



AKCINĖ BENDROVĖ „KAUNO ENERGIJA“

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

2009-01-30 Nr. 20-401

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 Rimantas Bakas and Chief Accountant Violeta Staškūnienė JSC „Kauno energija“ approving, that according ours knowledge the JSC „Kauno energija“ interim financial reporting of the 12 months 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.

Attachad: JSC „Kauno energija“ set of annual consolidated and company's financial statements for the year 2008, prepared according to the International Financial Reporting Standards.

Yours respectfully

General Manager

Rimantas Bakas

Chief Accountant

Violeta Staškūnienė

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JSC „KAUNO ENERGIJA“

SET OF ANNUAL CONSOLIDATED AND COMPANY'S FINANCIAL
STATEMENTS
FOR **THE YEAR 2008**
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS

SET OF ANNUAL CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2008

(all amounts are in LTL thousand unless otherwise stated)

Balance sheets

	Notes	Group		Company	
		31 Decem- ber, 2008	31 December, 2007	31 Decem- ber, 2008	31 December, 2007
ASSETS					
Non-current assets					
Intangible assets		1.681	2.511	1.580	2.448
Property, plant and equipment					
Land and buildings		29.770	30.448	28.186	28.806
Structures and machinery		117.334	110.815	117.304	110.773
Vehicles		1.111	1.348	939	1.113
Equipments and tools		7.062	8.036	6.967	7.939
Other property, plant and equipment		1.775	2.016	1.775	2.016
Construction in progress and prepayments		8.729	8.204	8.729	8.204
Total property, plant and equipment	3	164.006	158.851	162.125	156.835
Non-current financial assets					
Investments into daughter companies	1	-	-	6.518	6.518
Non-current accounts receivable	4	65	117	65	117
Other financial assets		433	433	433	433
Total non-current financial assets		498	550	7.016	7.068
Total non-current assets		166.185	161.912	170.721	166.351
Current assets					
Inventories and prepayments					
Inventories		5.409	6.531	5.370	6.364
Prepayments		539	463	527	446
Total inventories and prepayments		5.948	6.994	5.897	6.810
Current accounts receivable					
Trade receivables	5	54.950	37.884	55.186	37.606
Other receivables		9.177	3.551	9.211	3.567
Total accounts receivable		64.127	41.435	64.397	41.173
Cash and cash equivalents	6	3.616	4.886	3.604	4.864
Total current assets		73.691	53.315	73.898	52.847
Total assets		239.876	215.227	244.619	219.198

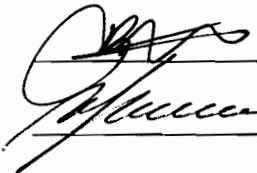
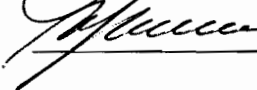
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The accompanying notes are an integral part of these financial statements.

Balance sheets (continued)

	Notes	Group		Company	
		31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
EQUITY AND LIABILITIES					
Equity					
Share capital	1	119.510	118.310	119.510	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)		(3.092)	(8.520)	(2.806)	(8.515)
Profit (loss) for the previous year		(3.691)	(3.666)		-
Total retained earnings (deficit)		(6.783)	(12.186)	(2.806)	(8.515)
Total equity		115.768	117.660	119.512	121.118
Liabilities					
Non-current liabilities					
Non-current financial borrowings	8	33.922	23.039	33.922	23.039
Lease (financial lease)	9	95	181		37
Other accounts payable			824		824
Deferred income tax liability		359	909	1.252	1.578
Grants (deferred income)	10	10.254	10.503	10.254	10.503
Total non-current liabilities		44.630	35.456	45.428	35.981
Current liabilities					
Non-current financial borrowings and lease (financial lease) portion of current year	8,9	8.834	8.772	8.785	8.726
Current financial borrowings	8	15.720	21.020	15.720	21.020
Trade payables	11	50.997	28.181	51.429	28.424
Advances received		933	753	920	753
Payroll-related liabilities		2.054	2.087	1.933	1.936
Taxes payable		775	994	727	936
Income tax payable		-	-	-	-
Other current liabilities		165	304	165	304
Total current liabilities		79.478	62.111	79.679	62.099
Total liabilities		124.108	97.567	125.107	98.080
Total equity and liabilities		239.876	215.227	244.619	219.198

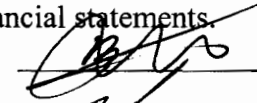

The accompanying notes are an integral part of these financial statements.

