



## AKCINĖ BENDROVĖ „KAUNO ENERGIJA“

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

2009 04 28 Nr. 20-1913

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 3 months of the year 2009 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 quarter of the year 2009, prepared according to the International Financial Reporting Standards as adopted by the European union.

Yours respectfully

General Manager

Rimantas Bakas

Chief Accountant

Violeta Staškūnienė

V.Staškūnienė 8-37-305841

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**JSC „KAUNO ENERGIJA“**

**CONSOLIDATED AND COMPANY'S FINANCIAL  
STATEMENTS  
FOR THE I QUARTER OF THE YEAR 2009  
PREPARED ACCORDING TO THE  
INTERNATIONAL FINANCIAL REPORTING  
STANDARDS AS ADOPTED IN EUROPEAN  
UNION**

**Balance**

	Notes	Group		Company	
		31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets		1.564	1.783	1.555	1.683
<b>Non-current tangible assets</b>					
	3				
Land and buildings		30.405	30.692	28.834	29.108
Structures and machinery		121.394	117.555	121.377	117.525
Vehicles		956	1.109	829	937
Equipments and tools		6.478	7.062	6.384	6.966
Construction in progress and prepayments		6.917	8.681	6.917	8.681
<b>Total non-current tangible assets</b>		<b>166.150</b>	<b>165.099</b>	<b>164.341</b>	<b>163.217</b>
Non-current financial assets					
Investments into daughter companies	1	-	-	6.053	6.053
Non-current accounts receivable	4	65	65	65	65
Deffered tax asset		88	88	-	-
Other financial assets	5	433	433	433	433
Total non-current financial assets		586	586	6.551	6.551
<b>Total non-current assets</b>		<b>168.300</b>	<b>167.468</b>	<b>172.447</b>	<b>171.451</b>
<b>Current assets</b>					
Inventories and prepayments					
Inventories		5.532	5.581	5372	5.541
Prepayments		646	511	649	499
Total inventories and prepayments		6.178	6.092	6.021	6.040
Current accounts receivable					
	6				
Trade receivables		81.100	54.797	81.006	55.032
Other receivables		10.595	8.547	10.625	8.655
Total accounts receivables		91.695	63.344	91.631	63.687
Cash and cash equivalents	7	8.804	3.616	8.796	3.604
<b>Total current assets</b>		<b>106.677</b>	<b>73.052</b>	<b>106.448</b>	<b>73.331</b>
<b>Total assets</b>		<b>274.977</b>	<b>240.520</b>	<b>278.895</b>	<b>244.782</b>

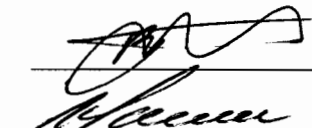
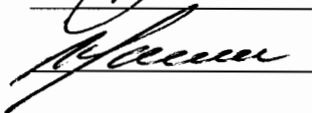
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The accompanying notes are an integral part of these financial statements.

Balance (continued)

	Notes	Group		Company	
		31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share apital	1	119.510	119.510	119.510	119.510
Legal reserve	8	3.041	3.041	2.808	2.808
Other reserve		-	-	-	-
Retained earnings (deficit)					
Profit for the current year (loss)		28.598	(4.235)	28.647	(4.343)
Profit for the previous year (loss)		(9.274)	(5.039)	(5.691)	(1.348)
Total retained earnings (deficit)		19.324	(9.274)	22.956	(5.691)
<b>Total equity</b>		<b>141.875</b>	<b>113.277</b>	<b>145.274</b>	<b>116.627</b>
<b>Sums payable and liabilities</b>					
<b>Non-current sums payable and liabilities</b>					
Non-current financial debts	9	37.867	33.921	37.867	33.921
Lease (financial lease)	10	95	95	-	-
Deferred income tax liability		-	-	805	805
Grants (deferred income)	11	10.064	10.253	10.064	10.253
Employee benefit liabilities	12	1.612	1.612	1.612	1.612
Other non-current liabilities		735	824	735	824
<b>Total non-current sums payable and liabilities</b>		<b>50.373</b>	<b>46.705</b>	<b>51.083</b>	<b>47.415</b>
<b>Current sums payable and liabilities</b>					
Current portion of non-current financial debts and lease (financial lease)	9, 10	6.995	8.834	6.959	8.785
Current financial debts	9	33.979	15.720	33.979	15.720
Trade debts	13	37.998	50.929	38.075	51.361
Payroll-related liabilities		1.331	2.054	1.132	1.933
Advances received		802	932	802	920
Taxes payable		67	775	36	727
Derivative financial instruments	14	795	567	795	567
Other current sums payable and liabilities		762	727	760	727
<b>Total current sums payable and liabilities</b>		<b>82.729</b>	<b>80.538</b>	<b>82.538</b>	<b>80.740</b>
<b>Total sums payable and liabilities</b>		<b>133.102</b>	<b>127.243</b>	<b>133.621</b>	<b>128.155</b>
<b>Total equity and liabilities</b>		<b>274.977</b>	<b>240.520</b>	<b>278.895</b>	<b>244.782</b>

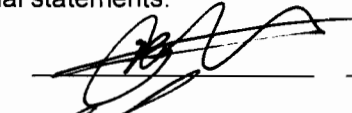
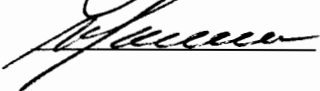
The accompanying notes are an integral part of these financial statements.

