

AB KAUNO ENERGIJA CONSOLIDATED ANNUAL REPORT FOR THE FIRST HALF OF THE YEAR 2013



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

CONTENTS

1. Reporting period of the Consolidated Annual Report	4
2. Companies composing the group of companies and their contact data	4
3. The nature of core activities of the companies composing the group of companies	4
4. The Issuer's agreements with finance broker companies and (or) credit institutions	5
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)	5
6. Objective overview of the state, performance and development of the group of companies, and description of exposure to key risks and uncertainties	5
6.1. Company's state, performance and development overview	5
6.2. Description of exposure to key risks and uncertainties we confront with and their impact on Company's results	8
7. Analysis of financial and non-financial performance results of the group of companies, information related to environmental and personnel issues	8
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	11
9. Significant events after the end of the first half of the year 2013	12
10. Plans and forecasts of the activities of the group of companies	12
11. Information on research and development activities of the group of companies	14
12. Information on own shares acquired and held by the Issuer	14
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	14
14. Information on the Issuer's branch office and subsidiary undertakings	15
15. Structure of authorized share capital	17
16. Data on shares issued by the Issuer	17
17. Information on the Issuer's shareholders	18
Ordinary registered shares	20
18. Employees	20
19. Procedure for amending the Issuer's Articles of Association	21
20. Issuer's bodies	22
21. Members of the collegiate bodies, the company's manager, chief financier	23
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	27
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	27
24. Information on major transactions with related parties	28
25. Information on compliance with the Governance Code of Companies	28
26. Data on publicly declared information	28



LIST OF TABLES

Table 1	Comparison of financial figures of the first half of the year 2013 with ones from 2012 years.	8
Table 2	Comparison of non-financial figures of the first half of the year 2013 with ones from 2012 years	10
Table 3	Issuers' authorised capital structure by the type of shares	17
Table 4	History of trade of Company's securities in 2009 – first half of the year 2013	17
Table 5	Issuer's shareholders, who owned as of 30 June 2013 more than 5 percent of Company's authorized capital registered on 26 March 2010	19
Table 6	Company's shareholders as of 30 June 2013	19
Table 7	Shareholders, who owned as of 30 June 2013 more than 5 percent of Company's shares, issued in unadvertised securities circulation	20
Table 8	Alternation of the number of employees in 2011 – first half of the year 2013.....	21
Table 9	Background of Group's and Company's employees in 2011 – first half of the year 2013.....	21
Table 10	Average conditional number of employees and average monthly salary.....	21

LIST OF CHARTS

Chart 1	Repartition of Company's heat consumers by groups.....	5
Chart 2	A comparison of constant heat price component.....	7
Chart 3	Implementation of coordinated investments by sources	8
Chart 4	Income and profit of the Group and the Company.....	10
Chart 5	Price of the heat supplied by AB Kauno Energija.....	11
Chart 6	Elements of heat price structure.....	11
Chart 7	Income, expenditure and profit of UAB Pastatų Priežiūros Paslaugos.....	16
Chart 8	History of the share price and turnover in 2008 – first half of the year 2013.....	18
Chart 9	Comparison of Company's share price with the index of own sector and OMX Vilnius index.....	18
Chart 10	Structure of shareholders as at 30 June 2013.....	19



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 first half of the year 2013.

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 and UAB „Kauno energija NT“, 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
Fax number:	(+370 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 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 av. 347, 49423 Kaunas
Code of the legal person:	300580563
Telephone number:	(+370 37) 305 959
Fax number:	(+370 37) 311 877
E-mail:	info@kaunoenergija.lt
Registration date and place:	1 July 2006, Kaunas
Register manager:	Kaunas Branch of State Enterprise Register Centre
VAT payer code:	LT100002506015

Name of the company:	UAB Kauno energija NT
Legal - organizational form:	Private company
Address:	Savanorių av. 347, 49423 Kaunas
Code of the legal person:	303042623
Telephone number:	(+370 37) 305 963
E-mail:	kent@kaunoenergija.lt
Registration date and place:	16 April 2013, Kaunas
Register manager:	Kaunas Branch of State Enterprise Register Centre

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, supplies 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).



Starting from 1 May 2010 the Company supplies hot water (carries out hot domestic water supplier activities) for part of multifamily residential buildings in Kaunas and Jurbarkas cities and Kaunas region (hereinafter the supplies of heat and hot domestic water referred to as the heat). As of 30 June 2013 AB Kauno Energija was a hot water supplier for 294 houses in Kaunas, 5 in Kaunas region and 5 in Jurbarkas. Income from hot water supplies activities amounts to approximately 2 per cent of all 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, maintains engineering structures (collectors – manifolds), operates a heat and electricity production sources. The Group and the Company carries out a supervision of indoor heat and hot water supply systems, maintenance of heat points equipment, repairs of buildings and constructions, repairs of heat points and other heating equipment, provides rental services of transport and premises, and other services to individuals and legal entities in relation to the supervision and maintenance of heat economy. The Group and the Company are engaged in licensed activity in accordance with the licenses held.

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

On 1 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 30 June 2013, the 20,031,977 (twenty million thirty one thousand nine hundred seventy seven) of Issuer's ordinary registered shares (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. The beginning of listing of Company's shares id 28 December 1998.

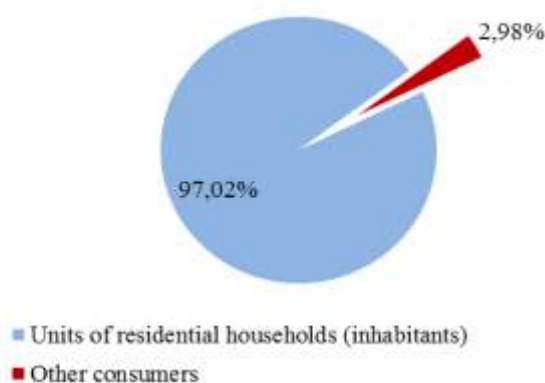
6. Objective overview of the state, performance and development of the group of companies, and description of exposure to key risks and uncertainties

6.1. Company's state, performance and development overview

The Company covers a major part of heat supply market in Kaunas and Jurbarkas cities and part of Kaunas region. As of 30 June 2013 a 3,342 companies and organizations and 114,666 units of residential households (inhabitants), totally – 118,008 consumers (objects by addresses) were connected to the integrated and local heat supply networks of the Company. 1 new consumers were connected to the Company's heat supply networks in first half of the year 2013, the total installed capacity of whose contains 0.836 MW. Repartition of consumers is shown in Chart 1.

Chart 1

Repartition of Company's heat consumers by groups



The vision of the Group and the Company is to be modern, effective, competitive, and value creating group of companies engaged in heat and electric energy production, supply and distribution and in maintenance of buildings and indoor heating and hot water supply systems. Maintenance of buildings and indoor heating and hot water supply systems is performed following provisions of Chapter 20 of the Law on Heat Sector.

The values of the Group and the Company:

- 50 years of experience in heat production and supplies business;
- responsibility against consumers for fail-safe heat and hot water supplies and for quality maintenance of buildings and of heating and hot water supplies systems;
- high qualifications of employees, enabling to reach a highest rates of efficiency;
- ability to inoculate a latest scientific achievements in the activity of Group of companies;
- ability to cooperate with state and municipal institutions and also with academic institutions;
- ability to participate in creation of scientific programs;
- reputation of reliable, modern and solid group of companies.

