



AKCINĖ BENDROVĖ „KAUNO ENERGIJA“

To: Lithuanian Securities Commission
Konstitucijos av.23, LT-08105 Vilnius

2007 10 30 Nr. *20-3779*

To: JSC Vilnius Stock Exchange of Lithuania
Konstitucijos av. 7, 15 floor., LT-08105 Vilnius

CONFIRMATION FROM RESPONSIBLE PERSONS

Following the guidelines of 22 article of the Law on Securities Market of the Republic of Lithuania and Lithuanian Securities Commission periodical and additional information preparation and presentation regulations, we a General Manager Aleksandras Sigitas Matelionis and Chief Accountant Violeta Staškūnienė JSC „Kauno energija“ approving, that according ours knowledge the JSC „Kauno energija“ interim financial reporting of the 9 months of the year 2007 prepared according to the International Financial Reporting Standards, generally accredited in European Union, satisfy actuality and correct indicate assets, liabilities, financial position and profit for time period of the enterprise.

Enclosing JSC „Kauno energija“ consolidated and company's financial statements for the 9 months of the year 2007, prepared according to the International Financial Reporting Standards.

Yours respectfully,

General Manager

Aleksandras Sigitas Matelionis

Chief Accountant

Violeta Staškūnienė

V.Staškūnienė, tel.: +370-37-305841, mob. tel.: +370-686-04932

VPK-en1.doc

Kodas 235014830 Raudondvario pl. 84, 47179 Kaunas-21 Tel. (8~37) 30 56 50 Faks. (8~37) 30 56 22 El. p. info@kaunoenergija.lt,
www.ke.lt Centrinis šilumos vartotojų informacijos telefonas (8~37) 30 58 00

LR juridinių asmenų registras, Valstybės įmonės Registrų centro Kauno filialas, E. Ožeškienės g. 12, Kaunas
Atsiskaitomoji sąskaita LT607044060002866144 AB SEB Vilniaus bankas PVM kodas LT350148314

JSC „Kauno energija“

**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE 9 MONTHS OF THE YEAR 2007
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

JSC KAUNO ENERGIJA, code 235014830, Raudondvario pl. 84, Kaunas, Lithuania

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE 9 MONTHS, 2007

(all amounts are in LTL thousand unless otherwise stated)

Balance sheets

	Notes	Group		Company	
		30 September, 2007	31 December, 2006	30 September, 2007	31 December, 2006
ASSETS					
Non-current assets					
Intangible assets		1.995	2.114	1.971	2.089
Property, plant and equipment					
Land and buildings		29.328	29.489	27.672	27.791
Structures and machinery		105.608	101.940	105.565	101.875
Vehicles		1.392	1.215	1.137	1.135
Equipments and tools		6.287	5.892	6.191	5.790
Other property, plant and equipment		1.880	2.406	1.880	2.406
Construction in progress and prepayments		11.994	10.122	11.994	10.122
Total property, plant and equipment		156.489	151.064	154.439	149.119
Non-current financial assets					
Investments into daughter companies		-	-	6.518	6.518
Non-current accounts receivable		1.473	1.441	1.473	1.441
Other financial assets		433	433	433	433
Total non-current financial assets		1.906	1.874	8.424	8.392
Total non-current assets		160.390	155.052	164.834	159.600
Current assets					
Inventories and prepayments					
Inventories		6.881	8.645	6.754	8.568
Prepayments		449	451	400	436
Total inventories and prepayments		7.330	9.096	7.154	9.004
Current accounts receivable	3				
Trade receivables		16.213	34.531	16.009	34.238
Other receivables		2.951	4.009	3.002	4.072
Total accounts receivable		19.164	38.540	19.011	38.310
Cash and cash equivalents	4	1.679	4.466	1.626	4.436
Total current assets		28.173	52.102	27.791	51.750
Total assets		188.563	207.154	192.625	211.350

