kinds of fuel were as follows natural gas – 22.10 per cent, biogas – 0.59 per cent, peat – 0.11 per cent (in the 1 half of the years 2012–2014 the main fuel was natural gas: in the 1 half of the year 2014 – 70.69 per cent, in the 1 half of the year 2013 – 85.41 per cent, in the 1 half of the year 2012 – 92.43 per cent). Changing fuel prices and prices of heat, purchased from IHP have an influence on the cost of Company's heat and electricity production and on the price of heat sold.





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

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

The effects of other competing companies, propagating the only usage of natural gas, irrespective of approved special heating supplies plan, supplies reliability, affection to the only source of fuel, not yet regulated local pollution, in the heat supply sector with the Company are disconnections of consumers from DHN system. Heating equipment disconnection from the DHN and heating mode changes are carried out in accordance with the procedures specified in the Civil Code of the Republic of Lithuania, the Law on Heat Sector and the Law on Construction, and secondary legislation implementing the aforementioned legal acts. Heat disconnection is governed by the "Rules on heat supply and consumption" approved by order No 1-297 of 25 October 2010 of the Minister of Energy of the Republic of Lithuania and their amendment approved by order No 1-191 of 20 July 2011, and the Description of procedure for disconnection of the building or heating facilities of premises from heat supply networks at the initiative of consumers approved by order No A 1830 of the director of administration of Kaunas City Municipality of 14 May 2012. Kaunas City Municipality has approved a special heat supply plan, which provides a way to separate the heat supply in different urban areas. Disconnection of buildings in the district heating area from the DH network is only possible with the appropriate permit of Kaunas City Municipality. Special plan of heat economy of Kaunas district municipality was approved by the decision No TS-43 of Kaunas district municipality of 26 January 2012. Special plan of heat economy of Jurbarkas city and district was approved by the decision No T2-67 of Jurbarkas district municipality of 10 March 2005.

Financial / economic risk: Decrease of consumers' solvency and the 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.

Detailed information on risk management policy and of risks of credit, currency rates, interest rates and liquidity is provided in Note 23 of Company's Notes to the financial statements of the 1 half of the year 2015.

As at 30 June 2015 heat consumers' procrastinated liabilities in comparison with the year 2014 decreased approximately by 1.5 per cent and consisted of EUR 15.154 million. During the year 2014 in comparison with the year 2013 they decreased approximately by 21 per cent. In the year 2014 they consisted of EUR 15.384 million, and in the year 2013 – EUR 19.506 million. This was probably affected by application of effective debts administration, decrease in heat price and conditionally lower heat consumption.

In order to recover these debts as soon as possible, the Company actively uses a variety of legal debt management measures, such as pre-trial actions, judicial recovery and also cooperation with debt Collection Company. In addition during the 1 half of the year 2015, a restriction of heat supplies has been applied as a preventive measure when a debt becomes big (if there are technical possibilities and according to the law).

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 and if pre-trial measures are not effective, the judicial recovery begins. The Company then applies to the court and after a decision accompanied with receiving-order – to bailiff. In such case the debtor must pay not only the debt but also the court and execution expenditures. The Company applies a number of debt prevention and pre-trial actions. A referral of information on debtors to Collection Company is among them.

Activities of the Company are cyclical. During the heating season (October – April) the highest operating income is gained. 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 facilities.

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 NCC approved a new Schedule of heat purchase from IHP enabling the Company to take part in the heat purchasing auction with its own production facilities.

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.

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.



On 7 March 2013 Gazprom OAO transferred ownership of the shares of KTE to Clement Power Venture Inc. The changes of Agreement on Investments and of Heat Energy Purchase Contract of 31 March 2003 which were signed respectively on 13 August 2012 and 28 September 2012, as well as termination of Contract of Guarantee signed between Company and Gazprom OAO on 13 August 2013 came into force since that date. Following changes of Heat Energy Purchase Contract that came into force, Company's obligation to purchase from KTE at least 80 per cent of produced heat, demanded in Kaunas integrated heat supply network was withdrawn. According to changes of Agreement on Investments it was newly agreed and investments objects were intended for a preliminary sum of EUR 101.367 million as well as detailed schedule of investments implementation for the years 2013 – 2017. Herewith KTE took the obligations from these investments to finance Company's investments in Company's infrastructure in amount of EUR 2.896 million, which will be fulfilled during the period of 2012 – 2016. KTE obliged to pay 10 percent forfeit from the value of unfulfilled investments. Notwithstanding agreements reached, on 30 April 2013 KTE placed a claim to Vilnius Court of Commercial Arbitration. KTE seeks to argue obligations regarding investments in Company heat economy in amount of EUR 2.896 million and the terms of implementation (alternative claim), and on 17 February 2014 it told in written, that it stops implementation of all obligations taken by Investment agreement. According to 19 February 2014 Arbitration decision, the Company and KTE began negotiations for a peaceful settlement of investment dispute. However on 26 May the Company has informed Arbitration court that compromise has not been reached. Considering that, the Company placed a claim to Arbitration Court on 30 June 2014 seeking that KTE would pay to the Company EUR 0.941 million for inappropriate implementation of its obligations to finance in the years 2012 – 2013 Company's investments and KTE specified on 9 July 2014 its claims in the case, by which asked Arbitration Court in addition to terminate overall Investment agreement (alternative claim). The Company asked Arbitration by specified requirements on 30 January 2015 to award additionally from KTE EUR 0.652 for non-financed Company's investments that were made in the year 2014 (total requirements amount to EUR 1.593 million). On 30 April 2015 KTE offered in written a renewal of negotiations regarding peaceful agreement in the case and the Arbitration postponed investigation of the case until 29 September 2015, giving additional time for both sides for negotiations regarding peaceful settlement of litigation and documents preparation. Negotiations between sides are in progress.

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 and consolidated statements of the Company of the 1 half of the year 2015.

Social factors: social factors that can have an impact on the Company's operations include the decline in the number of users (number of consumers increased in the 1 half of the year 2015), 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.

Number of consumers increased from 117,786 in 2014 to 118,249 as at 30 June 2015.

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. Payments for heat constitute a significant part of expenses for households. The Company gets almost the most of complaints regarding these payments. But due to the latest Company's investments in production facilities, the prices of heat and hot water significantly decreased, so decreased a number of complaints and dissatisfaction of Company's activity. As measured in terms of Lithuania, the Company's heat price in the years 2014–2015 was close to the average among all heat supply companies at the time of heating season and one of the lowest at the time of non-heating season.

This risk is mitigated by reasonably informing consumers about the Company's activities. Articles on Company's activities are coherently published in Company's website and in national or local media. 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 (in the 1 half of the year 2015 there was 1 meeting arranged), are invited to meet with the Company's specialists, and discuss consumer issues related to the Company's activities. Thus an image of modern and socially responsible company is being created.

Technical and process factors: greatest process risks are so shaded with the condition of heating systems. A majority of the Company's trunk pipelines are about thirty years old. Modernization rate of them is determined by lack of funds – it is necessary to reconstruct more than 13.5 km of pipelines per year in order to condition of age of heat supply system and the minimum investments should consist of approximately EUR 6 million. Hydraulic testing



identifies their weakest points. Every year, about 240 points where cracks occur are identified during the tests. Upon discovery of defects, pipes are exposed and promptly repaired.

New industrially (polyurethane foam insulation in polyethylene shell) insulated pipes not requiring concrete channels are mounted in the reconstructed sections of the heat supply network. Heat loss is very low in reconstructed sections (process level), while the pipelines no longer pose a threat of rupture and ensure reliable heat supply to consumers.

The greatest technical risk factor for heat generation facilities is their age. Each year, boiler repairs and preventive work is carried out during the non-heating season. They are necessary to make secure heat supplies and reliability, I. e. securing of heat production facilities and fuel reserves. The Company also invests to renewal of heat production facilities. Existing Company's own capacities of 407.61 MW cannot ensure customers demand (maximum instantaneous demand according to data of three last years is 508 MW) in Kaunas integrated network. This is why the Company is obliged by NCC to buy a reserve capacity security service from IHP, including KTE. This service enables to ensure additional capacities, but not bigger than 30 % of maximum capacities in Kaunas DHN system. Considering that and estimating common trends in development of heat economies in Kaunas and Lithuania, one of the aims of the Company is to continually reasonably invest in own heat production facilities, I. e. to modernize existing and to build new additional heat production capacities. More detailed information on Company's investments and modernization of production facilities is provided in chapters 6.1 and 7.

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

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

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

The Company pays taxes for atmospheric and water pollution. If allowable emission rate limits or annual limits are exceeded, the Company must pay the fines under the applicable laws of the Republic of Lithuania. In 2014 and in the 1 half of the years 2015 the Company was not imposed any penalties.

Main Company's emission reduction measures: modernization of heat generation sources, heat transfer loss reduction by replacing the existing pipes to the pipes with polyurethane foam insulation, installation of new technology and improvement of existing facilities, use of less polluting fuels, and continuous emission monitoring (the fuel balance in the 1 half of the year 2015 was dominated by solid biofuel – 77.20 per cent, natural gas – 22.10 per cent, peat – 0.11 per cent, biogas – 0.59 per cent).

Bank loan repayment: more on this issue is presented in Note 11 to the explanatory notes of financial statements of AB Kauno Energija of the 1 half of the year 2015. The Group and the Company repay the loans on time.

