



## **AB KAUNO ENERGIJA CONSOLIDATED ANNUAL REPORT FOR THE FIRST HALF OF THE YEAR 2012**



**Translation note**

***This report has been prepared in Lithuanian language and in English language. In all matters of interpretations of information, views or opinions, the Lithuanian language version of this report takes precedence over the English version.***

**Confirmation by responsible persons to the Company's shareholders and the Bank of Lithuania**

Following Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we hereby confirm that, to the best of our knowledge, the Consolidated Annual Report reviewed by auditors and the audited Set of Consolidated Financial Statements for the 1<sup>st</sup> half of the year 2012 of AB Kauno Energija (hereinafter referred to as the Company or the Issuer) prepared in accordance with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all the consolidated companies, and that the Consolidated Annual Report for the 1<sup>st</sup> half of the year 2012 contains a fair disclosure of business development and overview of activities, the state of the Company and the consolidated companies together with the description of exposure to key risks and uncertainties.

General Manager of AB Kauno Energija

Rimantas Bakas

Deputy Chief Accountant of AB Kauno Energija

Valerija Stankūnienė

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## 1. Reporting period of the Consolidated Annual Report

Reporting period for which the Consolidated Annual Report of AB Kauno Energija has been prepared is the 1<sup>st</sup> half of the year 2012.

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

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 the Company and its subsidiary undertaking UAB Pastatų Priežiūros Paslaugos, in which the Issuer directly controls 100% of shares.

### The main data about the Company:

Name of the company:	AB Kauno Energija
Legal-organizational form:	Public company
Address:	Raudondvario rd. 84, 47179 Kaunas
Code of the legal person:	235014830
Telephone number:	(+370 37) 305 650
E mail:	info@kaunoenergija.lt
Webpage:	www.kaunoenergija.lt
Fax number:	(+370 37) 305 622
Registration date and place:	22 August 1997, Kaunas, Order No. 513
Register manager:	Kaunas Branch of State Enterprise Register Centre
VAT payer code:	LT350148314

### The main data about the subsidiary:

Name of the company:	UAB Pastatų Priežiūros Paslaugos
Legal - organizational form:	Private company
Address:	Savanorių ave. 347, 49423 Kaunas
Code of the legal person:	300580563
Telephone number:	(+370 37) 305 959
E-mail:	info@kaunoenergija.lt
Webpage:	www.p-p-p.lt
Fax number:	(+370 37) 311 877
Registration date and place:	1 July 2006, Kaunas
Register manager:	Kaunas Branch of State Enterprise Register Centre
VAT payer code:	LT100002506015

## 3. The nature of core activities of the companies composing the group of companies

The nature of core activities of the Group is production and services. AB Kauno Energija is the parent Company of the Group. The Company produces and sells heat energy to consumers in Kaunas and Jurbarkas cities and in part of Kaunas administrative districts (Akademija borough, Ežerėlis bor., Domeikava village, Garliava bor., Girionys vil., Neveronys vil., Raudondvaris vil.) (hereinafter referred to as the Kaunas region). Since 1 May 2010 the Company supplies hot water (carry out hot domestic water supplier activities) for part of multifamily residential buildings in Kaunas and Jurbarkas cities and Kaunas region (in June 2012 the number of houses reached 145, including – 3 in Kaunas region and 5 in Jurbarkas) (hereinafter in text the supplies of heat and hot domestic water referred to as the heat). The revenue from hot water supply operations amounts to 1 percent of Company's sales revenue. In addition, the Company produces electric energy in small quantities in Kaunas city and Kaunas region and the steam in Kaunas city. The Group and the Company carry out supervision of indoor heat and (or) hot water supply systems, maintenance of heating substation facilities (the expenses of which are covered since 1 November 2011 from the Company's profit according to the law), repairs of buildings and constructions, repairs of heating substations and other heating facilities, provides rental services of transport and premises, and other services to individuals and legal entities in relation to the supervision and maintenance of heat economy. The Group and the Company are



engaged in licensed activity in accordance with the licenses held. As the new Law on Change and Addition of the Articles 2, 3, 20, 22, 28, 31, 32 of Law on Heat No XI-1608 came into force on the 29<sup>th</sup> of September, 2011, according to article 7 “any expenses, related to the indoor heating (including heat point equipment) and hot water systems cannot be included into the heat and hot water prices”. Starting from the 1<sup>st</sup> of November, 2011 the expenses of maintenance and repair of heat point equipment are not counted in heat selling price according to the law.

Starting from the 1<sup>st</sup> of July, 2012 “heat supplier or persons related with heat supplier with labour relations, or supplying goods or services to the heat supplier, or producers of fuel used in heat production or of the record equipment used in heat supply or other operations, also persons who are involved in business of wholesale or retail sales of fuel used for heat production or persons who belong to the group of economy subjects together with above mentioned persons according to the Law on Competition cannot be a supervisors (operators) of heat and hot water supply system of building” following part 2 of chapter 20 of this law in blocks of flats. This restriction is not applied for inhabited localities where population according to the data of Lithuanian Department of Statistics is less than 50 000.

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

On 1<sup>st</sup> of April, 2003 the Issuer signed Service Agreement with AB SEB Bankas (company code 112021238, Gedimino ave. 12, Vilnius), represented by the Finance Markets Department.

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

As of 30<sup>th</sup> of June, 2012 the 20,031,977 of Issuer's ordinary registered shares (twenty million thirty one thousand nine hundred seventy seven) (VP ISIN code LT0000123010) with total nominal value equal to LTL 120,191,862 (one hundred and twenty million one hundred ninety one thousand eight hundred sixty two) were included into NASDAQ OMX Vilnius Stock Exchange Baltic secondary trade list.

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

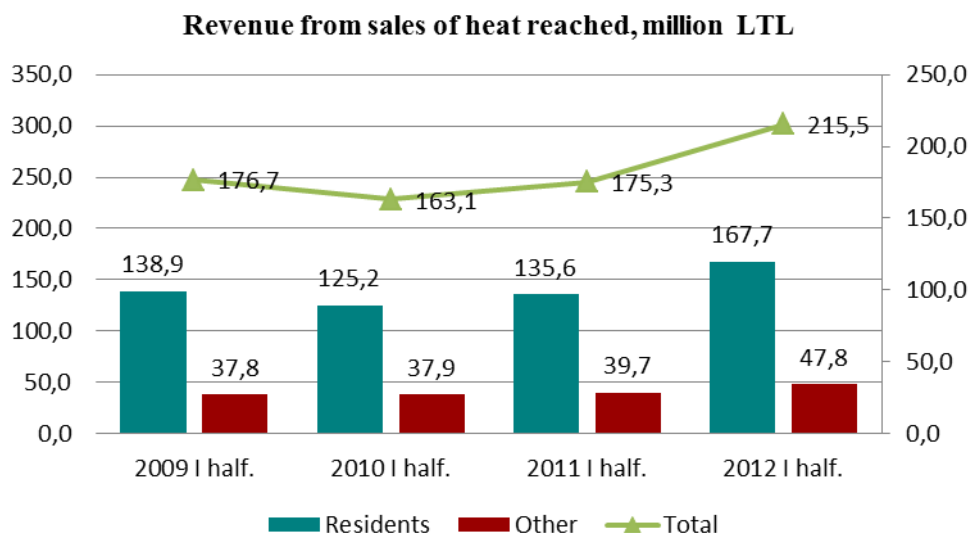
In the 1<sup>st</sup> half of the year 2012 the Group and the Company earned LTL 9,959 thousand and LTL 9,971 thousand profit (after tax), respectively. The Group's and the Company's income from the main activity amounted to LTL 216,997 thousand and LTL 216,938 thousand, respectively. The major part of income was generated from sales of heat: the Group's – 99.32 %, and the Company's – 99.35 %.

The Company performs its activity depending on strategic guidelines of Kaunas city heat supply, which was approved by the decision No T-236 of Kaunas city council of 7<sup>th</sup> of April, 2011 “Regarding strategic guidelines of Kaunas city heat supply”.

In the 1<sup>st</sup> half of the year 2012 the Company's revenue from sales of heat reached LTL 215,526 thousand, comparing to the 1<sup>st</sup> half of the year 2011, it increased by 22.9 % (Chart 1).



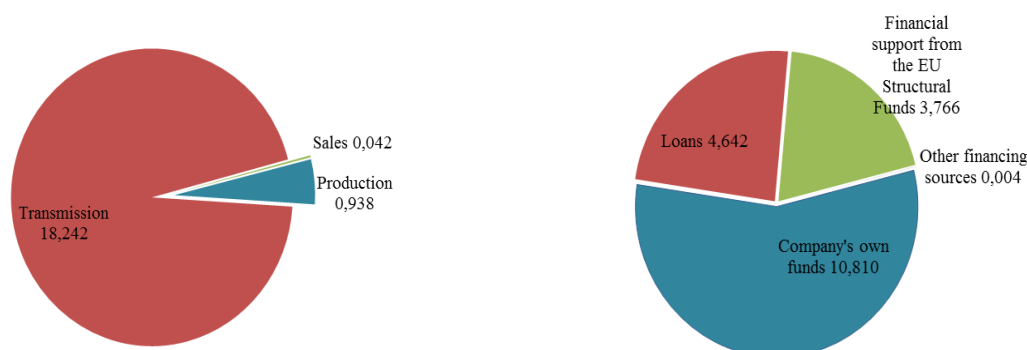
Chart 1



During the 1<sup>st</sup> half of the year 2012 the Company invested LTL 19,222 million (funds from other sources are among them, i.e. LTL 4,642 million represent loans of commercial banks, LTL 3,766 million represent financial support from the European Union Structural Funds). The Company's investments are illustrated in Chart 2.