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

**Income (loss) statements**


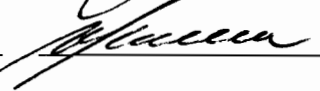
	Notes	Group		I quarter, 2008	2007 (restated)*
		I quarter, 2009	2008		
<b>Operating income</b>					
Income from sales	15	146.931	205.974	85.796	169.528
Other operating income	16	261	1.337	275	1.319
<b>Total operating income</b>		<b>147.192</b>	<b>207.311</b>	<b>86.071</b>	<b>170.847</b>
<b>Operating expenses</b>					
Fuel and heat purchased		(102.850)	(137.604)	(49.769)	(112.195)
Salaries and social security	12	(4.208)	(24.999)	(4.217)	(23.121)
Raw and materials		(443)	(2.404)	(589)	(2.356)
Taxes other than income tax		(986)	(3.462)	(857)	(3.409)
Electricity		(1.026)	(2.891)	(994)	(3.976)
Depreciation and amortization	3	(4.250)	(18.982)	(5.311)	(20.540)
Repairs and maintenance		(379)	(5.160)	(524)	(2.807)
Water		(70)	(517)	(84)	(801)
Change in allowance for accounts receivable	6	(340)	1	438	1.133
Change in allowance for inventories			181		8
Petrašiūnai power plant operator expenses	1	(585)	(2.184)	(515)	(2.193)
Other expenses		(2.512)	(10.760)	(3.058)	(9.363)
Other operating expenses	16	(149)	(1.363)	(370)	(1.025)
<b>Total operating expenses</b>		<b>(117.798)</b>	<b>(210.144)</b>	<b>(65.850)</b>	<b>(180.645)</b>
<b>Operating profit</b>		<b>29.394</b>	<b>(2.833)</b>	<b>20.221</b>	<b>(9.798)</b>
<b>Financial and investment activity income (expenses)</b>					
Financial and investment activity income	17	266	1.281	303	1.314
Financial and investment activity expenses	18	(1062)	(3.343)	(696)	(2.008)
<b>Financial and investment activity income, net</b>		<b>(796)</b>	<b>(2.062)</b>	<b>(393)</b>	<b>(694)</b>
<b>Profit before tax</b>		<b>28.598</b>	<b>(4.895)</b>	<b>19.828</b>	<b>(10.492)</b>
Income tax			660		1.866
<b>Net profit</b>		<b>28.598</b>	<b>(4.235)</b>	<b>19.828</b>	<b>(8.626)</b>
Profit per share (LTL)	19	1,44	(0,21)	1,01	(0,44)

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

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

	Notes	Company		I quarter, 2008	2007
		I quarter, 2009	2008		
<b>Operating income</b>					
Income from sales	15	146.879	205.233	85.451	168.003
Other operating income	16	246	1.322	279	1.370
<b>Total operating income</b>		<b>147.125</b>	<b>206.555</b>	<b>85.730</b>	<b>169.373</b>
<b>Operating expenses</b>					
Fuel and heat purchased		(102.850)	(137.604)	(49.769)	(112.195)
Salaries and social security	12	(3.797)	(22.396)	(3.531)	(20.098)
Raw and materials		(405)	(1.991)	(466)	(2.013)
Taxes other than income tax		(975)	(3.402)	(846)	(3.354)
Electricity		(1.019)	(2.863)	(985)	(3.956)
Depreciation and amortization	3	(4.207)	(18.784)	(5.264)	(20.389)
Repairs and maintenance		(379)	(5.181)	(524)	(2.804)
Water		(68)	(502)	(80)	(787)
Change in allowance for accounts receivable	6	(340)	1	438	1.133
Change in allowance for inventories			181		8
Heating and hot water systems supervision expenses	1	(453)	(2.485)	(729)	(2.801)
Petrašiūnai power plant operator expenses	1	(585)	(2.184)	(515)	(2.193)
Other expenses		(2.464)	(10.248)	(2.921)	(8.791)
Other operating expenses	16	(142)	(1.357)	(369)	(986)
<b>Total operating expenses</b>		<b>(117.684)</b>	<b>(208.815)</b>	<b>(65.561)</b>	<b>(179.226)</b>
<b>Operating profit</b>		<b>29.441</b>	<b>(2.260)</b>	<b>20.169</b>	<b>(9.853)</b>
<b>Financial and investment activity income (expenses)</b>					
Financial and investment activity income	17	266	1.281	303	1.364
Financial and investment activity expenses	18	(1060)	(3.800)	(694)	(2.003)
<b>Financial and investment activity income, net</b>		<b>(794)</b>	<b>(2.519)</b>	<b>(391)</b>	<b>(639)</b>
<b>Profit before tax</b>		<b>28.647</b>	<b>(4.779)</b>	<b>19.778</b>	<b>(10.492)</b>
Income tax			(436)		(1.871)
<b>Net profit</b>		<b>28.647</b>	<b>(4.343)</b>	<b>19.778</b>	<b>(8.621)</b>
Profit per share (LTL)		1,44	(0,22)	1,00	(0,44)

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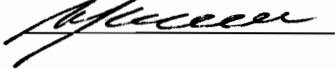
General Director	Rimantas Bakas		23 April, 2009
Chief Accountant	Violeta Staškūnienė		23 April, 2009

**Statements of change in equity**

Group	Notes	Capital	Legal reserve	Other reserve	Retained (deficit)	Total
<b>Balance as of 31 December, 2007</b>		<b>118.310</b>	<b>11.373</b>	<b>163</b>	<b>(13.534)</b>	<b>116.312</b>
Net profit (loss) for the period		-	-	-	19.828	19.828
Transferred to reserves	8	-	183	(163)	(20)	-
<b>Balance as of 31 March, 2008</b>		<b>118.310</b>	<b>11.556</b>	<b>-</b>	<b>6.274</b>	<b>136.140</b>
Increase in share capital	1,24	1.200	-	-	-	1.200
Transferred to reserves	8	-	(8.515)	-	8.515	-
Net profit (loss) for the period		-	-	-	(24.063)	(24.063)
<b>Balance as of 31 December, 2008</b>		<b>119.510</b>	<b>3.041</b>	<b>-</b>	<b>(9.274)</b>	<b>113.277</b>
Net profit (loss) for the period		-	-	-	28.598	28.598
<b>Balance as of 31 March, 2009</b>		<b>119.510</b>	<b>3.041</b>	<b>-</b>	<b>19.324</b>	<b>141.875</b>

Company	Notes	Capital	Legal reserve	Other reserve	Retained (deficit)	Total
<b>Balance as of 31 December, 2007</b>		<b>118.310</b>	<b>11.323</b>	<b>-</b>	<b>(9.863)</b>	<b>119.770</b>
Net profit (loss) for the period		-	-	-	19.778	19.778
<b>Balance as of 31 March, 2008</b>		<b>118.310</b>	<b>11323</b>	<b>-</b>	<b>9.915</b>	<b>139.548</b>
Increase in share capital	1,24	1.200	-	-	-	1.200
Transferred to reserves	8	-	(8.515)	-	8.515	-
Net profit (loss) for the period		-	-	-	(24.121)	(24.121)
<b>Balance as of 31 December, 2008</b>		<b>119.510</b>	<b>2.808</b>	<b>-</b>	<b>(5.691)</b>	<b>116.627</b>
Net profit (loss) for the period		-	-	-	28.647	28.647
<b>Balance as of 31 March, 2009</b>		<b>119.510</b>	<b>2.808</b>	<b>-</b>	<b>22.956</b>	<b>145.274</b>