The main aims of the Company are to renew heat supply networks, because they are operated approx. 30 years and are obsolete, and to modernize heat production facilities. 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

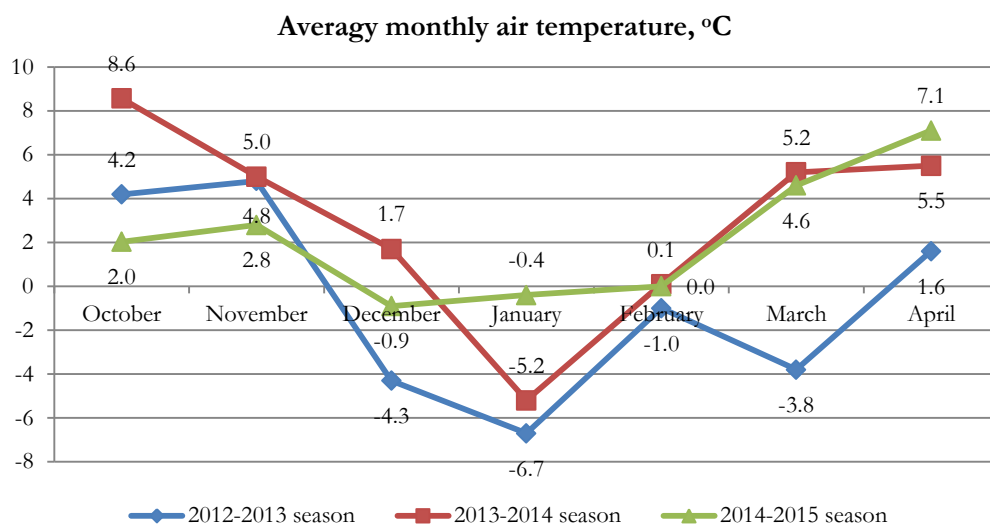


methodology, therefore, the Company aims to be profitable, to be financially able to settle with credit institutions in accordance with loan agreements.

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

It has been planned that sales revenue from core activities in the 1 half of the year 2015 will be lower due to reduced heat price, the amount of heat sold to consumers will remain in the same level as in 2013. Sales revenue from the core activities in comparison with the year 2014 was lower at 19.22 per cent. This change was mainly affected by the price of heat, the main part of which contains of purchased heat and fuel component. The average price of heat in the 1 half of the year 2015 (5.79 euro ct/kWh) was at 9.9 per cent lower than in the 1 half of the year 2014 (7.18 euro ct/kWh). The amount of heat sold in the 1 half of the year 2015 in comparison with the 1 half of the year 2014 was at 3.3 per cent less. Average air temperature of heating season of the 1 half of the year 2015 was 2.56 °C, and of the 1 half of the year 2014 – 0.76 °C.

Chart 6



Comparison of financial indicators of the Group of the 1 half of the year 2015 with the indicators of the 1 half of the years 2011–2014 is presented in Table 2.

Table 2

No	Indicator name	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
1	Net profitability,% (net profit /sales and services)*100	12.2	4.6	9.1	3.9	12.7
2	Return on tangible assets,% (net profit/average value of tangible assets)*100	6.8	3.0	5.7	1.8	3.9
3	Debt ratio (liabilities /assets)	0.24	0.33	0.30	0.35	0.37
4	Debt-to-equity ratio (liabilities / equity)	0.3	0.5	0.4	0.5	0.6
5	General liquidity ratio (short-term assets / short-term liabilities)	1.52	0.87	1.29	0.81	1.17
6	Asset turnover ratio (sales and services/ assets)	0.48	0.54	0.52	0.38	0.29
7	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand euros	8,941	5,631	8,175	4,805	8,060
8	Profitability of core business, per cent (operating profit/sales and services)* 100	8.5	4.5	4.5	3.7	13.3



CONSOLIDATED INTERIM REPORT OF THE COMPANY FOR THE 1 HALF OF THE YEAR 2015

No	Indicator name	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
9	Return on equity (ROE)% (net profit/average equity)*100	8.1	3.8	7.0	2.3	6.0
10	Return on assets (ROA)% (net profit/average assets)*100	5.6	2.5	4.7	1.4	3.5
11	Quick ratio((short-term assets-inventory)/short-term liabilities)	1.34	0.80	1.19	0.74	1.13
12	Cash ratio (cash in hand and at bank / short-term liabilities)	0.24	0.06	0.12	0.05	0.26
13	Net earnings per share (net profit/average weighted number of shares in issue)	0.15	0.07	0.13	0.04	0.11
14	Net profit, thousand euros	6,287	2,884	5,468	1,798	4,773
15	Assets, thousand euros	106,406	116,597	116,518	120,702	129,542
16	Equity, thousand euros	80,760	78,185	81,115	78,318	82,124
17	Equity per share, euros	1.88	1.82	1.91	1.83	1.92
18	Revenue from sales, thousand euros	51,356	62,847	60,246	46,383	37,468
18.1	among them: heat energy	50,353	61,888	58,727	44,661	35,739
18.2	electric energy	72	54	60	87	122
18.3	Maintenance of indoor heating and hot water supply systems, heating substation facilities	272	101	125	21	16
18.4	Income from the maintenance of collectors	134	112	112	114	113
18.5	Hot water supply including cold water price	522	656	1,175	1,430	1,351
18.6	Income from maintenance of hot water meters	3	36	47	70	127
19	P/E ratio (last share market price of the year / (net profit/number of shares at year-end)	4.05	6.67	4.56	11.79	4.25
20	Share capital, thousand euros	74,256	74,256	74,256	74,378	74,476
21	Share capital-to-assets ratio	0.70	0.64	0.64	0.62	0.57
22	Return on equity (capital), per cent (net profit/ capital and reserves)*100	8.3	3.8	7.2	2.3	6.1

Comparison of financial indicators of the Company of 1 half of the year 2015 with the indicators of 1 half of the years 2011–2014 is presented in Table 3.

Table 3

No	Indicator name	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
1	Net profitability,% (net profit /sales and services)*100	12.3	4.6	8.9	3.9	12.8
2	Return on tangible assets,% (net profit/average value of tangible assets)*100	6.7	2.9	5.4	1.7	1.9
3	Debt ratio (liabilities /assets)	0.24	0.33	0.30	0.35	0.37



CONSOLIDATED INTERIM REPORT OF THE COMPANY FOR THE 1 HALF OF THE YEAR 2015

No	Indicator name	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
4	Debt-to-equity ratio (liabilities / equity)	0.3	0.5	0.4	0.5	0.6
5	General liquidity ratio (short-term assets / short-term liabilities)	1.53	0.87	1.29	0.81	1.16
6	Asset turnover ratio (sales and services/ assets)	0.48	0.53	0.51	0.38	0.29
7	EBITDA (earnings before interest, taxes, depreciation and amortization), thousand euros	8,916	5,624	8,070	4,802	8,059
8	Profitability of core business, per cent (operating profit/sales and services)* 100	8.5	4.5	4.5	3.7	13.3
9	Return on equity (ROE)% (net profit/average equity)*100	8.0	3.6	6.7	2.3	2.7
10	Return on assets (ROA)% (net profit/average assets)*100	5.6	2.4	4.5	1.4	1.6
11	Quick ratio((short-term assets-inventory)/short-term liabilities)	1.35	0.80	1.19	0.73	1.13
12	Cash ratio (cash in hand and at bank / short-term liabilities)	0.24	0.06	0.11	0.05	0.26
13	Net earnings per share (net profit/average weighted number of shares in issue)	0.15	0.07	0.12	0.04	0.11
14	Net profit, thousand euros	6,285	2,888	5,379	1,791	4,781
15	Assets, thousand euros	107,492	117,606	117,445	121,413	130,270
16	Equity, thousand euros	81,756	79,157	81,892	78,839	82,665
17	Equity per share, euros	1.91	1.85	1.91	1.85	1.90
18	Revenue from sales, thousand euros	51,168	62,830	60,165	46,388	37,473
18.1	among them: heat energy	50,362	61,899	58,739	44,668	35,744
18.2	electric energy	72	54	60	87	122
18.3	Maintenance of indoor heating and hot water supply systems, heating substation facilities	75	73	32	19	16
18.4	Income from the maintenance of collectors	134	112	112	114	113
18.5	Hot water supply including cold water price	522	656	1,175	1,430	1,351
18.6	Income from maintenance of hot water meters	3	36	47	70	127
19	P/E ratio (last share market price of the year / (net profit/number of shares at year-end)	4.05	6.66	4.63	11.83	4.24



No	Indicator name	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
20	Share capital, thousand euros	74,256	74,256	74,256	74,378	74,476
21	Share capital-to-assets ratio	0.69	0.63	0.63	0.61	0.57
22	Return on equity (capital), per cent (net profit/ capital and reserves)*100	8.3	3.8	7.0	2.3	6.1

Comparison of financial results of the Group and the Company of 1 half of the years 2011–2015 (sales revenue, operating profit, net profit) is provided in Charts 7 and 8.