General Director	Rimantas Bakas		23 January, 2009
Chief Accountant	Violeta Staškūnienė		23 January, 2009

Income (loss) statements

Group	Notes	IV quarter,		IV quarter,		2006
		2008	2008	2007	2007	
Operating income						
Income from sales	12	78.863	206.071	61.404	169.528	183.734
Other operating income	13	348	1.337	491	1.319	3.704
Total operating income		79.211	207.408	61.895	170.847	187.438
Operating expenses						
Fuel and heat acquired		(57.410)	(137.604)	(39.121)	(112.195)	(112.894)
Salaries and social security		(7.909)	(24.664)	(7.850)	(22.989)	(26.017)
Raw materials		(606)	(2.405)	(728)	(2.356)	(3.407)
Taxes other than income tax		(964)	(3.462)	(990)	(3.409)	(4.085)
Electricity		(767)	(2.880)	(807)	(3.976)	(3.804)
Depreciation and amortization		(4.058)	(18.984)	(5.255)	(20.540)	(18.560)
Repairs and maintenance		(320)	(5.160)	(1.904)	(2.807)	(755)
Water		(144)	(517)	(115)	(801)	(1.069)
Change in allowance for accounts receivable	5	(184)	325	(9)	1.133	847
Change in allowance for inventories		1	10	2	8	324
Petrašiūnai power plant operator expenses	1	(585)	(2.184)	(518)	(2.193)	(967)
Other expenses		(2.337)	(10.669)	(2.512)	(9.363)	(11.413)
Other operating expenses	13	(168)	(1.358)	(294)	(1.025)	(1.198)
Total operating expenses		(75.451)	(209.552)	(60.101)	(180.513)	(182.998)
Operating profit		3.760	(2.144)	1.794	(9.666)	4.440
Income from financial and investing activities	14	294	1.281	281	1.314	1.946
Expenses from financial and investing activities	14	(863)	(2.779)	(721)	(2.008)	(1.347)
Financial and investing activities, net		(569)	(1.498)	(440)	(694)	599
Profit before tax		3.191	(3.642)	1.354	(10.360)	5.039
Income tax		550	550	1.840	1.840	868
Net profit		3.741	(3.092)	3.194	(8.520)	5.907
Basic earnings per share (LTL)	15	0,19	(0,16)	0,07	(0,43)	0,30

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

General Director	Rimantas Bakas		23 January, 2009
Chief Accountant	Violeta Staškūnienė		23 January, 2009