Chart 2

**Fulfilment of consentaneous investments according to the trends and sources, LTL million**



The project “Modernization of Žaliakalnis main pipeline (4Ž) of Kaunas city integrated network” pursued using support of structural funds of European Union has been completed in the 1<sup>st</sup> half of the year 2012 (the amount of support received was LTL 2.5 million).

Information on distribution of the number of AB Kauno Energija heat consumers in accordance with groups and on size of market, as well as information about description of external risk factors, economical factors, political factors, social factors, technical – technological factors, ecological factors has not been changed from the information published in Consolidated Annual Report of AB Kauno Energija for the year 2011.

Detailed information about the Company's income from heat sales of the 1<sup>st</sup> half of the year 2012 is presented in 16 note of explanatory letter of Company's and Consolidated compendium of financial statements for the 1<sup>st</sup> half of the year 2012, and the information on the acquisitions of tangible and intangible assets is presented in the cash flow part of investment activity of the cash flow statement.



*Repayment of bank loans:* Detailed information is presented in AB Kauno Energija Consolidated and the Parent Company's financial statements for the 1<sup>st</sup> half of the year 2012, Note 11. The Group and the Company repays loans to banks in due time.

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

The comparison of financial ratios for the 1<sup>st</sup> half of the year 2012 with the ones for 2011 is presented in Table 1 below.

Table 1

No.	Financial ratios	Company 2011	Group 2011	Company 1 <sup>st</sup> half 2012	Group 1 <sup>st</sup> half 2012
1	Net profitability, % (net profit /sales and services)*100	4,4	4,4	4,6	4,6
2	Return on tangible assets, % (net profit/average value of tangible assets)*100	4,1	4,1	2,9	3,0
3	Debt ratio (liabilities /assets)	0,34	0,34	0,33	0,33
4	Debt-to-equity ratio (liabilities / equity)	0,5	0,5	0,5	0,5
5	General liquidity ratio (short-term assets /short-term liabilities)	0,97	0,96	0,87	0,87
6	Asset turnover ratio ( sales and services/ assets)	0,74	0,75	0,53	0,54
7	EBITDA (earnings before interest, taxes, depreciation and amortization) LTL thousand	33.009	33.246	19.418	19.441
8	Gross profit margin (gross profit/sales and services)*100	2,4	2,4	4,5	4,5
9	Return on equity (ROE) % (net profit/average equity)*100	5,0	5,1	3,6	3,8
10	Return on assets (ROA) % (net profit/ average assets)*100	3,3	3,3	2,4	2,5
11	Quick ratio((short-term assets-inventory)/short-term liabilities)	0,91	0,90	0,80	0,80
12	Cash ratio (cash in hand and at bank / short-term liabilities)	0,08	0,08	0,06	0,06
13	Net earnings per share (net profit/average weighted number of shares in issue)	0,31	0,32	0,23	0,23
14	Net profit, LTL thousand	13.442	13.540	9.971	9.959
15	Assets, LTL thousand	416.069	412.255	406.069	402.587
16	Equity, LTL thousand	274.027	270.682	273.315	269.958
17	Equity per share, LTL	6,4	6,3	6,4	6,3
18	Revenue from sales, LTL thousand	308.622	309.345	216.938	216.997
18.1	Heat energy	302.893	302.842	213.725	213.687
18.2	Electric energy	568	568	185	185
18.3	Supervision of indoor heating and hot water supply systems, heating substation facilities	515	1.289	252	349
18.4	Income from emission permits and maintenance of collectors	866	866	387	387
18.5	Income from hot water with cold water price	3.725	3.725	2.264	2.264
18.6	Income from Emission Allowances trading	-	-	-	-

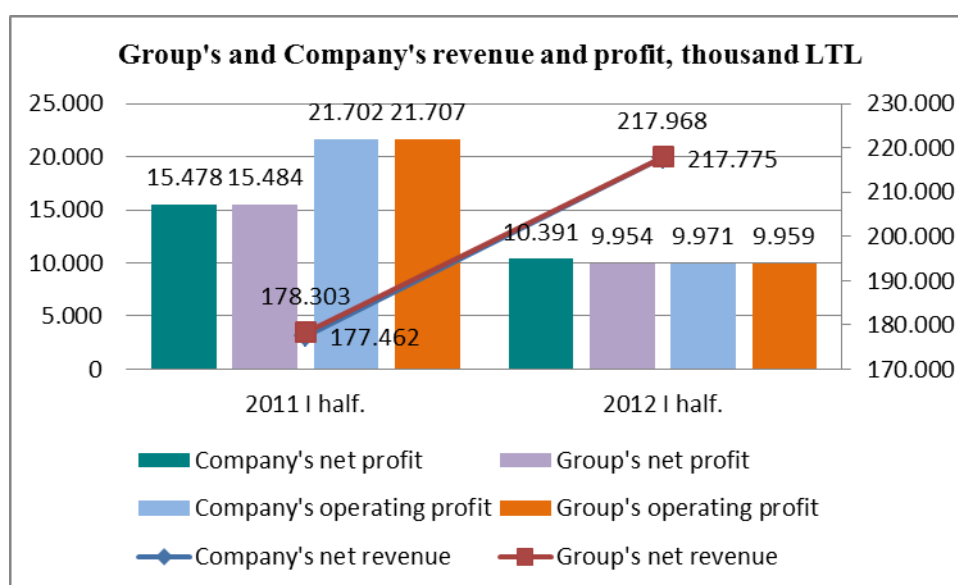




18.7	Income from maintenance of hot water meters	55	55	125	125
19	P/E ratio (the last share market price of the year /(net profit/number of shares at year-end)	3,84	3,82	6,66	6,67
20	Share capital, LTL thousand	256.392	256.392	256.392	256.392
21	Share capital-to-assets ratio	0,62	0,62	0,63	0,64
22	Return on equity (capital) (net profit/ capital and reserves)*100	5,2	5,2	3,8	3.8

The comparison of the financial results of the Group and the Company for the 1<sup>st</sup> half of the year 2012 (sales revenue, operating profit, net profit) with those for the 1<sup>st</sup> half of the year 2011 is presented in Chart 3.

Chart 3



A more detailed analysis of the Group's and the Company's financial results is presented in the Notes to the Financial Statements for the 1<sup>st</sup> half of the year 2012.

Company's net profit was higher at 54 per cent comparing with the 1<sup>st</sup> half of the year 2011, because Vilnius Arbitration court decided to adjudge an LTL 5.420 thousand fine in favour of the Company from UAB Kauno Termofikacijos Elektrinė (hereinafter – KTE) after investigation of civil case regarding fulfilment of Investment agreement between the Company and KTE in 2011. The fine and the interest received are accounted in financial operations revenue of the Company's financial statements.

Company's heat supply loss remained similar to as of the year 2011 at comparative value, but because of the increase of the price, increased approximately to LTL 7.700 thousand in overall sum of expenses.

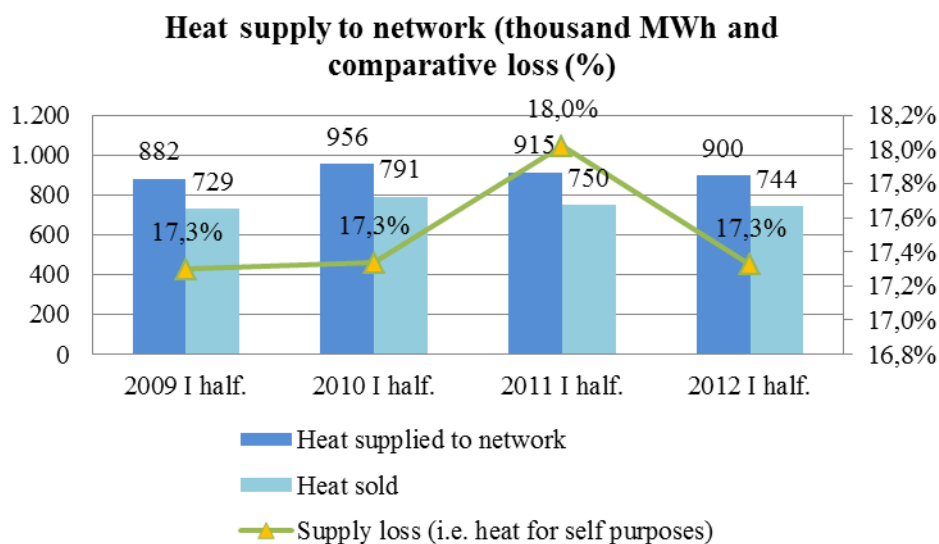
Company's profit decreased because of expenses of maintenance (operation) of individual heat point equipment owned by the Company, which are not counted into the heat selling price and are not covered by income following by the Law on Heat.

The comparison of non-financial indicators for the 1<sup>st</sup> half of the year 2012 with the ones for 2011 is presented in Table 2 below.