Chart 7

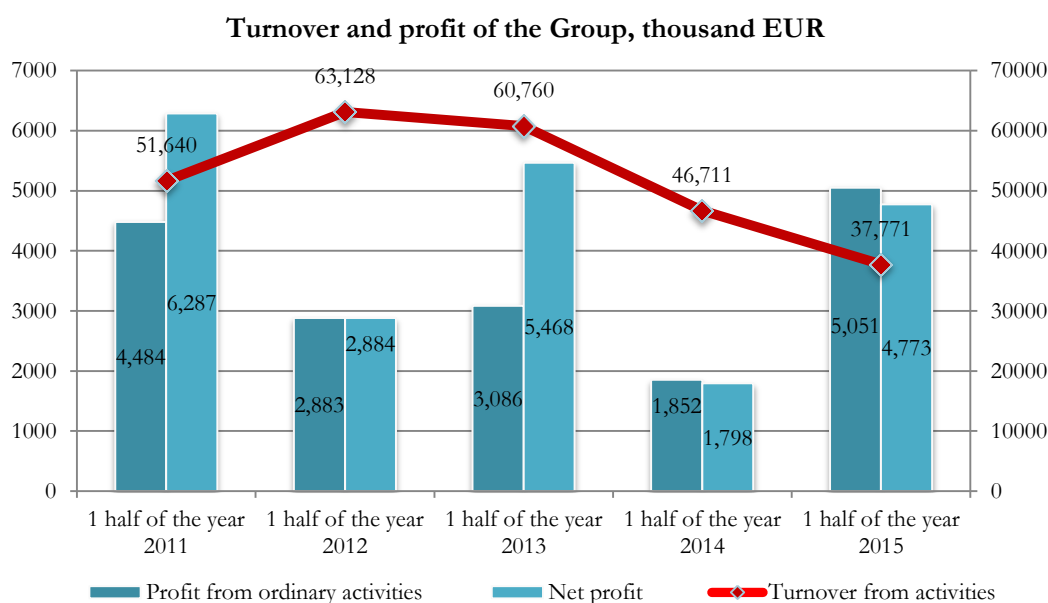
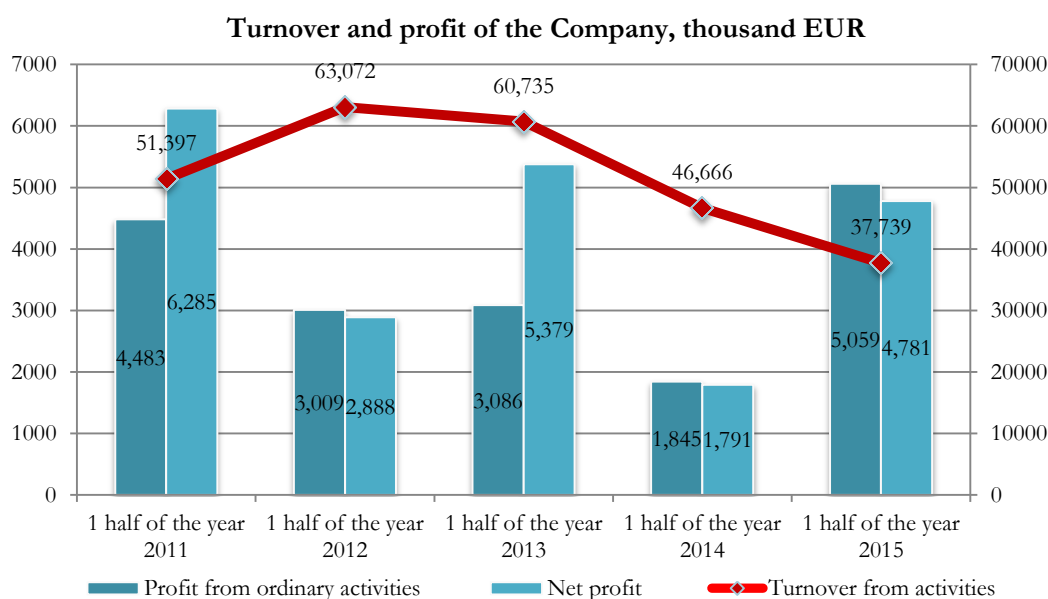


Chart 8



Notwithstanding that Group’s and the Company’s turnover decreased in 8.9 million euros, Company’s profit of 1 half of the year 2015 in comparison with 1 half of the year 2014 is higher due to effective Company’s activities, decreased expenditures of fuel and purchased heat, mainly usage of biofuel for heat production instead of natural gas and measures of debts management, implemented by Company.

The Group and the Company accounts impairment loss in doubtful receivables. Change of impairment loss in doubtful receivables in 1 half of the year 2015 in the Group's and the Company's write-offs and change in allowance for accounts receivable is included in the item of the cost of changes in the impairment of receivables and in 1 half of the year 2015 amounted to EUR -28 and -35 thousand respectively, i. e. expenditures decreased and profit increased because of that reason (in 1 half of the year 2014 – EUR 108 and 110 thousand respectively). During 2014, the Group and the Company wrote off EUR 922 thousand and 922 thousand of bad debts respectively. During 1 half of the year 2015 the Group and the Company recovered EUR 5 thousand (in 1 half of the year 2014 – EUR 3 thousand) of bad debts which were written off in prior years.

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 that came 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. The Company suffers approx. EUR 0.7 thousand of losses every year uncovered by income due to this maintenance.

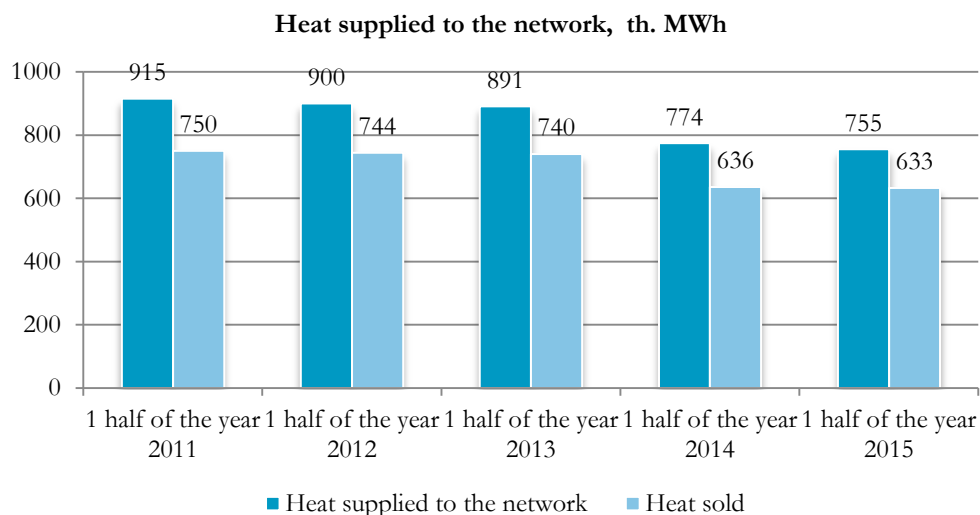
A more detailed analysis of the Group’s and the Company’s financial results is presented in the Notes to Consolidated Financial Statements for 1 half of the year 2015.

Comparison of non-financial indicators of the Company of 1 half of the year 2015 with the indicators of 1 half of the years 2011-2014 is presented in Table 4.

Table 4

No	Indicator name	1 half of the year 2011	1 half of the year 2012	1 half of the year 2013	1 half of the year 2014	1 half of the year 2015
1.	Energy produced, purchased and supplied to the network, th. MWh	915.3	900.4	891.3	775.2	756.4
1.1.	heat energy	914.5	899.8	890.5	774.1	754.8
1.2.	electric energy	0.8	0.6	0.8	1.1	1.6
2.	Energy sold, th. MWh	750.5	744.5	740.9	637.0	634.6
2.1.	heat energy	749.7	743.9	740.1	635.9	633.0
2.2.	electric energy	0.8	0.6	0.8	1.1	1.6

Chart 9

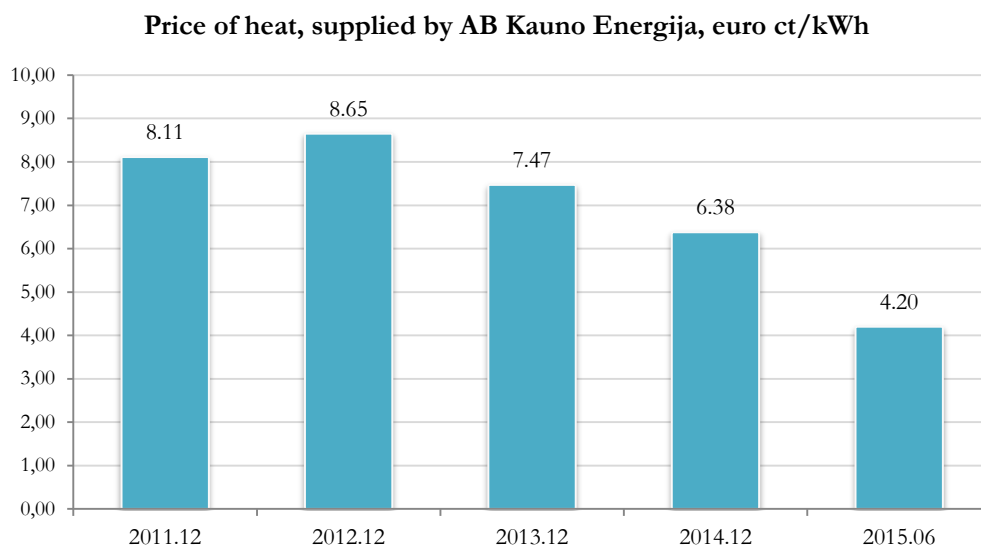


Environmental impact on operations: The Company’s performance can be affected by changes in sales turnovers caused by changed heat demand, which can be caused by consumer investments in the renovation of buildings, heat saving and rational consumption, average higher of lower outdoor temperature during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

Company’s reconstructed heat production facilities changing fossil fuel to biofuel makes a serious competition with their costs of production to IHP, operating in Kaunas. With modernization of its own production facilities the Company reduced heat price for its consumers by 44 per cent over the last 2 years.

