



AKCINĖ BENDROVĖ „KAUNO ENERGIJA“

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

2008-07-29 Nr. *10-1395*
I

AB Vilnius Stock Exchange
Konstitucijos av. 7, 15 floor, LT-08105
Vilnius

CONFIRMATION OF RESPONSIBLE PERSONS

Following the statutes of 22 article of the Law on Securities of the Republic of Lithuania and the regulations of Securities Commission on periodical and additional information preparation and presentation, I - general director Aleksandras Sigitas Matelionis of AB „Kauno energija“- confirm that according to ours knowledge in the intermediate consolidated report of AB „Kauno energija“ for the 6 months of the year 2008 business development and activity review are indicated rightly.

ENCLOSED: Intermediate consolidated report of AB „Kauno energija“ of the 6 months, 2008, 14 pages.

General Director

Aleksandras Sigitas Matelionis

Jovita Sereikienė, phone (8~37) 305 664, e-mail: j.sereikiene@kaunoenergija.lt

AB “KAUNO ENERGIJA”

**INTERMEDIATE CONSOLIDATED REPORT
OF AB “KAUNO ENERGIJA”
6 MONTHS PERIOD, 2008**



AB “KAUNO ENERGIJA”
CONSOLIDATED ANNUAL REPORT FOR THE 6 MONTHS PERIOD, 2008

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1. Accountability period for which intermediate report is prepared

The consolidated intermediate report of AB „Kauno energija“ is prepared for the 6 months period, 2008.

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

AB “Kauno energija” (hereinafter – Company or Issuer) prepares both Company’s and consolidated financial accountability. The group (hereinafter – Group) consists of AB “Kauno energija” and daughter company – Closed-end company UAB “Pastatų priežiūros paslaugos” in which the Company directly controls 100 % of the managed shares.

The main data about the Company:

Name of the company:	AB “Kauno energija”
Legal-organizational form:	Joint Stock Company
Address:	Raudondvario pl. 84, 47179 Kaunas - 21
Code of the legal person:	235014830
Telephone number:	(+370 37) 30 56 50
E mail:	info@kaunoenergija.lt
Webpage:	www.kaunoenergija.lt
Fax number:	(+370 37) 30 56 22
Registration date and place:	22 August 1997, Kaunas, Order No. 513
Register manager:	Kaunas subsidiary of State enterprise Register Centre
VAT code:	LT350148314

Authorized capital amounts to 118,310,292 LTL and is divided into 19,718,382 ordinary registered shares 6 LTL nominal value.

Main data about the daughter company:

Name of the company:	Closed-end company “Pastatų priežiūros paslaugos”
Legal - organizational form:	Closed-end company
Address:	Savanorių pr. 347, 49423, Kaunas - 43
Telephone number:	(+370 37) 30 59 59
E-mail:	info@kaunoenergija.lt
Webpage:	www.p-p-p.lt
Fax number:	(+370 37) 31 18 77
Registration date and place:	1 July 2006, Kaunas
Code of the legal person:	300580563
Register manager:	Kaunas subsidiary of State enterprise Register Centre
VAT code:	LT100002506015

Authorized capital amounts to 6,518,000 LTL and is divided into 65,180 ordinary registered shares 100 LTL nominal value.

3. The nature of the main activity of the companies composing the group of companies

The nature of the main activity of the Group is production and services. AB “Kauno energija” is the patronized company of the Group. The Company produces and sells heat energy to consumers in Kaunas and Jurbarkas cities and in part of Kaunas and Marijampolė administrative districts. Also in small amount it produces electric energy in Kaunas city and Kaunas district. The Group and the Company carries out supervision of lodging heat and hot water supply systems, heating points equipment, carries out the supervision of building constructions and elements, cold water supply, leakage elimination and drainage systems, electricity supply system and performs maintenance works, provides services for natural and legal persons in the supervision of heat economy. The Group and the Company performs licensed activity through obtaining of appropriate licences.

4. The agreements of issuer with finance broker companies and (or) credit institutions

On 1 April 2003 the Issuer service agreement with joint stock company AB SEB Bankas (code of the enterprise 112021238, Gedimino ave. 12, Vilnius), represented by the Finance markets department, and was signed.

5. Trade in securities of the companies, forming the group of companies, in regulated markets (the name of regulated market, the amount of securities included into trade)

The nominal value of Issuer’s 18,968,382 units of ordinary registered shares (VP ISIN code LT0000123010) is – 113,810,292 LTL. They are included into Vilnius Stock Exchange Baltic additional trade list.

6. References and additional explanations on the data presented in the 6 months financial accountability

All main financial data are presented in the 6 months intermediate financial accountability and its explanation letter.

7. Information on Issuer acquired and own shares

(number and nominal value of the patronized company shares, belonging to the company, it’s daughter companies or by their assignment, but by their name acting persons)

The Company didn’t acquire it’s own shares. Daughter’s company also did not acquire the Company shares. The Company and it’s daughter company during the review period didn’t buy or sell their shares.

8. The authorized capital structure of the Issuer

In the Enterprises register of Lithuanian Republic the registered authorized capital of AB “Kauno energija” is 118,310,292 LTL.

The authorized capital structure of the Issuer according to the shares type is presented in Table 1.

Table 1

Shares type	Number of shares, units	Nominal value, LTL	Total nominal value, LTL	Municipalities portion in the authorized capital, %	Private shareholders portion in the authorized capital, %
Ordinary registered shares	19,718,382	6	18,310,292	96.38	3.62
Total	19,718,382	-	18,310,292	96.38	3.62

9. Data on issues of the shares of the Issuer

All ordinary registered shares of AB “Kauno energija” are fully paid for. There are no restrictions for transfer of securities.

10. Information about Issuer shareholders

Total number of AB “Kauno energija” shareholders on 30 June 2008 is 353 shareholders.

The shareholders of Issuer to who on 30 June 2008 belonged more than 2 % of AB “Kauno energija” authorized capital (19,718,382 ORS) are presented in Table 2.

Table 2

The name of shareholder, surname (name of the company, type, address, code)	The number of ordinary registered shares belonging to the shareholder, units	The portion of authorized capital, %	The portion of votes given by the ownership right belonging shares, %	The portion of votes belonging to the shareholder together with operating persons, %
Kaunas city municipality Laisvės 96, 44251 Kaunas code 111106319	16,954,892	85.99	85.99	-
Kaunas district municipality Savanorių ave. 371, 49500 Kaunas Code 111100622	1,606,168	8.14	8.14	-

10.1. Shareholders who on 30 June 2008 owned more than 5 % of shares of AB “Kauno energija” (18,968,382 ORS) released into public circulation of securities (registration No. A01031430) are presented in Table 3.

Table 3

The name	Type of shares	Number of shares, units	Total value of shares, LTL	Amount of shares (%) from total number of released into public circulation	Share of authorized capital (%)
Kaunas city municipality Laisvės 96, 44251 Kaunas code 111106319	Ordinary registered shares	16,204,892	97,229,352	85.43	82.19
Kaunas district municipality Savanorių 371, 3042 Kaunas code 111100622	Ordinary registered shares	1,606,168	9,637,008	8.47	8.15

Shareholders who on 31 December 2007 owned more than 5 % of shares of AB “Kauno energija” (750,000 ORS) released into non-public circulation of securities (registration No. A01031430) are presented in Table 4.

Table 4

The name	Type of shares	Number of shares, units	Total value of shares, LTL	Amount of shares (%) from total number of released into non-public circulation	Share of authorized capital (%)
Kaunas city municipality Laisvės 96, 44251 Kaunas code 111106319	Ordinary registered shares	750<000	4,500,000	100	3.8

No shareholder of the Issuer has any special control rights. All shareholders have equal rights set by the Law on stock corporations of the Republic of Lithuania, Item 4. Number of shares which grant votes during general meeting of shareholders of AB “Kauno energija” is 19,718,382.