Table 2

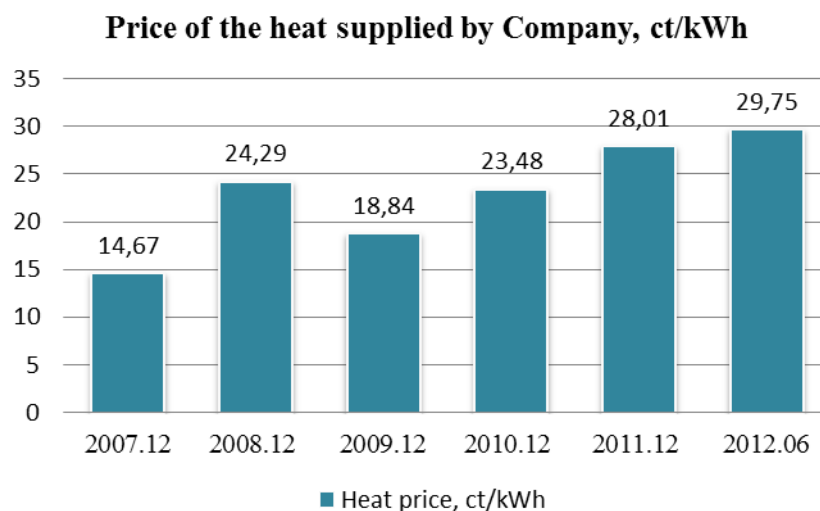
No.	Non-financial indicators	Measure units	Company 2011	Group 2011	Company 1 <sup>st</sup> half 2012	Group 1 <sup>st</sup> half 2012
1.	Energy produced and purchased: from which supplied to the network	thousand MWh	1,521.8	1,521.8	900,4	900,4
1.1.	Heat energy	thousand MWh	1,519.8	1,519.8	899,8	899,8
1.2.	Electric energy	thousand MWh	2.0	2.0	0,6	0,6
2.	Energy sold	thousand MWh	1,233.9	1,233.7	744,5	744,4
2.1.	Heat energy	thousand MWh	1,231.9	1,231.7	743,9	743,8
2.2.	Electric energy	thousand MWh	2.0	2.0	0,6	0,6
3.	Heat supply networks reconstructed	m	8,990	8,990	2,338	2,338
4.	Heat supply networks newly constructed	m	3,170	3,170	0	0
5	Maintenance of indoor heating and hot water supply systems (area maintained)	m <sup>2</sup>	198,786	398,520	178.173	376.738

Chart 4



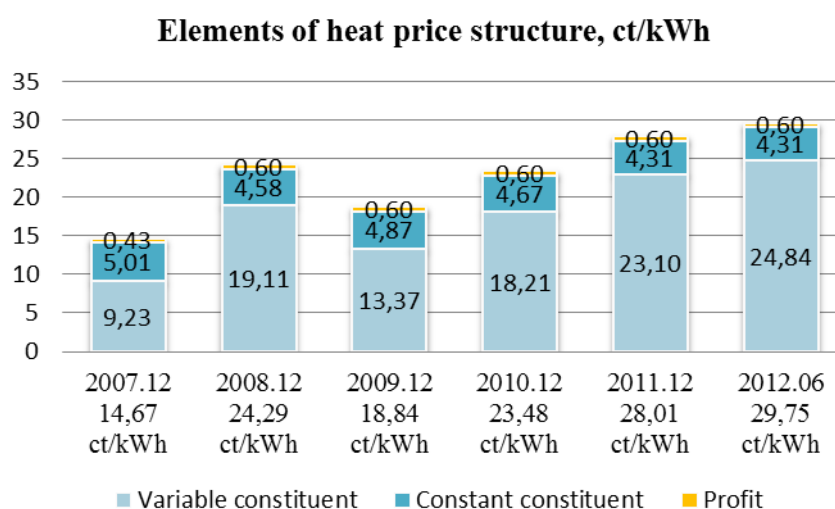
The dynamics of the Company's heat prices during the period from the year 2007 to the 1<sup>st</sup> half of the year 2012 is presented in Chart 5.

Chart 5



Elements of the heat price structure during the period from the year 2007 to the 1<sup>st</sup> half of the year 2012 are presented in Chart 6.

Chart 6



The average price of heat purchased by the Company in the 1<sup>st</sup> half of the year 2012 compared to the year 2011 increased by 3.97 ct/kWh (25.7%) and was amounted to 19.40 ct/kWh.

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

All main financial data has been presented in the financial statements and notes for the 1<sup>st</sup> half of the year 2012.

*Internal control over consolidated financial statements.* When preparing its consolidated financial statements, the Company combines the financial statements of the Company and its subsidiary line-by-line,



by summing up the items of assets, liabilities, equity, revenue and expenses. Afterwards, it eliminates: the book value of the Company's investment into the subsidiary and the Company's share of equity in the subsidiary; balance sheet balances, 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 preparing the consolidated financial statements of the group, the financial statements of the Company and the subsidiary are prepared as of and for the same date.

The Company's and the subsidiary's accounting policy is checked to determine whether it is the same when accounting for similar transactions.

The subsidiary's income and expenses are included into the consolidated financial statements as of the date of acquisition.

## 9. Significant events after the end of the period

On 5<sup>th</sup> of July, 2012 the Supervisory Board of the Company discussing 1<sup>st</sup> issue of agenda of the meeting No 2012-5 "Information on the issue of the sale of shares of UAB Kauno Termofikacijos Elektrinė" approved in essence the sale of the shares of UAB Kauno Termofikacijos Elektrinė to Clement Power Venture Inc., reaching the optimum for AB Kauno Energija from this sale and determined the main guidelines for negotiations.

The Managing Board of AB Kauno Energija decided to approve the sale of all the shares of UAB Kauno Termofikacijos Elektrinė owned by OAO Gazprom to Clement Power Venture Inc., at the meeting which has been held on 10<sup>th</sup> of July, 2012, coordinating change of conditions of agreements signed with UAB Kauno Termofikacijos Elektrinė and reaching the optimum for AB Kauno Energija from this sale.

By the initiative of the main shareholder of the Company – Kaunas city municipality and by the decision of the Managing Board of 24<sup>th</sup> of July, 2012 the extraordinary general meeting of shareholders of the Company has been convened on 17<sup>th</sup> of August, 2012. The issue "Regarding AB Kauno Energija permission for OAO Gazprom to transfer shares of UAB Kauno Termofikacijos Elektrinė and to exempt from obligations terms of undertakings agreement" will be discussed.

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

Investments create a strong potential for the sustained business development and profitability. The aim of the Group's and the Company's investment program for the year 2012 is to further develop the Company's heat production, transmission and distribution through increase of use of bio-fuel for heat production, heat supply reliability, expansion of maintenance services of engineering systems and improvement of services quality.

The major part of investments planned in the year 2012 for the equipment of bio-fuel cogeneration power plants in Inkaras and Noreikiškės boiler-houses and for reconstruction of biomass burned boiler in Petrašiūnai power plant was transposed to the year 2013. Corrected investment plan for the year 2012 was approved on 12<sup>th</sup> of July, 2012 in Kaunas city council.

Significant funds are appropriated for the modernisation and repair of heat supply networks. After the Company signed the agreements on financial support from European Union Structural Funds in 2011, the following projects were started to implement in the 1<sup>st</sup> half of the year 2012: (1) "Modernization of Kaunas city integrated network Dainava main (1T)". The total value of investment amounts to LTL 3.432 million, the EU's financial support contracted for LTL 1.560 million; (2) "Modernization of Pramonė main (1Ž)". The project value amounts to LTL 4.859 million, the EU's financial support contracted for LTL 2.00 million.

Beyond above-mentioned projects, further implementation of Company's investment program continues in 2012. It involves: further modernization of boiler-houses owned by the Company, automation of production process, mounting of condensing economizers; reconstruction of heat supply networks, replacement of heat meters, repairs of underground collectors and other important works. The implementation of these measures



will allow to reduce heat production, transmission and selling losses and to perform optimization of heat supply to the consumers.

Implementing the provisions of National Renewable Energy Development Strategy action plan, and seeking to implement key objectives of the Company and attitudes of National Energy Strategy related with heat sources and heat supply network security technical requirements, which guarantee the quality of heat supply to consumers, the applications for the projects "Installation of bio-fuel cogeneration power plant in Inkaras boiler house" and "Biomass burning boiler with up to 44 MW heat with 16 MW power steam turbine projection and reconstruction in Petrašiūnai Power Plant" were prepared according to the measure of Operational Programme for Promotion of Cohesion "The use of renewable energy sources for energy production". The financing for these projects has been accepted at the meeting N° 14 of the Committee of Projects Selection of Ministry of Economy of the Republic of Lithuania on 16<sup>th</sup> of July, 2012 (support in amount of LTL 6 million has been assigned for each project, order of Minister of Economy of the Republic of Lithuania of the 24<sup>th</sup> of July, 2012, No 4-740). Consultations with AB Lietuvos Energija regarding corporate implementation of reconstruction project of Petrašiūnai power plant are in progress.