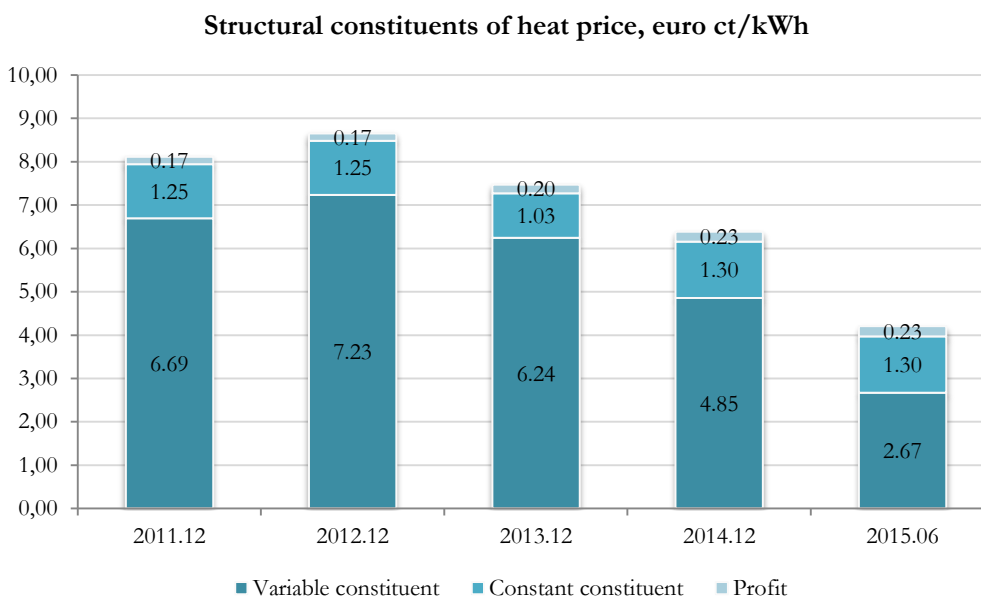
The dynamics of heat price of the Company in 2011 – June 2015 is presented in Chart 10.

Chart 10

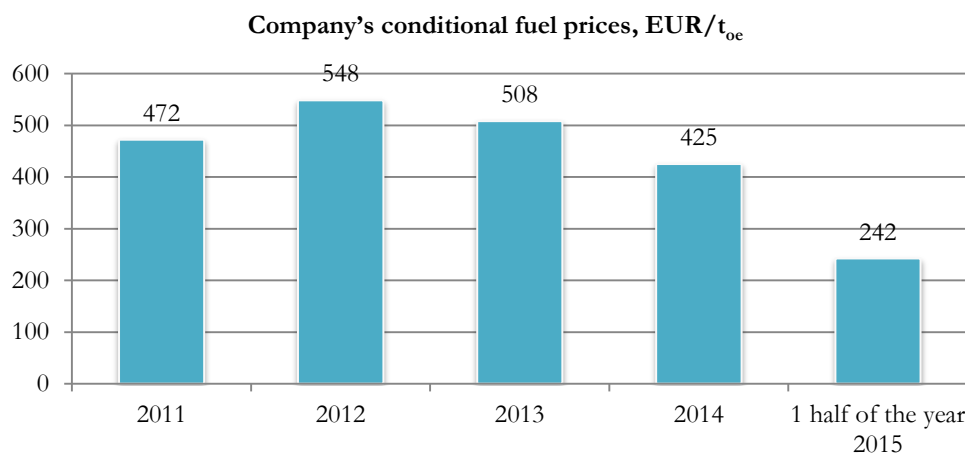


Components of Company’s heat price structure in 2011 – June 2015 are presented in Chart 11.

Chart 11



The dynamics of Company’s conditional fuel prices in 2011 – 1 half of the year 2015 is presented in Chart 12.



The rest of information related to environmental issues, management of waste and waste water, air pollution and human resources has no difference from that, provided in AB Kauno Energija Consolidated Annual Report of the year 2014.

8. References to and additional explanations

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 1 half of the year 2015.

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 1 half of the year 2015

29 July 2015 Company's Board approved non-audited Consolidated and Company's Financial Statements of 1 half of the year 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Inasmuch investments allows continual business development and profitability, the aims of the Group's and the Company's investment program for the year 2015 is to further develop Company's expansion of heat selling market, improvement and development of heat production, through increase of use of biofuel for heat production, development of heat transmission and distribution increasing safety and reliability, expansion of maintenance services of engineering systems and improvement of services quality.

The Extraordinary General Meeting of Shareholders of AB Kauno Energija that has been held on 30 March 2015 made a decision of purchasing Sargėnai heat economy, which is situated in the territory of Kaunas city municipality for the price, bargained with UAB Litesko and for the other terms of acquisition and to accomplish procedures of acquisition of Sargėnai heat economy.

In compliance with the provisions of the plan for the facilities on the implementation of the National Renewable Energy Development Strategy, in order to implement the Company's key business objectives and the provisions of the National Energy Independence Strategy related to the assurance of technical requirements for reliability of heat facilities and heat supply networks, to guarantee the quality keeps apply to consumers, the Company adjusted its "Investment plan for the year 2012–2015 and is financing sources" according to which it plans to invest EUR 67.14 million.

The main investment goals of the Company for 2013–2016 regulation periods are as follows: to decrease heat production costs in existing facilities, increase the share of cheaper types of fuel (biofuel) in the total fuels, increase the capacity of own facilities 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 granted EUR 4.415 million of EU Structural Funds support for projects of boiler-houses reconstructions changing used fuel to bio-fuel and EUR 1.883 million of EU Structural Funds support for projects of reconstructions of heat supply networks.

In addition to the above mentioned projects the implementation of Company's investment program in 2015 will involve further modernization of boiler-houses owned by the Company automating the production process and mounting condensational 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.

It is planned that in 2015 in comparison with 2014, the Group's sales turnover will be lower due to the decreased heating rates; the amount of heat sold to consumers will remain at the comparable level as in 2014. 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 in comparison with 2014 is planned to be higher due to the improvement of effectiveness. 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

Responding to Lietuvos Energija, UAB invitation of putting forward proposals of cooperation on implementation of projects of cogeneration plants, the Company placed an application on 22 July 2014 for participation in tender, announced by Lietuvos Energija, UAB "For cooperation in implementation of projects of Vilnius and Kaunas cities centralized heat supplies economies modernization by installing cogeneration power plants, using local and renewable energy sources".

In March 2015 Company's offer has been recognized as suitable. On 20 May 2015 Lietuvos Energija, UAB signed a cooperation agreement with UAB Fortum Heat Lietuva regarding development of project of new cogeneration power plant. It is anticipated in agreement, that except UAB Fortum Heat Lietuva the shares of a new power plant can be offered also to the Company.

On 25 February 2015 Company's "Inkaras" and Petrašiūnai power plant boiler-houses were inaugurated. They were inaugurated after installation of new biofuel equipment in them. The heat produced using this equipment already reaches consumers. Except these two boiler-houses AB Kauno Energija also installed new biofuel burned boiler with capacities of 8 MW and condensational economizer with capacities of 4 MW in Company's "Šilkas" boiler-house. New equipment is built in order to reduce heat prices for consumers even more. Total capacities of newly started to operate equipment consist of 62 MW. Totally with this new equipment the Company will have 72 MW of biofuel capacities in Kaunas integrated network. They are quite enough to cover demands of non-heating season, and they will cover approximately 25 per cent of demand in heat of whole heating season.

On 29 April 2015 a circuit session of Energy Commission of Seimas of the Republic of Lithuania has been held in Company's quarters. Changes in heat economy after start of usage of biofuel for heat production in Kaunas were presented during this session. Except members of Seimas of the Republic of Lithuania – commission chairman Kęstutis Daukšys, members Vydas Gedvilas, Linas Balsys and Ričardas Sargūnas – Kaunas city mayor Visvaldas Matijošaitis, vicemayor Povilas Mačiulis, director of administration of city municipality Gintaras Petrauskas, president of Lithuanian Biomass Energy Association LITBIOMA (Chairman of the Board) Virginijus



Ramanauskas, Company’s managers and other specialists of energetics and forestry also took part in this session. Company’s development in heat production sector, increase of competition in it reaching reduction of heat prices for consumers has been presented for commission and city leadership in this session. It has been emphasized, that after selling of Kaunas thermofication power plant to private investor in 2003, the Company became the only heat supplies company in Lithuania with lack of own main heat production source. Also a present biomass energetics situation in Lithuania and especially in Kaunas, resources of Lithuanian woods as well as key environmental aspects of biofuel burning in energetics have been discussed.

Cherishing close cooperation with Kaunas University of Technology the Company took part in “Career Days” organized by university in the end of February, where possibilities of employment or internship were presented to the students.

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

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

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

All relevant information on this issue is presented in Notes 2.11, 15, 23 to the Consolidated Financial Statements for the 1 half of the year 2015 of AB Kauno Energija.