The strategic goals of the Group and the Company:

- to purposefully reduce the expenses of production, supplies, service and management in order to reduce the net price of centrally supplied heat and hot water for customers;
- to fulfil all the measures indicated in investment plans until the end of the year 2015 in order to ensure fail-safe heat supplies for customers;
- to expand the use of renewable energy sources in Company's heat production facilities in order to fulfil the requirement of directive 2009/28/EB to produce not less than 23% of heat from renewable energy sources until the year 2020;
- to expand the competition in heat production sector;
- to maintain the current position of companies in the market and to expand it.

The Company continued its activities in first half of the year 2013 following strategic guidelines of Kaunas city central heat supplies, which were approved by the decision No T-236 of Kaunas city council of 7 April 2011 "Regarding strategic guidelines of Kaunas city central heat supply" and following Strategy of Kaunas city central heat supplies accepted by the decision No T-626 of Kaunas city council of 14 November 2012 "Regarding approval of Strategy of Kaunas city central heat supplies". This strategy is prepared estimating strategy, prepared by Lithuanian Energy Institute "A renewed strategy of AB Kauno Energija for development of heat supplies system for the period of 2007 – 2020". A necessity of more extensive use of renewable sources in Company's heat production sources is emphasized.

When preparing development guidelines it is also considered to the strategy of AB Kauno Energija for development of heat supplies system for the period of 2007 – 2020. The Company continues to implement projects of change of main pipelines, partly financed by European Union structural funds, optimizes diameters of pipelines, connects new consumers to central heating networks and modernizes heat production sources. As new period (2013 – 2016) of basic heat price regulation approved by the National Control Commission for Prices and Energy (hereinafter – NCC) started and as the regulating environment has changed, the Company reoriented activity development guidelines and predicts to orient the most part of investments to development of new heat production sources and modernization of existing sources in order to reduce expenses of heat production.

In first half of the year 2013, the Group's net profit was LTL 18,880 thousand, Company's – LTL 18,574 thousand. Income from Group's main activities was LTL 208,018 thousand, Company's – LTL 207,739 thousand. The main part of income was received from sales of heat: Group's – 97.48 per cent, Company's – 97.63 per cent.

Company's income from sales of heat reached LTL 202,814 thousand and comparing to first half of the year 2012 it increased by 5.1 per cent. More detailed information is given in paragraph 7.

Company's investments into modern technologies (reconstruction of heat production sources, equipping them with condensers, automation of boiler-houses of isolated and integrated networks, e-services system for customers, distant heat meters' data transfer and processing system, modern customer servicing system



based on 'One Call' principle), reconstructions of heat supply networks helps the Company to quickly adapt to changes in the market and to become an innovative company engaged in heat and hot water supply as well as in heat production sources maintenance in Kaunas and Jurbarkas cities and Kaunas region.

As the regulation settings has changed and as the National Control Commission for Prices and Energy (hereinafter – Commission) determined new components of Company's heat price for the first year of basic price validity on 24 January 2013, the Company prepared and started to implement a new projects of modernization of heat production sources of Kaunas integrated network and Ežerėlis and Noreikiškės boiler-houses in Kaunas region. The main projects are installing of new gas burning boilers, condensers (economizers) in existing heat production sources and development of bio-fuel burning projects.

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

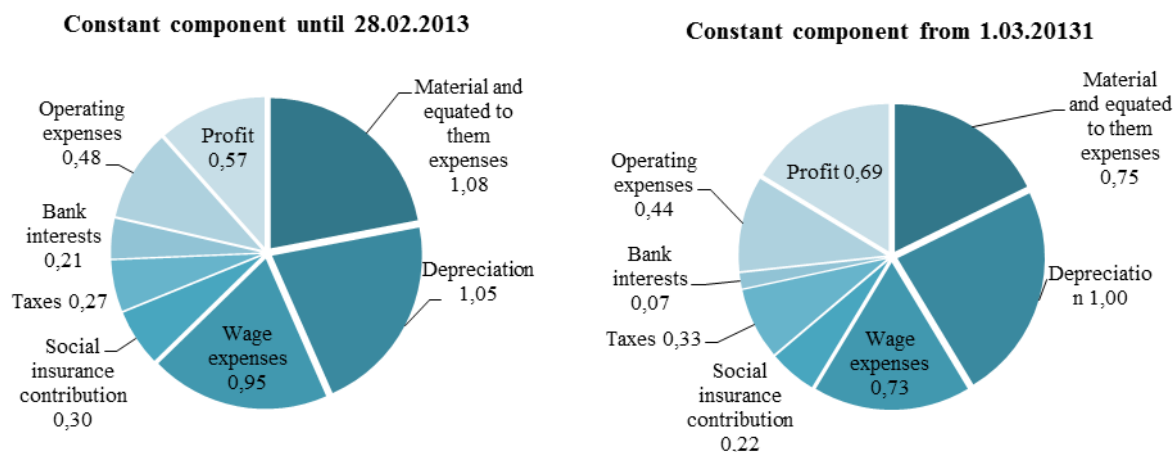
On 24 January 2013 the National Control Commission for Prices and Energy (hereinafter – commission) by the decision *ex-parte* determined a lower components of Company's heat price for the first year of basic price validity. In cooperation with Commission the project of basic heat price components submitted by the Company was corrected by determining a lower expenses value for repairs, wage and interests. This Commission's decision follows an assessment of the Company's good heat supply performance indicators and an increase in profit from this activity. New heat price components were started to apply from 1 March 2013. Hot water price components were agreed with the Commission by the decision No O3-44 of 22 February 2013 and were started to apply from 1 March 2013.

Carrying out mentioned Commission's decision on cost reduction for wage, Company's Board by the decision No 2013-4-2 taken on 21 February 2013 approved a new management structure in order to reduce the number of employees, which came into force on 1 July 2013.

A new constant heat price component lowered from 4.91 ct/kWh to 4.23 ct/kWh, i. e. in 13.8 per cent (LTL 10 million) due to the reduced expenses for repairs, wage and interests. A comparison of constant heat price component valid until 28 February 2013 and of a new one valid from 1 March 2013 is presented in Chart 2 below.

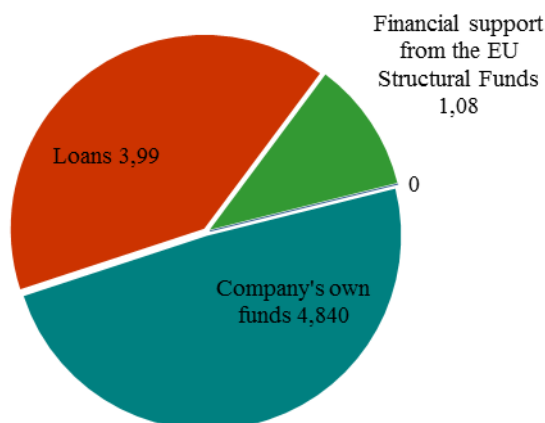
Chart 2

A comparison of constant heat price component



During the first half of the year 2013 the Company invested LTL 9.910 million (funds from other sources are among them, i.e. LTL 3.987 million represent loans of commercial banks, LTL 1.08 million represent financial support from the European Union Structural Funds), from which LTL 0.06 million, i.e. was allocated to connect 1 new consumers to the central heat supply networks. The Company's investments are illustrated in Chart 3.