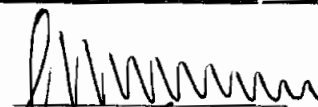
(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

Balance sheets (continued)

	Notes	Group		Company	
		30 September, 2007	31 December, 2006	30 September, 2007	31 December, 2006
EQUITY AND LIABILITIES					
Equity					
Share capital	5	118.310	118.310	118.310	118.310
Legal reserve	5	11.373	3.634	11.323	3.634
Other reserve	5	163			
Retained earnings (deficit)					
Profit for the current year		(11.714)	5.907	(11.677)	9.360
Profit (loss) for the previous year		(3.674)	(1.671)		(1.671)
Total retained earnings (deficit)		(15.388)	4.236	(11.677)	7.689
Total equity		114.458	126.180	117.956	129.633
Liabilities					
Non-current liabilities					
Non-current financial borrowings	6	26.060	18.009	26.060	18.009
Other accounts payable	7	190	-	-	-
Deferred income tax liability		2.754	2.754	3.423	3.423
Grants (deferred income)		8.627	7.935	8.627	7.935
Total non-current liabilities		37.631	28.698	38.110	29.367
Current liabilities					
Current portion of non-current borrowings	6,7	333	7.692	322	7.692
Current financial borrowings	6	18.479	14.177	18.479	14.177
Trade payables		14.910	26.038	15.369	26.403
Advances received		761	873	761	873
Payroll-related liabilities		1.003	1.717	846	1.665
Taxes payable		229	948	183	876
Income tax payable		78	676	0	598
Other current liabilities		681	155	599	66
Total current liabilities		36.474	52.276	36.559	52.350
Total liabilities		74.105	80.974	74.669	81.717
Total equity and liabilities		188.563	207.154	192.625	211.350

General Manager Aleksandras Sigitas Matelionis

 23 October, 2007

Chief Accountant Violeta Staškūnienė

 23 October, 2007

Income statements

		Group					
		III quarter, Notes 2007	01-09, 2007	III quarter, 2006	01-09, 2006	2006	2005
Operating income							
Income from sales	8	14.927	108.124	13.587	137.923	183.734	171.382
Other operating income	9	294	828	2.823	3.658	3.704	6.833
Total operating income		15.221	108.952	16.410	141.581	187.438	178.215
Operating expenses							
Fuel and heat acquired		(11.177)	(73.074)	(9.867)	(82.172)	(112.894)	(106.464)
Salaries and social security		(5.458)	(15.139)	(8.561)	(18.905)	(26.017)	(22.447)
Raw materials		(523)	(1.628)	(529)	(2.415)	(3.407)	(2.959)
Taxes other than income tax		(789)	(2.419)	(893)	(2.977)	(4.085)	(4.162)
Electricity		(1.708)	(3.169)	(1.436)	(3.089)	(3.804)	(3.512)
Depreciation and amortization		(5.204)	(15.285)	(4.787)	(14.011)	(18.560)	(17.908)
Repairs and maintenance		(177)	(903)	(198)	(685)	(755)	(1.521)
Water		(118)	(686)	(365)	(641)	(1.069)	(479)
Change in allowance for accounts receivable	3	(981)	1.142	101	650	847	(206)
Change in allowance for inventories			6			324	(279)
Petrašiūnai power plant operator expenses		(700)	(1.675)	(480)	(480)	(967)	-
Other expenses		(1.858)	(6.851)	(2.003)	(7.981)	(11.413)	(8.467)
Other operating expenses	9	(282)	(731)	(325)	(980)	(1.198)	(6.517)
Total operating expenses		(28.975)	(120.412)	(29.333)	(133.686)	(182.998)	(174.921)
Financial and investing activities		(13.754)	(11.460)			4.440	
				(12.923)	7.895		3.294
Income from financial and investing activities	10	301	1.033	458	1.472	1.946	1.926
Expenses from financial and investing activities	10	(521)	(1.287)	(297)	(995)	(1.347)	2.212
Financial and investing activities, net		(220)	(254)	161	477	599	4.138
Profit before tax		(13.974)	(11.714)	(12.762)	8.372	5,039	7.432
Income tax						868	(1.007)
Net profit		(13.974)	(11.714)	(12.762)	8.372	5.907	6.425
Basic earnings per share (LTL)		(0,71)	(0,59)	(0,65)	0,42	0,30	0,33