Company	Notes	IV quarter,		IV quarter,		2006
		2008	2008	2007	2007	
Operating income						
Income from sales	12	78.766	205.330	61.024	168.003	183.224
Other operating income	13	340	1.322	393	1.370	8.464
Total operating income		79.106	206.652	61.417	169.373	191.688
Operating expenses						
Fuel and heat acquired		(57.410)	(137.604)	(39.121)	(112.195)	(112.894)
Salaries and social security		(7.345)	(22.061)	(7.118)	(19.966)	(24.543)
Raw materials		(526)	(1.991)	(630)	(2.013)	(3.352)
Taxes other than income tax		(940)	(3.402)	(966)	(3.354)	(4.066)
Electricity		(760)	(2.853)	(798)	(3.956)	(3.804)
Depreciation and amortization		(4.008)	(18.786)	(5.205)	(20.389)	(18.497)
Repairs and maintenance		(320)	(5.181)	(1.904)	(2.804)	(755)
Water		(139)	(502)	(111)	(787)	(1.069)
Change in allowance for accounts receivable	5	(184)	325	(9)	1.133	847
Change in allowance for inventories		1	10	2	8	324
Heat and hot water systems supervision costs	1	(522)	(2.485)	(707)	(2.801)	(1.995)
Petrašiūnai power plant operator expenses	1	(585)	(2.184)	(518)	(2.193)	(967)
Other expenses		(2.270)	(10.228)	(2.304)	(8.791)	(10.942)
Other operating expenses	13	(168)	(1.353)	(281)	(986)	(1.491)
Total operating expenses		(75.176)	(208.295)	(59.670)	(179.094)	(183.204)
Operating profit		(3.930)	(1.643)	1.747	(9.721)	8.484
Income from financial and investing activities	14	294	1.281	289	1.364	1.946
Expenses from financial and investing activities	14	(861)	(2.770)	(719)	(2.003)	(1.347)
Financial and investing activities, net		(567)	(1.489)	(430)	(639)	599
Profit before tax		(3.363)	(3.132)	(1.317)	(10.360)	9.083
Income tax		326	326	1.845	1.845	277
Net profit		3.689	(2.806)	3.162	(8.515)	9.360
Basic earnings per share (LTL)	15	0,19	(0,14)	0,06	(0,43)	0,47

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

General Director

Rimantas Bakas

23 January, 2009

Chief Accountant

Violeta Staškūnienė


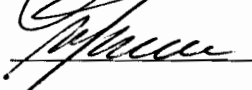
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Statements of change in equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained (losies)	Total
Balance as of 31 December, 2006		118.310	3.634	-	4.236	126.180
Net profit for the year		-	-	-	(8.520)	(8.520)
Transferred to the legal reserve	7	-	7739	163	(7.902)	-
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		-	-	-	(3.092)	(3.092)
Balance as of 31 December, 2008		118.310	3.041		(6.783)	115.768

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
Transferred to the legal reserve	7	-	7.689	-	(7.689)	-
Net profit for the year		-	-	-	(8.515)	(8.515)
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		-	-	-	(2.806)	(2.806)
Increase of authorized capital	1	1.200	-	-	-	1.200
Balance as of 31 December, 2008		119.510	2.808		(2.806)	119.512

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

General Director	Rimantas Bakas		23 January, 2009
Chief Accountant	Violeta Staškūnienė		23 January, 2009

Cash flow statements

	Group		Company	
	2008	2007	2008	2007
Cash flows from (to) operating activities				
Net profit (loss)	(3.092)	(8.520)	(2.806)	(8.515)
Adjustments for non-cash items:	20.525	18.691	20.524	18.448
Depreciation and amortization	20.199	21.544	19.996	21.365
Change in allowance for accounts receivable	(325)	(1.133)	(325)	(1.133)
Loss (gain) from sale and written off property, plant and equipment and shares	302		307	
Change in allowance for inventories	(10)	(8)	(10)	(8)
Not paid capital	600		600	
Profit tax costs (income)	(550)	(1.845)	(326)	(1.845)
Accruals	(23)	241	(42)	232
Amortization of grants	(1.138)	(802)	(1.138)	(802)
Interest expenses	2.774	1.989	2.766	1.984
Elimination of other financial and investing activity results	(1.304)	(1.295)	(1.304)	(1.345)
Changes in working capital:	568	3.981	138	4.073
(Increase) decrease in inventories	1.132	2.122	(81)	(10)
Decrease in prepayments	(16.740)	(2.222)	(17.255)	(2.235)
Decrease (increase) in trade receivables	(5.551)	1.946	(5.569)	1.946
Decrease (increase) in other receivables			-	
(Decrease) in non-current trade payable	(824)	824	(824)	824
Increase in current trade payables and advances received	22.996	2.023	(23.172)	(1.901)
Increase (decrease) in payroll-related liabilities	(10)	129	39	39
Increase (decrease) in other liabilities	(219)	(920)	(209)	(782)
(Decrease) in other liabilities	(139)	89	(138)	178
Net cash flows from operating activities	18.001	14.152	17.856	14.006

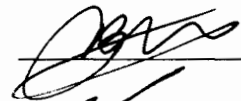
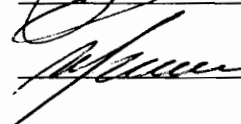
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The accompanying notes are an integral part of these financial statements.