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

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

**Cash flow statements**

	<b>Group</b>		<b>Company</b>	
	<b>I quarter, 2009</b>	<b>I quarter, 2008</b>	<b>I quarter, 2009</b>	<b>I quarter, 2008</b>
<b>Cash flows from (to) operating activities</b>				
Net (losses)	<b>28.598</b>	<b>19.828</b>	<b>28.647</b>	<b>19.778</b>
<b>Adjustments for non-cash items:</b>	<b><u>3.960</u></b>	<b><u>3.872</u></b>	<b><u>3.894</u></b>	<b><u>3.822</u></b>
Depreciation and amortization	4.464	5.647	4.421	5.599
Write-offs and change in allowance for accounts receivable	340	(438)	340	(438)
Loss from sale and write-off non-current asset	5	30	3	30
Change in allowance for inventories				
Income tax costs (income)				
Accruals				
Employee benefit liabilities	(1.443)	(1.503)	(1.462)	(1503)
Amortization of grants	(189)	(318)	(189)	(318)
Impairment of investments into daughter company	-			
Derivative financial instruments	228		228	
Interest expenses	833	696	831	694
Elimination of other financial and investing activity results	<u>(278)</u>	<u>(242)</u>	<u>(278)</u>	<u>(242)</u>
<b>Changes in working capital:</b>	<b><u>(41.880)</u></b>	<b><u>(14.707)</u></b>	<b><u>(41.754)</u></b>	<b><u>(14.714)</u></b>
Decrease in inventories	49	596	169	574
(Increase) in prepayments	(135)	32	(150)	17
(Increase) in trade receivables	(26.643)	(8.618)	(26.314)	(8.436)
Decrease (increase) in other receivables	(2.048)	45	(1.970)	(518)
Increase (decrease) in non-current liabilities	(89)	-	(89)	
Increase (decrease) in current trade debts and advances received	(13.061)	(7.092)	(13.404)	(6.580)
Increase in payroll-related liabilities	720	668	661	569
(Decrease) in other liabilities to budget	(708)	(279)	(691)	(278)
Increase in other current liabilities	35	(59)	34	(62)
<b>Net cash flows from operating activities</b>	<b><u>(9.322)</u></b>	<b><u>8.993</u></b>	<b><u>(9.213)</u></b>	<b><u>8.886</u></b>

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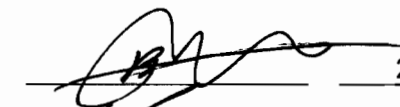
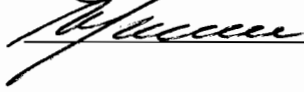
The accompanying notes are an integral part of these financial statements.



Cash flow statements (cont'd)

	Group		Company	
	I quarter, 2009	I quarter, 2008	I quarter, 2009	I quarter, 2008
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of tangible and intangible assets	(5.433)	(4.923)	(5.421)	(4.847)
Proceeds from sale of tangible assets	132	14	1	14
Penalty interest and fines received	263	281	263	281
Increase in cash flows from (to) non-current accounts receivable		(5)		(5)
Interest received	2	3	2	3
<b>Net cash flows (to) from investing activities</b>	<b>(5.036)</b>	<b>(4.633)</b>	<b>(5.155)</b>	<b>(4.554)</b>
<b>Cash flows from (to) financing activities</b>				
Proceeds from loans	22.205	3.618	22.205	3.618
(Repayment) of loans	(1.817)	(7.145)	(1.817)	(7.145)
Interest (paid)	(820)	(738)	(818)	(736)
Financial lease (payments)	(22)	(17)	(10)	(9)
Penalty interest and fines (paid)				
<b>Net cash flows from (to) financing activities</b>	<b>19.546</b>	<b>(4.282)</b>	<b>19.560</b>	<b>(4.272)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>5.188</b>	<b>78</b>	<b>5.192</b>	<b>60</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3.616</b>	<b>4.886</b>	<b>3.604</b>	<b>4.864</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8.804</b>	<b>4.964</b>	<b>8.796</b>	<b>4.924</b>

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

General Director	Rimantas Bakas		23 April, 2009
Chief Accountant	Violeta Staškūnienė		23 April, 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 rd. 84,  
Kaunas,  
Lithuania.

JSC "Kauno energija" consists of the Company's head office and subsidiary "Jurbarko šilumos tinklai".

The Company is involved in heat, electricity generation and realization and supervision of the heat and hot water systems. The Company was registered on 1 July, 1997 after the reorganisation of JSC "Lietuvos energija". The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius stock exchange.

As of 31 March, 2009 and 31 December, 2008 the shareholders of the Company were as follows:

	<b>Number of shares owned (units)</b>	<b>Percentage of ownership (percent)</b>
Kaunas city municipality administration	16.954.892	85,12
Kaunas district municipality administration	1.606.168	8,07
Jurbarkas district municipality administration	643.810	3,23
Other minor shareholders	713.512	3,58
	<b>19.918.382</b>	<b>100,00</b>

All the shares with a par value of LTL 6 each are ordinary shares. The Company did not hold its own shares on 31 March, 2009 and in the year 2008.

On 26 June, 2008 Company's shareholders meeting decided to increase the share capital by issuing 200.000 ordinary shares with the par value LTL 6 each. Priority right to acquire issued shares was granted to Jurbarkas district municipality administration. The issue price of shares is equal to their nominal value. 100.000 from 200.000 shares were not paid as of 31 December, 2008.

The Company is also involved in supervision of heating systems. On 1 July, 2006 on the basis of Kaunas Energy Services Department Company established daughter company closed-end company "Pastatų priežiūros paslaugos" (hereinafter – daughter company). The main activity of the daughter company is exploitation and supervision of building heating network and heating consumption equipment, internal engineering networks and systems as well as building structures. After establishing of daughter company the employees of the Company, who worked at Kaunas Energy Services Department were dismissed from the Company and hired by the daughter company. From 1 July, 2006 the Company is contracting daughter company for permanent technical supervision of heating and hot water supply systems.

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

<b>Company</b>	<b>Registration address</b>	<b>Portion of the shares held by the Group</b>	<b>Cost of investment</b>	<b>Profit (loss) for the reporting period</b>	<b>Total equity</b>	<b>Main activity</b>
Closed-end company „Pastatų priežiūros paslaugos“	Savanorių ave. 347, Kaunas	100 %	6.518	(78)	5.975	Supervision of heating systems

As of 31 December, 2008 impairment loss of investment in the daughter company amounted LTL 465 thousand and was recognised in the Company's financial statements.

Operations of the Company are regulated by the Law on Heat No. IX-1565 of 20 May, 2003 of the Republic of Lithuania. Starting from 1 January, 2008, the Law amending the Law on Heat No. X-1329 of 20 November, 2007 of the Republic of Lithuania came in to 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. On 12 September, 2008 by the decision of the Commission, the territory in which the Company can provide heat distribution activity was re-defined, as the Company sold Paliai boiler house in Marijampolė district.