Implementation of coordinated investments by sources, LTL million

Other information has not been changed from the information, announced in AB Kauno Energija consolidated annual report for the year 2012.

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

Information on external risks, making an influence on Company's main activity, economical risks, consumption decrease risk, financial / economic risk, political – legal factors, social factors and risks, technical – technological factors, ecological factors, repayment of loans has not been changed from the information, announced in AB Kauno Energija consolidated annual report for the year 2012.

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

In the first half of the year 2013 main activity sales revenue compared with the first half of the year 2012 increased 4.2 per cent. This change was mainly caused by lower price of heat, the main part of it contains of purchased heat and fuel component. The average price in the first half of the year 2013 was 27.80 ct/kWh and was at 3.35 percent lower than average price of the first half of the year 2012 which was 28.97 ct/kWh. Heat sales volume in the first half of the year 2013 compared to the first half of the year 2012 was at 0.5 percent lower..

The comparison of financial ratios for the first half of the year 2013 with the ones for the first half of the year 2012 is given in Table 1 below.

Table 1

No.	Financial ratios	Company 2012 y.	Group 2012 y.	Company first half 2012 y.	Group first half 2012 y.	Company first half 2013 y.	Group first half 2013 y.
1	Net profitability, % (net profit /sales and services)*100	0.2	0.3	4.6	4.6	8.9	9.1
2	Return on tangible assets, % (net profit/average value of tangible assets)*100	0.2	0.4	2.9	3.0	5.4	5.7
3	Debt ratio (liabilities /assets)	0.41	0.42	0.33	0.33	0.30	0.30
4	Debt-to-equity ratio (liabilities / equity)	0.7	0.7	0.5	0.5	0.4	0.4
5	General liquidity ratio (short-term assets /short-term liabilities)	0.85	0.85	0.87	0.87	1.29	1.29



No.	Financial ratios	Company 2012 y.	Group 2012 y.	Company first half 2012 y.	Group first half 2012 y	Company first half 2013 y.	Group first half 2013 y.
6	Asset turnover ratio (sales and services/ assets)	0.82	0.83	0.53	0.54	0.51	0.52
7	EBITDA (earnings before interest, taxes, depreciation and amortization) LTL thousand	20,814	21,239	19,418	19,441	27,864	28,226
8	Gross profit margin (gross profit/sales and services)*100	0.2	0.2	4.5	4.5	4.5	4.5
9	Return on equity (ROE) % (net profit/average equity)*100	0.3	0.4	3.6	3.8	6.7	7.0
10	Return on assets (ROA) % (net profit/average assets)*100	0.2	0.3	2.4	2.5	4.5	4.7
11	Quick ratio((short-term assets-inventory)/short-term liabilities)	0.82	0.81	0.80	0.80	1.19	1.19
12	Cash ratio (cash in hand and at bank / short-term liabilities)	0.05	0.05	0.06	0.06	0.11	0.12
13	Net earnings per share (net profit/average weighted number of shares in issue)	0.02	0.03	0.23	0.23	0.43	0.44
14	Net profit, LTL thousand	837	1,196	9,971	9,959	18,574	18,880
15	Assets, LTL thousand	450,407	447,221	406,069	402,587	405,515	402,314
16	Equity, LTL thousand	264,181	261,195	273,315	269,958	282,755	280,075
17	Equity per share, LTL	6.2	6.1	6.4	6.3	6.6	6.6
18	Revenue from sales, LTL thousand	369,462	369,723	216,938	216,997	207,739	208,018
18.1	Heat energy	362,728	362,667	213,725	213,687	202,814	202,771
18.2	Electric energy	460	460	185	185	206	206
18.3	Supervision of indoor heating and hot water supply systems, heating substation facilities	399	721	252	349	111	433
18.4	Income from emission permits and maintenance of collectors	775	775	387	387	388	388
18.5	Hot water supply	4,818	4,818	2,264	2,264	4,057	4,057
18.6	Income from maintenance of hot water meters	282	282	125	125	163	163
19	P/E ratio (the last share market price of the year /(net profit/number of shares at year-end)	101.90	71.32	6.66	6.67	4.63	4.56
20	Share capital, LTL thousand	256,392	256,392	256,392	256,392	256,392	256,392
21	Share capital-to-assets ratio	0.57	0.57	0.63	0.64	0.63	0.64
22	Return on equity (capital) (net profit/ capital and reserves)*100	0.3	0.5	3.8	3.8	7.0	7.2

The comparison of the Company's financial results for the first half of the year 2013 (sales revenue, operating profit, net profit) with those for the first half of the year 2012 is given in Chart 4.





The Group's and the Company's profit of the first half of the year 2013 compared to the first half of the year 2012 is higher mostly for Vilnius Commercial Arbitration Court decision of LTL 7 million fine adjudgement from UAB Kaunas heat and power plant for inappropriate prosecution of liabilities under the Investment Agreement.

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 first half of the year 2013.

The comparison of non-financial indicators for the first half of the year 2013 with the ones for the first half of the year 2012 is given in Table 2 below.

Table 2

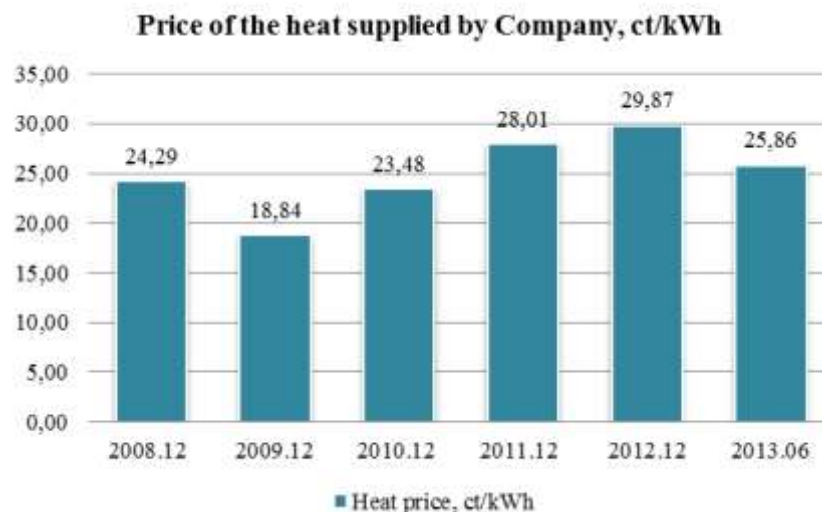
No.	Non-financial indicators	Measure units	Company 2012 y.	Group 2012 y.	Company first half 2012 y.	Group first half 2012 y.	Company first half 2013 y.	Group first half 2013 y.
1.	Energy produced and purchased: from which supplied to the network	thousand MWh	1,532.9	1,532.9	900.4	900.4	891.3	891.3
1.1.	Heat energy	thousand MWh	1,531.4	1,531.4	899.8	899.8	890.5	890.5
1.2.	Electric energy	thousand MWh	1.5	1.5	0.6	0.6	0.8	0.8
2.	Energy sold	thousand MWh	1,251.4	1,251.2	744.5	744.4	740.9	740.9
2.1.	Heat energy	thousand MWh	1,249.9	1,249.7	743.9	743.8	740.1	740.1
2.2.	Electric energy	thousand MWh	1.5	1.5	0.6	0.6	0.8	0.8

Environmental impact on operation. The Company's performance can be affected by changes in sales turnovers caused by changed heat demand, which can be caused by consumers' investments into 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 independent producers.