The new applications for support from Lithuanian Environmental Investment Fund were prepared in the 1<sup>st</sup> half of the year 2012 under the measure "Installation of bio-fuel boilers at the capacity from 500 kW to 5 MW for central heat supply in municipalities with the population less than 100 thousand". Financing under these applications has been allocated on 30<sup>th</sup> of May, 2012 by the order of Minister of Environment of Lithuania No D1-461. The support will be used for the projects "The reconstruction of Ežerėlis boiler-house by installing a bio-fuel powered boiler at the capacity of 3.5 MW" (support allocated is LTL 1.791 million), "The reconstruction of Noreikiškės boiler-house by installing a bio-fuel powered boiler at the capacity of 4 MW" (support allocated is LTL 2.299 million).

However, it is important to note that the large flow of investment funds targeting acquisition the heat using bio-fuels sources, could lead to ambiguous results (especially if investments are financed with borrowed funds) because there is a real possibility in future increases in demand for bio-fuel and rising prices. Otherwise an unstable geopolitical situation may cause fossil fuel prices growth scenarios. It is clear that the increasingly expensive fossil fuels will increase the heat production costs (currently in the futures markets prices increase of crude oil and natural gas is observed), and at the same time increase the price for purchased heat. In order to maintain an optimal balance in planning and implementing investment projects the Group pays a great attention to political and market trend forecasting and analysis.

It is planned that the Group's sales revenue in 2012 compared to 2011 will be higher and a quantity of heat sold to consumers in 2012 will remain in the similar level. The Group's revenue and expenses will be mostly affected by changes in fuel price and heat purchase price, since the heat price is recalculated every month as prescribed by relevant regulatory legislation. The Group's profit is expected to be less compared to 2011. However, such forecasts may be affected by changes in heat demand, i.e. consumption level, which depends mostly on the average outdoor temperature, also the scope of investments by consumers into the renovation of the blocks of flats, heat saving and rational consumption, as well as the changes of economic situation in Lithuania.

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

In 2007, the Lithuanian Energy Institute accomplished its research project *The Strategy of AB Kauno Energija for the Development of Heat Supply System during the Period from 2007 to 2020*. According to this strategy the Company implements mains pipelines changing projects partly financed by the funds of European Union structural funds, optimises diameters of pipelines, connects new consumers to the centrally supplied heat network and modernizes heat production sources.

In 2010, the Lithuanian Energy Institute accomplished its research project *The Renewed Strategy of AB Kauno Energija for the Development of Heat Supply System during the Period from 2007 to 2020*. In this strategy the necessity of wider bio-fuel use in Company's heat production sources is emphasized. In 2011, in accordance with this strategy the new projects of installation of bio-fuel burned equipment in Company's heat production sources were prepared and presented to Kaunas municipality and to The National Control



Commission for Prices and Energy. In accordance with these projects the applications regarding partial financing were prepared and presented to the Lithuanian Business Support Agency in 2011

In 2010 a Petrašiūnai Power Plant Business Plan has been prepared by Kaunas University of Technology. In 2012 this plan has been renewed. In accordance with this plan a biomass burned boiler with up to 44 MW heat and with 16 MW power steam turbine is planned to equip. By burning wood it would not be necessary to use a Greenhouse Gas Emission Allowances and only this amounts approximately to LTL 1 million per year. The power of electric generator would be used and a big amount of "green" energy would be produced and it would create assumptions for heat prices reducing.

Agreement regarding fulfilment of the project of implementation of methodology of general security of heat network signed with Lithuanian Institute of Energetics in 2012.

Following provisions of Law on Heat of the Republic of Lithuania and establishing conditions for competition development in heat production sector AB Kauno Energija initiated and accomplished study named "Preparation of regulations of centrally supplied heat purchasing order implementation (hereinafter – The Code of Heat Network), in which actual and prospective requirements of connection of independent heat producers to the centrally supplied heat system and principles, ways and processes of heat selling and purchasing are described in detail. It's also proposed what to implement seeking a transparent and streamlined trade with independent heat producers. Principles, provisions and concepts of heat market organizational structure, technological regulations of functioning of centrally supplied heat system, order of heat energy trade, regulations of centrally supplied heat system services and payment, regulations of development of centrally supplied heat systems, regulations of reserves accumulation and usage, functioning of centrally supplied heat system in cases of emergency and repair, resolving of contentions are detailed. The document is discussed in Kaunas city municipality at the moment.

On the 22<sup>nd</sup> of June, 2012 the Management Board of the Company decided to approve signing of agreement with UAB VS Energolink and Kaunas University of Technology on implementation of the project "Integration and effective usage of renewable energy production equipment in low and medium output heat and electricity production, centrally supplied heat sector boiler-houses".

Other information on Company's research and development has been unchanged from this published in AB Kauno Energija consolidated annual report for the year 2011.

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

Neither the Company, nor its subsidiary had acquired the Company's own shares. Neither the Company nor its subsidiary purchased or sold own shares during the reporting period.

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

All relevant information on this issue is presented in Notes 2.11, 23, 24 to the financial statements for the 1<sup>st</sup> half of the year 2012.

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

By the decision of the Company's Board, the Company's branch office Jurbarko Šilumos Tinklai was established and registered on 9 September 1997 at address: V. Kudirkos str. 11, 4430 Jurbarkas. Heat produced in the branch of the Company is sold to the consumers in Jurbarkas city.

At the end of 30<sup>th</sup> of June, 2012 the Company's branch office Jurbarko Šilumos Tinklai had 36 employees.



On 1<sup>st</sup> of July, 2006 the Company's subsidiary undertaking UAB Pastatų Priežiūros Paslaugos was registered at address: Savanorių ave. 347, 49423 Kaunas - 43, company code 300580563.

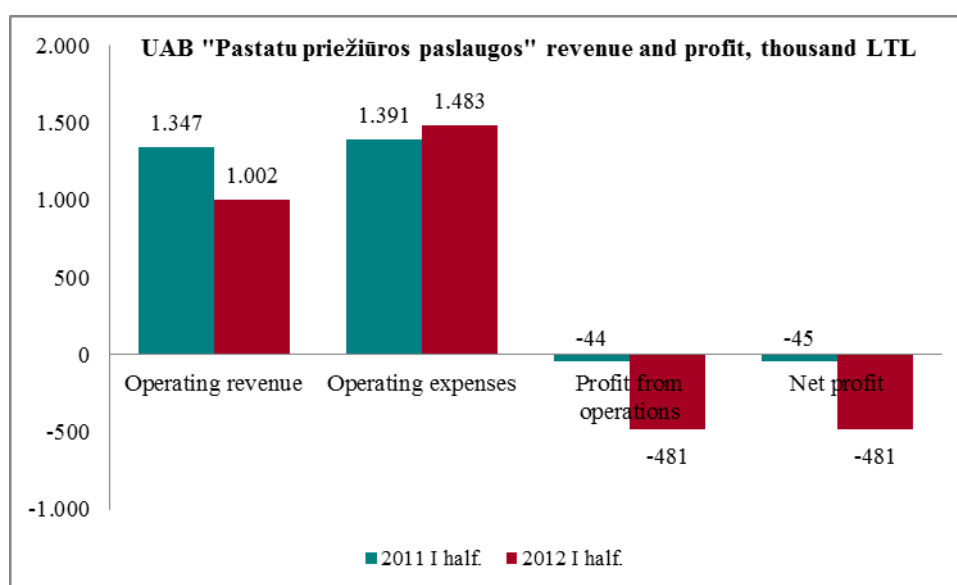
On 28<sup>th</sup> of May, 2012 AB Kauno Energija, the only shareholder of UAB Pastatų Priežiūros Paslaugos decided to reduce authorized share capital of UAB Pastatų Priežiūros Paslaugos to LTL 4,915,400 (four million nine hundred fifteen thousand and four hundred litas), by withdrawing loss accumulated until 30<sup>th</sup> of April, 2012 in UAB Pastatų Priežiūros Paslaugos balance and by nullifying 16,026 (sixteen thousand and twenty six) ordinary registered shares at the nominal value of LTL 100 (one hundred litas) each. On 13<sup>th</sup> of June, 2012 the reduced authorized share capital of UAB Pastatų Priežiūros Paslaugos in amount of LTL 4,915,000 has been registered and it is divided into 49,150 ordinary registered shares at the nominal value of LTL 100 each. The Company owns 49,150 ordinary registered shares of UAB Pastatų Priežiūros Paslaugos.

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

The subsidiary UAB Pastatų Priežiūros Paslaugos is engaged in the following activities: maintenance of indoor heating and (or) hot water supply systems and facilities of heating substations, repairs of buildings and constructions, repairs of heating substations and other heating facilities, provision of transport services, rent of premises.

Comparison of financial figures of the 1<sup>st</sup> half of the year 2012 of UAB Pastatų Priežiūros Paslaugos (operations revenue, profit from operations, net profit) with figures of the 1<sup>st</sup> half of the year 2011 is presented in Chart 7.

Chart 7



As the law of change and addition of the Law on heat economy articles 2, 3, 20, 22, 28, and 31 the main point of it is to separate the maintenance of indoors heating and hot water systems from heat production and transmission came into force, AB Kauno Energija intends to separate activities of UAB Pastatų Priežiūros Paslaugos (decision of Management Board of AB Kauno Energija No 2012-6-2 of the 4<sup>th</sup> of April, 2012 “Regarding reorganization of UAB Pastatų Priežiūros Paslaugos in way of separation”).