Cash flow statements (cont'd)

	Group		Company	
	2008	2007	2008	2007
Cash flows from (to) investing activities				
(Acquisition) of tangible and intangible assets	(25.449)	(26.078)	(25.303)	(26.028)
(Acquisition) on non-current investments	-	-	-	-
Proceeds from sale of tangible and intangible assets and investments	1.513	23	1.467	24
Interest (received) for delayed sums	1.230	1.301	1.230	1.301
Dividends	-	-	-	50
Increase in cash flows from (to) non-current accounts receivable	(23)	139	(23)	139
Interest	51	13	51	13
Net cash flows (to) from investing activities	(22.678)	(24.602)	(22.578)	(24.501)
Cash flows from (to) financing activities				
Proceeds from loans	18.887	18.301	18.887	18.301
(Repayment) of loans	(13.245)	(5.432)	(13.245)	(5.432)
Interest (paid)	(2.747)	(1.928)	(2.739)	(1.924)
Financial lease (payments)	(84)	(52)	(37)	(3)
Penalty interest and fines (paid)	(4)	(19)	(4)	(19)
Shareholders input for increase of capital	600	-	600	-
Net cash flows from (to) financing activities	3.407	10.870	3.462	10.923
Net (decrease) increase in cash and cash equivalents	(1.270)	420	(1.260)	428
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	3.616	4.886	3.604	4.864

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

General Director	Rimantas Bakas		23 January, 2009
Chief Accountant	Violeta Staškūniene		23 January, 2009

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: Raudondvario 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 Additional Baltic Trade List of the Vilnius Stock Exchange.

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

	Number of Ownership shares (units) portion 2008-12-31 (percent) 2008-12-31	Number of Ownership shares (units) portion 2008-12-31 (percent) 2008-12-31
Kaunas city municipality	16.954.892	85,12
Kaunas district municipality	1.606.168	8,07
Jurbarkas district municipality	643.810	3,23
Other small shareholders	713.512	3,58
	19.918.382	100,00

All the shares, the nominal value of each is 6 LTL, are ordinary registered shares and on 31 December, 2008 were fully payed. Authorized capital in 2008 didn't changed.

On 30 July, 2008 with the shareholder Jurbarkas district municipality Agreement of ordinary registrered shares signing was signed, because on 14 February, 2008 Jurbarkas district municipality council made the decision for the Company's authorized capital increasement allotted 1.200 thousand LTL additional input, which will be used for the investments into subsidiary „Jurbarko šilumos tinklai“ asset, and on 26 June, 2008 in the Company's shareholders meeting it was decided to increase Company's aothorized capital by the 1.200 thousand LTL sum by issuing 200 thousand units ordinary registered shares of 6 LTL nominal value. Emission price of shares is equal their nominal value. 100 thousand units of shares on 31 December, 2008 are not payed. Company in 2008 and 2007 hasn't it's own shares.

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

Company also provides heating systems supervision services. 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“), which authorized capital was 10 thousand LTL. 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. After the establishment of daughter company Company's employees, who worked at Service department, were discharged from the Company and employed at closed-end company „Pastatų priežiūros paslaugos“. 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	(646)	6.123	Supervision of heating 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. On 12 September, 2008 by the decision the territory, in which Company can implement heat supply activity, provided in license was made clear, because was sold Paliai boiler house, which is in Marijampolė district. 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.

After the period of agreement 5 years validity heat purchase price from KTE was not recalculated, because according to Law on Heat of the Republic of Lithuania Law Change No. X-1329 of 20 November, 2007, which came into force from 1 January, 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. Commission new heat sale price confirmed for KTE and Company and it came into force from 1 December, 2008.