The change in the prices of heat supplied by the Company during 2008 to the first half of the year 2013 is presented in Chart 5.

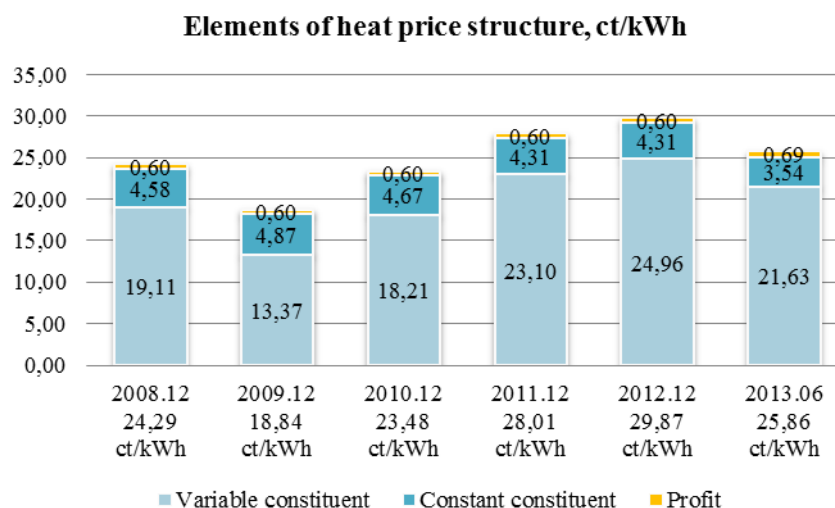


Chart 5



Elements of Company's heat price structure during 2008 – to the first half of the year 2013 are given in Chart 6.

Chart 6



Other information related with environmental issues, treatment of waste and waste water, air pollution and with personnel issues has not been changed from the information, announced in AB Kauno Energija consolidated annual report for the year 2012.

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

All main financial data of the Group and the Company are presented in the Consolidated and AB Kauno Energija financial statements and Notes for the first half of the year 2013.

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 first half of the year 2013

Company's Board by the decision No 2013-17-2 taken on 22 June 2013 decided not to sell all shareholding of UAB Pastatų priežiūros paslaugos to UAB "SDG" (Code of the legal person 135899565) for proposed price of LTL 10,001.00 (UAB Pastatų priežiūros paslaugos authorised capital is LTL 10,000.00).

The Extraordinary General meeting of shareholders of AB Kauno Energija was held on 15 July 2013. These decisions are taken:

1. Regarding the endorsement of decision No 2013-2 of AB Kauno Energija Supervisory Board session and of the determination of remuneration for AB Kauno Energija independent member of audit committee for functions performing.
 - to endorse the decision No 2013-2 of the session of AB Kauno Energija Supervisory Board held on the 10 April 2013 and to determine, that a monthly remuneration in amount of LTL 1,000.00 would be paid for independent member of audit committee for the functions performed according to the services rendering agreement and deducting obligatory taxes.
2. Regarding election of Supervisory board member of AB Kauno Energija instead of resigned member Orinta Leiputė, member of Seimas of the Republic of Lithuania.
 - to elect as the member of Supervisory Board of AB Kauno energija Valys Venslovas (Lithuanian citizen of the Republic of personal code [] living [], Kaunas, Lithuania).
3. Regarding the election of audit company and of the terms of remuneration for audit services.
 - 3.1. To elect private limited company for accounting and control Auditas for audit of Consolidated and Company's financial statements of the years 2013 – 2015 (hereinafter – audit) and for performing audit of licensed heat supplies activity expenses accounting.
 - 3.2. To determine, that the price for audit of AB Kauno Energija Consolidated and Company's financial statements of the year 2013 is LTL 30,500.00 plus VAT, of the year 2014 – LTL 29,100.00 plus VAT and of the year 2015 – LTL 29,100.00 plus VAT. The term of payment is 30 calendar days from the day of receiving of VAT invoice.
 - 3.3. To determine, that the price for performing audit of AB Kauno Energija licensed heat supplies activity expenses accounting of the year 2013 is LTL 3,900.00 plus VAT, of the year 2014 – LTL 3,800.00 plus VAT and of the year 2015 – LTL 3,800.00 plus VAT. The term of payment is 30 calendar days from the day of receiving of VAT invoice.

The Company has entered into force the new management structure on 1 July 2013 after Company's management has performed all actions according to the law of Lithuanian Republic which are necessary to implement modifications in the work organization regarding Board decision No 2013-4-2 "Concerning confirmation of AB Kauno energija governance structure" taken on 21 February 2013 and No 2013-7-2 "Concerning confirmation of AB Kauno energija employees positions" taken on 1 July 2013.

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 2013 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 main investment goals of the Company for 2013–2016 regulation period are as follows: decrease of heat production expenses in existing sources, implement cheaper sorts of fuel (bio-fuel), increase capacity of own sources until fulfilment of consumer's needs. Implementing 2013–2016 years investments a new water



heating boiler with capacity of 18 MW will be installed in Pergalė boiler-house for increasing of production process effectiveness, connecting it to existing condenser (economizer). An existing 9 MW capacity water heating boiler is adopted for bio-fuel burning in Šilkas boiler-house in order to increase boiler-house effectiveness. It's planned to install a second bio-fuel burned water heating boiler in Šilkas boiler-house in 2014 with common condenser (economizer) for both boilers. It is predicted to install two bio-fuel burned water heating boilers for LTL 12 million in Inkaras boiler-house of capacity 8 MW each with 4 MW capacity smoke condenser (the total capacity will contain 20 MW). At II stage, if project is profitable after performing detailed economic analysis, it's predicted to implement a construction of bio-fuel co-generation power plant with 15 MW heat and 5 MW electric capacities in Inkaras boiler-house. Investment demand will conclude approximately LTL 50 – 60 million. Predicted amount of heat production in Inkaras boiler-house is up to 17 % of network demand.

It is also predicted to reconstruct BKZ boiler in Petrašiūnai power plant adapting it to bio-fuel use and co-generation of “green” electricity (16 MW) and heat (approximately 44 – 50 MW). Preparatory works are implemented, a conclusion of environmental impact assessment is accomplished, participation in NCC's “green” electricity auction was taken and negotiations with investing partner (Lietuvos Energija, AB) are under way.

On 16 January 2013 agreements regarding financing of projects “Reconstruction of Noreikiškės boiler-house equipping it with bio-fuel burned 4 MW capacity water heating boiler” in amount of LTL 2.299 million and for the project “Reconstruction of Ežerėlis boiler-house equipping it with bio-fuel burned 3.5 MW capacity water heating boiler” in amount of LTL 1.791 million were signed with Lithuanian Environmental Investments Fund under the financing measure “Equipment of bio-fuel boilers with capacity from 500 kW to 5 MW for central heating supplies in municipalities where total number of inhabitants does not exceed 100 thousand”.

On 4 March 2013 a financing for the project “Pergalė” boiler-house reconstruction equipping it with smoke condenser (economizer)” in amount of LTL 0.638 million has been allocated by the order of Minister of Environment of the Republic of Lithuania on No. D1-181 “Regarding financing allocation for the projects under the financing measures of the Lithuanian Environmental Investment Fund use in 2012”. On 8 July 2013 funding contract was signed with Lithuanian Environmental Investment Fund.