14. Information on the Issuer’s branch office and subsidiary undertakings

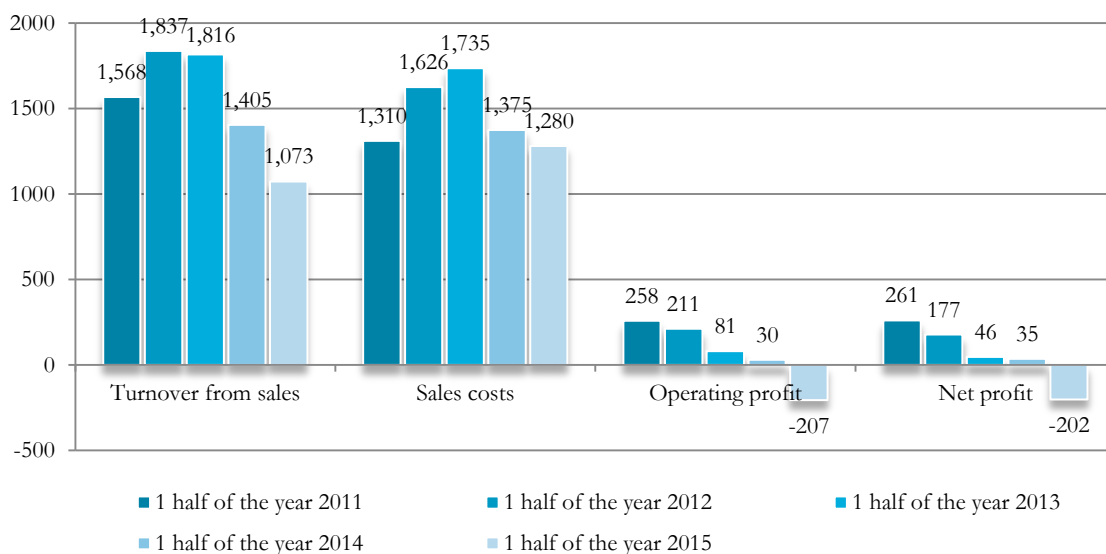
The Company’s branch office Jurbarko Šilumos Tinklai was established by the decision of the Company’s Management Board, and registered on 9 September 1997 at the address V. Kudirkos g. 33, 4430 Jurbarkas. The Company’s branch produces and sells heat to consumers in the city of Jurbarkas.

35 employees worked at the Company’s branch Jurbarko Šilumos Tinklai as at 30 June 2015.

Comparison of financial indicators of Company’s branch Jurbarko Šilumos Tinklai (operating revenue, operating profit, net profit) of the 1 half of the year 2015 with indicators of 1 half of the years 2011–2014 is provided in Chart 13.

Chart 13

Activities results of Company's branch Jurbarko Šilumos Tinklai, thousands EUR



On 1 July 2006 the Company registered a subsidiary UAB Pastatų Priežiūros Paslaugos, headquarters address Savanorių pr. 347, 49423 Kaunas, company code 300580563. Starting from 8 January 2014 a status of liquidated is registered at the Register of Legal Entities.

On 30 June 2015 an authorised capital of the subsidiary UAB Pastatų Priežiūros Paslaugos in the amount of EUR 2,896 has been registered and it was divided into 100 ordinary nominal shares at the par value of EUR 28.962 each.

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

Activities of UAB Pastatų Priežiūros Paslaugos included maintenance of heating and hot water supply systems of the buildings, maintenance of heating units 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 5 July 2012, in accordance with item 2 of article 20 of the Law on Heat Sector of the Republic of Lithuania, "Heat suppliers or the persons associated 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 cannot be supervisors (operators) of heating and hot water system in residential buildings". According to the item 2 of article 20 of the Law on Heat Sector of the Republic of Lithuania valid from 1 June 2014, "Heat suppliers, supplying heat for particular building or natural persons associated with the heat supplier in employment relations, except cases when natural persons associated in employment relations live in that houses and supervises by themselves building or other buildings that belong to their societies, also the 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 cannot be supervisors (operators) of heating and hot water system in residential buildings". Following 4 item of article 20 of the Law on Heat Sector of the Republic of Lithuania, valid from 5 July 2012 this restriction is not applied for the maintenance of the heating and hot water systems of residential buildings in the locations in which, according to the information of the Lithuanian Department of statistics, the population is less than 150,000.

Considering provisions of the Law on Change and Addition of articles 2, 3, 20, 22, 28 and 31 of the Law on Heat Sector of the Republic of Lithuania of 29 September 2011 regarding separation of maintenance of heating and hot water systems of buildings from heat production and supplies No XI-1608, Company's Board approved by its 6 April 2012 decision reorganization of UAB Pastatų Priežiūros Paslaugos by separating assets from activities and by creating on the base of separated assets a new company with the same legal form, named UAB Kauno Energija NT.

After completion of the procedures of reorganisation in the way of separation of UAB Pastatų Priežiūros Paslaugos, the Statutes 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 UAB Pastatų Priežiūros Paslaugos (company code 300580563) from 16 December 2013; the director of Pastatų Priežiūros Paslaugos was dismissed from 16 December 2013 with the same decision, and the lawyer Aiva Dumčaitienė of the lawyer professional community Magnusson ir Partneriai was appointed as the liquidator of UAB Pastatų Priežiūros Paslaugos from 16 December 2013.

As at 30 June 2015 UAB Pastatų Priežiūros Paslaugos had no employees.

Starting from February 2014 UAB Pastatų Priežiūros Paslaugos performs no activity; final procedures of liquidation are accomplished.

After completion of the procedures of reorganisation in the way of separation of AB Kauno Energija subsidiary UAB Pastatų Priežiūros Paslaugos, a statutes of the newly established entity UAB Kauno Energija NT were



registered in the Register of Legal Entities on 16 April 2013. Company's headquarter address is Savanorių pr. 347, 49423 Kaunas, company number 303042623.

The authorised capital of UAB Kauno Energija NT has been registered in the Register of Legal Entities on 30 June 2015 in total of EUR 1,329,872 and it is divided into 45,921 ordinary nominal shares with the par value of EUR 28.96 each.

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

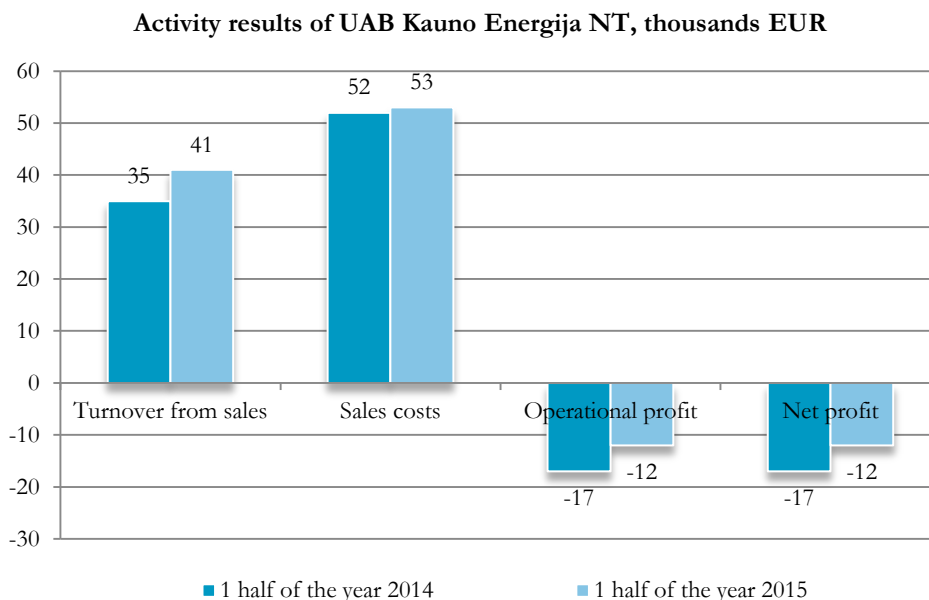
Activities of UAB Kauno Energija NT include the real estate development, management, leases, purchase and sale.

Turnover of UAB Kauno Energija NT of the 1 half of the year 2015 was EUR 40.9 thousand, profit (loss) was amounted to EUR (12) thousand.

As at 30 June 2015 UAB Kauno Energija NT had 3 employees.

Comparison of financial indicators of UAB Kauno Energija NT of the 1 half of the year 2015 (operating revenue, operating profit, net profit) with 1 half of the year 2014 are provided in Chart 14.

Chart 14



15. Structure of authorized capital

Company’s authorised capital experienced no changes in 2012-2013. The decision on increase of Issuers’ authorised capital with EUR 121,928.87 (from EUR 74,256,215.82 to 74,378,144.69) by emitting 70 166 ordinary nominal shares with the par value of EUR 1.73772 each, the price of emission of whose is equal to the nominal value, was made in Extraordinary General Meeting of Shareholders that has been held on 6 January 2014. The priority right of all shareholders to acquire the newly issued 70 166 ordinary registered shares of AB Kauno Energija by nominal value of EUR 1.73772 each, the price of emission of whose is equal to the nominal value, has been revoked by the decision of this General Meeting of Shareholders giving the right to acquire these newly issued shares to Kaunas city municipality (code 111106319, address Laisvės av. 96, Kaunas) in order to get from Kaunas city municipality its own heat supplies pipelines – heating network (situated in Karaliaus Mindaugo str. 50, Kaunas, unique No 4400-2125-5130).