The Company has no information on restrictions of voting rights or any disagreements between shareholders which could restrict transfer of securities and (or) voting rights.

11. Employees

According to the data of 30 June 2008 680 employees are employees in the Group in total. The change of the employee’s number during 2008 is presented in Table 5.

Table 5

Listed number of employees	Company's 31-12-2007	Group's 31-12-2007	Company's 30-06-2008	Group's 30-06-2008
Total	615	705	604	680
Managers	4	9	4	8
Specialists	294	319	296	322
Workers	317	377	304	350

The education of employees at the end of the period

Table 6

No.	Educational level	Company's 31-12-2007	Group's 31-12-2007	Company's 30-06-2008	Group's 30-06-2008
1.	Not finished secondary	24	30	23	30
2.	Secondary	253	290	245	284
3.	College	114	135	109	119
4.	Higher	224	250	227	247
	Total	615	705	604	680

Average conditional number of employees and average monthly salary
(without deducting taxes, at the end of period)

Table 7

No.	Employees	Company	Group
1.1.	Average conditional number of managers	4	9
1.2.	Average monthly salary of managers	9695,0	7536,5
2.1.	Average conditional number of specialists	278	304
2.2.	Average monthly salary of specialists	2648,6	2605,2
3.1.	Average conditional number of workers	294	349
3.2.	Average monthly salary of workers	1893,2	1854,2

Special rights and duties of employees of the Issuer or their part as laid in collective agreements

According to collective agreement currently in effect in the Company:

1. For continuous record of service in the Company employees are granted with additional paid vacations:

- for worked 5 years - 1 calendar day;
- from 6 till 10 years - 2 calendar days;
- for more than 10 years 3 calendar days;
- for each further 5 years 1 calendar day;
- Record of service is treated as continuous (additional vacation days are granted) in case of employees who have been working in the companies of Lithuanian energy system and transferred into AB "Kauno energija" on the basis of employers' agreement, i.e. when transfer happened with Work Law Code or Work Contract Law in effect.

2. Employees have a right to receive additional paid vacation days:

- in case of marriage - 3 calendar days;

- in case of the death of close person (one of the parents or one of the parents of husband or wife, husband or wife, brother, sister, daughter, son or legal foster-child) - 3 calendar days;
- in case of childbirth by the wife - 1 calendar day;
- in case of marriage of employee's daughter, son or legal foster-child - 3 calendar days.

3. Employer is obliged:

- to assure conditions for preventive checking of health of employees and in case of the need arisen – rehabilitation treatment, to provide free services in health centre of the Company;
- in case of employee to pay grant of two last month average salaries size, free transport or to cover expenses for the transport. The grant is to be paid for the person who was responsible for the burial;
- in case of the death of close person of employee (father, mother or husband or wife), to pay grant of one last month average Company or branch salary size, free transport or to cover expenses for the transport;
- in case of one or more children to pay grant for employee of 50% last month average Company or branch salary size for each child born;
- in case of marriage of employee to pay grant for employee of 50% last month average Company or branch salary size;
- for employees who are raising three or more children younger than 16 years, widower (widow) or lonely parents who are raising one or more children till 19 years old (if they are attending secondary school) or 21 year old (if they are full-time students of high school) or are caring for other members of the family with heavy or medium level of disability or lower than 55 % level of working capacity or family members of old-age pension age who have, according to the laws, appointed large or average special demand level, to pay once a year grant for employee of 50% last month average Company or branch salary size according to the date of appeal presentation;
- for employees who reached 50, 60 (in case of women even 55) years and taking into account their continuous record of service in the Company, to pay gift of last month average Company or branch salary size: for those with record of service from 1 to 10 years – 25%, from 10 to 15 years – 37.5%, from 15 to 20 years 50%, and for more than 20 years – 75 %;
- in all other cases when material support is required (due to experienced casualties from natural disasters or from other reasons independent on the employee) to pay grant up to 2,000 LTL in size on the agreement of the sides who signed Collective agreement;
- in case of heavy sickness of employee or in case of heavy disaster, to pay grant of five last month average Company or branch salaries size on the agreement of the sides who signed Collective agreement.

12. Order of changes of Regulations of the Issuer

The Regulations of AB “Kauno energija” foresee that general meeting of shareholders of AB “Kauno energija” have special right to change Regulations of the Company with exceptions set in Law on stock corporations of the Republic of Lithuania. When making decision on changes of the Regulations 2/3 of votes of shareholders participating in general meeting of shareholders are required.

13. Issuer bodies

According to the Regulations of AB “Kauno energija”, the management bodies of the Company are General Meeting of Shareholders, collegiate supervisory body – Supervisory Board, collegiate management body – Management Board and individual management body – General Manager.

The decisions of the shareholders meeting made on the shareholders meeting's competence issues foreseen in the Regulations of the Company are obligatory to the shareholders, Supervisory Board, Management Board and General Manager and for other employees of the Company.

In the General Meeting of Shareholders or repeated General Meeting of Shareholders persons who at the end of the accountability day were Company's shareholders, personally, except exception foreseen in the laws or their authorized persons with whom the agreement of voting right transfer are made have the right to participate and to vote. The registration day of the Company's meeting is the fifth workday before the General Meeting of Shareholders or fifth workday till repeated General Meeting of Shareholders. Person participating in the shareholders meeting and having the right to vote has to provide document testifying the identity of person. Person who is not shareholder together with document testifying the identity of person has to provide the document confirming the right to vote in the shareholders meeting.

The collegiate supervisory body – the Supervisory Board is elected by the General Meeting of Shareholders in compliance with the order foreseen in the Law on stock corporations. The Supervisory Board consists of 7 (seven) Supervisory Board members. Supervisory Board members are elected for the 4 (four) year period. Supervisory Board elects the Chairman of the Supervisory Board from it's members. The General Meeting of Shareholders can recall all Supervisory Board or it's members before their term of office expires. If the individual members of the Supervisory Board are elected they are elected only for the current Supervisory Board term of office.

Supervisory Board elects and recalls from their duties the members of the Management Board, supervises the activity of the Management Board and General Manager, presents opinions and suggestions for the General Meeting of Shareholders on the Company's activity strategy, annual financial accountability, profit allocation project and Company's annual report, also on the activity of the Management Board and General Manager, provides suggestions for the Management Board and the General Manager to recall their decisions which contradict with the laws and other legal acts, Company's Regulations or decisions of the General Meeting of Shareholders, decides on other issues which are ascribed by the General Meeting of Shareholders to the competence of Supervisory Board, Company's and it's Management Bodies activity supervision issues. Supervisory Board has no right to charge or transfer it's functions foreseen in the Law on stock corporations to other bodies of the Company.

Management Board is collegiate company's management body, which consists of 7 Management Board members. The Management Board for the 4 (four) years period is elected by the Supervisory Board. Supervisory Board can recall all Management Board or individual it's members before their term of office expires. If the individual members are elected, they are elected only for the current Management Board term of office. The Management Board elects the Chairman of the Board from it's members.

The Management Board elects and recalls the General Manager of the Company, determines his salary, other work conditions, confirms duty regulations, motivates or assigns penalties.

General Manager is the manager of the Company. The Manager of the Company is individual management body of the Company who organizes the activity of the Company. The authorization of the Company's administration members and their responsibility is determined by the order of the General Manager.