In the year 2013 a contract works of investment projects “Modernization of Kaunas integrated network Aukštieji Šančiai main (2Ž) (project code VP2-4.2-ŪM-02-K-02-006) and “Reconstruction of Kaunas integrated network Vilijampolė heating network (9K) from Inkaras boiler-house to Šilainiai catchment” (project code VP2-4.2-ŪM-02-K-02-007), partly financed from European Union are implemented. The contracts for those projects implementation were signed by the Company on 9 October 2012.

All above mentioned investment projects are included in Company's 2012 – 2015 corrected investment plan and its financing sources, which was approved by Kaunas city municipality council on 17 November 2012 by the decision No T-627. The projects are successfully started to implement and will be finished in 2014.

Two applications for European Union support were adduced to Lithuanian business support agency on 26 June 2013 under European Union 2.4 Basic economic infrastructure priority measure “Heat supply system modernization and development” for these projects: “Modernization of Kaunas city integrated network heat supply pipeline 5T” (project code VP2-4.2-ŪM-02-K-03-016) and “Modernization of Kaunas city integrated network heat supply pipeline 6Ž” (project code VP2-4.2-ŪM-02-K-03-017). The LTL 2.9 million support is requested. Currently applications are assessed.

Three applications for European Union support were adduced to Lithuanian business support agency on 8 July 2013 under European Union 3.3 Environment and Sustainable Development priority measure “Renewable energy resources for power generation” for these projects: “Petrašiūnai power plant reconstruction, changing fuel sort to biofuels (I stage)” (project code VP3-3.4-ŪM-02-K-03-007), “Šilkas boiler-house reconstruction, changing fuel sort to biofuels (II stage)” (project code VP3-3.4-ŪM-02-K-03-024) and “Inkaras boiler-house reconstruction, changing fuel sort to biofuels” (Project code VP3-3.4-ŪM-02-K-03-025). The LTL 16 million support is requested. Currently applications are assessed.



These investment projects are included in AB Kauno energija 2012–2015 year revised investment plan, which is approved by decision No T-225 of Kaunas city municipality Board on 18 April 2013.

Except above mentioned projects the implementation of Company's investment program in 2013 will involve: further modernization of boiler-houses owned by the Company, installing new gas and biofuel boilers, making the production process automated and mounting condensers (economizers); reconstruction of heat networks; replacement of heat meters. 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 and to ensure heat supplies reliability.

The Company started to implement services of operator of energy objects in 2013. Heating equipment repairs and other services help the Company earn an additional income. Expanding of these activities in future, proposing energy saving services and earning additional income in other ways a new possibilities of heat prices compensation due to the future decrease in heat sales would, related to renovation of buildings, would come into existence.

Other information has not been changed from the information, announced in AB Kauno Energija consolidated annual report for the year 2012.

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

In 2012, "Petrašiūnai Power Plant Business Plan" prepared by Kaunas University of Technology has been renewed. Following this plan a biomass burned boiler with capacities up to 44 MW of heat and with up to 16 MW of electric power steam turbine is planned to install in 2013–2015. 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 high amount of "green" energy would be produced and it would create an assumption for heat prices reduction. Because of this project realization and financing model consultations with Lietuvos energija, AB (Lietuvos energijos gamyba, AB from 5 August 2013) are held.

Following the provisions of Law on Heat Sector of the Republic of Lithuania and allowing development of competition in heat production sector, the Company initiated and accomplished work "Preparation of regulations of implementation of order of centrally supplied heat purchase" (hereinafter – Heat Networks Code), in which existing and predicted requirements of connection of independent heat producers to central heating networks and principles, ways and processes of heat selling – purchase are described in details. It is also offered what must be implemented seeking a transparent and fluent trade with independent heat producers. Principles, provisions and concepts of organizational structure of heat market, technological regulations of central heat supplies systems functioning, order of heat energy trade, regulations of central heat supplies services rendering and reimbursement, regulations of central heat supplies development, regulations of reserves accumulation and use, central heat supplies system functioning in accidents or repair occasions, contention resolving are detailed. The document is discussed in Kaunas city municipality at this time.

Other information has not been changed from the information, announced in AB Kauno Energija consolidated annual report for the year 2012.

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, 15, 23, 24 to the financial statements for the first half of the year 2013.

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 first half of the year 2013 of the year 2013, the Company's branch office Jurbarko Šilumos Tinklai had 35 employees.

On 1 July 2006, the Company's subsidiary undertaking UAB Pastatų Priežiūros Paslaugos was registered at address: Savanorių ave. 347, 49423 Kaunas – 43, company code 300580563.

The Board of UAB Pastatų Priežiūros Paslaugos approved on 26 November 2012 a project of conditions of dissociation of UAB Pastatų Priežiūros Paslaugos. On 12 December 2012 in pursuance of Subsidiary's reorganization procedures the conditions of Subsidiary's dissociation were announced in publication of the Register of Legal Entities and a changed legal status was registered, i. e. the status of legal person taking part in dissociation has been registered.

On 30 June 2013 an authorised capital of the subsidiary in amount of LTL 10 000 was registered at the Register of Legal Entities and it is divided into 100 ordinary shares at the nominal value of LTL 100 each.

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

Activities of UAB Pastatų Priežiūros Paslaugos is a maintenance of heat points equipment and of heating and hot water supply systems of buildings, a repair of buildings and of heat points equipment as well as of heating systems equipment, also a transportation facilities.

Subsidiary's turnover of the first half of the year 2013 was LTL 682 thousand, and the loss was LTL 120 thousand.

Starting from 1 July 2012 and according to the item 2 of the article 20 of the Law on Heat Sector of the Republic of Lithuania "heat supplier or persons related with heat supplier with job relations or supplying goods, or providing facilities to heat supplier, or producers of fuel, used in heat production, or producers of appliances or other equipment, used in heat supply activities as well as persons making business in wholesale or retail trade of fuel, used in heat production, or persons along with above mentioned persons belonging to the group of subjects in accordance to the Law on Competition are not able to be a supervisors (operators) of heating and hot water systems" in blocks of flats (this prohibition is not applicable for supervision of heating and hot water systems in blocks of flats situated in populated localities with less than 50 000 inhabitants according to the Lithuanian Department of Statistics).

Considering provisions of the Law on Change and Addition of chapters 2, 3, 20, 22, 28 and 31 of the Law on Heat Sector of May 20, 2003 regarding dissociation of maintenance of buildings' heating and hot water systems from heat production and supply, Company's Board, pursuing dissociation of activities of Subsidiary, made a decision on 16 April 2013 to reorganize UAB Pastatų Priežiūros Paslaugos in the way of dissociation and to establish a new legal entity UAB Kauno Energija NT.