The General Meeting of Shareholders of AB Kauno Energija that has been held on 28 April 2015 made a decision to change Statutes of AB Kauno Energija with an approval of authorised capital in euros.



The authorised capital of the Company was registered in the Register of Legal Entities on 30 June 2015 and consist of EUR 74,475,728.82 (seventy four million four hundred seventy five thousand seven hundred twenty eight euros an 82 cents).

Structure of Issuer's authorized capital by types of shares is specified in Table 5.

Table 5

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

16. Data on shares issued by the Issuer

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

Following the Law on the Euro Adoption in the Republic of Lithuania No XII-828 of 17 April 2014, which determines the order of euro adoption in Lithuania starting from 1 January 2015, the value of one Company's share was recalculated into EUR 1.74 (as at 31 December 2014 – EUR 1.73772).

There are no limitations on the transfer of securities.

16.1. Main characteristics of shares released into free circulation of securities (as at 30 June 2015).

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

16.2. Main characteristics of shares issued and registered for non-public trading (as at 30 June 2015).

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

History of trade in Company's securities in 2011 – 1 half of the year 2015 is provided in Table 6.

Table 6

Indicator	2011	2012	2013	2014	1 half of the year 2015
Opening price, EUR	0.600	0.565	0.578	0.589	0.486
Highest price, EUR	0.770	0.590	0.589	0.600	0.479
Lowest price, EUR	0.320	0.415	0.458	0.430	0.400
Last price, EUR	0.350	0.578	0.589	0.486	0.474
Circulation, units	90,239	80,421	36,355	70,160	16,076
Circulation, million EUR	0.05	0.04	0.02	0.04	0.01
Capitalisation, million EUR	7.01	11.58	11.80	9.74	9.50



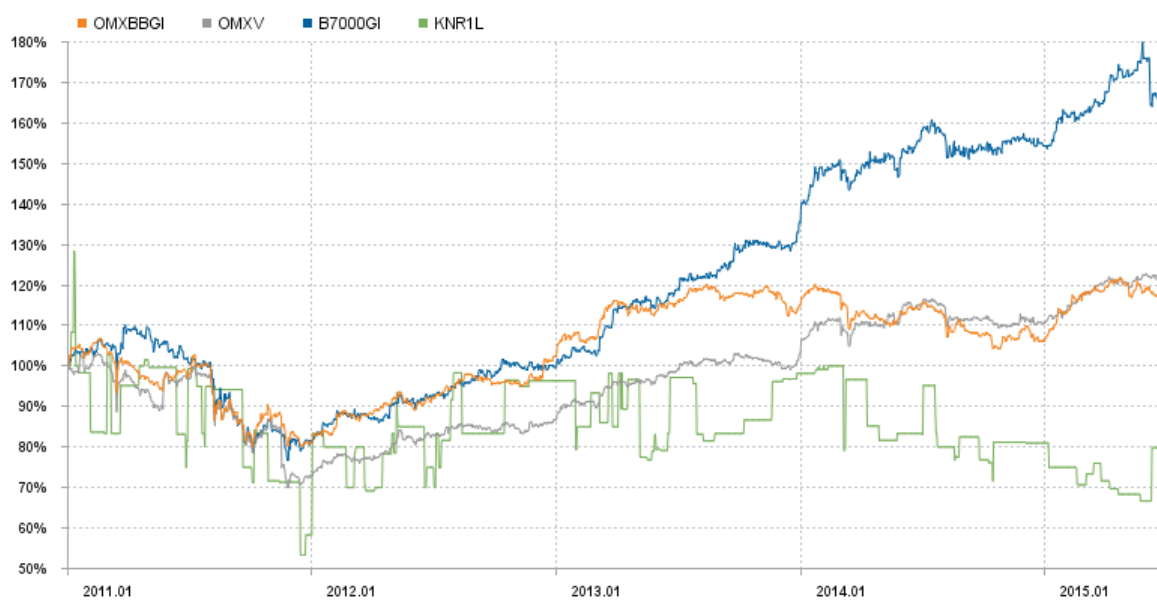
Historical data on share prices (in euro) and turnovers in 2011 – 1 half of the year 2015 are provided in Chart 15.

Chart 15



Comparison of Company’s share price with the index of own sector (utility services) and OMX Vilnius index is given in Chart 16.

Chart 16



Data of Chart 16:

Index/Shares	01.01.2011	01.06.2015	+/--%
—OMX Baltic Benchmark GI	533.99	625.19	17.08
—OMX Vilnius	409.65	497.46	21.44
—B7000GI Utilites	992.02	1,654.01	66.73
—KNR1L	0.600 EUR	0.474 EUR	-21.00



17. Information on the Issuer's shareholders

The total number of Company's shareholders as at 30 June 2015 was 383.

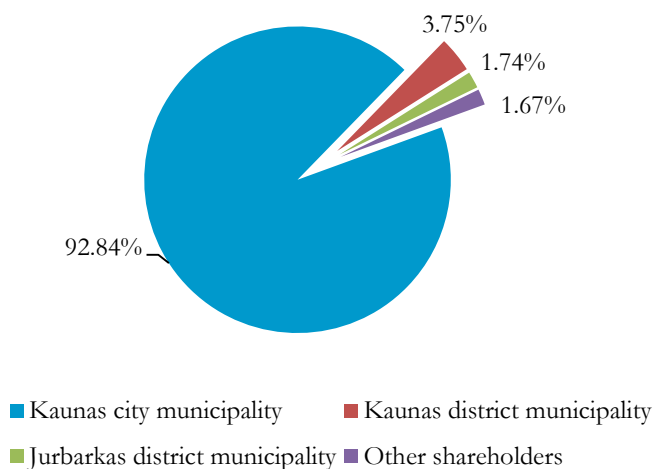
Data on Issuer's shareholders who owned as at 30 June 2015 more than 5 per cent of Company's authorised capital, registered on 18 May 2015 (42,802,143 ordinary nominal shares), is provided in Table 7 and Chart 17.

Table 7

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

Chart 17

Structure of shareholders as at 30 June 2015



Repartition of shareholders in accordance with groups at the end of the period is given in Table 8.

Table 8

The name of the Group	Number of shares owned by the Group, pcs.	Own part of share capital, per cent from all the shares
Local authorities	42,088,631	98.33
Households	367,913	0.86
Securities of other accounts keepers clients	232,013	0.54
Private non-financial enterprises	82,808	0.19
Other financial brokers, except insurance companies and pension funds and other auxiliary enterprises	25,000	0.06



The name of the Group	Number of shares owned by the Group, pcs.	Own part of share capital, per cent from all the shares
Other shareholders (non-financial enterprises controlled from abroad, financial auxiliary enterprises, companies holding deposits, except central bank)	5,778	0.02
Total	42,802,143	100

17.1. Shareholders, who owned as at 30 June 2015 more than 5 per cent of Company's shares (20,031,977 ordinary registered shares) issued for public trading (registry No A01031430, VP ISIN code – LT0000123010) are listed in Table 9.

Table 9

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

17.2. Shareholders, who owned as at 30 June 2015 more than 5 per cent of Company's shares (22,770,166 ordinary registered shares) issued for non-public trading (VP ISIN code – LT0000128407) are listed in Table 10.

Table 10

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

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

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

In 2010, the dividends from the profit of 2009 were allocated and paid to the shareholders of the Issuer. Dividend per share was EUR 0.024, in total – EUR 1.039 million.

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 was EUR 0.072, in total – EUR 3.094 million.



In 2013, no dividends from the profit of the year 2012 were allocated and paid to the shareholders of the Issuer. Following the decision of the 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 EUR 0.043 million 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 was EUR 0.0028962, in total – EUR 0.124 million. The profit was allocated to the statutory reserve, other reserves, support and annual payments for members of the Board. A total of EUR 0.333 million was allocated for support and charity.

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

18. Employees

As at 30 June 2015, a total 535 employees were employed in the Group. Changes in the number of employees in 2012–2015 are specified in Table 11.

Table 11

Actual number of employees	Company 2012-12-31	Group 2012-12-31	Company 2013-12-31	Group 2013-12-31	Company 2014-12-31	Group 2014-12-31	Company 2015-06-30	Group 2015-06-30
Total:	583	617	548	561	542	545	532	535
including:								
management	4	6	5	7	4	6	4	6
specialists	314	327	288	292	290	290	278	278
workers	265	284	255	262	248	249	250	251

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

Table 12

No	Education	Company 2012-12-31	Group 2012-12-31	Company 2013-12-31	Group 2013-12-31	Company 2014-12-31	Group 2014-12-31	Company 2015-06-30	Group 2015-06-30
1	Secondary incomplete	8	9	5	6	6	6	6	6
2	Secondary	217	231	211	217	205	206	201	202
3	College	83	89	78	80	77	77	77	77
4	Higher	275	288	254	258	254	256	248	250
	Total:	583	617	548	561	542	545	532	535

Average conditional number of employees and average monthly salary, EUR (as at the end of 1 half of the year 2015, before taxes) is provided in Table 13.

Table 13

No	Employees	Company	Group
1.1.	Average conditional number of managers	3.6	5.4
1.2.	Average monthly salary of managers	3,266.8	2,336.6
2.1.	Average conditional number of specialists	267.4	267.4
2.2.	Average monthly salary of specialists	889.9	889.9
3.1.	Average conditional number of workers	240.9	241.9
3.2.	Average monthly salary of workers	632.0	630.2

The salary of employees of the Issuer consists of the constant 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 allocates part of the profit for the bonuses of the Company employees. Starting from 1998 till 30 June 2015, the General Meeting of Shareholders has never allocated any part of the profit for the bonuses of the Issuer's employees.