In 2003 the Company sold part of the assets of the subdivision Kauno Elektrinė to closed-end company Kauno termofikacijos elektrinė (hereinafter 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 established that the purchase price of heat energy from KTE would not increase during the first 5 years from the date of signing the contract. New heat sale price for KTE and the Company was approved by the Commission and became effective starting 1 December, 2008. As described in Note 1, the Company participates as a third party in administrative litigation between KTE and the Commission.

On 8 June, 2006 Company signed the agreement with closed-end company „Energijos sistemų servisas“ regarding the operation of Petrašiūnai power plant and its assets located at Jėgainės str. 12, Kaunas. The contract is valid for a period of three years. Starting from 4 July, 2006, closed-end company „Energijos sistemų servisas“ started to provide operation services of Petrašiūnai power plant. The employees of the Company that used to work at a subdivision of Petrašiūnai power plant were dismissed from the Company and hired by closed-end company „Energijos sistemų servisas“. On 22 June, 2006 the Company signed a lease agreement with KTE 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 region, 14 isolated networks and 50 local gas burning boiler-houses. On 25 June, 2008 the Company sold Paliai boiler house, located in Marijampolė district, to Marijampolė city municipality.

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. The total Company's power generation capacity is 542,95 MW.

On 31 March, 2009 the average number of employees at the Group was 650 (663 in the year 2008). On 31 March, 2009 the average number of Company's employees was 600 (609 in the year 2008).

## 2 Financial statements form

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

### 2.2. Currency of financial statements

Group managers accounting in and the amounts shown in these financial statements are presented in the national currency in litas and all values are rounded to the nearest thousand litas, except when otherwise indicated.

Starting from 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.

### 2.3. Principles of consolidation

The consolidated financial statements of the Group include Company and it's daughter company. The control is normally evidenced when the Group owns, either directly or indirectly, more than 50 % of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net profit portion attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income (loss) statements.

### 2.4. Non-current tangible assets

Group's and Company's non-current tangible asset comprises it's purchase value minusing accumulated depreciation and evaluating losses of value decrease.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Year
Buildings	7 - 50
Structures and machinery	5 - 60
Vehicles	3 - 10
Equipment and tools	2 - 20

The useful lives are reviewed annually to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the non-current tangible asset. Depreciation periods were revised as of 1 September, 2008. Group and Company evaluated the useful lives of non-current tangible asset and as of 1 September, 2008 increased heat networks depreciation period from 20 years to 30 years and for heat exchangers and other special equipments – from 10 years to 15 years. If the Group and Company further would use 20 years and 10 years depreciation periods, in the year 2008 depreciation costs would be higher in LTL 1.200 thousand and the balance of non-current tangible asset would be lower in LTL 1.200 thousand.

### 2.5. Segments

The activities of the Group and the Company are organised in one major business and geographical segment.

## 3. Non-current tangible assets

Depreciation of the Group's and Company's non-current tangible asset on 31 March, 2009 is LTL 4.270 thousand and LTL 4.227 thousand respectively (in 2008 – LTL 19.207 thousand and LTL 18.971 thousand respectively). LTL 4.056 thousand and LTL 4.013 thousand sums (2008 – LTL 19.050 thousand and LTL 18.894 thousand) in Group's and Company's income (loss) statement are included into activity expenses. Other sums are included into other activity expenses.

Part of Company's non-current tangible asset, which purchase value on 31 March, 2009 respectively was equal to LTL 45.137 thousand, was fully depreciated (on 31 December, 2008 – LTL 50.828 thousand), but still is used in the activity.

On 31 March, 2009 and 31 December, 2008 Group's and Company's major part of not finished construction makes heat supply networks capital repair works.

On 31 March, 2009 Group's and Company's non-current tangible asset, which balance value was equal to LTL 70.479 thousand. (On 31 December, 2008 – LTL 73.691 thousand), was pledged to the banks as collateral for the loans (9 note).

#### 4. Receivables after one year

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Long term loans granted to the Company's employees	56	56	56	56
Other	9	9	9	9
	<u>65</u>	<u>65</u>	<u>65</u>	<u>65</u>

Long term loans granted to the Company's employees are non-interest bearing and their mature term is from 2008 to 2023 m. These loans are calculated by discount value using 6 percent interest rate.

On 31 March, 2009 and on 31 December, 2008 for the sums received after one year payment period didn't pass and for them value decrease is not determined.

#### 5. Other financial asset

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Ordinary shares – unquoted	433	433	433	433

Carrying value of the unquoted ordinary shares is estimated using recent arm's length market transactions.

#### 6. Receivables during one year

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Trade receivables, gross	100.920	74.277	100.826	74.512
Minus: impairment of doubtful receivables	(19.820)	(19.480)	(19.820)	(19.480)
Trade receivables, net value	<u>81.100</u>	<u>54.797</u>	<u>81.006</u>	<u>55.032</u>

Change in impairment of doubtful receivables on 31 March, 2009 and 31 December, 2008 is included into the change in allowance for doubtful receivables caption in the Group's and the Company's income statement.

As of 31 March, 2009 trade receivables with the nominal value of LTL 19.820 thousand (as of 31 December, 2008 – LTL 19.480 thousand) was accounted 100 percent value impairment.

Movements in the allowance for impairment of the Group's and the Company's receivables were as follows:

	<b>Total</b>
<b>Balance as of 31 December, 2006</b>	<b>22.370</b>
Rehabilitation of not used sums	(1.014)
Used (utilized)	(957)
<b>Balance as of 31 December, 2007</b>	<b>20.399</b>
Rehabilitation of not used sums	(241)
Used (utilized)	(678)
<b>Balance as of 31 December, 2008</b>	<b>19.480</b>
Impairment	340
<b>Balance as of 31 March, 2009</b>	<b>19.820</b>

On I quarter, 2009 Group and Company received LTL 4 thousand (2008 – LTL 67 thousand) of bad debts, which in previous periods were written-off.

Group's trade receivables analysis for the period – 31 March, 2009 and 31 December, 2008 - is:

	<b>Trade receivables past due but not impaired</b>						<b>Total</b>
	<b>Trade receivables neither past due nor impaired</b>	<b>Less than 60 days</b>	<b>60 - 150 days</b>	<b>151 - 240 days</b>	<b>241 - 360 days</b>	<b>More than 360 days</b>	
<b>2009-03-31</b>	43.875	30.141	3.946	869	766	1.503	81.100
<b>2008-12-31</b>	43.602	6.338	1.569	1.612	817	859	54.797

Company's trade receivables analysis for the period – 31 March, 2009 and 31 December, 2008 - is:

	<b>Trade receivables past due but not impaired</b>						<b>Total</b>
	<b>Trade receivables neither past due nor impaired</b>	<b>Less than 60 days</b>	<b>60 - 150 days</b>	<b>151 - 240 days</b>	<b>241 - 360 days</b>	<b>More than 360 days</b>	
<b>2009-03-31</b>	43.781	30.141	3.946	869	766	1.503	81.006
<b>2008-12-31</b>	43.851	6.336	1.557	1.612	817	859	55.032

Trade receivables are non-interest bearing and are generally on 30 days terms or individually agreed.