As at 30<sup>th</sup> of June, 2012 the Company's subsidiary had 38 employees.

## 15. Structure of authorized share capital

As of 30<sup>th</sup> of June, 2012 the registered authorized capital is LTL 256,391,862 (Two hundred and fifty six million three hundred and ninety one thousand eight hundred sixty-two).

The Issuer's share capital structure by type of shares is presented in Table 3.



Table 3

Type of shares	Number of shares, units	Par value, LTL	Total nominal value, LTL	Ownership interest of municipalities, %	Ownership interest of individual shareholders, %
Ordinary registered shares	42,731,977	6	256,391,862	98.33	1.67
Total:	42,731,977	6	256,391,862	98.33	1.67

## 16. Data on shares issued by the Issuer

As of 26 March 2010 the registered authorized capital is LTL 256,391,862 (Two hundred and fifty six million three hundred and ninety one thousand eight hundred sixty-two) and is divided into 42,731,977 (forty-two million seven hundred thirty one thousand nine hundred and seventy seven) ordinary registered shares of LTL 6 nominal value.

No restrictions exist in respect of transfer of securities.

16.1. The main *characteristics of shares issued for public traded securities* (30 June 2012).

Securities registration NO.	A01031430
VP ISIN code	LT0000123010
Number of shares	20,031,977 ordinary registered shares
Nominal value	LTL 6
Total nominal value of shares	LTL 120,191,862

16.2. The main *characteristics of shares distributed and registered for circulation privately* (31 December 2011).

VP ISIN code	LT0000128407
Number of shares	22,700,000 PVA
Nominal value	LTL 6
Total nominal value of shares	LTL 136,200,000

Trading history of the Company's securities is presented in Table 4.

Table 4

Trading history data	2008	2009	2010	2011	2012 1 <sup>st</sup> half
Open (litas/euro)	3.50/1.014	2.00/0.579	2.45/0.710	2.072/0.600	1.951/0.565
Highest (litas/euro)	3.80/1.101	2.65/0.768	3.18/0.921	2.659/0.770	1,951/0.565
Lowest (litas/euro)	1.70/0.492	1.41/0.408	1.903/0.551	1.105/0.320	1.433/0.415
Last (litas/euro)	2.00/0.579	2.40/0.695	2.072/0.600	1.209/0.350	1.554/0.450
Traded , units	82,775	92,418	77,729	90,239	76,787
Turnover million (litas/euro)	0.26/0.08	0.19/0.05	0.2/0.06	0.18/0.05	0.13/0.04
Capitalization million (litas/euro)	37.94/10.90	102.28/29.62	41.5/12.02	24.21/7.01	31.12/9.01





Historical data on share prices (in euros) and turnovers during 2008 to the 1<sup>st</sup> half of the year 2012 is illustrated in Chart 8.

Chart 8



Comparison of AB Kauno Energija share price with OMX Vilnius and OMX Baltic Benchmark GI indexes in the sector is presented in Chart 9.




Chart 9



Chart 9 data:

Index/Equity	01.01.2008	30.06.2012	+/- %
—OMX Baltic Benchmark GI	684.91	492.43	-28.10
—OMX Vilnius	514.23	339.89	-33.90



Index/Equity	01.01.2008	30.06.2012	+/- %
 B7500GI Utilities	1,437.41	920.71	-35.95
 B7500PI Utilities	1,751.90	844.33	-51.80
 KNR1L	1.01 EUR	0.45 EUR	-55.61

## 17. Information on the Issuer's shareholders

As of 30<sup>th</sup> of June, 2012 the total number of shareholders of AB Kauno Energija was 370.

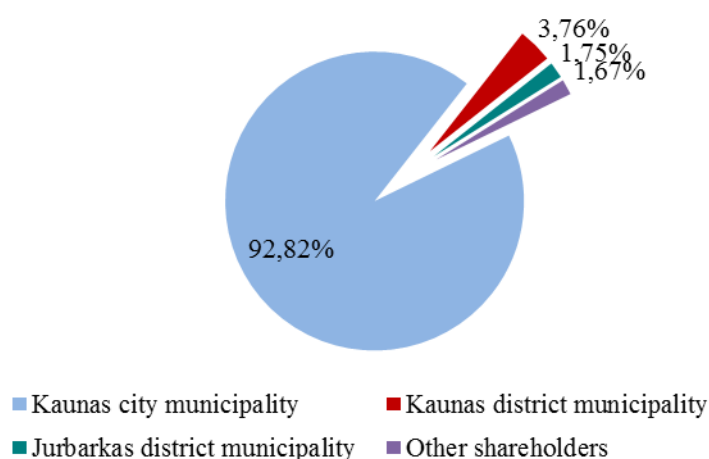
The Issuer's shareholders, whose ownership interest as at 30 June 2012 exceeded 5% of the Company's authorized share capital (42,731,977 ordinary registered shares) registered on 26 March 2010, are listed in Table 7 with additional data illustrated in Table 5 and Chart 10.

Table 5

Full name of shareholder (company name, type, registered address, code)	Number of ordinary registered shares owned by the shareholder, units	Ownership interest, %	Share of votes attributed to the shares owned, %	The share of votes owned by shareholders and jointly acting persons, %
Kaunas city municipality Laisvės ave. 96, 44251 Kaunas Company code 111106319	39,665,892	92.82	92.82	-
Other minority shareholders	3,066,085	7.18	7.18	-
Total	42,731,977	100	100	-

Chart 10

Shareholders structure as at 30 June 2012



17.1. The shareholders, whose ownership interest as of 30<sup>th</sup> of June, 2012 exceeded 5% of the Company's shares (20,031,977 ordinary registered shares) issued for public trading (registration No. A01031430; VP ISIN code – LT0000123010), are listed in Table 6.



Table 6

Name	Type of shares	Number of shares, units	Total nominal value of shares, LTL	Portion of shares (%) as a percentage of shares issued for public trading	Ownership interest (%)
<b>Kaunas city municipality</b> Laisvės 96, 3000 Kaunas Company code 111106319	Ordinary registered shares	16,965,892	101,795,352	84.69	39.70
<b>Kaunas district municipality</b> Savanorių Ave. 371, 49500 Kaunas Company code 111100622	Ordinary registered shares	1,606,168	9,637,008	8.02	3.76
Other minority shareholders	Ordinary registered shares	1,459,917	8,759,502	7.29	3.42
<b>TOTAL</b>	Ordinary registered shares	20,031,977	120,191,862	100	46.88

17.2. The shareholders, whose ownership interest as at 30<sup>th</sup> of June, 2012 exceeded 5% of the Company's shares (22,700,000 ordinary registered shares) issued for non-public trading (VP ISIN code – LT0000128407), are listed in Table 7.

Table 7

Name	Type of shares	Number of shares, units	Total nominal value of shares, LTL	Portion of shares (%) as a percentage of shares issued for public trading	Ownership interest (%)
Kaunas city municipality Laisvės ave. 96, 44251 Kaunas Company code 111106319	Ordinary registered shares	22,700,000	136,200,000	100	53.12

None of the Issuer's shareholders have any special control rights. Rights of all shareholders are equal, and they are defined in Article 4 of the Lithuanian Law on Companies. The number of shares, which grant votes during the general meeting of shareholders of the Company, is 42,731,977.

The Company is not aware of any restrictions on voting rights or any other arrangements among the shareholders that could result in restriction of transfer of securities and (or) voting rights.

In 2010 Issuer's shareholders received dividends. Earnings per share (dividend rate) – LTL 0,084, total dividends – LTL 3,589,486 (three million five hundred eighty nine thousand four hundred eighty six).

In 2011, the dividends were not committed and not paid for the Issuer's shareholders. The profit of the year 2010 was committed to investments, sponsoring and compulsory reserves.

On 30<sup>th</sup> of April, 2012 the General meeting of the Issuer shareholders made a decision to pay dividends from the 2011 year profit in amount of LTL 10.683 thousand, i. e. a 25 cents per share. Dividends were started to pay in the end of June, 2012, after the permissions under signed credit agreements from credit institutions were received. The unpaid part of dividends as of 30<sup>th</sup> of June, 2012 is amounted to LTL 54 thousand and it is accounted in the article of other short-term payables and liabilities.

## 18. Employees

As of 30<sup>th</sup> of June, 2012 the Group had 625 employees. The change in the number of employees during of 1<sup>st</sup> half of the year 2012 is illustrated in Table 8.



Table 8

The actual number of employees	Company 31 12 2011	Group 31 12 2011	Company 30 06 2012	Group 30 06 2012
Total:	583	628	587	625
Including: managers	4	6	4	6
specialists	310	325	313	326
workers	269	297	270	293

The level of education of the Group's and the Company's employees as at the end of the period

Table 9

No.	Education level	Company 31 12 2011	Group 31 12 2011	Company 30 06 2012	Group 30 06 2012
1	Secondary (unfinished)	9	11	9	10
2	Secondary	219	245	219	239
3	Post-secondary	92	98	84	90
4	Higher	263	274	275	286
	Total:	583	628	587	625

Average relative number of employees and average monthly salary (including taxes at the end of 1<sup>st</sup> half of the year 2012)

Table 10

No.	Employees	Company	Group
1.1.	Average relative number of managers	4	6
1.2.	Average monthly salary of managers	7,496.0	6,371.8
2.1.	Average relative number of specialists	293.7	304.3
2.2.	Average monthly salary of specialists	2,753.0	2,748.7
3.1.	Average relative number of workers	257.1	304.3
3.2.	Average monthly salary of workers	1,949.9	1,912.0

The salaries of the Issuer's employees consist of invariable part, variable part, extra pays and bonuses paid in accordance with the provisions of the Lithuanian Labour Code and other laws. Bonuses are paid from net profit, provided the general shareholders meeting decides to allot a part of profit for the payment of bonuses to the Company's employees. Until 2012 the general shareholders meeting has not allotted any part of profit for the payment of bonuses to the Issuer's employees.