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

1. For continuous employment within 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 EUR 600;

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 EUR 150.

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

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

The statutes of the Company were amended on 28 April 2015 by the decision of General Meeting of Shareholders. Company's share capital was indicated in euros and the amendments of legislation assessed in them. The new version of the statutes was registered in the Register of Legal Entities of the Republic of Lithuania on 18 May 2015. It can be found in the Internet website of the Company at www.kaunoenergija.lt.

20. Issuer's management bodies

According to the statutes of the Company, the management bodies of the Company include the General Meeting of Shareholders, a collegial management body – the Supervisory Board, a collegial management body – the Board, and a sole management body – the head of the company – General manager.

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

All persons who are the shareholders of the Company on the date of the General Meeting of Shareholders have the right to attend the Company's General Meeting of Shareholders 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 provide a document which is a proof of his personal identity and sign the registration list of the Meeting of Shareholders. A person who is not a shareholder shall additionally provide a document attesting to his right to vote at the General Meeting of Shareholders.

3 (three) General Meetings of Shareholders were convoked in the 1 half of the year 2015. Company's chairman of the Board, General Manager, and Head of Department of finances took part in them. Issuers' shareholders are allowed to ask questions and to get answers or explanations from Company's managers and speakers.

The collegial management body – Supervisory Board is 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 supervises the activities of the Board and the General manager of the Company; submits its comments and proposals to the General Meeting of Shareholders on the Company's operating strategy, set of annual financial statements, draft of profit/loss allocation and the annual report of the Company as well as the activities of the Board and the General manager of the Company; submits proposals to the Board and the General manager of the Company to revoke their decisions which are in conflict with laws and other legal acts, the statutes of the Company or decisions of the



General Meeting of Shareholders; addresses other issues assigned to the scope of powers of the Supervisory Board by decisions of the General Meeting of Shareholders regarding the supervision of the activities of the Company and its management bodies. The Supervisory Board shall not be entitled to assign or delegate the functions assigned to the scope of its powers by the Law on Companies of the Republic of Lithuania and the statutes of the Company to other organs of the Company.

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

The Supervisory Board of the Company approved a new version of the internal rules of procedure of the Audit Committee of AB 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 analyses and estimates Company’s annual financial statements, profit (loss) allocation project, and along with response and proposals on them and with Company’s annual report renders to Supervisory Board and General Meeting of Shareholders. Also the Board pursues functions of shareholder in companies where holds all the shares and written decisions of the Board are equated to the decisions of the General Meeting of Shareholders in them.

The Board elects and removes from office the Company’s General manager, determines 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, statutes 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 General Manager.

20.1. Data on 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 until May 2014, 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 as independent member of the Company's Audit Committee. She carried out the activities of the member of Audit Committee since 11 April 2013.

Full name	Position	Beginning of term	End of term*
Edita Gudišauskienė	Independent member of Audit Committee	11 April 2013	29 May 2015
Inga Dragūnienė	Member of Audit Committee	21 February 2013	29 May 2015
Valerija Stankūnienė	Member of Audit Committee	21 February 2013	29 May 2015

* 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 2013 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 had 2 sessions during the 1 half of the year 2015. The attendance of the Audit Committee members was 83 per cent. Authority of the members of Audit Committee has ended on 29 May 2015 after recall of Supervisory Board.

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. On 21 February 2013 she was elected as a member of Audit Committee again and carried out these functions until 29 May 2015. She has a higher university education from 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- – 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.

Mrs. Inga Dragūnienė holds no shares of the Company. No interest in the capital of other 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. On 21 February 2013 she was elected as a member of Audit Committee again and carried out these functions until 29 May 2015. Valerija has a higher university education from Vilnius University, accounting specialty (1983). Workplaces in the last 10 years, and positions held: 2003-02–2010-01 chief accountant of UAB Aris Baltija, 2010-01–2014-05 deputy chief accountant of the Company.

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

Mrs. Edita Gudišauskienė, when acting until 29 May 2015 as an independent Company's Audit Committee member, was 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. She was acting in it since 11 April 2013. Mrs. Edita Gudišauskienė has a higher university education from 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 the Children rights 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 Adviser to the Minister of Agriculture of Republic of Lithuania.

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

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 2015:

Full name	Position	Beginning of term	End of term
Visvaldas Matijošaitis	Chairman of the Supervisory Board	29 May 2015	29 May 2019
Visvaldas Varžinskas	Member of the Supervisory Board	29 May 2015	29 May 2019



Full name	Position	Beginning of term	End of term
Tomas Bagdonavičius	Member of the Supervisory Board	29 May 2015	29 May 2019
Povilas Mačiulis	Deputy chairman of the Supervisory Board	29 May 2015	29 May 2019
Rimantas Mikaitis	Member of the Supervisory Board	29 May 2015	29 May 2019
Židrūnas Garšva	Member of the Supervisory Board	29 May 2015	29 May 2019
Andrius Palionis	Member of the Supervisory Board	29 May 2015	29 May 2019

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

3 sessions of the Supervisory Board were held during the 1 half of the year 2015. More than 1/2 members of the Supervisory Board attended all the sessions.



Mr. Visvaldas Matijošaitis is a Mayor of Kaunas city, Member of the Kaunas City Municipality Council. He is also a founder, leader and Chairman of the board of public organization Vieningas Kaunas (United Kaunas), Chairman of the board of association Mentor Lietuva, President of association Žalgirio Fondas (Žalgiris Fund), President of Lithuanian federation of cycling, Vice-president of Council of Lithuanian economic and trade cooperation with Russian Federation of Lithuanian Confederation of Industrialists. Mr. Visvaldas Matijošaitis holds no shares of the Company. Mr. V. Matijošaitis holds shares of Vičiūnai Group of companies.



Mr. Povilas Mačiulis is a Deputy Mayor of Kaunas city, member of the Kaunas City Municipality Council (Deputy Chairman of Committee of City Economy and Services), Deputy Chairman of Kaunas Regional Development Council, and member of the board of public organization Vieningas Kaunas (United Kaunas), Director of Public Institution Maironio Fondas (Maironis Fund). Mr. Povilas Mačiulis holds no shares of the Company. Mr. P. Mačiulis holds shares of UAB Munava.



Mr. Rimantas Mikaitis is a member of the Kaunas City Municipality Council, Head of Public Institution Centre for Liberty Studies. Mr. Rimantas Mikaitis holds no shares of the Company. No interest in the capital of other Lithuanian companies.



Dr. Visvaldas Varžinskas is a member of the Kaunas City Municipality Council, Chairman of Committee of Sustainable Development and Investments, Docent of Environmental Engineering Institute of Kaunas University of Technology, Head of Centre of Packaging Innovations and research of Kaunas University of Technology, member of special workgroup Strategic Development of Lithuanian Packaging Industry of Small and medium-sized business council (at the Ministry of Economy of the Republic of Lithuania), member of the board of public organization Vieningas Kaunas (United Kaunas), member of expert

group of Sustainable Development and Urbanism of Kaunas city Business council, member of council of National Cluster of Renewable Energy of Baltic Littoral.

Mr. Visvaldas Varžinskas holds no shares of the Company. No interest in the capital of other Lithuanian companies.



Mr. Tomas Bagdonavičius is a member of the Kaunas City Municipality Council, head of Business planning and analysis of UAB Vičiūnai Group, member of public organization Vieningas Kaunas (United Kaunas).

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



Mr. Židrūnas Garšva is a member of the Kaunas City Municipality Council, member of Committee of City Economy and Services, General Manager of UAB Dextera, member of supervisory board of Public Institution K. Grinius Nursing and Sustaining Treatment Hospital, also involved in personal business (activities such as head offices and management consultancy activities).

Mr. Židrūnas Garšva holds no shares of the Company. Mr. Ž. Garšva holds shares of UAB Dextera Holding.



Mr. Andrius Palionis is a member of the Kaunas City Municipality Council, Director of Irena Matijošaitienė fund, Director of public organization Vieningas Kaunas (United Kaunas), member of Kaunas city Youth Affairs Council.

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

Members of Company's Supervisory Board until 29 May 2015:

Mr. Andrius Kupčinskas. Mayor of Kaunas city until 16 April 2015. Member of the Kaunas City Municipality Council. Chairman of the Strategic Planning Commission of Kaunas City Council, member of the Board of Academic Affairs, chairman of Business Council, member of the board of Lithuanian Association of Local Authorities (LSA), member of the Kaunas Regional Development Council (KRPT) and member of the EU Committee of the Regions. Member of Company's Supervisory Board from 28 September 2012 until 29 May 2015.

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

Mr. Stanislovas Buškevičius. Deputy Mayor of Kaunas city until 16 April 2015. Member of the Kaunas City Municipality Council, member of the Culture and Art Committee of Kaunas City Council, chairman of the Award Council. Member of Company's Supervisory Board from 28 September 2012 until 29 May 2015.

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

Mr. Židrūnas Garšva. Member of the Kaunas City Municipality Council until 16 April 2015. 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. Member of Company's Supervisory Board from 6 January 2014 until 29 May 2015.

Mr. Židrūnas Garšva holds no shares of the Company. Mr. Ž. Garšva holds shares of UAB Dextera Holding.