The Group's and the Company's trade receivables, past due more than 360 days, comprise the accounts receivable from budget organisations, financed from budgets of the State and municipalities, and from institutions financed by Patient's Funds, for which the allowance is not accrued by the Group and the Company.

Other receivables of the Group and the Company as of 31 March, 2008 amounted to LTL 10.595 thousand and LTL 10.625 thousand, respectively (as of 31 December, 2008 – respectively LTL 8.547 thousand and LTL 8.655 thousand), the major part of other receivables consists of the receivables from sold inventories (metals, heating equipments), other services supplied (transportation and permanent heating systems maintenance) and value added tax receivable.

Other Group's receivables (except receivable taxes) analysis for the period – 31 March, 2009 and 31 December, 2008 - is:

		Other receivables (excluding taxes) past due but not impaired					Total
Other receivables neither past due nor impaired		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
<b>2009-03-31</b>	1.015	148	63	39		353	1.618
<b>2008-12-31</b>	2.305	63	39	-	2	242	2.651

Other Company's receivables (except receivable taxes) analysis for the period – 31 March, 2009 and 31 December, 2008 - is:

		Other receivables (excluding taxes) past due but not impaired					Total
Other receivables neither past due nor impaired		Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	
<b>2009-03-31</b>	1.009	148	63	39		353	1.612
<b>2008-12-31</b>	2.413	63	39	-	2	242	2.759

Group's and Company's other receivables are interest and their term usually is 30-45 days.

For the trade receivables and other receivables, which period did'nt pass and for which the decrease of value is not calculated, on the balance day there were no any features that debtors could not implement their liabilities.

## 7. Cash and cash equivalents

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Cash in transit	3.666	2.158	3.666	2.158
Cash at bank	5.105	1.437	5.098	1.426
Cash on hand	33	21	33	20
	<b>8.804</b>	<b>3.616</b>	<b>8.797</b>	<b>3.604</b>

Group's and Company's accounts in LTL, which balance on 31 December, 2008 amounted to LTL 801 thousand (on 31 December, 2007 – LTL 865 thousand), are pledged as collateral to banks for the loans (9 note).

## 8. Reserves

### Legal and other reserve

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. 29 April, 2008 Company based on the decision of shareholders transferred LTL 8.515 thousand from legal rezerve to cover the losies of the year 2007. On 14 May, 2007 based on the decision of the Company's shareholders LTL 7.689 thousand LTL transferred to the legal reserve. On 7 March, 2008 based on the decision of the Company's (shareholders) the daughter company transferred LTL 183 thousand from other reserve and retained earnings to the legal reserve. On 14 March, 2007 based on the decision of the Company's (shareholders) the daughter company transferred LTL 50 thousand to the legal reserve and LTL 163 thousand transferred to other reserve for the purpose of investments.

## 9. Financial debts

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
<b>Long-term financial debts</b>				
Long-term loans	37.867	33.921	37.867	33.921
	<u>37.867</u>	<u>33.921</u>	<u>37.867</u>	<u>33.921</u>
<b>Short-term loans</b>				
Current portion of long term loans	6.959	8.748	6.959	8.748
Short-term bank loans (including credit line)	16.689	15.720	16.689	15.720
Factorized trade debts	17.263	15.720	17.263	15.720
	<u>40.911</u>	<u>24.468</u>	<u>40.911</u>	<u>24.468</u>
	<u>78.778</u>	<u>58.389</u>	<u>78.778</u>	<u>58.389</u>

Repayment terms of long-term loans (all loans are with variable interest rate):

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Terms of repayment of non-current loans are as follows (all loans are with variable interest rate):				
2009	6.932	8.748	6.932	8.748
2010	9.570	9.570	9.570	9.570
2011	9.940	9.940	9.940	9.940
2012	4.682	4.682	4.682	4.682
2013	3.987	3.987	3.987	3.987
2014	3.987	3.987	3.987	3.987
2015	3.987	1.406	3.987	1.406
2016	1.741	349	1.741	349
	<u>44.826</u>	<u>42.669</u>	<u>44.826</u>	<u>42.669</u>

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

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
<b>Loan currency:</b>				
EUR	41.770	32.913	41.770	32.913
LTL	37.008	25.476	37.008	25.476
	<u>78.778</u>	<u>58.389</u>	<u>78.778</u>	<u>58.389</u>

On 1 August, 2005 the Group and the Company signed a long-term loan agreement with AB Bankas Hansabankas for the amount of LTL 5.000 thousand. The maturity date of the last portion of the loan is 1 August, 2012. As of 31 March, 2009 the outstanding balance of the loan amounted to LTL 2.713 thousand of which LTL 624 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 6-month VILIBOR plus 0.77 % interest rate.

On 23 August, 2005 the Group and the Company signed a long-term loan agreement with AB SEB Bankas for the amount of EUR 8.776 thousand (the equivalent of LTL 30.300 thousand). The maturity date of the last portion of the loan is 31 December, 2014. The outstanding balance of the loan amounted to EUR 4.163 thousand (the equivalent of LTL 14.375 thousand) as of 31 March, 2009, of which LTL 1.875 thousand was



accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 6-month EUR LIBOR plus 1.9 % interest rate.

On 1 December, 2006 the Group and the Company signed a long-term loan agreement with Nordea Bank Finland Plc. Lithuanian branch for the amount of LTL 2.090 thousand. On 18 April, 2007 the loan amount increased up to LTL 6.090 thousand. The maturity date of the last portion of the loan is 31 October, 2015. As of 31 March, 2009 the outstanding balance of the loan amounted to LTL 5.616 thousand, of which LTL 635 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 3-month VILIBOR plus 0.45 % interest rate.

On 21 December, 2006 the Group and the Company signed a long-term loan agreement with AB SEB Bankas for the amount of EUR 2.059 thousand (the equivalent of LTL 7,108 thousand). The maturity date of the last portion of the loan is 30 November, 2016. As of 31 March, 2009 the outstanding balance of the loan amounted to EUR 801 thousand (the equivalent of LTL 2.767 thousand), of which LTL 296 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 6-month EUR LIBOR plus 0.4 % interest rate.