*Special rights and duties of employees of the Issuer or their part are set forth in collective employment agreement, and did not changed from the information published in AB Kauno Energija Consolidated annual report for the year 2011.*

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

Articles of Association of AB Kauno Energija provide for that the general meeting of shareholders of the Company has an exceptional right to make amendments to the Company's Articles of Association with exceptions set forth in the Lithuanian Law on Companies. When making a decision in relation to amendment of Articles of Association, the majority of 2/3 of votes of all the shareholders participating in general meeting of shareholders is required.

On 26 October 2010 Extraordinary General Meeting of Shareholders decided to change Company's statute evaluating the changes in legislation. On 11 November 2010 it was registered in Lithuanian Register of Legal Persons. It available to the Company's website at: [www.kaunoenergija.lt](http://www.kaunoenergija.lt).



## 20. Issuer's bodies

According to the Company's Articles of Association, the Company's managerial bodies are as follows: General Meeting of Shareholders, collegiate supervisory body – Supervisory Board, collegiate managerial body – Management Board and one-man managerial body – General Manager.

The decisions of the general meeting of shareholders made in relation to issues that fall within the competence of the general meeting of shareholders as set forth in the Articles of Association, are binding upon the shareholders, Supervisory Board, Management Board and General Manager, as well as upon other employees of the Company.

Individuals, who at the end of the reporting day of the general meeting of shareholders were the Company's shareholders, have the right to participate and vote at the General Meeting of Shareholders or at the repeatedly held General Meeting of Shareholders in person, with the exceptions set forth in relevant laws, or their authorized persons, or persons with whom the agreement on transfer of voting right was signed. The reporting day of the Company's meeting is considered to be the fifth business day before the General Meeting of Shareholders or the fifth business day before the repeatedly held General Meeting of Shareholders. The person participating at the general meeting of shareholders and having the right to vote is required to provide a document testifying his/her identity. The person, who is not the shareholder, beside the document testifying his/her identity is required to provide the document confirming his/her right to vote at the general meeting of shareholders.

The collegiate supervisory body – the Supervisory Board - is elected by the General Meeting of Shareholders in compliance with the procedure set forth in the Lithuanian Law on Companies. The Supervisory Board consists of 7 (seven) Supervisory Board members. The Supervisory Board members are elected for the period of 4 (four) years. The Supervisory Board elects the Chairman of the Supervisory Board from its members. The General Meeting of Shareholders has the right to recall the entire Supervisory Board or its individual members prior to the expiry of their term of office. If the individual members of the Supervisory Board are elected, they are elected only for the current Supervisory Board's term of office.

The Supervisory Board elects and recalls from their duties the members of the Management Board, supervises the activity of the Management Board and the General Manager, presents to the General Meeting of Shareholders various opinions and suggestions on the Company's activity strategy, annual financial statements, profit (loss) distribution project and the Company's annual report, also on the activity of the Management Board and General Manager, provides suggestions to the Management Board and the General Manager to recall their decisions which contradict with the laws and other legal acts, the Company's Articles of Association or decisions of the General Meeting of Shareholders, decides on other issues relating to supervision of activities of the Company and its managerial bodies that are attributed by the General Meeting of Shareholders to the competence of the Supervisory Board. The Supervisory Board has no right to delegate or transfer its functions set forth in the Lithuanian Law on Companies to other bodies of the Company.

The Supervisory Board approves the rules for the establishment and operation of the audit committee, and elects the members of this committee. Based on the decision of the collegiate supervisory body (the Supervisory Board) dated 31<sup>st</sup> of March, 2009 the rules for the establishment and operation of the audit committee of AB Kauno Energija were approved. Based on the decision N° 2012-5 of the meeting of Supervisory Board dated 5<sup>th</sup> of July, 2012 they were recognized as being out of court. The new internal rules of the audit committee of AB Kauno Energija were approved with the same protocol decision. Following the decision of The Securities Commission of the Republic of Lithuania No 1K-18 of 21 August 2008 "Regarding the requirement to audit committees", on 18 August 2011 after the end of term of office of members of audit committee, the following members of audit committee were appointed: Stasė Rožukienė was appointed as the independent member of audit committee, Inga Dragūnienė – senior economist of the Company's Economics and Planning unit and Valerija Stankūnienė – Company's Deputy Chief Accountant.

On 29 December 2011 the new Supervisory Board was elected by the decision of General Meeting of Shareholders after recall of Company's Supervisory Board. This Supervisory Board elected following members of audit committee by the decision No 2012-1 of the session which has been held on 2 January 2012:



Stasė Rožukienė, Deputy General Manager of UAB Scaent Baltic Investment, an independent member of AB Kauno energija audit committee since 18 August 2011, on 3 January 2012 was re-elected as an independent member of audit committee. Education – university degree, economist undertaker. Workplaces and positions over the last 10 years: 24-09-2001—12-09-2002 – the director of Economics department of Kaunas municipality administration; 18-09-2002 – 30-12-2003 – UAB Station Market deputy director for finances; 31-12-2003 – 17-10-2007 – Internal Audit Department Manageress of Kaunas municipality administration; 30-10-2007 – 02-07-2010 – UAB SC Property General Manager.

Mrs. Rožukienė has no shares of the Company, nor any ownership interest in other Lithuanian companies.

Inga Dragūnienė, senior economist of the Company's Economics and Planning unit of the Department of Finances. Member of audit committee since 18 August 2011, on 3 January 2012 was re-elected as member of audit committee. Education – university degree, Kaunas University of Technology, master of management sciences in the field of finances management (2001). Workplaces and positions over the last 10 years: 15-10-1998—25-07-2006 – the senior accountant of AB Kauno energija; 26-07-2006 – 01-11-2009 – UAB Pastatų Priežiūros Paslaugos deputy chief accountant; 02-11-2009 – 07-05-2010 – UAB Pastatų Priežiūros Paslaugos referent.

Mrs. Dragūnienė has no shares of the Company, nor any ownership interest in other Lithuanian companies.

Valerija Stankūnienė, deputy chief accountant of the Company. Member of audit committee since 18 August 2011, on 3 January 2012 was re-elected as member of audit committee. Education – university degree, Vilnius University, accountant – economist (1983). Workplaces and positions over the last 10 years: 02-2003—01-2010 – UAB ARISBALTIJA Chief accountant; 02-1995 – 07-2002 – AB Šilkas chief accountant.

Mrs. Stankūnienė has no shares of the Company, nor any ownership interest in other Lithuanian companies.

The members of audit committee perform their activity since 2 January 2012. When implementing its activity Audit committee follows the rules of AB Kauno Energija audit committee formation and activity approved by Company's Supervisory Board on 31 March 2009, which are recognized out of court by the decision of the meeting of Supervisory Board no 2012-5 of the 5<sup>th</sup> of July, 2012. The new internal rules of Audit committee of AB Kauno Energija were approved by the same protocol decision. Audit committee performs functions indicated in 52 article of Lithuanian Audit law.

The Management Board is a collegiate managerial body of the Company, which consists of 7 Management Board members. The Management Board is elected by the Supervisory Board for the term of 4 (four) years. The Supervisory Board has the right to recall the entire Management Board or its individual members prior to the expiry of its term of office. If the individual members are elected, they are elected only for the current Management Board's term of office. The Management Board elects the Chairman of the Board from its members.

The Management Board elects and recalls the General Manager of the Company, determines his/her salary, other employment terms and conditions, confirms his/her job description, motivates or assigns penalties, meets other the decisions related with LR Law on Companies, the Company's statutes or the shareholders meeting decisions, with the competence of the Board.

The General Manager is the manager of the Company. The manager of the Company is a one-man managerial body of the Company who organizes the Company's activity. The authority and responsibilities of the Company's administration members are determined by the order of the General Manager.

## **21. Members of the collegiate bodies, the company's manager, chief financier**

*(job position, full name, data on ownership interest in the issuer's authorized share capital and the beginning and end dates of the term of office of every person, information about cash amounts estimated, assets transferred and guarantees issued to these persons by the issuer during the reporting period in total, and average amounts per each member of the collegiate body, manager of the company, and chief financier)*

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

*Members of 30 June 2012 Supervisory Board:*



Full name	Job position	Beginning of the term of office	End of the term of office
Mr. Rytis Šatkauskas	Supervisory Board chairman	31 December 2011	30 April 2015
Mr. Ričardas Juška	Supervisory Board member	31 December 2011	30 April 2015
Mr. Arvydas Garbaravičius	Supervisory Board member	31 December 2011	30 April 2015
Mrs. Edita Gudišauskienė	Supervisory Board member	31 December 2011	30 April 2015
Ms. Orinta Leiputė	Supervisory Board member	31 December 2011	30 April 2015
Mrs. Aušra Ručienė	Supervisory Board member	31 December 2011	30 April 2015
Mr. Gediminas Žukauskas	Supervisory Board member	31 December 2011	30 April 2015

Mr. Rytis Šatkauskas, UAB Sabelijos prekyba, Director of Development Department. Member of Kaunas City Municipality Council. Chairman of Kaunas City Municipality Council Committee of City Economy, member of Privatization Commission. Mr. Rytis Šatkauskas has no shares of the Company. As of 30 June, 2011 he is shareholder of Ritėjus UAB (100% shares).