14. Members of the collegiate bodies, the manager of the company, chief accountant

(duties, names and surnames, data about participation in the issuer authorized capital, term of office beginning and end of every person, information about calculated money sums of issuer per period under review, other transferred asset and provided guarantees for these persons, total and average amounts for one member of collegiate body, manager of the company, chief accountant)

14.1. Data about the members of the Company's supervisory board

Jonas Koryzna. Member of Kaunas city Municipality Council, Member of City Committees of Economy and Energy. Member of the Company's Supervisory Board. Vice-resident of Kaunas Hall of Commerce, Industry and Craft, member of Kaunas Rotary club. He has no shares of the Company.

Bronislovas Kučinskas. Member of Kaunas city Municipality Council, Member of City Committees of Economy, Energy and Control. Deputy Chairman of the Company's Supervisory Board. Director of Vilnius University's public institution Regioninių Projektų Valdymo Centras,. He has no shares of the Company. He does not participate in the capital of other companies.

Jadzė Bartašienė. Teacher-expert of physics in J. Urbšys secondary school, independent expert of Ministry of Education and Science. She has no shares of the Company and does not participate in the capital of other companies.

Pranas Paškevičius. Member of Kaunas city Municipality Council. Member of Committee of Culture, Development of Communities and Self-governance. Member of Committee of Control. Deputy Director of closed-end company Neogena. Has no shares of the Company. He is responsible secretary of Lithuanian Movement "Černobilis". He has no shares of the Company. He has shares of closed-end companies Siroma, Neogena, Nida.

Rimas Antanas Ručys. Member of Kaunas city Municipality Council, Kolegijos narys. Deputy Chairman of Comitee of City Economy and Energy. Director of closed-end company Ručenta. He has no shares of the Company. He has shares of closed-end company Ručenta.

Stasys Žirgulis. Member of Kaunas city Municipality Council. Chairman of Commission for Names' Conception and Memory Memorialization. Member of Anti-corruption Commission. Member of Committee of Culture, Development of Communities and Self-governance. Teacher in Vilnius Art Academy's Kaunas Faculty. Member of Lithuanian Union of Paminters, member of Lithuanian Association of Art. Has no shares of the Company. Does not participate in the capital of other companies.

Gediminas Žukauskas. Member of Kaunas city Municipality Council, Chairman of Committee of City Economy and Energy. General Energy Manager in closed-end company Kauno Vandenys. Chairman of Panemunė Community Center. Has no shares of the Company. He does not participate in the capital of other companies.

The members of the Company's supervisory board who's term of office begins on 30-07-2007 ends on 30-04-2011.

During period under review there were no count in of money sums, transfers of other assets and no guarantees given for the members of the Supervisory Board.

14.2. Data about the members of the management board

Ramūnas Gatautis. Laboratory of Complex energy researches of Lithuanian Energy Institute, doctor of sciences. Until 08-05-2008 researcher-trainee in Department of Heating and ventilation of Vilnius Gedimino Technical University. Chairman of the Management Board of AB "Kauno energija". Member of International association economists of energy, member of the Board of Lithuanian Energy Institute, member of the Board of young scientists of Lithuanian Energy Institute. He has no shares of the Company. Does not participate in the capital of other companies.

The beginning of term of office 27-11-2007 end 30-04-2011.

Algirdas Vaitiekūnas. Head of Energy Sector of City Economy Department of Kaunas City Administration. Deputy Chairman of the Management Board of AB "Kauno energija". He has no shares of the Company. Does not participate in the capital of other companies

The beginning of term of office starts 30-04-2004 and ends 30-04-2011.

Kęstutis Jonaitis. Lawyer, Office of Lawyer N. Katilius, K. Donelaičio 62, office 306, Kaunas. Has 1,100 units of shares of closed-end company Technobilis, company code 300666247, which make 54,03 % of authorized capital. Has no shares of the Company.

The beginning of term of office 27-11-2007 end 30-04-2011.

Mantas Raila. Director of closed-end company RP Reklama. Chairman of Lithuanian Sail Association. Shareholder of closed-end company RP reklama, has 50 units of shares, which make 50% of authorized capital. Has no shares of the Company.

The beginning of term of office 27-11-2007 end 30-04-2011.

Vykintas Šuksteris. Director of closed-end company AF-terma. Doctor of technical science. International association economists of energy, Lithuanian Thermotechnical Engineers Society, Lithuanian Association of Energy Consultants, president. Has no shares of the Company. Does not participate in the capital of other companies. The beginning of term of office 27-11-2007 end 30-04-2011.

Eugenijus Ušpuras. Director of Lithuanian Energy Institute, professor of Department of Thermal and Nuclear Energy, member-correspondent of Lithuanian Science Academy. Has no shares of the Company. Does not participate in the capital of other companies.

The beginning of term of office 27-11-2007 end 30-04-2011.

Juozas Marcalis. Assistant of member of Seimas of the Republic of Lithuania H. Žukauskas, engineer-supervisor of closed-end company Kauno Vandenyys. Has no shares of the Company. Does not participate in the capital of other companies.

The beginning of term of office 27-11-2007 end 30-04-2011.

During period under review there were no count in of money sums, transfers of other assets and no guarantees given for the members of the Management Board.

14.3. Data about the Manager and Chief accountant of the Company

Aleksandras Sigitas Matelionis. General director of the AB "Kauno energija" since 27-07-2004. Education – higher university, Kaunas University of Technology (1984), heat, gas supply and cooling, profession – civil engineer. Working places during 10 years and positions held – Kaunas district heating network Heat network exploitation department – Deputy Head (02-05-1994), special destination AB "Kauno energija" subsidiary Kaunas district network Deputy of Director for heat supply (05-08-1997), AB "Kauno energija" subsidiary Kaunas district network Deputy Director for heat supply (01-02-2000). Has no shares of the Company. Does not participate in the capital of other Companies.

Violeta Staškūnienė. Chief accountant of AB "Kauno energija" since 27-07-2000, chief accountant since 16-01-2003. Education – higher university, Vilnius University (1984), work economy, profession – economist. Working places during 10 years and positions held: Kaunas district heating network Heat realization bookkeeping deputy of chief accountant (01-09-1995), Heat realization department – Deputy Head (01-03-1996), non production activity department chief specialist (02-01-1997), special destination AB "Kauno energija" Heat realization department assistant of the head for the documentation (20-10-1997), Chief Accountant of the subsidiary UAB "Kauno energijos paslaugos" (22-06-1998), special destination JSC Kauno Energija Deputy Chief Accountant (10-01-2000). Closed end company Itvizija chief accountant (1998 till 2004-04), closed-end company Energijos Realizacijos Centras chief accountant (01-2003 till 06-2004).

Has 2,641 units of the Company shares, which make less than 5 % of the authorized capital. Does not participate in the capital of other Companies.

During first half year of 2008 count in sum for the General Manager and Chief Accountant was -118,2 thousand LTL, average amount for one person 59,1 thousand LTL and no other assets have been transferred, no guarantees provided.

- 15. All important agreements of which Issuer is a part and which would come into force, would change or end in case of the change of Issuers control as well as their influence with the exception of cases when because of the nature of agreements their revealing would cause damage to the Issuer**

None.

- 16. All agreements of the Issuer and members of its bodies or employees which would involve compensation in case of their resignation or firing without grounding or if their work would end due to the change in Issuers control**

None.

- 17. Information about larger related agreements of the sides**

There have been no major separate agreements. The detailed information is presented in Item 17 of explanatory letter of financial accountability.

18. Important events, which have been during first six months of financial year and their influence on intermediate financial accountability, also information about main risks and unexpectedness to coming six month of financial year 2008.