On 14 November, 2007 the Group and the Company signed a long-term loan agreement with AB DnB NORD Bankas for the amount of EUR 576 thousand (the equivalent of LTL 1.989 thousand). The maturity date of the last portion of the loan is 31 December, 2016. As of 31 March, 2009 the outstanding balance of the loan amounted to EUR 558 thousand (the equivalent of LTL 1.926 thousand), of which LTL 186 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 12-month EUR LIBOR plus 0.59 % interest rate.

On 20 April, 2007 the Group and the Company signed an overdraft agreement with Danske Bank A/S Lithuania Branch for the amount of LTL 1,010 thousand, with the maturity date of 20 October, 2009. As of 31 March, 2009 the Group's and the Company's balance of used overdraft was LTL 1.001 thousand (LTL 1.010 thousand as of 31 December, 2008). The overdraft bears 3-month VILIBOR plus 0.44 % interest rate.

On 31 July, 2008 the Group and the Company signed a long-term investment credit agreement with Danske Bank A/S Lithuania Branch for the amount of EUR 984 thousand (the equivalent of LTL 3.398 thousand). The maturity date of the last portion of the loan is 2018. As of 31 March, 2009 the outstanding balance of the investment credit amounted to EUR 577 thousand (the equivalent of LTL 1.993 thousand), of which LTL 262 thousand with maturity date 31 December 2012 was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 3-month EURIBOR plus 0.385 % interest rate.

On 31 July, 2008 the Group and the Company signed a long-term investment credit agreement with Danske Bank A/S Lithuania Branch for the amount of EUR 1,158 thousand (the equivalent of LTL 4.000 thousand). The maturity date of the last portion of the loan is 30 September, 2017. As of 31 March, 2009 the outstanding balance of the investment credit amounted to EUR 1.146 thousand (the equivalent of LTL 3.955 thousand). All amount with maturity date 31 December, 2011 was accounted for as the non-current borrowing in the financial statements of the Group and the Company. The loan bears 3-month EURIBOR plus 0.7 % interest rate.

On 22 September, 2008 the Company signed a long-term loan agreement with AB SEB Bankas for the amount of EUR 3.333 thousand (the equivalent of LTL 11.508 thousand). The maturity date of the last portion of the loan is 31 December, 2011. As of 31 March, 2009 the outstanding balance of the loan amounted to EUR 2.958 thousand (the equivalent of LTL 10.213 thousand), of which LTL 1.813 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 1-month EUR LIBOR plus 0.7 % interest rate.

On 5 September, 2008 the Group and the Company signed a short - term loan agreement with AB SEB Bankas for the amount of EUR 174 thousand (the equivalent of LTL 601 thousand). The maturity date of the loan is 31 May, 2009. As of 31 March, 2009 the outstanding balance of the loan amounted to EUR 70 thousand (the equivalent of LTL 240 thousand). All amount was accounted for as the current portion of non-current borrowings in the financial statements of the Group and the Company. The loan bears 1-month EUR LIBOR plus 0.8 % interest rate.

On 4 June, 1999 the Group and the Company signed a credit line agreement with AB SEB Bankas for the amount of LTL 7.000 thousand, with the maturity date of 19 July, 2009. As of 31 March, 2009 the Group and the

Company's balances of used credit line was LTL 7.000 thousand (LTL 6.960 thousand as of 31 December, 2008). The credit line bears OVER'N VILIBOR plus 1.9 % interest rate.

On 8 July, 2004 the Group and the Company signed an overdraft agreement with AB DnB NORD Bankas for the amount LTL 18.000 thousand with the maturity date of 31 May, 2008. On 27 May, 2008 an overdraft amount was decreased to LTL 10.000 thousand and maturity date was prolonged up to 31 May, 2009. As of 31 March, 2009 the Group and the Company's balance of used overdraft was LTL 9.716 thousand (LTL 8.760 thousand as of 31 December, 2008). The overdraft bears 6-month VILIBOR plus 0.78 % interest rate.

On 26 February, 2009 Company, JSC Nordea Finance Lithuania and KTE signed the agreement on the deferring of the term for heat energy payment for the additional 30 days term than foreseen in Heat purchase-sale agreement (as written in 1 paragraph). This agreement is signed according to the fact that on 26 February, 2009 JSC Nordea Finance Lithuania and KTE made Factoring agreement on the invoices for the heat energy provided for the company.

Group's and Company's non-current tangible asset (3 note) and accounts in bank (7 note) were pledged as collateral to banks for loans.

#### 10. Lease (financial lease)

The assets leased by the Group under financial lease contracts mainly consists of vehicles. The terms of financial lease are from 2 to 5 years. The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Vehicles	166	186	50	55
	<u>166</u>	<u>186</u>	<u>50</u>	<u>55</u>

On 31 March, 2009 financial lease interest norm is variable and fixed. Fixed interest norm respectively is equal to 3,99 percent and 5,77 percent. Variable interest norm fluctuates from 6 month EURIBOR + 1,5 percent.

All the balance of financial lease is denominated in EUR.

Financial lease payments in the future according to the mentioned lease agreements on 31 March, 2009:

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Per one year	69	93	28	38
From one to five years	101	101	-	-
Total financial lease liabilities	<u>170</u>	<u>194</u>	<u>28</u>	<u>38</u>
Interest	(11)	(13)	(1)	(1)
Current value of financial lease liabilities	<u>159</u>	<u>181</u>	<u>27</u>	<u>37</u>
Financial lease liabilities:				
- current	64	86	27	37
- non-current	95	95	-	-

## 11. Grants (deferred income)

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
<b>Balance at the beginning of period</b>	<b>10.253</b>	<b>10.503</b>	<b>10.253</b>	<b>10.503</b>
<b>Received per year</b>				
Without payment received non-current asset	0	889	0	889
	0	889	0	889
Amortization and written off	(189)	(1.139)	(189)	(1.139)
<b>Balance at the end of the period</b>	<b>10.064</b>	<b>10.253</b>	<b>10.064</b>	<b>10.253</b>

In the year 2008 Group and Company without payment received heat networks in Žemgalių str. and Raudondvario rd., which value at the moment of transfer was LTL 149 thousand. Also in the year 2008 Group and Company received telecommunication equipment, which real value at the moment of transfer was LTL 140 thousand. On 10 October, 2008 Company's subsidiary „Jurbarko šilumos tinklai“ received LTL 600 thousand grant for the change of boiler, burned by mazut into burned by gas from public institution Lietuvos aplinkos apsaugos investicijų fondas (LAAIF) (Lithuanian environmental security investments fund). On December, 2008 public institution LAAIF transferred for the Company LTL 360 thousand, remained LTL 240 thousand portion was accounted in the Group's and Company's other receivables article.