Mr. Ričardas Juška, mayor, member of Jurbarkas region municipality, chairman of privatization commission of Jurbarkas region municipality council, member of the Board of Association of Local Authorities in Lithuania, chairman of committee of health affairs of Association of Local Authorities in Lithuania. Member of Supervisory board of Tauragė regional waste handling center.

Mr. Ričardas Juška has no shares of the Company, nor any ownership interest in other companies.

Mr. Arvydas Garbaravičius, partner of UAB ARJ CAPITAL, member of Kaunas city municipality council. Member of Committee of City Development, Investments and Tourism, Deputy Chairman of Control Committee, Member of Commission of Anticorruption. Member of Management Board of Public Institution Kauno Plėtros Foramas. Member of Management Board of Public Institution Sugihara fund Diplomats for life.

Mr. Garbaravičius has no shares of the Company. He has the shares of AB Ūkio bankas, Integra Group Holdings, AB Linas Agro Group, JSC GAZPROM NEFT, AS Olympic Entertainment Group, AS Baltika, AS Tallink Group, Yingli Green Energy Holding Co Ltd, VIADUKT D. D., NOKIA OYJ, DALEKOVOD DD, France Telecom SA, ENERGYO SOLUTION RUSSIA AB, FEDERAL, RENEWABLE ENERGY CORP. ASA, SEVAN MARINE ASA, BELJE DD DARDA, Bank of America.



Mrs. Edita Gudišauskienė. Adviser to Minister of Agriculture of the Republic of Lithuania, Member of Kaunas City Municipality Council, Chairwoman of Committee of Budget and Finances of Kaunas city municipality, Member of Commission of Strategic Planning, Member of Commission of Anticorruption. Member of the Management Board of Lampėdžiai Community Center.

Mrs. Edita Gudišauskienė has no shares of the Company, nor any ownership interest in other companies.

Ms. Orinta Leiputė. Assistant-secretary of the Lithuanian Parliamentary Ms. B. Vėsaitė, Assistant at the Lithuanian Academy of Physical Education, Member of Kaunas City Municipality Council. Deputy Chairman of Kaunas City Municipality Council Budget and Finance Committee, Chairman of Kaunas City Municipality Council Privatisation Commission. Member of the Lithuanian Society of Young Researchers, Lithuanian Union of Social Democratic Party - Member of the Council and Presidium, Chairman in Kaunas division, Deputy Chairman of Lithuanian Union of Social Democratic Women, Member of Kaunas Club of Women Politicians MILDA (Initiative by women to improve democracy in Lithuania), Honorary Member of the Board of Society *Lietuvos Sakaliukų Sąjunga* (children and youth organisation). Member of Supervisory Board of Kaunas Clinical Hospital. The Chairman of Kaunas city municipality animal care and supervisory Board. The Chairman of Kaunas city municipality Nongovernmental organizations support Board. Forewoman of the united social democratic and nonparty fraction of Kaunas city municipality.





Ms. Leiputė has no shares of the Company, nor any ownership interest in other companies.



Mrs. Aušra Ručienė, lawyer. Member of Kaunas City Municipality Council, Member of Committee of City Development, investments and tourism, Member of Control Committee, Chairwoman of Commission of Anticorruption, Member of Commission of Strategic Planning.

Mrs. Ručienė has no shares of the Company. She's a shareholder of UAB Ručenta.

Mr. Gediminas Žukauskas. Chief-engineer at UAB Kauno Vandenys. Member of Kaunas City Municipality Council, Chairman of the Committee of Self-Government and communities development, Member of Commission of Strategic Planning, Member of Privatization Commission, Member of Commission of Titles Contriving and Perpetuation of Memories. Chairman of Panemunė Community Center.

Mr. Žukauskas has no shares of the Company, nor any ownership interest in other companies.



During the reporting period no remuneration (salary or bonuses) was paid to the members of Supervisory Board, nor any assets were transferred or guarantees issued.

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

As at 30 June 2012, the members of the Company's Management Board were as follows:

Full name	Job position	Beginning of the term of office	End of the term of office
Mr. Arvydas Augonis	Management Board chairman	3 May 2011	30 April 2015
Mr. Giedrius Donatas Ašmys	Deputy chairman of the Management Board	2 January 2012	30 April 2015
Mr. Gintaras Čizikas	Management Board member	3 May 2011	30 April 2015
Mr. Jonas Koryzna	Management Board member	2 January 2012	30 April 2015
Mr. Vytautas Mikaila	Management Board member	2 January 2012	30 April 2015
Mr. Vidas Rybelis	Management Board member	2 January 2012	30 April 2015
Mr. Kęstutis Buinevičius	Management Board member	27 February 2012	30 April 2015



Mr. Arvydas Augonis. Head of Development and Analysis Department in AB Kauno energija since 16 May 2011. Deputy Chairman of Liberal and Centre Union Kaunas Branch, Member of public organization Vieningas Kaunas, President of Lithuanian Arvydas club.

Mr. Augonis has no shares of the Company, nor any ownership interest in other companies.

LTL 12.6 thousand of salary was paid during the 1<sup>st</sup> half of the year 2012, no bonuses were paid, nor any assets were transferred or guarantees issued.

Mr. Giedrius Donatas Ašmys. Unemployed (retired). Chairman of Management Board of „Pastatų priežiūros paslaugos“ UAB.

Mr. Ašmys has no shares of the Company, nor any ownership interest in other companies.

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



Mr. Kęstutis Buinevičius, Senior Lecturer of Kaunas University of Technology, Doctor in Engineering, Heat and Atom Cathedral. Director of TermoTECHNIKA UAB.

Mr. Buinevičius has no shares of the Company, nor any ownership interest in other companies.

During the reporting period, no remuneration amounts (salary, bonuses) were paid, nor





any assets were transferred or guarantees issued to this member of the Management Board.

Mr. Gintaras Čižikas. Lithuanian Labour Federation, Chairman of Kaunas County Department.

Mr. Čižikas has no shares of the Company, or ownership interest in of other companies. During the reporting period, no remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued.



Mr. Jonas Koryzna. Doctor of Engineering. Vice-president of Kaunas Chamber of Commerce, Industry and Crafts, member of Council of Kaunas Chamber of Commerce, Industry and Crafts, member of Kaunas Rotary Club. President of Association of Nordic walking. Member of the Management Board of Lithuanian Public Health Association. Chairman of the Management Board of Kauno Autobusai UAB. Chairman of the Management Board of Baltijos Paslaugų Brokeris UAB.

Mr. Koryzna has no shares of the Company. He has 100 shares with voting rights in Baltijos Paslaugų Brokeris UAB, and 70 shares with voting rights in RINKA PLIUS UAB. These shareholdings in the above-mentioned companies represent 100% of their share capital and votes.

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

Mr. Vytautas Mikaila. Doctor of Engineering. MVE Group UAB, Director. Member of Association of Heating Technics Engineers. Member of Rotary Club Kauno Tauras.

Mr. Mikaila has no shares of the Company, however, he has 55% of shares in MVE Group UAB.

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



Mr. Vidas Rybelis, Director of Pastatų Priežiūros Paslaugos UAB, Member of Management Board of Pastatų Priežiūros Paslaugos UAB.

Mr. Rybelis has no shares of the Company, nor any ownership interest in other companies.

During the reporting period, no remuneration amounts (salary, bonuses) were paid, nor any assets were transferred or guarantees issued to this member of the Management Board.

Based on the decision of the meeting of Supervisory Board, held on 2<sup>nd</sup> of January, 2012 the new members of the Management Board Giedrius Donatas Ašmys, Jonas Koryzna, Vytautas Mikaila and Vidas Rybelis were elected instead of recalled Rimantas Bakas, Andrius Stankevičius, Ramūnas Gatautis and Mindaugas Šimkus.

#### *Former members of the Management Board until 2<sup>nd</sup> of January, 2012:*

Mr. Rimantas Bakas. Doctor of Engineering. General Manager of Kauno Energija AB. Member of Management Board of the Company from 3 May 2011 to 2 January 2012. Member of Lithuanian heating technique engineers association, Member of Board of Kaunas Regional Energy Agency, Member of Lithuanian District Heating Association Board, Member of Lithuanian Energy Institute's the Scientific Board, the Chairman of Master's qualification commission in Kaunas University of Technology Thermal and Nuclear Engineering department, the expert approved by World's Energy Council the PET Committee of Lithuania. In 2008, Mr. Bakas participated as the member of working group in preparation of research study „Europe's Vulnerability to Energy Crises“, which was presented to the European Commission.



Mr. Bakas has no shares of the Company, or ownership interest in of other companies.