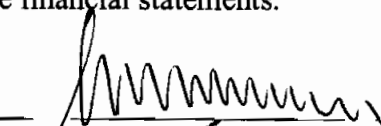
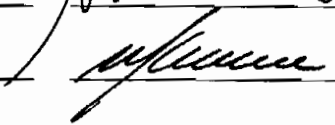
The accompanying notes are an integral part of these financial statements.

General Manager Aleksandras Sigitas Matelionis 23 October, 2007

Chief Accountant Violeta Staškūnienė 23 October, 2007

	Notes	Company					
		III quarter, 2007	01-09, 2007	III quarter, 2006	01-09, 2006	2006	2005
Operating income							
Income from sales	8	14.550	106.979	13.598	137.934	183.224	171.382
Other operating income	9	387	977	7.440	8.275	8.464	6.833
Total operating income		14.937	107.956	21.038	146.209	191.688	178.215
Operating expenses							
Fuel and heat acquired		(11.177)	(73.074)	(9.867)	(82.172)	(112.894)	(106.464)
Salaries and social security		(4.796)	(12.848)	(8.000)	(18.344)	(24.543)	(22.447)
Raw materials		(434)	(1.383)	(554)	(2.440)	(3.352)	(2.959)
Taxes other than income tax		(760)	(2.388)	(885)	(2.969)	(4.066)	(4.162)
Electricity		(1.704)	(3.158)	(1.434)	(3.087)	(3.804)	(3.512)
Depreciation and amortization		(5.160)	(15.184)	(4.777)	(14.001)	(18.497)	(17.908)
Repairs and maintenance		(177)	(900)	(196)	(683)	(755)	(1.521)
Water		(115)	(676)	(353)	(639)	(1.069)	(479)
Change in allowance for accounts receivable		(981)	1.142	101	650	847	(206)
Change in allowance for inventories			6			324	(279)
Maintenance of heating and hot water systems	1,12	(682)	(2.094)	(1.116)	(1.116)	(1.995)	-
Petrašiūnai power plant operator expenses		(700)	(1.675)	(480)	(480)	(967)	-
Other expenses		(1.764)	(6.487)	(1.816)	(7.794)	(10.942)	(8.467)
Other operating expenses	9	(281)	(705)	(482)	(1.137)	(1.491)	(6.517)
Total operating expenses		(28.731)	(119.424)	(29.859)	(134.212)	(183.204)	(174.921)
Financial and investing activities		(13.794)	(11.468)	(8.821)	11.997	8.484	3.294
Income from financial and investing activities	10	302	1.075	458	1.472	1.946	1.926
Expenses from financial and investing activities	10	(518)	(1.284)	(297)	(995)	(1.347)	2.212
Financial and investing activities, net		(216)	(209)	161	477	599	4.138
Profit before tax		(14.010)	(11.677)	(8.660)	12.474	9.083	7.432
Income tax						277	(1.007)
Net profit		(14.010)	(11.677)	(8.660)	12.474	9.360	6.425
Basic earnings per share (LTL)		(0,71)	(0,59)	(0,44)	0,63	0,47	0,33

The accompanying notes are an integral part of these financial statements.