## 12. Employee benefit liability

Each employee of the Group and the Company is entitled to 2 - 6 months salary payment when leaving the job at or after the start of the pension period according to Lithuanian legislation and the conditions of the collective bargaining agreement.

The Group's and the Company's total employee benefit liability is stated below:

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008
Non-current employee benefit liability	1612	1.612	1612	1.612
Portion of current year of non-current employee benefit liability	283	408	283	408
	<b>1.895</b>	<b>2.020</b>	<b>1.895</b>	<b>2.020</b>

As of 31 March, 2009 and 31 December, 2008 the Group and the Company represented current portion of non-current employee benefit liability under other current liabilities caption.

Total amount of employee benefit expenses of the Group and the Company amounted to LTL 125 thousand on 31 March, 2009 (LTL 335 thousand during the year ended 31 December, 2008) and are included in salaries and social security expenses in the Group's and the Company's income statement.

The following table summarizes the components of net benefit expenses recognized in the Group's and the Company's income statement and the balance sheet:

	<b>31 March, 2009</b>	<b>31 December, 2008</b>
Discount rate	7,0 percent	7,0 percent
Employee turnover rate	18,9 percent	18,9 percent
Expected average annual salary increases	3,0 percent	3,0 percent

### 13. Trade debts

Trade debts are without interest and generally for them there is period of 30 - 90 days.

### 14. Derivative financial instruments

On 29 October, 2008, the Group and the Company concluded an interest rate swap agreement for the period from 24 November, 2008 to 22 November, 2010. The Group and the Company set a fixed interest rate at 3.86 % for a floating interest rate at 1-month EURIBOR. The notional amount of the transaction was EUR 2.958 thousand (the equivalent of LTL 10.213 thousand) as at 31 March, 2009, as of 31 December, 2008 – EUR 3.133 (LTL 10.818 equivalent). Transaction market value on 31 March, 2009 – LTL 318 thousand.

On 24 October, 2008, the Group and the Company concluded an interest rate swap agreement for the period from 22 October, 2008 to 23 August, 2010. The Group and the Company set a fixed interest rate at 4.24 % for a floating interest rate at 6-month EUR LIBOR. The notional amount of the transaction was EUR 4.163 thousand (the equivalent of LTL 14.375 thousand) as at 31 March, 2009, as of 31 December, 2008 the nominal amount of the transaction is EUR 4.344 thousand (the equivalent of LTL 15.000 thousand). Transaction market value on 31 March, 2009 – LTL 477 thousand. The Company discontinued this transaction for the state of 9 April, 2009.

### 15. Income from sales

The Group's and the Company's activities are heat energy supply, electricity production, supervision 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 organised as one main segment – heat energy supply. The Group and the Company's sales by activities are stated below:

	<b>Group</b>		<b>Company</b>	
	<b>I quarter, 2009</b>	<b>2008</b>	<b>I quarter, 2009</b>	<b>2008</b>
Heat energy	146.268	201.760	146.302	201.793
Supervision of building heating and hot water supply systems	635	3.708	549	2.934
Electricity	28	506	28	506
Revenue from sale of emission rights	-	-	-	-
	<u>146.931</u>	<u>205.974</u>	<u>146.879</u>	<u>205.233</u>

### 16. Other operating income and expenses

	<b>Group</b>		<b>Company</b>	
	<b>I quarter, 2009</b>	<b>2008</b>	<b>I quarter, 2009</b>	<b>2008</b>
<b>Other operating income</b>				
Services provided by the Company	242	1.003	227	992
Materials sold	12	111	12	112
Gain from sale of non-current assets		162		157
Other	61	61	7	61
	<u>261</u>	<u>1.337</u>	<u>246</u>	<u>1.322</u>

**Other operating expenses**

Cost of the services provided by the Company	(134)	(631)	(129)	(625)
Materials sold	(9)	(253)	(9)	(253)
Loss from sale of non-current assets	(2)	(475)		(475)
Other	(4)	(4)	(4)	(4)
	<u>(149)</u>	<u>(1.363)</u>	<u>(142)</u>	<u>(1.357)</u>
	<u>112</u>	<u>(26)</u>	<u>104</u>	<u>(35)</u>

**17. Financial activity income**

	Group		Company	
	I quarter,	2008	I quarter,	2008
	2009		2009	
<b>Financial and investment activity income</b>				
Interest from late payment of accounts receivable	264	1.230	264	1.230
Bank interest receivable	1	18	1	18
Dividends received	-	-	-	-
Other	1	33	1	33
	<u>266</u>	<u>1.281</u>	<u>266</u>	<u>1.281</u>

**18. Financial activity expenses**

	Group		Company	
	I quarter,	2008	I quarter,	2008
	2009		2009	
Interest on bank loans and overdrafts	(833)	(2.772)	(831)	(2.764)
Net loss on financial liabilities at fair value through profit or loss	(228)	(567)	(228)	(567)
Impairment loss of investment into daughter company	-	-		(465)
Other	(1)	(4)	(1)	(4)
	<u>(1.062)</u>	<u>(3.343)</u>	<u>(1.060)</u>	<u>(3.800)</u>

**19. Basic and diluted (loss) per share**

Calculations of the basic and diluted (loss) per share of the Group are presented below:

	Group	
	I quarter,	2008
	2009	
Net (loss)	28.598	(4.235)
Number of shares (thousand), opening balance	19.918	19.718
Number of shares (thousand), closing balance	19.918	19.918
Average number of shares (thousand)	19.918	19.818
Basic and diluted (loss) per share (LTL)	<u>1.44</u>	<u>(0,21)</u>

**20. Financial asset and liabilities and risk management**

Credit risk

The Group and the Company do not have any credit concentration risk because they work with a large number of customers.

The Group and the Company do not guarantee obligations of the other parties, except as described in Note 21.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payments obligations since receivables balances are monitored on an ongoing basis. The Group and the Company consider that their maximum exposure to credit risk is reflected by the amount of trade receivables and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date (Note 6).

With respect to credit risk arising from the other financial assets of the Group and the Company, which comprise cash and cash equivalents and available-for-sale financial investments, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

#### Interest risk

All of the Group's and the Company's borrowings are at variable interest rates, therefore the Group and the Company faces an interest rate risk. In 2008 to manage variable rate risk the Company has entered into interest rate swaps agreements, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts as described in Note 14, calculated by the reference to an agreed upon notional principal amount. In 2007 the Group and the Company did not have financial instruments for managing the interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (increase and decrease in basis points was determined based on Lithuanian economic environment and the Group's and the Company's historical experience), with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity, other than current year profit impact.