All main financial data are presented in the 6 months intermediate financial accountability and it's explanatory letter.

19. Information on the observance of the Governance code of the companies

AB "Kauno energija" in essence and further follows by the Vilnius stock exchange on August, 2006, confirmed and having recommendation character listed companies management code.

20. Data about publicly declared information

During the last 6 months the Issuer declared information presented bellow through OMX news publication system in all European Union as it is the Issuers duty according to the laws regulating market of securities. This information has also been put into internet site of the Issuer. All information can be received through Vilnius Stock Exchange internets site (<http://www.baltic.omxgroup.com/?id=3304>) and internet site of the Issuer (<http://www.kel.lt/lt/?id=348>).

Information declared during 2008:

- 2008-01-29 Preliminary result of the AB "Kauno energija" activity of the year 2007;
- 2008-03-07 AB „Kauno energija“ shareholders meeting;
- 2008-03-20 Annual report, financial statements and draft resolutions of the ordinary general meeting to be held on 28 04 2008 ;
- 2008-03-28 The change of AB "Kauno energija" general shareholders meeting agenda;
- 2008-04-16 The modification in agenda of AB "Kauno energija" general shareholders meeting;
- 2008-04-29 The Decisions of the General Shareholders Meeting;
- 2008-04-29 I quarter activity results of the year 2008 and intermediate Financial statements for the I quarter;
- 2008-05-23 Concerning basic prices of district heating;
- 2008-05-23 Convention of AB, Kauno energija“ shareholders meeting and decisions projects;
- 2008-06-28 The Decisions of the general shareholders meeting of AB "Kauno energija“;

In the repeated general shareholders meeting of AB "Kauno Energija" on 26 June 2008 the following decisions were taken:

- Agenda question - Concerning the increase of AB "Kauno energija" authorized capital by additional monetary contributions.

To increase authorized capital of AB „Kauno energija“ up to 1 200 000 LTL (from 118 310 292 LTL up to 119 510 292 LTL) by additional monetary contribution made by Jurbarkas district municipality (code 111106276, Darius and Girėnas str. 96, 74187 Jurbarkas), paying by it 200 000 (two thousand) units issued ordinary named 6 LTL nominal value shares of AB „Kauno energija“, which emission price is equal to the shares nominal value.

- Agenda question - Concerning the cancellation of priority right for all shareholders to acquire newly issued shares of AB "Kauno energija".

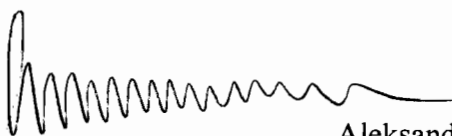
To cancel the priority right for all shareholders to acquire newly issued 200 000 (two thousand) units

ordinary named 6 (six) LTL nominal value shares of AB „Kauno energija“, aiming to increase the investments of AB „Kauno energija“ subsidiary „Jurbarko šilumos tinklai“, by giving the right to acquire these shares for the budget institution Jurbarkas district municipality, code 111106276, Darius and Girėnas str. 96, 74187 Jurbarkas.

- Agenda question - Concerning the change of AB “Kauno energija” regulations and the authorization to sign them.

To change the regulations of AB „Kauno energija“ and to authorize general director A. S. Matelionis of AB „Kauno energija“ to sign the changed text of AB „Kauno energija“ regulations.

AB “Kauno energija” General director



Aleksandras Sigitas Matelionis



AKCINĖ BENDROVĖ „KAUNO ENERGIJA“

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

2008 07 28 Nr. *20-2385*

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 for the I half year of the year 2008 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 I half year of the year 2008, prepared according to the International Financial Reporting Standards.

Yours respectfully,

General Manager

Aleksandras Sigitas Matelionis

Chief Accountant

Violeta Staškūnienė

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JSC „KAUNO ENERGIJA“

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR **THE I HALF OF THE YEAR 2008**
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 I HALF OF THE YEAR 2008

(all amounts are in LTL thousand unless otherwise stated)

Balance sheets

		Group		Company	
		30	31	30	31
	Notes	June,	December,	June,	December,
		2008	2007	2008	2007
ASSETS					
Non-current assets					
Intangible assets		2.258	2.511	2.162	2.448
Property, plant and equipment					
Land and buildings		28.803	29.112	27.190	27.469
Structures and machinery		110.743	110.136	110.695	110.094
Vehicles		1.367	1.348	1.163	1.113
Equipments and tools		7.363	8.035	7.227	7.939
Other property, plant and equipment		1.775	2.016	1.775	2.016
Construction in progress and prepayments		7.8789	8.204	7.879	8.204
Total property, plant and equipment	3	157.930	158.851	155.929	156.835
Non-current financial assets					
Investments into daughter companies	1	-	-	6.518	6.518
Non-current accounts receivable	4	122	117	122	117
Other financial assets		433	433	433	433
Total non-current financial assets		555	550	7.073	7.068
Total non-current assets		160.743	161.912	165.164	166.351
Current assets					
Inventories and prepayments					
Inventories		6.138	6.531	6.031	6.364
Prepayments		648	463	598	446
Total inventories and prepayments		6.786	6.994	6.629	6.810
Current accounts receivable					
Trade receivables	5	20.013	37.884	20.179	37.606
Other receivables		3.553	3.551	3.643	3.567
Total accounts receivable		23.566	41.435	23.822	41.173
Cash and cash equivalents	6	2.535	4.886	2.500	4.864
Total current assets		32.887	53.315	32.951	52.847
Total assets		193.630	215.227	198.115	219.198

(cont'd on the next page)

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

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE I HALF OF THE YEAR 2008

(all amounts are in LTL thousand unless otherwise stated)

Balance sheets (continued)

		Group		Company	
		30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Notes					
EQUITY AND LIABILITIES					
Equity					
Share capital	1	118.310	118.310	118.310	118.310
Legal reserve	7	3.041	11.373	2.808	11.323
Other reserve	7		163	-	-
Retained earnings (deficit)					
Profit for the current year (loss)		9.253	(8.520)	9.493	(8.515)
Profit (loss) for the previous year		(3.691)	(3.666)		-
Total retained earnings (deficit)		5.562	(12.186)	9.493	(8.515)
Total equity		126.913	117.660	130.611	121.118
Liabilities					
Non-current liabilities					
Non-current financial borrowings	8	26.891	23.039	26.891	23.039
Lease (financial lease)	9	181	181	37	37
Other accounts payable		824	824	824	824
Deferred income tax liability		909	909	1.578	1.578
Grants (deferred income)	10	10.133	10.503	10.133	10.503
Total non-current liabilities		38.938	35.456	39.463	35.981
Current liabilities					
Non-current financial borrowings and lease (financial lease) portion of current year	8,9	4.229	8.772	4.206	8.726
Current financial borrowings	8	9.101	21.020	9.101	21.020
Trade payables	11	12.084	28.181	12.632	28.424
Advances received		762	753	762	753
Payroll-related liabilities		1.195	2.087	963	1.936
Taxes payable		163	994	133	936
Income tax payable		-	-	-	-
Other current liabilities		245	304	244	304
Total current liabilities		27.779	62.111	28.041	62.099
Total liabilities		66.717	97.567	67.504	98.080
Total equity and liabilities		193.630	215.227	198.115	219.198

General Direktor

Aleksandras Sigita
Matelionis

24 July, 2008

Chief Accountant

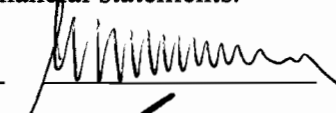
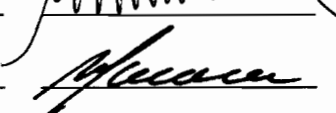
Violeta Staškūnienė