Mrs. Edita Gudišauskienė. Chief Officer of Finances service 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. Member of Company's Supervisory Board from 28 September 2012 until 29 May 2015.

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

Mr. Ričardas Juška. Mayor of Jurbarkas district municipality until 14 April 2015, 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 from 2009, member of the Supervisory Board of Tauragė Regional Waste Management Center, member of Movement of Liberals of the Republic of Lithuania starting from 2013, chairman of Jurbarkas section of Movement of Liberals of the Republic of Lithuania. Member of Company's Supervisory Board from 29 April 2014 until 29 May 2015.

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

Mrs. Aušra Ručienė. Lawyer, member of Kaunas City Municipality Council until 16 April 2015, chairman of City Development, Investments and Tourism Committee of Kaunas City Municipality Council, member of Control committee, member of Anticorruption Commission, member of Strategic Planning Commission, member of Council of Academic Affairs. Member of Company's Supervisory Board from 28 September 2012 until 29 May 2015.

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

Mr. Gediminas Žukauskas. 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. Member of Company's Supervisory Board from 28 September 2012 until 29 May 2015.

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

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

As at 30 June 2015 the members of the Company's Board were as follows:

Full name	Position	Beginning of term	End of term
Vytautas Mikaila	Chairman of the Board	1 June 2015	1 June 2019
Justas Jankauskas	Deputy chairman of the Board	1 June 2015	1 June 2019
Algimantas Stasys Anužis	Member of the Board	1 June 2015	1 June 2019
Eugenijus Ušpuras	Member of the Board	1 June 2015	1 June 2019
Ramūnas Gatautis	Member of the Board	1 June 2015	1 June 2019
Nerijus Mordas	Member of the Board	1 June 2015	1 June 2019
Giedrius Bielskus	Member of the Board	1 June 2015	1 June 2019

The Company's Board held 13 sessions in the 1 half of the year 2015. More than 2/3 members of the Management Board attended all the sessions.





Mr. Vytautas Mikaila. Doctor in Engineering. Director of UAB MVE Group, member of Association of Heating Technicians Engineers, member of Rotary Club Kauno Taurus, honorary consul of Slovak Republic in Lithuania. Starting from 1 July 2015 – head of Company's Strategy and Investment Projects department. Chairman of Company's Board from 1 June 2015.

Mr. Vytautas Mikaila holds no shares of the Company. He holds 55 per cent of shares in UAB MVE Group.

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr. Justas Jankauskas. Partner of lawyers' professional community Jankauskas ir Partneriai (Jankauskas and Partners). Practising arbitrator of Vilnius International and National Commercial Arbitration Court, also a mediator of Lithuanian Arbitration Association. Member of Company's Board from 1 June 2015.

Mr. Justas Jankauskas holds no shares of the Company. No interest in the capital of other Lithuanian companies.

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr. Algimantas Stasys Anužis. Member of the Board of UAB Kauno Švara, member of board of Kaunas Chamber of Commerce, Industry and Crafts, president of Lithuanian Veterans Basketball League, member of Company's Board from 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr. Eugenijus Ušpuras. Habilitated doctor, chief of Laboratory of Nuclear Installation Safety, Lithuanian Energetic, full member of the Lithuanian Academy of Sciences, professor, member of Company's Board from 1 June 2015.

Mr. Eugenijus Ušpuras holds no shares of the Company. No interest in the capital of other Lithuanian companies.

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr. Ramūnas Gatautis. Doctor in technology sciences, research associate of Laboratory of Energy Systems Research of Lithuanian Energy Institute, member of International Association of Energy Economists (IAEE), member of Company's Board from 1 June 2015.

Mr. Ramūnas Gatautis holds no shares of the Company. He holds 33 per cent of shares of UAB RENEKS.

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr. Giedrius Bielskus. Director of public institution S. Darius ir S. Girėno Sporto Centras (S. Darius and S. Girėnas Sports Centre), member of Company's Board from 1 June 2015.

Mr. Giedrius Bielskus holds no shares of the Company. No interest in the capital of other Lithuanian companies.

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.



Mr. Nerijus Mordas. Chief finance officer for Eastern European and Asian markets of UAB Vičiūnų Grupė (UAB Vičiūnai Group), auditor of UAB E. Mordas ir Partneriai (UAB E. Mordas and Partners), deputy director (for finances) of OOO Vičiūnai-Rus, member of Company's Board from 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Members of Company's Board until 1 June 2015:

Mr. Valdas Lukoševičius. Doctor in technical sciences, associated professor of Thermal and Nuclear Energy Department of Kaunas University of Technology (KTU), chairman of Company's Board from 28 September 2012 until 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr. Sigitas Groblys. Partner in law firm Foresta, Business Law Group, member of the Board of UAB Litpirma, chairman of the Board of Gintaras Steponavičius Support Fund. Member of Company's Board from 28 September 2012 until 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr. Juozas Augutis is a Habilitated Doctor of Technology sciences, laureate of National Science Award, Vice-Rector of Vytautas Magnus University, Professor at Mathematics and Statistics Department of Vytautas Magnus University (VMU), full member of the Lithuanian Academy of Sciences, NATO SPS (Science for Peace and Security) programme expert, 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), member of the editorial boards of magazines "Energetics", "Journal of Civil Engineering and Management" and "Mathematics and mathematical modelling", 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". Member of the Company's Board from 28 September 2012 until 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr. Rimantas Bakas. Doctor of Technical sciences, General Manager of the Company, member of the Lithuanian Thermal Engineers Association, 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 Board from 3 May 2011 until 2 January 2012 and from 28 September 2012 until 1 June 2015.

Mr. Rimantas Bakas holds no shares of the Company. No interest in the capital of other Lithuanian companies. Mr. Rimantas Bakas charged EUR 38.6 thousand of salary during the 1 half of the year 2015. No bonuses were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr. Saulius Meškauskas. Deputy head of Energy Department of Kaunas City Municipality Administration. Member of Company's Board from 28 September 2012 until 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr. Vaclovas Miškinis. Habilitated doctor, head of Complex Energy Research Laboratory of the Lithuanian Energy Institute, professor, member of Company's Board from 28 September 2012 until 1 June 2015.

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

No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

Mr. Mindaugas Varža. Director at UAB Kauno Verslo Grupė, member of Company's Board from 28 September 2012 until 1 June 2015.

Mr. Mindaugas Varža holds no shares of the Company. No interest in the capital of other Lithuanian companies. No remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued during the reporting period.

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

Mr. Rimantas Bakas. Doctor in technical sciences. Company's General Manager since 24 November 2008. 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 Company's Board from 3 May 2011 until 2 January 2012 and from 28 September 2012 until 1 June 2015. 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), silver-plated brassy medal of Jonas Vileišis, burgomaster of Kaunas city for the merits in development of energy economy of the city (2015).

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

Mrs. Violeta Staškūnienė. Company's chief accountant since 16 January 2003. She has a higher university education from Vilnius University, finished in 1984, labour economics, profession – economist.

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

The total amount of money incurred to the General Manager and the Chief Accountant of the Company during the 1 half of the year 2015 is EUR 51.74 thousand, while the average amount per member is EUR 25.87 thousand. No other assets were transferred or guarantees issued.



22. Information on significant agreements

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

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

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

24. Information on major transactions with related parties

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

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

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

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

Information on compliance with the corporate governance code is provided in Annex 1 to the annual report of the year 2014. Annual reports on the Company's corporate social initiatives and policies are provided in Annex 2 to the annual report of the year 2014 named AB Kauno Energija Report on Social Responsibility and on the Company's website.

27. Data on publicised information

In performing its obligations under the applicable legislation regulating the securities market, the Issuer has announced the following information over the past 7 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	Announcement category	Language	Time
Economic performance in the 1st half of 2015	Notice of stock event	EN, LT	2015-07-29 14:30
Information on started payment of dividends to the shareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-06-30 16:00
Information on election of managing bodies of AB Kauno Energija	Notice of stock event	EN, LT	2015-06-02 16:17
Regarding recall and election of new managing bodies of AB Kauno Energija	Notice of stock event	EN, LT	2015-06-01 17:39
Decisions of the Extraordinary General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-05-29 12:37
Information on unpaid dividends as it is stated by the law	Notice of stock event	EN, LT	2015-05-28 16:23
Information on the resignation of AB Kauno Energija	Notice of stock event	EN, LT	2015-05-14



Title	Announcement category	Language	Time
Supervisory Board members	event		16:01
Regarding convocation of the Extraordinary General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-05-04 17:07
The activity results of I quarter of the year 2015	Interim information	EN, LT	2015-04-30 16:01
Financial statements with the annual report and Social Responsibility Report	Annual information	EN, LT	2015-04-28 17:05
Resolutions of the General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-04-28 16:01
Resolutions projects of General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-04-02 19:14
The audited activity results of AB Kauno Energija of the year 2014	Notice of stock event	EN, LT	2015-04-02 19:01
Convocation of General Meeting of Shareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-03-30 16:47
Decisions of the Extraordinary General Meeting of Sshareholders of AB Kauno Energija	Notice of stock event	EN, LT	2015-03-30 16:02
Regarding a convocation of the Extraordinary General Meeting of AB Kauno Energija shareholders	Notice of stock event	EN, LT	2015-03-05 09:35
The activity results of 12 months of the year 2014	Interim information	EN, LT	2015-01-30 13:54

General Manager of AB Kauno Energija



Rimantas Bakas