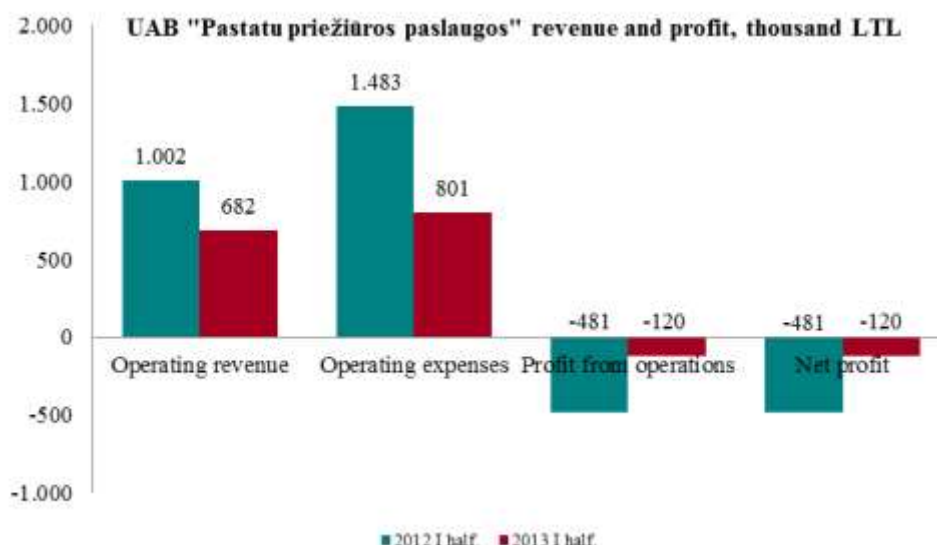
After finishing the procedures of reorganization of Daughter Company UAB Pastatų priežiūros paslaugos by separation, statute of UAB Pastatų priežiūros paslaugos (company's legal code 300580563) which continues the activity was registered in the Register of Legal Entities .

As at 30 June 2013 a 19 employees were employed in Subsidiary.



A comparison of financial figures (operating revenue, profit from operations, net profit) of UAB Pastatų Priežiūros Paslaugos of the first half of the year 2013 and the first half of the year 2012 is presented in Chart 7.

Chart 7



As of 30 June 2013 accumulated impairment loss on investment in UAB „Pastatų priežiūros paslaugos“ amounted to LTL 1,916 thousand (31 December 2012 – LTL 1,764 thousand) in the Company's profit or loss in article of financial activity expenses. Detailed information is presented in Note 20 to the financial statements.

It has been decided by the decision of the meeting of shareholders of 21 February 2013 to reduce authorised capital to LTL 4,602 thousand by withdrawing accumulated loss of LTL 152 thousand. The new Articles of Association of Subsidiary were registered on 6 March 2013.

It has been decided by the decision of the meeting of Subsidiary's shareholders of 22 March 2013 to transfer to Subsidiary LTL 45 thousand shareholder's contribution in, and LTL 110 thousand targeted shareholder contributions, that were transferred in 22 March 2013.

After finishing the procedures of reorganization of daughter company UAB Pastatų priežiūros paslaugos by separation on 16 April 2013 statute of new legal entity UAB „Kauno energija NT“ (company's legal code 303042623) was registered in the Register of Legal Entities.

Company's daughter company's UAB „Kauno energija NT“ address: Savanorių av. 347, LT-49423 Kaunas, company's legal code 303042623.

On 30 June 2013 an authorised capital of UAB „Kauno energija NT“ in amount of LTL 4 592 100 was registered at the Register of Legal Entities and it is divided into 45 921 ordinary shares at the nominal value of LTL 100 each.

UAB „Kauno energija NT“ does not directly or indirectly owns shareholdings in other companies.

Activity field of UAB „Kauno energija NT“ – real estate development, management, leasing, purchase and sale.

UAB „Kauno energija NT“ turnover of the first half of the year 2013 was LTL 33 thousand, and the profit was LTL 5 thousand.

UAB „Kauno energija NT“ engaged 2 employees as on 30 June 2013.



15. Structure of authorized share capital

As of 30 June 2013 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		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 2013).

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 (30 June 2013).

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	2009	2010	2011	2012	30-06-2013
Open (litas/euro)	2.00/0.579	2.45/0.710	2.072/0.600	1.951/0.565	1,996/0,578
Highest (litas/euro)	2.65/0.768	3.18/0.921	2.659/0.770	2.037/0.590	2,034/0,589
Lowest (litas/euro)	1.41/0.408	1.903/0.551	1.105/0.320	1.433/0.415	1,581/0,458
Last (litas/euro)	2.40/0.695	2.072/0.600	1.209/0.350	1.996/0.578	2,013/0,583
Traded , units	92,418	77,729	90,239	80,421	18 201
Turnover million (litas/euro)	0.19/0.05	0.2/0.06	0.18/0.05	0.13/0.04	0,03/0,01
Capitalization million (litas/euro)	102.28/29.62	41.5/12.02	24.21/7.01	39.98/11.58	40,32/11,68



Historical data on share prices and turnovers during 2009 to first half of the year 2013 is illustrated in Chart 8.

Chart 8



Comparison of AB Kauno Energija share price with OMX Vilnius index in the sector

Chart 9



Chart 9 data:

Index/shares	1 Jan 2009	30 June 2013	+/-%
OMX Vilnius	179.25	403.99	125.38
—B7500GI	668.31	1 177.94	76.26
—KNR1L	0.58 EUR	0.58 EUR	0.65

17. Information on the Issuer's shareholders

As of 15 June 2013, the total number of shareholders of AB Kauno Energija was 367.

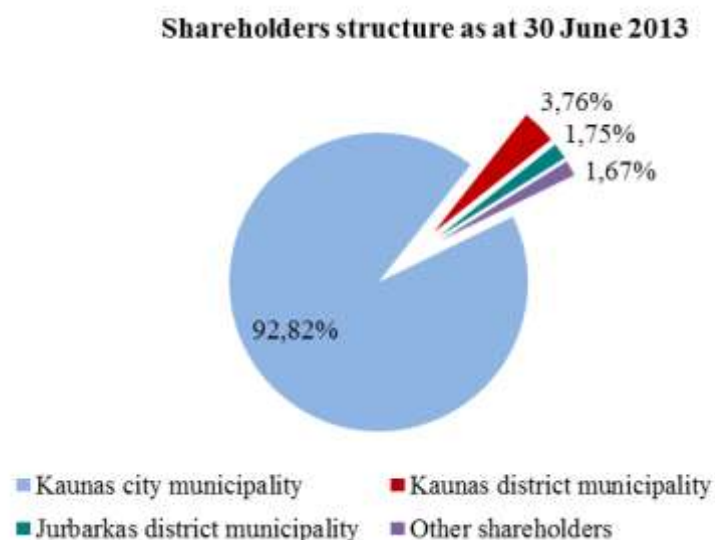


The Issuer's shareholders, whose ownership interest as at 30 June 2013 exceeded 5 % of the Company's authorized share capital (42,731,977 ordinary registered shares) registered on 26 March 2010, are listed in Table 5 with additional data illustrated in Chart 10.

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



17.1. The shareholders, whose ownership interest as of 30 June 2013 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	Owner- ship interest (%)
Kaunas city municipality Laisvės 96, 3000 Kaunas Company code 111106319	Ordinary registered shares	16,965.892	101,795,352	84.69	39.70

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 district municipality 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
TOTAL	Ordinary registered shares	20,031,977	120,191,862	100	46.88

17.2. The shareholders, whose ownership interest as at 30 June 2013 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) were 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.

Dividends from the 2011 year profit were allotted and paid for Issuer's shareholders. Earnings per share were LTL 0.25, total – LTL 10,683,000 (ten million six hundred eighty three thousand).

No dividends were allotted in the year 2013 by the decision of shareholders. On 30 April 2013 by decision No 3 of ordinary general shareholders' meeting profit of the year 2012 was devoted to the legal reserve, other reserves (heating substation repairs), support, part of the profit transferred to the following financial year. For charity and support 150 thousand LTL (43,443 EUR) has been allocated.