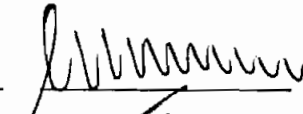
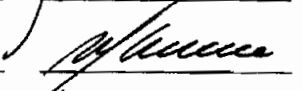
General Manager	Aleksandras Sigitas Matelionis		23 October, 2007
Chief Accountant	Violeta Staškūnienė		23 October, 2007

Statements of change in equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained earnings	Total
Balance as of 31 December, 2005		118.310			1.963	120.273
Net profit for the year		-	-		8372	8372
Reserve		-	3.634		-3.634	0
Balance as of 30 September, 2006		118.310	3.634		6.701	128.645
					-2.465	-2.465
Net profit for the year						
Balance as of 31 December, 2006		118.310	3.634		4.236	126.180
Transferred to the legal reserve	5	-	7.739		-7.739	-
Other reserve	5			163	-163	-
Dividends					-8	-8
Net profit for the year		-	-		-11.714	-11.714
Balance as of 30 September, 2007		118.310	11.373	163	-15.388	114.458

Company	Notes	Share capital	Legal reserve	Retained earnings	Total
Balance as of the 31 December, 2005		118.310		1.963	120.273
Reserve		-	3.634	-3.634	-
Net profit for the year		-	-	12.474	12.474
Balance as of the 30 September, 2006		118.310	3.634	10.803	132.747
Net profit for the year				-3.114	-3.114
Balance as of 31 December, 2006		118.310	3.634	7.689	129.633
Transferred to the legal reserve	5	-	7.689	-7.689	
Net profit for the year		-	-	-11.677	-11.677
Balance as of 30 September, 2007		118.310	11.323	-11.677	117.956

The accompanying notes are an integral part of these financial statements.

General Manager	Aleksandras Sigitas Matelionis		23 October, 2007
Chief Accountant	Violeta Staškūnienė		23 October, 2007

Cash flow statements

	Group		Company	
	01-09, 2007	01-09, 2006	01-09, 2007	01-09, 2006
Cash flows from (to) operating activities				
Net profit	(11.714)	8.372	-11.677	12.474
Adjustments for non-cash items	13.296	9.073	13.131	4.597
Depreciation and amortization	15.987	14.521	15.860	14.507
Change in allowance for accounts receivable	(1.142)	(650)	(1.142)	(650)
Loss (gain) from sale and write-off of property	(17)	(2.298)	(17)	(2.298)
Change in allowance for inventories	(6)		(6)	
Profit for non-current asset revaluation				(4.462)
Accruals	(1.271)	(1.671)	(1.271)	(1.671)
Amortization of grants	(547)	(402)	(547)	(402)
Change in currency exchange rate	-		-	
Interest expenses	1.271	972	1.269	972
Elimination of other financial and investing activity results	(979)	(1.399)	(1.015)	(1.399)
Changes in working capital	10.816	8.809	10.845	8.703
(Increase) decrease in inventories	1.770	380	1.820	463
Decrease in prepayments	2	(1.184)	36	(1.179)
Decrease (increase) in trade receivables	19.460	21.660	19.371	21.728
Decrease (increase) in other receivables	1.058	1.265	1.070	1.183
(Decrease) in non-current trade payable				
Increase (decrease) in current trade payables and advances received	(11.240)	(12.743)	(11.146)	(12.670)
Increase (decrease) in payroll-related liabilities	557	578	452	386
Increase (decrease) in other liabilities for budget	(1.317)	(772)	(1.291)	(832)
(Decrease) in other liabilities	526	(375)	533	(376)
Net cash flows from operating activities	12.398	26.254	12.299	25.774

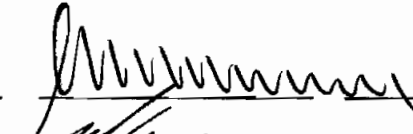
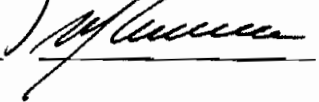
(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

Cash flow statements (continued)