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. From 4 July, 2006 closed-end company "Energijos sistemų servisas" has started to provide Petrašiūnai power station exploitation service. Company's employees who worked at Petrašiūnai power station department were discharged from the Company and employed at closed-end company "Energijos sistemų servisas". Also on 22 September, 2006 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, 7 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 2008, the average number of employees at the Group was 663 (721 employees in 2007). In 2008, the average number of employees at the Company was 609 (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 (EU).

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 2008 makes correspondingly 20.067 thousand LTL and 19.905 thousand LTL (2007 – 20.676 thousand LTL and 20.507 thousand LTL). 18.852 thousand LTL and 18.675 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 31 December, 2008 the largest portion of not finished construction of Group and Company makes heat supply networks reconstruction works.

On 31 December, 2008 non-current asset of Group's and Company's, which value was 71.044 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	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Long term loans for the Company's employees	56	104	56	104
Other	9	13	9	13
	65	117	65	117

Long term loans for the Company's employees are without interest and their term is from 2010 up to 2023. These loans are calculated by discount value using 6 percent interest rate.

On 31 December, 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 per one year

	Group		Company	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Trade receivables, general value	74.430	58.283	74.666	58.005
Minus: decrease of receivables	(19.480)	(20.399)	(19.480)	(20.399)
Trade receivables, net value	54.950	37.884	55.186	37.606

Decrease of receivables change in 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 31 December, 2008 was 18.245 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	-	(919)	(919)
31 December, 2008	1.392	18.088	19.480

In 2008 Group and Company had written off 681 thousand LTL (2007 – 957 thousand LTL) debts. Also Group and Company per 2008 received 67 thousand LTL (2007 – 119 thousand LTL) debts, which in previous periods were written off.

6. Cash and cash equivalents

	Group		Company	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Cash at bank	1.437	1.472	1.426	1.450
Cash on hand	21	13	20	13
Cash in transit	2.158	3.401	2.158	3.401
	3.616	4.886	3.604	4.864

The Group's and Company's accounts in LTL, which balance on 31 December, 2008 amounting to 1.071 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 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Non-current financial debts				
Non-current loans	33.922	23.039	33.922	23.039
	<u>33.922</u>	<u>23.039</u>	<u>33.922</u>	<u>23.039</u>
Current loans				
Portion of non-current loans of current year	8.748	8.688	8.748	8.688
Current bank loans (including credit line)	15.720	21.020	15.720	21.020
	<u>24.468</u>	<u>29.708</u>	<u>24.468</u>	<u>29.708</u>
	<u>58.390</u>	<u>52.747</u>	<u>58.390</u>	<u>52.747</u>

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

	Group		Company	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
2008		8.688		8.688
2009	8.748	15.607	8.748	15.607
2010	9.570	2.319	9.570	2.319
2011	9.940	1.910	9.940	1.910
2012	4.683	1.163	4.683	1.163
2013	3.987	668	3.987	668
2014	3.987	667	3.987	667
2015	1.405	604	1.405	604
2016	350	101	350	101
	<u>42.670</u>	<u>31.727</u>	<u>42.670</u>	<u>31.727</u>

Used interest rates are close to efficient interest rates.

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

	Group		Company	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Currency of loan:				
euros	32.951	23.610	32.951	23.610
litas	25.439	29.137	25.439	29.137
	<u>58.390</u>	<u>52.747</u>	<u>58.390</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 31 December, 2008 the outstanding balance of the loan amounted to 2.921 thousand LTL of which 832 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 bank for the amount of 30.300 thousand LTL (8.776 thousand EUR). The maturity date of the last portion of the loan is 31 December, 2014. As of 31 December, 2008 the outstanding balance of the loan amounted to 15.000 LTL thousand (4.344 thousand EUR) of which 2.500 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+ 1,9 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 31 December, 2008 the outstanding balance of the loan amounted to 5.826 thousand LTL of which 844 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 bank 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 31 December, 2008 the outstanding balance of the loan amounted to 3.063 thousand LTL (830 thousand EUR) of which 2.865 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 bank 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 31 December, 2008 the outstanding balance of the loan amounted to 1.988 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 bank for the amount of 1.010 thousand LTL. The maturity date of the overdraft limit is 20 October, 2009. As of 31 December, 2008 the used sum of overdraft amounted to 1.010 thousand LTL. For the overdraft there is payment of 3 months VILIBOR+ 0,44 percent annual interest.