24 July, 2008

Income (loss) statements

		Group					
		II					
	Notes	quarter,	I half,	II quarter,	I half,	2007	2006
		2008	2008	2007	2007		
Operating income							
Income from sales	8	26.864	112.660	20.857	93.197	169.528	183.734
Other operating income	9	126	401	272	534	1.319	3.704
Total operating income		26.990	113.061	21.129	93.731	170.847	187.438
Operating expenses							
Fuel and heat acquired		(17.920)	(67.689)	(15.323)	(61.897)	(112.195)	(112.894)
Salaries and social security		(6.351)	(10.568)	(5.520)	(9.681)	(22.989)	(26.017)
Raw materials		(683)	(1.272)	(563)	(1.105)	(2.356)	(3.407)
Taxes other than income tax		(825)	(1.682)	(623)	(1.630)	(3.409)	(4.085)
Electricity		(529)	(1.523)	(513)	(1.461)	(3.976)	(3.804)
Depreciation and amortization		(4.683)	(9.994)	(5.065)	(10.081)	(20.540)	(18.560)
Repairs and maintenance		(2.208)	(2.732)	(402)	(726)	(2.807)	(755)
Water		(94)	(178)	(328)	(568)	(801)	(1.069)
Change in allowance for accounts receivable	3	144	582	(961)	2.123	1.133	847
Change in allowance for inventories				6	6	8	324
Petrašiūnai power plant operator expenses	1	(522)	(1.037)	(488)	(975)	(2.193)	(967)
Other expenses		(3.186)	(6.244)	(2.698)	(4.993)	(9.363)	(11.413)
Other operating expenses	9	(490)	(860)	(229)	(449)	(1.025)	(1.198)
Total operating expenses		(37.347)	(103.197)	(32.707)	(91.437)	(180.513)	(182.998)
Financial and investing activities		(10.357)	9.864	(11.578)	2.294	(9.666)	4.440
Income from financial and investing activities	10	353	656	347	732	1.314	1.946
Expenses from financial and investing activities	10	(571)	(1.267)	(385)	(766)	(2.008)	(1.347)
Financial and investing activities, net		(218)	(611)	(38)	(34)	(694)	599
Profit before tax		(10.575)	9.253	(11.616)	2.260	(10.360)	5.039
Income tax						1.840	868
Net profit		(10.575)	9.253	(11.616)	2.260	(8.520)	5.907
Basic earnings per share (LTL)		(0,54)	(0,47)	(0,59)	0,11	(0,43)	0,30

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

General Direktor	Aleksandras Sigitas Matelionis		24 July, 2008
Chief Accountant	Violeta Staškūnienė		24 July, 2008

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE I HALF OF THE YEAR 2008

(all amounts are in LTL thousand unless otherwise stated)

		Company					
	Notes	II quarter, 2008	I half, 2008	II quarter, 2007	I half, 2007	2007	2006
Operating income							
Income from sales	8	26.699	112.150	20.551	92.429	168.003	183.224
Other operating income	9	122	401	301	590	1.370	8.464
Total operating income		26.821	112.551	20.852	93.019	169.373	191.688
Operating expenses							
Fuel and heat acquired		(17.920)	(67.689)	(15.323)	(61.897)	(112.195)	(112.894)
Salaries and social security		(5.627)	(9.158)	(4.660)	(8.052)	(19.966)	(24.543)
Raw materials		(521)	(987)	(469)	(949)	(2.013)	(3.352)
Taxes other than income tax		(813)	(1.659)	(622)	(1.628)	(3.354)	(4.066)
Electricity		(523)	(1.508)	(510)	(1.454)	(3.956)	(3.804)
Depreciation and amortization		(4.632)	(9.896)	(5.037)	(10.024)	(20.389)	(18.497)
Repairs and maintenance		(2.208)	(2.732)	(402)	(723)	(2.804)	(755)
Water		(90)	(170)	(324)	(561)	(787)	(1.069)
Change in allowance for accounts receivable		144	582	(961)	2.123	1.133	847
Change in allowance for inventories			6			324	(279)
Heat and hot water systems supervision costs	1,12	(688)	(1.417)	(689)	(1.412)	(2.801)	(1.995)
Petrašiūnai power plant operator expenses	1	(522)	(1.037)	(488)	(975)	(2.193)	(967)
Other expenses		(3.001)	(5.922)	(2.528)	(4.723)	(8.791)	(10.942)
Other operating expenses	9	(489)	(858)	(216)	(424)	(986)	(1.491)
Total operating expenses		(36.890)	(102.451)	(32.223)	(90.693)	(179.094)	(183.204)
Financial and investing activities							
		(10.069)	10.100	(11.371)	2.326	(9.721)	8.484
Income from financial and investing activities	10	353	656	346	773	1.364	1.946
Expenses from financial and investing activities	10	(569)	(1.263)	(385)	(766)	(2.003)	(1.347)
Financial and investing activities, net		(216)	(607)	(39)	7	(639)	599
Profit before tax							
		(10.285)	9.493	(11.410)	2.333	(10.360)	9.083
Income tax						1.845	277
Net profit		(10.285)	9.493	(11.410)	2.333	(8.515)	9.360
Basic earnings per share (LTL)		(0,52)	0,48	(0,58)	0,12	(0,43)	0,47

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

General Direktor

Chief Accountant

Aleksandras Sigitas

Matelionis

Violeta Staškūnienė

24 July, 2008

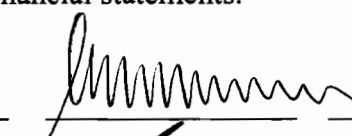

24 July, 2008

Statements of change in equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained earnings	Total
Balance as of 31 December, 2006		118.310	3.634	-	4.236	126.180
Dividends					(8)	(8)
Net profit for the year		-	-	-	2260	2260
Reserve	7	-	7739	163	(7.902)	-
Balance as of 30 June, 2007		118.310	11.373	163	(1.414)	128.432
Dividends	7				8	8
Net profit for the year		-	-		(10.780)	(10.780)
Balance as of 31 December, 2007		118.310	11.373	163	(12.186)	117.660
Transferred to the legal reserve	7	-	(8.332)	(163)	8.495	-
Net profit for the year		-	-		9.253	9.253
Balance as of 30 June, 2008		118.310	3.041		5.562	126.913

Company	Notes	Share capital	Legal reserve	Other reserve	Retained earnings	Total
Balance as of 31 December, 2006		118.310	3.634	-	7.689	129.633
Net profit for the year		-	-	-	2.333	2.333
Reserve	7	-	7.689	-	(7.689)	-
Balance as of 30 June, 2007		118.310	11.323	-	2.333	131.966
Transferred to the legal reserve	7					
Net profit for the year		-	-		(10.848)	(10.848)
Balance as of 31 December, 2007		118.310	11.323	-	(8.515)	121.118
Transferred to the legal reserve		-	(8.515)		8.515	-
Net profit for the year		-	-		9.493	19.778
Balance as of 30 June, 2008		118.310	2.808		9.493	130.611

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

General Direktor	Aleksandras Sigitas Matelionis		24 July, 2008
Chief Accountant	Violeta Staškūnienė		24 July, 2008