	Group		Company	
	01-09, 2007	01-09, 2006	01-09, 2007	01-09, 2006
Cash flows from (to) investing activities				
(Acquisition) of tangible and intangible assets	(21.113)	(24.223)	(21.085)	(24.216)
(Acquisition) on non-current investments	-	-	-	-
Proceeds from sale of tangible and intangible assets and investments	40	2.662	40	4.708
Investments into daughter companies				(2.056)
Penalty interest and fines (received)	1.022	1.295	1.022	1.295
Increase in cash flows from (to) non-current accounts receivable	(32)	(36)	(32)	(36)
Net cash flows (to) from investing activities	(20.083)	(20.302)	(20.055)	(20.305)
Cash flows from (to) financing activities				
Proceeds from loans	10.103	1.078	10.103	1.078
(Repayment) of loans	(5.120)	(12.116)	(5.120)	(12.116)
Interest (paid)	(1.262)	(845)	(1.260)	(845)
Financial lease (payments)	(38)		-	
Dividends	(8)			
Grants and subsidies	1239	4.281	1.239	4.281
Penalty interest and fines (paid)	(16)	(23)	(16)	(23)
Net cash flows from (to) financing activities	(4.898)	(7.625)	4.946	(7.625)
Net (decrease) increase in cash and cash equivalents	(2.787)	(1.673)	(2.810)	(2.156)
Cash and cash equivalents at the beginning of the year	4.466	4.333	4.436	4.333
Cash and cash equivalents at the end of the year	1.679	2.660	1.626	2.177

The accompanying notes are an integral part of these financial statements.

<u>General Manager</u>	Aleksandras Sigitas Matelionis		23 October, 2007
<u>Chief Accountant</u>	Violeta Staškūniene		23 October, 2007

Notes to the financial statements

1 General information

JSC "Kauno energija" (hereinafter "the Company") is joint stock company registered in the Republic of Lithuania. The address of it's registered office is as follows:

Raudondvaris pl. 84,
 Kaunas,
 Lithuania

The Company is involved in heat, electricity generation and distribution and maintenance of the heating and hot water systems. The Company was registered on 22 August, 1997 after the reorganization of JSC "Lietuvos energija". The Company's shares are traded on the Current List of the National Stock Exchange.

JSC "Kauno energija" consists of Company's central office and subsidiary „Jurbarko šilumos tinklai“.

On 1 July, 2006 JSC „Kauno energija" on the base of Kaunas energy services department established daughter company closed-end company „Pastatų priežiūros paslaugos" (further – „daughter company“). The main activity of the daughter company is the exploitation and maintenance of building heating networks and heating consumption equipments, internal engineering networks and systems as well as building structures. From 1 July, 2006 Company is contracting closed-end company „Pastatų priežiūros paslaugos" for permanent technical maintenance of heating and hot water supply systems.

The Group consists of JSC „Kauno energija“ and it's daughter company closed-end company „Pastatų priežiūros paslaugos“ (further „Group“):

Daughter company	Registration address	Share of the stock held by the Group	Cost of investment	Profit (loss) for the reporting period	Total equity	Main activity
Closed-end company „Pastatų priežiūros paslaugos“	Savanorių pr. 347, Kaunas	100%	6.518	(59)	6.737	Maintenance of heating and hot water supply systems.

The authorized capital of daughter company consists of 65180 units ordinary registered 100 LTL value shares.

Operations of JSC „Kauno energija“ are regulated by the Law on Heat No IX-1565 of 20 May, 2003 of the Republic of Lithuania.

According to the Law on Heat of the Republic of Lithuania, the Company's activities are licensed and regulated by the State Prices and Energy Control Commission (hereinafter “the Commission”). On 26 February, 2004 the Commission granted the Company the heat distribution license. The license has indefinite maturity, but is subject to meeting certain requirements and may be revoked based on the respective decision of the Commission. The Commission also sets price cap for the heat supply.

In 2003 the Company sold part of the assets of the subdivision Kauno Elektrinė to the closed-end company Kauno Termofikacijos Elektrinė (KTE) and committed to purchase at least 80% of the annual demand of the integrated heating network in Kaunas from this company. The contract is valid for 15 years from the sales agreement date. The contract establishes that the purchase price of heat energy from KTE will not increase during the first 5 years from the date of signing the contract.