On September 4, 1999 the Company signed a long-term agreement with JSC SEB bank for the amount of 7.000 thousand LTL. The maturity date of the last portion of the loan is 19 July, 2008. As of 31 December, 2008 the not used credit line funds amounted to 40 thousand LTL, which repayment is foreseen – 19 July, 2008. For the credit line there is payment of 1 night VILIBOR+ 1,9 percent annual interest.

On 8 July, 2004 the Company signed a long-term overdraft agreement with JSC DnB NORD bank 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 for the maturity term up to 31 May, 2009. As of 31 December, 2008 the outstanding balance of the overdraft amounted to 1.240 thousand LTL. For the overdraft there is payment of 6 months VILIBOR+ 0,78 percent annual interest.

On 31 July, 2008 the Company has signed long-term agreement with Danske bank A/S Lithuanian subsidiary for the amount of 984 thousand EUR (3.399 thousand LTL). The maturity date of the last portion of the overdraft limit was 31 December, 2018. As of 31 December, 2008 the outstanding balance of the loan amounted to 357 thousand EUR (1.231 thousand LTL) from which 262 thousand LTL 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 3 months EURIBOR+ 0,385 percent annual interest.

On 31 July, 2008 the Company has signed long-term agreement with Danske bank A/S Lithuanian subsidiary for the amount of 1.158 thousand EUR (4.000 thousand LTL). The maturity date of the last portion of the overdraft limit was 31 December, 2017. As of 31 December, 2008 the outstanding balance of the loan amounted to 223 thousand EUR (771 thousand LTL) from which 262 thousand LTL 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 3 months EURIBOR+ 0,7 percent annual interest.

On 05 September, 2008 the Company has signed long-term agreement with JSC SEB bank for the amount of 172.772 thousand EUR (600 thousand LTL). The maturity date of the last portion of the overdraft limit was 31 May, 2009. As of 31 December, 2008 the outstanding balance of the loan amounted to 70 thousand EUR (240 thousand LTL) which 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 1 months EUR LIBOR+ 0,8 percent annual interest.

On 22 September, 2008 the Company has signed long-term agreement with JSC SEB bank for the amount of 3.333 thousand EUR (11.508 thousand LTL). The maturity date of the last portion of the overdraft limit was 31 December, 2011. As of 31 December, 2008 the outstanding balance of the loan amounted to 3.133 thousand EUR (10.818 thousand LTL) from which 2.417 thousand LTL 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 1 months EUR LIBOR+ 0,7 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	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Transport mains	186	257	55	75
	186	257	55	75

As of 31 December, 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 31 December, 2008 consists of:

	Group		Company	
	31 December, 2008	31 December, 2007	31 December, 2008	31 December, 2007
Per one year	93	96	38	41
From one up to 5 years	99	192		38
Financial lease liabilities, total	192	288	38	79
Interest	(11)	(23)	(1)	(4)
Financial lease liabilities current value	181	265	37	75
Financial lease liabilities calculated as:				
- current	86	84	37	38
- non-current	95	181		37

10. Grants (delayed income)

	Group		Company	
	31 December, 2008	31 December, 2007	31 December, 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	889	3.370	889	3.370
	59	3.370	59	3.370
Amortization and written off	(1.197)	(802)	(1.197)	(802)
Balance at the end of period	10.254	10.503	10.254	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. Subsidiary “jurbarko šilumos tinklai” has received 600 thousand LTL subsidy for the change of boiler burned by mazut into boiler burned by gas.

In 2008 was received subsidy of 59 thousand LTL for the specialists qualification improvement in foreign countries services.