Cash flow statements

	Group		Company	
	I half, 2008	I half, 2007	I half, 2008	I half, 2007
Cash flows from (to) operating activities				
Net profit (loss)	9.253	2.260	9.493	2.333
Adjustments for non-cash items:	9.116	6.847	9.027	6.752
Depreciation and amortization	10.686	10.578	10.585	10.498
Change in allowance for accounts receivable	(582)	(2.123)	(582)	(2.123)
Loss (gain) from sale and written off property, plant and equipment and shares	457	(16)	457	(15)
Change in allowance for inventories		(6)		(6)
Dividends		(8)		
Profit tax costs (income)				
Accruals	(1.519)	(1.271)	(1.503)	(1.271)
Amortization of grants	(659)	(365)	(659)	(365)
Interest expenses	1.266	753	1.262	753
Elimination of other financial and investing activity results	(533)	(695)	(533)	(719)
Changes in working capital:	2.308	2.818	1.998	2.790
(Increase) decrease in inventories	393	1.182	333	1.209
Decrease in prepayments	(186)	(307)	(152)	(272)
Decrease (increase) in trade receivables	18.015	17.310	18.009	17.246
Decrease (increase) in other receivables	437	306	(76)	306
(Decrease) in non-current trade payable	-		-	
Increase in current trade payables and advances received	(16.088)	(15.231)	(15.783)	(15.213)
Increase (decrease) in payroll-related liabilities	627	434	530	345
Increase (decrease) in other liabilities	(831)	(901)	(803)	(856)
(Decrease) in other liabilities	(59)	25	(60)	25
Net cash flows from operating activities	20.677	11.925	20.518	11.875

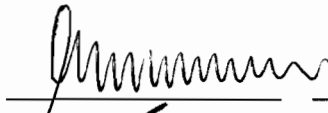
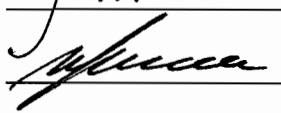
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The accompanying notes are an integral part of these financial statements.

Cash flow statements (cont'd)

	Group		Company	
	I half, 2008	I half, 2007	I half, 2008	I half, 2007
Cash flows from (to) investing activities				
(Acquisition) of tangible and intangible assets	(9.755)	(11.570)	(9.636)	(11.552)
(Acquisition) on non-current investments	-	-	-	-
Proceeds from sale of tangible and intangible assets and investments	75	22	75	21
Interest (received) for delayed sums	623	721	623	721
Dividends				
Increase in cash flows from (to) non-current accounts receivable	(5)		(5)	
Interest				
Net cash flows (to) from investing activities	(9.062)	(10.827)	(8.943)	(10.810)
Cash flows from (to) financing activities				
Proceeds from loans	4.305	5.762	4.305	5.762
(Repayment) of loans	(16.873)	(8.317)	(16.873)	(8.317)
Interest (paid)	(1.355)	(742)	(1.351)	(742)
Financial lease (payments)	(42)	(21)	(19)	
Penalty interest and fines (paid)	(1)	(13)	(1)	(13)
Net cash flows from (to) financing activities	(13.966)	(3.331)	(13.939)	(3.310)
Net (decrease) increase in cash and cash equivalents	(2.351)	(2.233)	(2.364)	(2.245)
Cash and cash equivalents at the beginning of the year	4.886	4.466	4.864	4.436
Cash and cash equivalents at the end of the year	2.535	2.233	2.500	2.191

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

<u>General Direktor</u>	<u>Aleksandras Sigitas Matelionis</u>		<u>24 July, 2008</u>
<u>Chief Accountant</u>	<u>Violeta Staškūnienė</u>		<u>24 July, 2008</u>

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 1 July, 1997 after the reorganization of JSC "Lietuvos energija". The Company's shares are traded on the Current List of the National Stock Exchange.

On 30 June, 2008 and on 31 December, 2007 the shareholders of the Company were:

	Number of shares (units)	Ownership portion (percent)
Kaunas city municipality	16.954.892	85,99
Kaunas district municipality	1.606.168	8,14
Jurbarkas district municipality	443.810	2,25
Other small shareholders	713.512	3.62
	19.718.382	100,00

All the shares, the nominal value of each is 6 LTL, are ordinary registered shares and on 30 June, 2008 and on 31 December, 2007 were fully paid. Authorized capital in 2008 and 2007 didn't changed. In 2008 and 2007 Company hadn't it's own shares.

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.

On 30 August, 2006 Company increased authorized capital of closed-end company „Pastatų priežiūros paslaugos" up to 6.518 thousand LTL. The value of the asset brought in in the Company's balance made 2.046 thousand LTL. After the evaluation of Company's brought in asset by market

value made by independent asset evaluators, the difference between asset value and real value is equal 4.462 thousand LTL.

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	155	6.951	Maintenance of heating and hot water supply systems.

Operations of JSC „Kauno energija“ are regulated by the Law on Heat No IX-1565 of 20 May, 2003 of the Republic of Lithuania. From 1 January, 2008 Law on Heat change law No. X-1329 of 20 November, 2007 came into force.

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. According to Law on Heat of the Republic of Lithuania Law Change No. X-1329 of 20 November, 2007 from May, 2008 the heat sale price of KTE has to be confirmed by the State Prices and Energy Control Commission, correspondingly Company would buy heat energy from KTE at the price confirmed by the Commission. On the day of this financial statement for the future heat season Commission didn't yet confirmed new heat sale price for KTE and Company.

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. In Marijampolė district Company sold previous boiler house asset.

The Company's total heat and electricity generation capacity is 534,2 MW and 8.75 MW, respectively, out of which 265,8 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 542,95 MW.

In I quarter, 2008, the average number of employees at the Group was 691 (721 employees in 2007). In I quarter, 2008, the average number of employees at the Company was 615 (624 employees in 2007).

2. Summary of financial principles

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.

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. Non-current asset

Depreciation of Group's and Company's non-current asset on I half, 2008 makes correspondingly 10.686 thousand LTL and 10.585 thousand LTL (2007 – 20.676 thousand LTL and 20.507 thousand LTL). 9.994 thousand LTL and 9.896 thousand LTL (2007 – 19.672 thousand LTL and 19.531 thousand LTL) in Group's and Company's profit (loss) report are included into activity costs. Other sums - into other activity sums.

On 30 June, 2008 the largest portion of not finished construction of Group and Company makes heat supply networks reconstruction works.

On 20 June, 2008 non-current asset of Group's and Company's, which value was 72.542 thousand LTL (on 31 December, 2007 – 79.042 thousand LTL), is pledged as collateral for the loans (8 note).

4. Receivables after one year

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Long term loans for the Company's employees	104	104	104	104
Other	18	13	18	13
	122	117	122	117

Long term loans for the Company's employees are without interest and their term is from 2009 up to 2023. These loans are calculated by discount value using 6 percent interest rate.

On 30 June, 2008 and on 31 December, 2007 for the sums received after one year payment period didn't passed and for them value decrease is not determined.

5. Receivables during one year

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Trade receivables, general value	39.996	58.283	39.996	58.005
Minus: decrease of receivables	(19.817)	(20.399)	(19.817)	(20.399)
Trade receivables, net value	20.013	37.884	20.179	37.606

Decrease of receivables change in I half, 2008 and 2007 in Group's and Company's profit (loss) reports is included into receivables realization value decrease change costs.

Trade receivables are without interest and their term 30-45 days.

For trade receivables, which nominal value on 30 June, 2008 was 18.805 thousand LTL (on 31 December, 2007 – 18.732 thousand LTL), was calculated 100 percent value decrease.

Group's and Company's trade receivables depreciation movement is:

	Individually determined value decrease	Generally determined value decrease	Total
31 December, 2006	1.392	20.978	22.370
Rehabilitation of not used sums	-	(1.971)	(1.971)
31 December, 2007	1.392	19.007	20.399
Rehabilitation of not used sums	-	(582)	(582)
30 June, 2008	1.392	18.425	19.817

In 2007 Group and Company had written off 957 thousand LTL debts. Also Group and Company during I half, 2008 received 30 thousand LTL (2007 – 19 thousand LTL) debts, which in previous periods were written off.