During the 1<sup>st</sup> half of the year 2012 earnings before-tax in amount LTL 69.1 thousand, no bonuses were estimated, nor any assets were transferred or guarantees issued.



Mr. Ramūnas Gatautis. Lithuanian Energy Institute, Laboratory of Energy Systems Research, Doctor of Engineering. Member of International Association of Energy Economists.

Mr. Gatautis has no shares of the Company, nor any ownership interest in other companies. During the reporting period, no remuneration amounts (salary, bonuses) were paid, nor any assets were transferred or guarantees issued to this member of the Management Board.

Mr. Andrius Stankevičius. Member of the Board of Labour party, Chairman of Sports, Tourism and Recreation Committee.

Mr. Stankevičius has no shares of the Company, nor any ownership interest in other companies.

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



Mr. Mindaugas Šimkus. Plungės kooperatinė prekyba UAB (Vičiūnai group), Head of Department of Economics.

Mr. Šimkus has no shares of the Company, nor any ownership interest in other companies. During the reporting period, no remuneration amounts (salary, bonuses) were estimated, nor any assets were transferred or guarantees issued.

On 27<sup>th</sup> of February, 2012 Mr. Kęstutis Buinevičius was elected as the member of the Management Board instead of resigned Ms Zita Zalagėnaitė.

*Former members of Management Board of the Company until 2<sup>nd</sup> of January, 2012:*



Ms Zita Zalagėnaitė. UAB Sorestum, Head of Development.

Ms Zalagėnaitė has no shares of the Company, nor any ownership interest in other companies.

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

### **21.3. Data about the Company's manager and chief accountant**

Mr. Rimantas Bakas. General Manager of the Company since 24 November 2008, Doctor of Engineering. Member of Lithuania heating technique engineers association, Member of Board of Kaunas Regional Energy Agency, Member of Lithuanian District Heating Association Board, Member of Lithuanian Energy Institute's the Scientific Board, the chairman of Master's qualification commission in Kaunas University of Technology Thermal and Nuclear Engineering department, the expert approved by World's Energy Council the PET Committee of Lithuania. Member of Management Board of the Company from 3 May 2011 till 2 January 2012. Education: higher, university degree, graduated from Kaunas University of Technology in 1985, industry heat energy engineer. Job positions during the last 10 years were: from October 2001 to February 2003, Lithuanian Bioenergetics and Energy Saving Association, vice-president and executive director; from 1 March 2001 to 1 May 2003 – project manager of Strategy Department at the Company; from 2 May 2003 to 2 January 2006 – senior project manager of Strategy Department at the Company; from 3 January 2006 to 21 November 2008, Head of Strategy Department at the Company.



Mr. Rimantas Bakas, General Manager of Kauno Energija AB is awarded with a letters of thanks of Lithuanian Association of Heat Suppliers (2007), Lithuanian Association of Electricity Energetic (2008), a letter of the World Energy Council Lithuanian Committee (2010) and the medal of Memory of 600 years Jubilee of Kaunas city, the Symbol of Honour of Lithuanian Energetic (2011). He has no shares of the Company, or ownership interest in of other companies.

Mrs. Violeta Staškūnienė. Chief Financier of the Company since 27 July 2000, and Chief Accountant since 16 January 2003. Education: higher, university degree, graduated from Vilnius University in 1984, work economy, acquired the profession of economist. Work record during the last 10 years and job positions held: from 22 June 1998 to 09 January 2000 – Chief Accountant of the Company's branch office Kauno Energijos Paslaugos; from 10 January 2000 – Deputy Chief Financier of special purpose public company Kauno Energija; from 1998 to April 2004 – Chief accountant of Itvizija UAB; from January 2003 to June 2004 – Chief accountant of Energijos Realizacijos Centras UAB. She holds 2,641 units of the Company's shares, which make less than 5% of the authorized share capital. She has no ownership interest in other companies.

During 1<sup>st</sup> half of the year 2012 total remuneration estimated for the General Manager and Chief Accountant amounted to LTL 117.5 thousand, average amount per person – LTL 58.75 thousand; no other assets were transferred, no guarantees provided.

#### **21.4. Data on Management Board, manager and chief accountant of UAB Pastatų Priežiūros Paslaugos**

*As at 30<sup>th</sup> of June, 2012 the members of Management Board of UAB Pastatų Priežiūros Paslaugos were as follows:*

Full name	Job position	Beginning of the term of office	End of the term of office
Mr. Giedrius Donatas Ašmys	Management Board chairman	8 December 2011	7 December 2013
Mr. Pranas Paškevičius	Deputy chairman of the Management Board	25 October 2011	24 October 2013
Mr. Vidas Rybelis	Management Board member	25 October 2011	24 October 2013

The members of the Management Board of UAB Pastatų Priežiūros Paslaugos are elected for the term of two years.

Saulius Čiupaila has been elected as a member of the Management Board on the 9<sup>th</sup> of August, 2012 instead of resigned Giedrius Donatas Ašmys.

Vidas Rybelis is the director of UAB Patatų Priežiūros Paslaugos since the 1<sup>st</sup> of July, 2011. Education: higher, university degree, automation engineer. Work record during the last 10 years and job positions held: from July 2001 to December 2002 – Sales manager of UAB Tobis; from December 2002 to September 2006 – Brand manager of UAB Tobis; from September 2006 to May 2009 – Head of the Sales Group of UAB Tobis; from May 2009 to May 2011 – Brand Development manager of UAB Tobis; from June 2011 to June 2011 – Engineer – designer of AB Kauno Energija;

During the 1<sup>st</sup> half of the year 2012 earnings before-tax in amount LTL 30.0 thousand. He has no shares of the Company.

During 1<sup>st</sup> half of the year 2012 total remuneration estimated for the Manager and Chief Accountant amounted to LTL 46.6 thousand, average amount per person – LTL 23.3 thousand; no other assets were transferred, no guarantees provided.

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

None.



**23. All agreements of the Issuer and its managerial body members or employees, which provide for compensation in case of their resignation or termination of employment on no grounds or in case their employment is terminated due to changes in controls of the Issuer**

None.

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

There were no major individual transactions with related parties. Detailed information is presented in Note 25 to the financial statements.

**25. Information on compliance with the Governance Code of Companies**

Information on compliance with the Governance Code of Companies is presented in Annex 1 to the Annual Report. The report on Company's social initiatives and politics during the year 2011 is presented in Company's website.

**26. Data on publicly declared information**

To comply with the obligation set forth in the applicable legislation regulating the market of securities, the Issuer during the last 6 months declared in public the following information through GlobeNewswire news publication system, which is used to report announcements all over the European Union. This information was also placed on the Issuer's website. All information is available on **NASDAQ OMX Vilnius** website at address <http://www.baltic.omxgroup.com/?id=3304>, and the Issuer's website at address: <http://www.kel.lt/lt/?id=348>.

Heading of announcement	Category of announcement	Language	Time
Information regarding negotiations with UAB Kauno termofikacijos elektrinė	Notification on material event	En, Lt	09.08.2012 – 19:23
The activity results of I half of the year 2012	Notification on material event	En, Lt	30.07.2012 – 08:38
Convocation and resolutions projects of Extraordinary General meeting of shareholders of Kauno Energija AB	Notification on material event	En, Lt	25.07.2012 – 13:00
Information regarding approval of selling all the shares of UAB Kauno termofikacijos elektrinė owned by OAO "Gazprom"	Notification on material event	En, Lt	11.07.2012 – 09:42
Information regarding started payment of dividends to AB "Kauno energija" shareholders	Notification on material event	En, Lt	27.06.2012 – 16:11
Information regarding payment of dividends of AB "Kauno energija"	Notification on material event	En, Lt	06.06.2012 – 11:39
Information regarding unpaid dividends as it is stated by the law	Notification on material event	En, Lt	31.05.2012 – 17:00
Financial statements with the annual report	Annual information	En, Lt	30.04.2012 – 14:40
Resolutions of the General Meeting of Shareholders of AB "Kauno Energija"	Notification on material event	En, Lt	30.04.2012 – 14:30
Activity results of the first quarter, 2012	Notification on material event	En, Lt	25.04.2012 – 09:17
Concerning reorganization of subsidiary by separation means	Notification on material event	En, Lt	06.04.2012 – 14:40
General meeting of JSC "Kauno energija" shareholders and decisions' projects	Notification on material event	En, Lt	06.04.2012 – 08:35



Heading of announcement	Category of announcement	Language	Time
Information on the negotiations with Kauno Termofikacijos Elektrinė UAB	Other information	En, Lt	29.02.2012 – 15:54
Information on the election of the member of Kauno energija, AB management body	Notification on material event	En, Lt	28.02.2012 - 15:41
An intermediate unaudited financial statement of 12 months of the year 2011	Interim information	En, Lt	25.01.2012 - 16:02
Due to the Company's management Board decision to renew negotiations with Lietuvos Energija, AB	Notification on material event	En, Lt	24.01.2012 - 16:16
The activity result of the 12 months, 2011	Notification on material event	En, Lt	24.01.2012 - 16:07
Information on the election of the members of Kauno energija, AB management bodies	Notification on material event	En, Lt	02.01.2012 - 15:14

General Manager of Kauno Energija, AB

Rimantas Bakas