18. Employees

As of 30 June 2013, the Group had 571 employees. The change in the number of employees during 2011 – first half of the year 2013 is illustrated in Table 8.



Table 8

The actual number of employees	Company 31 12 2011	Group 31 12 2011	Company 31 12 2012	Group 31 12 2012	Company 30 06 2013	Group 30 06 2013
Total:	583	628	583	617	552	571
Including: managers	4	6	4	6	4	5
specialists	310	325	314	327	300	305
workers	269	397	265	284	248	261

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 31 12 2012	Group 31 12 2012	Company 30 06 2013	Group 30 06 2013
1	Secondary (unfinished)	9	11	8	9	7	8
2	Secondary	219	245	217	231	209	219
3	Post-secondary	92	98	83	89	78	81
4	Higher	263	274	275	288	258	263
	Total:	583	628	583	617	552	571

Average relative number of employees and average monthly salary
(including taxes at the end of 30-06-2013)

Table 10

No.	Employees	Company	Group
1.1.	Average relative number of managers	3,7	5,1
1.2.	Average monthly salary of managers	9123,8	7136,9
2.1.	Average relative number of specialists	285	291,9
2.2.	Average monthly salary of specialists	2803,0	2802,9
3.1.	Average relative number of workers	249,8	263,7
3.2.	Average monthly salary of workers	2014,5	1982,8

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 legal acts as well as Company's collective employment agreement. 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 the first half of the year 2013 the general shareholders meeting has not allotted any part of profit for the payment of bonuses to the Issuer's employees.

Company's collective employment agreement, signed on 28 January 2013 by the Company's General Manager, representing employer, and Company's Trade Union, representing Company's employees, a special rights and duties of issuer's employees are provided. Those rights and duties of issuer's employees or of part of them has not been changed from the information, announced in AB Kauno Energija consolidated annual report for the year 2012.

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.

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.

Supervisory Board approves an internal instructions of audit committee formation and elects members of audit committee in accordance with 21 August 2008 decision N° 1K-18 of Securities Commission of the Republic of Lithuania "Regarding requirement to audit committees", "Guidelines of use of requirements for audit committees", which were approved by 28 November 2008 Securities Commission decision. Company's Supervisory Board approved on 21 February 2013 a new edition of internal instructions of AB Kauno Energija audit committee.

On 21 February 2013 the Supervisory Board approved members of audit committee Mrs. Valerija Stankūnienė, Company's Deputy Chief Accountant, and Mrs. Inga Dragūnienė, Senior Economist of Economic and planning unit of Company's Department of Finances. On 10 April 2013 the Supervisory Board appointed Mrs. Edita Gudišauskienė, member of the Supervisory Board, as an independent member of



audit committee of AB Kauno Energija and determined that a new independent member of audit committee starts her activity from 11 April 2013.

Pursuing its activities audit committee follows internal instructions of Company's audit committee approved on 5 July 2012 by the Company's Supervisory Board. Audit committee implements functions, provided in Chapter 52 of Law on Audit of the Republic of Lithuania. Audit committee had 3 sessions in first half of the year 2013.

Mrs. 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. She has a university education, 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.

Mrs. 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.

Mrs. Edita Gudīšauskienė, Chief Officer of Economic and Finances of UAB Kauno Autobusai, member of Company's Supervisory Board, Company's independent member of audit committee. Her activity as an independent member of audit committee started from 11 April 2013. She has a university education, Kaunas University of Technology, Faculty of Mechanics, master in thermo-engineering (1995), Faculty of Economics and Management, master in finances management (2001), Faculty of Social Sciences, master in regional development – public administration. Workplaces and positions during the last 10 years: 02-04-2000 – 25-07-2006 – Chief accountant of Children Rights Protection Service of Kaunas city municipality administration; 31-08-2006 – 29-03-2007 – Senior specialist; 2007 – 2010 – Adviser to Kaunas city mayor for communities and social issues; 2010 – 2011 – Director of Kaunas city municipality administration; 2011 – 2012 – Adviser to the Minister of Agriculture of the Republic of Lithuania.

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 Company's Supervisory Board on 30 June 2013:

Name, surname	Position	Beginning of the term of office	End of the term of office
Andrius Kupčinskas	Chairman of Supervisory Board	28 September 2012	30 April 2016
Stanislovas Buškevičius	Member of Supervisory Board	28 September 2012	30 April 2016
Edita Gudišauskienė	Member of Supervisory Board	28 September 2012	30 April 2016
Aušra Ručienė	Member of Supervisory Board	28 September 2012	30 April 2016
Artūras Tepelys	Member of Supervisory Board	28 September 2012	30 April 2016
Gediminas Žukauskas	Member of Supervisory Board	28 September 2012	30 April 2016

During the first half of the year 2013, 2 session of Supervisory Board took place. More than 2/3 of Supervisory Board members took part in all of the sessions.



Mr Andrius Kupčinskas, mayor of Kaunas city, member of Kaunas city municipality council, a chairman of Strategic planning commission. He's also a representative of Kaunas city municipality in Business council.

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

Mr Stanislovas Buškevičius, deputy mayor of Kaunas city, member of Kaunas city municipality council, a member of Art and Culture committee, a chairman of Awards council.

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



Mrs Edita Gudišauskienė, Chief Officer of Economic and Finances of UAB Kauno Autobusai, member of Company's Supervisory Board, Company's independent member of audit committee, a member of Kaunas city municipality council, a chairman of Budget and Finances committee, a member of Strategic planning commission. She's also a member of Lampėdžiai Community Centre board.

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

Mrs Aušra Ručienė, lawyer. Mrs Ručienė is a member of Kaunas city municipality council, a chairman of City Development, Investments and Tourism committee, a member of Control committee, a chairman of Anticorruption commission, a member of Strategic planning commission.

Mrs Ručienė has no shares of the Company, but she's a shareholder of UAB Ručenta.





Mr Artūras Tepelys. Mr Tepelys is a member of Kaunas city municipality council, a member of Social, Health and Education committee, a chairman of Administration commission, a member of Anticorruption commission. During the first half of the year 2013 earnings before-tax in amount of LTL 32 thousand were paid, but no annual payments were paid, nor any assets were transferred or guarantees issued.

Mr Gediminas Žukauskas. Mr Žukauskas is an Exploitation director at UAB Kauno Vandenys. He's also a member of Kaunas City municipality Council, a chairman of Self-Government and communities development committee, a member of Titles Contriving and Perpetuation of Memories commission, a member of Privatization Commission, a member of Strategic Planning commission, a chairman of Panemunė Community centre. Mr Žukauskas has no shares of the Company, nor any ownership interest in other companies.



The Extraordinary General meeting of shareholders of AB Kauno Energija held on 15 July 2013 elected as the member of Supervisory Board of AB Kauno energija Valys Venslovas Instead of resigned member Orinta Leiputė, member of Seimas of the Republic of Lithuania.

Name, surname	Position	Beginning of the term of office	End of the term of office
Valys Venslovas	Member of Supervisory Board	15 July 2013	30 April 2016

Valys Venslovas. Technical director of UAB „Kauno vandenys“. The member of Company's supervisory Board from 15 July 2013. The member of Management Board of international hunters club „Safari“.