6. Cash and cash equivalents

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Cash at bank	1.337	1.472	1.302	1.450
Cash on hand	26	13	26	13
Cash in transit	1.172	3.401	1.172	3.401
	<u>2.535</u>	<u>4.886</u>	<u>2.500</u>	<u>4.864</u>

The Group's and Company's accounts in LTL, which balance on 30 June, 2008 amounting to 1.143 thousand LTL (31 December, 2007 - 865 thousand LTL) are pledged as collateral to for the loans (8 note).

7. Reserve

Legal and other 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. Legal reserve can't be transferred for dividends, but can be used to cover future losses. On 14 May, 2007 based on the decision of the Company's shareholders 7.689 thousand LTL (on 29 April, 2006 – 3.634 thousand LTL) were transferred to the legal reserve. Group on 14 March, 2007 based on the decision of shareholders 50 thousand LTL transferred to the legal reserve and 163 thousand LTL to other reserve and on 7 March, 2008 based on the decision of the Company's shareholders to legal reserve – 183 thousand LTL, before transfer to profit 163 thousand LTL from other reserve. On 29 April, 2008 based on the decision of the Company's shareholders from legal reserve transferred 8515 thousand LTL to cover activity loss of 2007.

8. Financial debts

	Group		Company	
	31		31	
	30 June, 2008	December, 2007	30 June, 2008	December, 2007
Non-current financial debts				
Non-current loans	26.891	23.039	26.891	23.039
	26.891	23.039	26.891	23.039
Current loans				
Portion of non-current loans of current year	4.187	8.688	4.187	8.688
Current bank loans (including credit line)	9.101	21.020	9.101	21.020
	13.330	29.708	13.330	29.708
	40.179	52.747	40.179	52.747

Payment period of non-current loans (all loans are with variable interest rate):

	Group		Company	
	31		31	
	30 June, 2008	December, 2007	30 June, 2008	December, 2007
2008	4.187	8.688	4.187	8.688
2009	15.612	15.607	15.612	15.607
2010	2.319	2.319	2.319	2.319
2011	2.319	1.910	2.319	1.910
2012	1.913	1.163	1.913	1.163
2013	1.488	668	1.488	668
2014	1.488	667	1.488	667
2015	1.405	604	1.405	604
2016	347	101	347	101
	31.078	31.727	31.078	31.727

Used interest rates are close to efficient interest rates.

At the end of the year not paid loans balance in litas and foreign currency is:

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Currency of loan:				
euros	20.783	23.610	20.783	23.610
litas	19.396	29.137	19.396	29.137
	<u>40.179</u>	<u>52.747</u>	<u>40.179</u>	<u>52.747</u>

On 1 August, 2005 the Company signed a long-term loan agreement with JSC bank "Hansabankas" for the amount of 5.000 thousand LTL. The maturity date of the last portion of the loan is 1 August 2012. As of 30 June, 2008 the outstanding balance of the loan amounted to 3.337 thousand LTL of which 416 thousand LTL was accounted for as the current portion of non-current borrowings in the financial statement of the Company. For the loan there is payment of 6 months VILIBOR+ 0,77 percent annual interest.

On 23 August, 2005 the Company signed a long-term loan agreement with JSC SEB Vilniaus Bankas for the amount of 30.300 thousand LTL (EUR 8.776 thousand). The maturity date of the last portion of the loan is 31 December, 2009. As of 30 June, 2008 the outstanding balance of the loan amounted to LTL 15.731 thousand (EUR 4.556 thousand) of which 3.430 thousand LTL was accounted for as the current portion of non-current borrowings in the financial statements of the Company. For the loan there is payment of 6 months VILIBOR+ 0,4 percent annual interest.

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 loan sum increased up to 6.090 thousand LTL. The maturity date of the last portion of the loan is 31 October, 2015. As of 30 June, 2008 the outstanding balance of the loan amounted to 5.961 thousand LTL of which 136 thousand LTL was accounted for as the current portion of non-current borrowings in the financial statements of the Group and Company. For the loan there is payment of 3 months VILIBOR+ 0,45 percent annual interest.

On 21 December, 2006 the Company signed a long-term agreement with JSC SEB Vilniaus Bankas for the amount of 7.108 thousand LTL (2.059 thousand EUR). The maturity date of the last portion of the loan is 30 November, 2016. As of 30 June, 2008 the outstanding balance of the loan amounted to 3.063 thousand LTL (1.510 thousand EUR) of which 198 thousand LTL is accounted for as the current portion of non-current borrowings in the financial statements of the Company. For the loan there is payment of 6 months VILIBOR+ 0,4 percent annual interest.

On 14 November, 2007 the Company signed a long-term agreement with JSC DnB NORD Bankas for the amount of 1.989 thousand LTL (576 thousand EUR). The maturity date of the last portion of the loan is 31 December, 2016. As of 30 June, 2008 the outstanding balance of the loan amounted to

1.989 thousand LTL (576 thousand EUR). All balance of the loan is accounted for as the current portion of non-current borrowings in the financial statements of the Group and Company. For the loan there is payment of 12 months EUR LIBOR+ 0,59 percent annual interest.

On 20 April, 2007 the Company signed a long-term agreement with JSC SAMPO Bankas for the amount of 1.010 thousand LTL. The maturity date of the overdraft limit is 20 October, 2009. As of 30 June, 2008 the used sum of overdraft amounted to 997 thousand LTL. For the overdraft there is payment of 3 months VILIBOR+ 0,44 percent annual interest.

On June 4, 1999 the Company signed a long-term agreement with JSC SEB Vilniaus Bankas for the amount of 7.000 thousand LTL. The maturity date of the last portion of the loan is 19 July, 2008. As of 30 June, 2008 the not used credit line funds amounted to 2.235 thousand LTL, which repayment is foreseen – 19 July, 2008. For the loan there is payment of 6 months VILIBOR+ 0,6 percent annual interest.

On 8 July, 2004 the Company signed a long-term overdraft agreement with JSC DnB NORD Bankas for the amount of 18.000 thousand LTL. The maturity date of the last portion of the overdraft limit was 31 May, 2008. On 27 May, 2008 Company signed the agreement for the reduction of overdraft limitu p to 10.000 thousand LTL and fot the maturity term up to 31 May, 2009. As of 30 June, 2008 the outstanding balance of the overdraft amounted to 5.664 thousand LTL. For the overdaft there is payment of 6 months VILIBOR+ 0,78 percent annual interest.

Group's and Company's non-current asset (3 note) and accounts at bank (6 note) were pledged for banks as collateral for the loans.

9. Lease (financial lease)

According to financial lease agreements leased Group's asset consists of transport mains. Financial lease terms are from 2 to 5 years. Below presented asset balance value acquired by financial lease:

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Transport mains	223	265	56	75
	223	265	56	75

As of 30 June, 2008 financial lease interest rate was variable and fixed. Fixed interest rate was 3,99 percent and 5,77 percent. Variable interest rate fluctuates from 6 months EURIBOR + 1,5 percent.

All financial lease balance is denominated in euros.