11. Trade debts

Trade debts are without interest and generally for them there is period of 30 days. For the contractors debts is determined 90 days period.

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	
	2008	2007	2008	2007
Heat energy	201.857	162.017	201.890	162.017
Maintenance of buildings heating and hot water supply systems	3.708	4.802	2.934	3.277
Electricity	506	2.694	506	2.694
Revenue from sale of emission rights		15		15
	206.071	169.528	205.330	168.003

13. Other activity

	Group		Company	
	2008	2007	2008	2007
Other operating income				
Provided services	1.003	1.118	992	1.191
Materials sold	111	147	112	147
Profit from sold non-current asset	173	18	168	18
Other	50	36	50	14
	1.337	1.319	1.322	1.370
Other operating costs				
The cost of provided services	(631)	(873)	(625)	(858)
Cost of materials sold	(253)	(90)	(253)	(90)
Losses of non-current asset and shares sales	(475)	(18)	(475)	(18)
Other		(44)		(20)
	(1.358)	(1.025)	(1.353)	(986)
	(21)	294	(30)	384

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

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

	Group		Company	
	2008	2007	2008	2007
Income from financial and investment activities				
Interest for delayed receivables	1.241	1.301	1.241	1.301
Interest	18	13	18	13
Dividends	-	-	-	50
Other	22		22	
	1.281	1.314	1.281	1.364
Expenses of financial and investment activities				
Interest	(2.775)	(1.989)	(2.766)	(1.984)
Other	(4)	(19)	(4)	(19)
	(2.779)	(2.008)	(2.770)	(2.003)
	(1.498)	(694)	(1.489)	(639)

15. Profit (loss) for one share

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

	Group	
	31 December, 2008	31 December, 2007
Net profit (loss)	(3.092)	(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)	(0,16)	(0,43)

16. Financial assets and liabilities and risk management

Credit risk

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

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 losses 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 unfulfilment 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, that's why Group and Company suffer some kind of interest rate risk. In October, 2008 Group and Company had signed two interest exchange agreements with Nordea Bank Finland Plc Lithuanian subsidiary, which aim – to manage interest rate fluctuation risk. These agreements abolish loans, which general value is 7.477 thousand EUR (25.818 thousand LTL) interest rate fluctuation impact for Company's results.

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 31 December, 2008 were 0,93 and 0,86 (0,86 and 0,75 as of 31 December, 2007). The Company's liquidity and quick ratios as of 31 December, 2008 were 0,93 and 0,86 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, that's why there is no foreign currency risk.

As of 31 December, 2008 cash asset and cash liabilities in national and foreign currency were:

	Group	Company	Group	Company
	Asset		Liabilities	
LTL	67.796	68.117	79.020	79.188
EUR	50	50	32.951	32.951
Total	67.846	68.167	111.971	113.601

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

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

2008	Purchases	Sales	Receivables	Payables
Closed-end company "Pastatų priežiūros paslaugos"	2.569	261	51	157

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

In 2008 the Group's and the Company's management remuneration respectively amounted to 775 thousand LTL and 582 thousand LTL (2007 - 778 thousand LTL and 390 thousand LTL). In 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 31 December, 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 December, 2008 m.	31 December, 2007	31 December, 2008	31 December, 2007
Non-current liabilities (including put by taxes and subsidies)	44.630	35.456	45.428	35.981
Current liabilities	79.478	62.111	79.679	62.099
Total liabilities	124.108	97.567	125.107	98.080
Own capital	115.768	117.660	119.512	121.118
Relation of liabilities* and own capital	107,20%	82,92%	104,68%	80,98%

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

19. Not reflected liabilities in the statements

On 14 October, 2008 Company has signed Warranty agreement for the public enterprise "Krepšinio perspektyvos" liabilities for JSC bank DNB NORD according to the Credit line agreement for the amount of 2.500 thousand LTL. Term of the agreement validity – 31 March, 2009. Also Company has signed the agreement with Kaunas city municipality for the direct settlement with the Company if it as warranter will execute it's liabilities for the bank.