On 8 June, 2006 JSC “Kauno energija” signed the agreement with closed-end company “Energijos sistemų servisas” regarding the operation of Petrašiūnai power plant and its assets located at Jėgainės St. 12, Kaunas. The contract is valid for a period of three years. Also on 22 June, 2006 the Company signed a lease agreement with closed-end company Kauno Termofikacijos Elektrinė regarding the equipment used in production of heating energy operated by closed-end company “Energijos sistemų servisas”. The contract is valid for a period of three years.

The Company's generation capacity includes a power plant in Petrašiūnai, 3 district boiler-houses in Kaunas integrated network, 8 regional boiler-houses in Kaunas and Marijampolė regions, 14 isolated network and 50 local gas burning boiler-houses.

The Company's total heat and electricity generation capacity is 678 MW and 8.75 MW, respectively, out of which 406 MW of heat generation and 8 MW of electric capacity are located at the power plant in Petrašiūnai. Total Company's power generation capacity is 686.75 MW.

In 9 months, 2007, the average number of employees at the Group was 716 (885 employees in 2006). In the same period, the average number of employees at the Company was 626 (780 employees in 2006).

Aiming to centralize the activity of the Company, Company announced open competition for the geographically distant in Marijampole region to the Paliai boiler house allocated long term asset sale with the purpose that the buyer will assure heat supply to Igliauka. There was no any offer received to buy the asset.

2.1. Financial accounting form

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Adoption of new and/or changed IFRSs and IFRIC interpretations

- IAS19 Amendment-Employee Benefits
- IAS 21 Amendment-The Effects of Changes in Foreign Exchange Rates
- IAS 39 Amendments-Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group and the Company.

2.2. Measurement and presentation currency

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, litas (LTL).

Starting from 2 February, 2002, Lithuanian litas is pegged to EUR at the rate of 3.4528 litas for 1 euro, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

3. Receivables

During 9 months, 2007 the Group and Company recovered LTL 1142 thousand of bad debts which were written off in the previous periods. By this amount increased the profit of the company from the typical activity.

4. Cash and cash equivalents

	Group		Company	
	30/09/2007	2006	30/09/2007	2006
Cash at bank	684	1.090	631	1.060
Cash on hand	17	17	17	17
Cash in transit	978	3.359	978	3.359
	<u>1.679</u>	<u>4.466</u>	<u>1.626</u>	<u>4.436</u>

The Company's accounts in LTL, which balance on 30 September, 2007 amounting to LTL 397 thousand are pledged as collateral to for the loans (6 note).

5. Equity

Authorized capital

On 30 September, 2007 and 31 December, 2006 the shareholders of the Company were:

	The number of shares (units)	Ownership portion (percent)
Kaunas city municipality administration	16.954.892	85,99
Kauno district municipality administration	1.606.168	8,14
Jurbarkas district municipality administration	443.810	2,25
Other shareholders	713.512	3,62
	19.718.382	100,00

All the shares which nominal value is LTL 6 are ordinary registered shares and on 30 September, 2007 and 31 December, 2006 were fully repayed. The authorized capital in 2007 and 2006 didn't changed and amounts LTL 118310 thousand. In 2007 and 2006 the Company hasn't it's own shares.

The authorized capital of the daughter company consists of 65180 units ordinary registered 100 LTL value shares.

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 percent of net profit calculated in accordance with IFRS are compulsory until the reserve reaches 10 percent of the share capital. On 28 April, 2006 based on the decision of the Company's shareholders LTL 3.634 thousand was transferred to the legal reserve. On 14 May, 2007, based on the decision of the Company's shareholders LTL 7.689 thousand was transferred to the legal reserve. On 14 March, 2007 based on the decision of the all shares owner JSC „Kauno energija“ LTL 50 thousand of daughter company's profit was transferred to the legal reserve.