Financial lease payments in the future according to the mentioned lease agreements as of 30 June, 2008 consists of:

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Per one year	50	96	20	41
From one up to 5 years	192	192	38	38
Financial lease liabilities, total	242	288	58	79
Interest	(19)	(23)	(2)	(4)
Financial lease liabilities current value	223	265	56	75
Financial lease liabilities calculated as:				
- current	42	84	19	38
- non-current	181	181	37	37

10. Grants (delayed income)

	Group		Company	
	30 June, 2008	31 December, 2007	30 June, 2008	31 December, 2007
Balance at the beginning of period	10.503	7.935	10.503	7.935
Received per year				
Without payment received non-current asset	289	3.370	289	3.370
		3.370		3.370
Amortization and written off	(659)	(802)	(659)	(802)
Balance at the end of period	10.133	10.503	10.133	10.503

In the year 2007 Group and Company without payment received heat networks in Draugystė str., Elektrėnai str. and Partizanai str. in Kaunas, which value at the moment of transfer was 3.370 thousand LTL. In the year 2008 – heat network in Žiemgaliai str., Raudondvaris str., which value is 149 thousand LTL and telecommunication equipment, which value is 140 thousand LTL.

11. Trade debts

Trade debts are without interest and generally for them there is period of 30 days.

12. 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	
	I half, 2008	I half, 2007	I half, 2008	I half, 2007
Heat energy	110.140	90.498	110.157	90.515
Maintenance of buildings heating and hot water supply systems	805	1.146	483	378
Electricity	339	319	339	319
Revenue from sale of emission rights				
Constant technical supervision	1.376	1.234	1.171	1.217
	<u>112.660</u>	<u>93.197</u>	<u>112.150</u>	<u>92.429</u>

13. Other activity

	Group		Company	
	I half, 2008	I half, 2007	I half, 2008	I half, 2007
Other operating income				
Provided services	419	336	419	392
Materials sold	60	48	60	48
Reselled services	12	141	12	141
Other	(90)	9	(90)	9
	<u>401</u>	<u>534</u>	<u>401</u>	<u>590</u>
Other operating costs				
The cost of provided services	(260)	(280)	(258)	(255)
Cost of materials sold	(228)	(29)	(228)	(29)
Cost of reselled services	(463)	(136)	(470)	(136)
Other	91	(4)	98	(4)
	<u>(860)</u>	<u>(449)</u>	<u>(858)</u>	<u>(424)</u>
	<u>(459)</u>	<u>(85)</u>	<u>(457)</u>	<u>166</u>

Non-current asset sale loss is from the sale of Paliai boiler house for the Marijampolė district municipality – 470 thousand LTL.

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

	Group		Company	
	I half, 2008	I half, 2007	I half, 2008	I half, 2007
Income from financial and investment activities				
Interest for delayed receivables	623	721	623	721
Interest	6	9	6	9
Profit from currency exchange change	-	-	-	-
Dividends	-	-	-	43
Other financial income	27	2	27	-
	<u>656</u>	<u>732</u>	<u>656</u>	<u>773</u>
Expenses of financial and investment activities				
Penalty interest and fines	(1)	(12)	(1)	(12)
Interest	(1266)	(753)	(1262)	(753)
Other financial expenses		(1)		(1)
	<u>(1.267)</u>	<u>(766)</u>	<u>(1.263)</u>	<u>(766)</u>
	<u>(611)</u>	<u>(34)</u>	<u>(607)</u>	<u>7</u>

15. Profit (loss) for one share

Below are presented Group's profit portion for one share calculation:

	Group	
	30 June, 2008	31 December
Net profit (loss)	9.253	(8.520)
Number of shares (thousand), at the beginning of period	19.718	19.718
Number of shares (thousand), at the end of period	19.718	19.718
Issued ordinary shares average (thousand)	19.718	19.718
Profit (loss) for one share (in litas)	<u>0,47</u>	<u>(0,43)</u>

16. Financial assets and liabilities and risk managementCredit risk

Group and Company does not suffer credit risk concentration because are working with large number of buyers.

Group and Company gives no quarantees for other parties obligations.

From trade and other receivables, which term didn't passed and no value decrease determined, on financial statement day there are no any features that debtors would not implement their payment liabilities because receivables balance is always controlled.

Group and Company thinks that maximal risk is equal from trade receivables sum minus recognized value decrease lossies on balance day.

For the credit risk arising for the Group's and Company's other financial asset, which is made of cash and cash equivalents and for the sale devoted financial investments, Group's and Company's credit risk arises for the partners liabilities unfullfilment and the biggest possible risk is equal for these instruments balance value.

Interest risk

All Group's and Company's non-current loans are with variable interest rate, thats why Group and Company suffer some kind of interest rate risk. On 30 June, 2008 Group and Company had no any financial mains, which purpose would be to manage interest rate fluctuation risk.

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 (current asset, total/receivables per one year and liabilities, total) and quick ratios ((current asset, total – storage)/receivables per one year and liabilities, total) as of 30 June, 2008 were 1,18 and 0,96 (0,86 and 0,75 as of 31 December, 2007). The Company's liquidity and quick ratios as of 30 June, 2008 were 1,18 and 0,96 respectively (0,85 and 0,75 as of 31 December, 2007).

Foreign currency risk

All Group's and Company's purchases, sale and financial debts are denominated in litas and euros, thats why there is no foreign currency risk.

As of 30 June, 2008 cash asset and cash liabilities in national and forein currency were:

	Group	Company	Group	Company
	Asset		Liabilities	
LTL	26.749	26.920	34.068	34.186
EUR	-	-	20.783	20.783
Total	26.749	26.920	54.851	54.969

17. 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 I half, 2008 and 2007 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 I half, 2008 and 2007 the related party of the Company was closed-end company "Pastatų priežiūros paslaugos".

In I half, 2008 Company's transactions with the related parties and the at the end of the year were the follows:

I half, 2008	Purchases	Sales	Receivables	Payables
Closed-end company "Pastatų priežiūros paslaugos"	1.439	151	51	439

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

2007	Purchases	Sales	Receivables	Payables
Closed-end company "Pastatų priežiūros paslaugos"	2.955	310	63	299

Remuneration of the management and other payments

The Group's and the Company's management remuneration amounted to 385 thousand LTL and 233 thousand LTL in I half, 2008, respectively (Company's 778 thousand LTL and 390 thousand LTL in 2007). In I half, 2008 and 2007 the management of the Company did not received any loans, guarantees; no other payments or property transfers were made or accrued.

18. Capital management

The main goal of capital management is to guarantee that Group and Company would correspond external capital requirements and that would hold capital indexes aiming to hold their business and maximize benefits for the shareholders.

Group and Company manages their capital structure and changes it according to the economical conditions changes and to activity risk features. Aiming to hold and change capital structure group and company can issue new shares, change dividends payment to the shareholders, repay capital to shareholders. On 30 June, 2008 and on 31 December, 2007 there were no changes of capital management aims, politics or process.

The Law on Enterprises of the Republic of Lithuania demands that Group's and Company's own capital would make not less than 50 percent of it's capital. There are no other determined requirements for the capital of Group and Company.

Group and Company values capital by using liabilities and own capital relation. Own capital consists of ordinary shares, reserve, not allocated profit devoted to patron enterprise capital holders. Group and Company management didn't determined concrete liabilities and own capital relation coefficient, but presented below indexes are valued as sufficiently good activity indexes:

	Group		Company	
	31	31	31	31
	30 June,	December,	30 June,	December,
	2008 m.	2007	2008	2007
Non-current liabilities (including put by taxes and subsidies)	38.938	35.456	39.463	35.981
Current liabilities	27.779	62.111	28.041	62.099
Total liabilities	66.717	97.567	67.504	98.080
Own capital	126.913	117.660	130.611	121.118
Relation of liabilities* and own capital	52,57%	82,92%	51,68%	80,98%

* Liabilities cover all non-current (including put by profit tax liability and subsidies (put by income)) and current liabilities.