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

As at 30 June 2013 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
Valdas Lukoševičius	Chairman of the Management Board	28 September 2012	30 April 2016
Sigitas Groblys	Deputy chairman of the Management Board	28 September 2012	30 April 2016
Juozas Augutis	Member of the Management Board	28 September 2012	30 April 2016
Rimantas Bakas	Member of the Management Board	28 September 2012	30 April 2016
Saulius Meškauskas	Member of the Management Board	28 September 2012	30 April 2016
Vaclovas Miškinis	Member of the Management Board	28 September 2012	30 April 2016
Mindaugas Varža	Member of the Management Board	28 September 2012	30 April 2016

18 sessions of the Company's Management Board were held during the first half of the year 2013. More than 2/3 members of the Management Board attended all the sessions.



Mr Valdas Lukoševičius, doctor of technical sciences, holds the position of the Company's Head of Department of Strategy and Investment Projects. Mr Lukoševičius is a chairman of the Company's Management Board since September 28, 2012. He's also a President of Lithuanian Energy Consultants Association, a docent of department of Thermal and Nuclear Energy of Kaunas University of Technology. Mr Valdas Lukoševičius has no shares of the Company, nor any ownership interest in other companies. During the first half of the year 2013 earnings before-tax in amount of LTL

20 thousand were paid, but no annual payments were paid, nor any assets were transferred or guarantees issued.

Mr Sigitas Groblys, partner of law company Foresta, works at the Business law group. Mr Groblys is a member of the Company's Management Board since 28 September 2012. He's also a member of the Management Boards of companies UAB Orivas and UAB Litpirma, a chairman of Gintaras Steponavičius relief fund. Mr Sigitas Groblys has no shares of the Company, nor any ownership interest in other companies. During the reporting period any remuneration or annual payments were paid, nor any assets were transferred or guarantees issued.



Mr Juozas Augutis, professor, science prorektor of Vytautas Magnus University, professor in Mathematics and Statistics department of Vytautas Magnus University. Mr Augutis is a member of the Company's Management Board since 28 September 2012. He's also an actual member of Lithuanian Academy of Sciences, an expert of 6BP and 7BP, an expert of Lithuanian Science council, an expert of the State Studies Foundation, head of Energetic Security Research Centre, a chairman of Ignalina NPP security committee, a member of editorial staff of journals "Energetics", „Journal of Civil Engineering and Management“, and "Mathematics and mathematical patterning", a member of councils of Institute of Mathematics and Informatics and Lithuanian Energy Institute, a member of International Data Safety Association ESREDA SRA, a member of Vytautas Magnus University Senate and council, a member of Lithuanian Mathematics society and Statisticians union, a chairman of National science program "Cohesive Energy" arrangement group and of National science program "Future Energy" arrangement group. Mr Juozas Augutis has no shares of the Company, nor any ownership interest in other companies. During the reporting period any remuneration or annual payments were paid, nor any assets were transferred or guarantees issued.

Mr Rimantas Bakas, doctor of Technical sciences. 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 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 Rimantas Bakas has no shares of the Company, or ownership interest in of other companies. During the first half of the year 2013 earnings before-tax in amount of LTL 75 thousand were. No annual payments were paid, nor any assets were transferred or guarantees issued.



Mr Saulius Meškauskas, deputy head of Energy department of Kaunas city municipality administration, member of the Company's Management Board since 28 September 2012. Mr Saulius Meškauskas has no shares of the Company, nor any ownership interest in other companies. During the reporting period any remuneration or annual payments were paid, nor any assets were transferred or guarantees issued.

Mr Vaclovas Miškinis, doctor, head of Complex Energy Research laboratory of Lithuanian Energy Institute, professor, member of Lithuanian Energy Institute's the Scientific Board, member of the Company's Management Board since 28 September 2012. Mr Vaclovas Miškinis has no shares of the Company, nor any ownership interest in other companies. During the reporting period any remuneration or annual



payments were paid, nor any assets were transferred or guarantees issued.



Mr Mindaugas Varža, director at UAB Novrita, director at UAB Kauno Verslo Grupė, a member of the Company's Management Board since 28 September 2012. Mr Mindaugas Varža has no shares of the Company, nor any ownership interest in other companies. During the reporting period any remuneration or annual payments were paid, 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, sciences, a 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 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), Lithuanian Ministry of Energy (2013) 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 the first half of the year 2013, total remuneration estimated for the General Manager and Chief Accountant amounted to LTL 128 thousand, average amount per person – LTL 64 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 26 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 2012 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 7 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>.

<u>Heading of announcement</u>	Category of announcement	Language	Time
The activity results of I half of the year 2013	Notification on material event	En, Lt	30.07.2013 15:17:50
The Decisions of the Extraordinary General meeting of shareholders of AB Kauno Energija	Notification on material event	En, Lt	15.07.2013 16:49:20
A change in agenda of Extraordinary General meeting of AB Kauno Energija shareholders	Notification on material event	En, Lt	03.07.2013 09:24:04
Convocation and resolutions projects of Extraordinary General meeting of shareholders of JSC "Kauno energija"	Notification on material event	En, Lt	20.06.2013 17:55:52
Financial information on the first half of the year 2013 of AB Kauno Energija	Interim information	En, Lt	03.06.2013 17:28:56
Regarding the second sale tender of block of shares of the Subsidiary	Notification on material event	En, Lt	24.05.2013 12:54:52
The claim of UAB Kauno termofikacijos elektrinė	Notification on material event	En, Lt	07.05.2013 17:34:02
Regarding the shares sale tender of the Subsidiary	Notification on material event	En, Lt	06.05.2013 17:05:14
Financial statements with the annual report	Annual information	En, Lt	30.04.2013 15:51:34
Resolutions of the General Meeting of Shareholders of AB Kauno Energija	Notification on material event	En, Lt	25.04.2013 17:24:48
Activity results of the first half, 2013	Notification on material event	En, Lt	23.04.2013 16:58:55
Information on notification of Vilnius Commercial Arbitration Court	Notification on material event	En, Lt	22.04.2013 17:12:33
Concerning the settlement of Vilnius Court of Commercial Arbitration in Case No. 203	Notification on material event	En, Lt	18.04.2013 14:46:10
Regarding the reorganization of subsidiary	Notification on material event	En, Lt	18.04.2013 13:42:09
A change in agenda of General meeting of AB Kauno Energija shareholders	Notification on material event	En, Lt	17.04.2013 15:12:31



<u>Heading of announcement</u>	<u>Category of announcement</u>	<u>Language</u>	<u>Time</u>
General meeting of JSC "Kauno energija" shareholders and decisions projects	Notification on material event	En, Lt	05.04.2013 19:01:07
The audited activity result of the year 2012	Notification on material event	En, Lt	05.04.2013 14:48:46
Strategic directions of AB Kauno Energija activities for the regulatory period of the years 2013–2016	Other information	En, Lt	07.03.2013 16:25:12
Regarding the influence of AB Ūkio Bankas situation on activities of AB Kauno Energija	Notification on material event	En, Lt	13.02.2013 15:51:16
An intermediate unaudited financial statement of 12 months of the year 2012	Interim information	En, Lt	11.02.2013 16:58:07
The activity result of 12 months, 2012	Notification on material event	En, Lt	28.01.2013 16:35:25
A Memorandum on Cogeneration power plant in Petrašiūnai was signed by AB Kauno energija and Lietuvos energija, AB	Other information	En, Lt	11.01.2013 16:07:09

AB Kauno Energija director of production department
temporary substitute for general director

Stanislovas Karčiauskas

16 August 2013