Other reserve

On 14 March, 2007 by the decision of all shares owner JSC „Kauno energija“ LTL 163 thousand of daughter company's profit was transferred to the reserve for investments.

6. Financial debts

On 1 August, 2005 the Company signed a long-term loan agreement with JSC bank "Hansabankas" for the amount of LTL 5.000 thousand. The maturity date of the last portion of the loan is 1 August 2012. As of 30 September, 2007 the outstanding balance of the loan amounted to LTL 3960 thousand (as of 31 December, 2006 – LTL 4.584 thousand), of which LTL 208 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company.

On 23 August, 2005 the Company signed a long-term loan agreement with JSC SEB Vilniaus Bankas for the amount of LTL 30.300 thousand (EUR 8.776 thousand). The maturity date of the last portion of the loan is 31 December, 2009. As of 30 September, 2007 the outstanding balance of the loan amounted to LTL 17585 thousand (EUR 5.093 thousand) (As of 31 December, 2006 - LTL 20.581 thousand (EUR 5.961 thousand)), of which LTL 104 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company.

On 1 December, 2006 the Company signed a long-term agreement with Nordea Bank Finland Plc. Lithuanian branch for the amount of LTL 2.090 thousand. On 18 April, 2007 by the agreement the credit limit for the LTL 6090 thousand was increased. The maturity date of the last portion of the loan is 31 October, 2015. As of 30 September, 2007 the outstanding balance of the loan amounted to LTL 2.347 thousand (As of 31 December – LTL 536 thousand).

On December 21, 2006 the Company signed a long-term agreement with JSC SEB Vilniaus Bankas for the amount of LTL 7.108 thousand. The maturity date of the last portion of the loan is 30 November, 2016. As of 30 September, 2007 the outstanding balance of the loan amounted to LTL 1743 thousand (As of 31 December, 2006 the Company didn't utilize this loan).

On 20 April, 2007 the Company signed overdraft agreement with JSC Sampo bankas for LTL 1010 thousand sum. The maturity date of overdraft is 20 October, 2009. On 30 September, 2007 the Company's balance of used overdraft is LTL 747 thousand. LTL 10 thousand portion is accounted in the financial statements of the Group and the Company.

As of 30 September, 2007 the Company's balance of used overdraft from JSC bank DnB NORD Lietuva with the maturity date of 31 May, 2008 was LTL 12.745 thousand (31 December, 2006 – LTL 9.760 thousand).

On 30 September, 2007 the Company's balances of used credit line from JSC SEB Vilniaus bankas with the maturity of 19 July, 2008 was LTL 5734 thousand.

At the end of the period the balance of borrowings in national and foreign currencies are as follows:

	Group		Company	
	30-09-2007	31-12-2006	30-09-2007	31-12-2006
Currency				
EUR	19.328	20.581	19.328	20.581
LTL	25.533	19.297	25.533	19.297
	<u>44.861</u>	<u>39.878</u>	<u>44.861</u>	<u>39.878</u>

On 30 September, 2007 the property, plant and equipment of the Group and Company, which balance value was LTL 58.954 thousand (As of 31 December, 2006 – LTL 64.017 thousand), were pledged to the banks as collateral for the loans.

According to the signed financial debts agreements for the debts payment assurance the cash in Company's accounts were pledged (4 note).

7. Lease (Financial lease)

On 28 June, 2007 Groups daughter company signed the lease agreement for EUR 46 thousand with closed-end company Hansa lizingas for the acquisition of long term asset. The part of LTL 11 thousand in the Groups financial statement is calculated in the article of long term loans and lease of current year.

8. Sales income

The Group's and the Company's activities are heat energy supply, maintenance of heating and hot water supply systems; electricity production and other activities These activities are inter-related, consequently for management purposes the Group's and the Company's activities are organized as one main segment – heat energy supply. The Company's sales by activities are stated below:

Sales income	Group		Company	
	01-09, 2007	01-09, 2006	01-09, 2007	01-09, 2006
Heat energy	102.045	122.054	102.062	122.065
Maintenance of buildings heating and hot water supply systems	1.832	5.302	672	5.302
Electricity energy	2.464	1.841	2.464	1.841
Revenue from sale of emission rights	15	8.153	15	8.153
Constant technical supervision	1768	573	1.766	573
	<u>108.124</u>	<u>137.923</u>	<u>106.979</u>	<u>137.934</u>

9. Other operating income (costs) – net result

	Group		Company	
	01-09, 2007	01-09, 2006	01-09, 2007	01-09, 2006
Other operating income				
Provided services	442	374	591	453
Materials sold	139	2.631	139	7169
Reselled services	236	324	236	324
Other	11	329	11	329
	828	3.658	977	8.275
Other operating costs				
The cost of provided services	(391)	(176)	(366)	(257)
Cost of materials sold	(111)	(440)	(110)	(516)
Cost of reselled services	(229)	(348)	(229)	(348)
Other		(16)		(16)
	(731)	(980)	(705)	(1.137)
	97	2.678	272	7.138

10. Financial and investment activity income (costs) - net result

	Group		Company	
	01-09 months, 2007	01-09 months, 2006	01-09 months 2007	01-09 months, 2006
Income from financial and investment activities				
Penalty interest and fines	1.021	1295	1.021	1295
Interest income	12	177	11	177
Dividends			43	
Other financial income				
	1.033	1.472	1.075	1.472
Expenses of financial and investment activities				
Penalty interest and fines	(16)	(23)	(15)	(23)
Interest expenses	(1.271)	(972)	(1.269)	(972)
Other financial expenses				
	(1.287)	(995)	(1.284)	(995)
	(254)	477	(209)	477

11. Financial assets and liabilities and risk management

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of overdrafts and committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

The Group's liquidity and quick ratios as of 30 September, 2007 were 0,77 and 0,58 (0,99 and 0,83 as of 31 December, 2006). The Company's liquidity and quick ratios as of 30 September, 2007 were 0,76 and 0,58 respectively (0,99 and 0,82 as of 31 December, 2006).

12. Related parties transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

In 2007 and 2006 the Group and Company had no significant transactions with the other companies owned by municipality of Kaunas city except for the purchases or sales of the utility services. The services provided to the companies owned by the municipality of Kaunas City were executed at market prices.

On 30 September, 2007 and 31 December, 2006 the related party of the Company was closed-end company "Pastatų priežiūros paslaugos".

In 9 months, 2007 Company's transactions with the related parties and the at the end of the year were the follows:

01-09, 2007	<u>Purchases</u>	<u>Sales</u>	<u>Receivables</u>	<u>Payables</u>
Closed-end company "Pastatų priežiūros paslaugos"	2.218	240	61	647

In 2006 Company's transactions with the related parties and the balances at the end of the year were the follows:

2006	<u>Purchases</u>	<u>Sales</u>	<u>Receivables</u>	<u>Payables</u>
Closed-end company "Pastatų priežiūros paslaugos"	2,042	358	78	447

Transactions between related parties are executed at market prices.

Remuneration of the management and other payments

The Group's and the Company's management remuneration amounted to LTL 609 thousand and LTL 287 thousand in I half year, 2007, respectively (Company's LTL 520 thousand and LTL 419 thousand in 2006). The management of the Company did not received any loans, guarantees; no other payments or property transfers were made or accrued.

13. After balance events

State prices and energy control commision in the meeting on 12 July obligated the Company to look over the heat prices given for confirmation from 1 August, 2007, which were confimed by the Council of Kaunas city municipality on 21 September, 2007 by determining that they will come into action from 1 January, 2008. The Company specified prices (14.67 LTL ct/kWh) and the Council of Kaunas city municipality confirmed them on 19 July, 2007. On 25 October, 2007 in the meeting of Kaunas city municipality Council there will be discussed the issue on the opportunity to use confirmed price from the 1 December, 2007.