#### 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 (total current assets / total current liabilities) and quick ((total current assets - inventories) / total current liabilities) ratios as of 31 March, 2009 were 1,29 and 1,22, respectively (0,91 and 0,84 as of 31 December, 2008). The Company's liquidity and quick ratios as of 31 March, 2009 were 1,29 and 1,22 respectively (0,91 and 0,84 as of 31 December, 2008).

The Group and the Company expects to overcome liquidity issues implementing the following action plan: (1) increase in the heat price is effective starting from 1 December, 2008; (2) during January and February, 2009 there was a 35 - 40 % decrease in the gas price, and it is forecasted that it will not increase during 2009 (the new heat sale price, as described under (1), was calculated on the basis of the old, higher price of gas); (3) the Company attempts to receive part of investments funds from the EU Structural Funds. The Company has submitted 5 projects, the support for three of them (50 % of the cost of the project, but not more than LTL 6 million) is expected to be received in 2009; (4) in addition, the Group and the Company implements the cost reduction means: temporary termination of membership in various associations, implementation of production and transfer loss reduction plan; etc.(5) considering the increase in heat price, decrease in gas prices and other cost reducing plans, the Group and the Company expects to gain net profit for 2009 which could cover accumulated losses of prior periods.

#### Foreign currency risk

All sales and purchases transactions as well as the financial debt portfolio of the Group and the Company are denominated in LTL and EUR. Therefore, the foreign currency risk is not incurred.

Monetary assets and liabilities denominated in local and foreign currencies as of 31 March, 2009 were as follows (stated in LTL):

	Group		Company	
	Asset	Liabilities	Asset	Liabilities
LTL	99.447	67.779	99.375	67.493
EUR	812	52.492	812	52.492
	100.259	120.271	100.187	119.985

#### Fair value of financial asset and liabilities

The Company's principal financial instruments accounted for at amortised cost are trade and other current and non-current receivables, trade and other payables, long-term and short-term borrowings. The net book value of these amounts is similar to their fair value.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (a) The carrying amount of current trade accounts receivable, current trade accounts payable, other receivables and other payables and current borrowings approximate their fair value.
- (b) The fair value of trade and other payables, long-term and short-term borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts.

#### Capital management

The primary objectives of the Group's and the Company's capital management are to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

Group and Company managers their capital structure and changes it according to the changes of economical conditions and to its activity risk features. Aiming to maintain or to change capital structure, Group and company can issue new shares, adjust the dividend payment to shareholders, to return capital to shareholders. On 31 March, 2009 and on 31 December, 2008 there were no any changes in capital management aims, politics and process.

The Group and the Company is obliged to upkeep its equity of not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. The Group and the Company complies with equity requirements imposed by the Law on Companies of Republic of Lithuania. There were no other externally imposed capital requirements on the Group and the Company.

The Group and the Company monitor capital using debt to equity ratio. Capital includes ordinary shares, reserves, retained earnings attributable to the equity holders of the parent. There is no specific debt to equity ratio target set out by the Group's and the Company's management, however current ratios presented below are treated as sustainable performance indicators.

	Group		Company	
	31 March, 2009	31 December, 2008	31 March, 2009	31 December, 2008.
<b>Non-current liabilities (including deferred tax and grants)</b>	50.373	46.705	51.083	47.415
<b>Current liabilities</b>	82.729	80.538	82.538	80.740
<b>Total liabilities</b>	<b>133.102</b>	<b>127.243</b>	<b>133.621</b>	<b>128.155</b>
Own capital	<b>141.875</b>	<b>113.277</b>	<b>145.274</b>	<b>116.627</b>
Ration of liabilities* and own capital	<b>93,82 proc.</b>	<b>112,33 proc.</b>	<b>91,98 proc.</b>	<b>109,88 proc.</b>

\* Liabilities cover all non-current (including deferred income tax liability and grants (deferred incomes)) and current liabilities.

## 21. Commitments and contingencies

On 10 October, 2008 Company provided the guarantee for the public institution „Krepšinio perspektyvos“ credit line agreement with JSC AB DnB NORD bank for the sum of LTL 5 mln. till 31 March, 2009. Company also signed the agreement with Kaunas city municipality according to which Kaunas city municipality is obliged to pay Company's expenses if the Company would have to pay to banks on behalf of the public institution. For the issue day of these statements public institution „Krepšinio perspektyvos“ it's liabilities to the bank fulfilled. Guarantee agreement nustojo galioti.

The Company also participates as third part in administrative litigation regarding closed-end company Kauno termofikacijos elektrinė complaint on the Commission decision „On the heat production base price determination for the closed-end company Kauno termofikacijos elektrinė“ of 24 October, 2008, annulment. It's claim KTE base that heat energy production price, calculated on 31 March, 2003 in the Heat energy purchase-sales agreement determined order, should continue to be applied, but not on the Commission determined price. The case will be analyzed on 18 March, 2009. Based on the Civil code of the Republic of Lithuania decrees of the courts of the Republic of Lithuania and responses of Kaunas city municipality and the Commission, the Company believes that the Heating Law of the Republic of Lithuania which came into force on 1 January 2008 prevails over the Heat energy purchase and sales agreement signed on 31 March 2003 by the Company and KTE, therefore the possibility that the claim will be set by KTE is remote and no provision related to this possible case was recognized in the Group's and the Company's financial statements. If the court's verdict is opposite, and KTE decides to bring the claim against the Company due to the incurred losses, this exposure would amount to the difference between the heat production price calculated in accordance with methodology agreed in Heat energy purchase and sales agreement and the price determined by the Commission to KTE. The Company is considering at the nearest future to file a LTL 17 million claim against KTE regarding its noncompliance with investment plant determined in the agreement signed on 31 March, 2003. It is hoped, that on 29 April, 2009 during court meeting the decision of the court would be announced.

## 22. 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 the I quarter, 2009 and in the year 2008 the Group and the Company did not have any significant transactions with the other companies owned by Kaunas city municipality except for the purchases or sales of the utility services. The services provided to the Kaunas city municipality and the companies owned by the Kaunas city municipality were executed at market prices.



In the I quarter, 2009 and in the year 2008 the Group's and the Company's transactions with Jurbarkas city municipality, Kaunas city municipality and the entities, controlled by Kaunas city municipality and the balances at the end of the year were as follows:

<b>I quarter, 2009</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
Kaunas city municipality, it's financed and fully managed companies		12.736	21.616	-
Jurbarkas district municipality	-	-	600**	-
<b>2008</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
Kaunas city municipality	125*	2.587	839	-
Budgetary institutions under control of Kaunas city municipality	-	13.205	6.236	-
Jurbarkas district municipality	-	-	600**	-
Companies controlled by the Kaunas city municipality	1.254	4.878	1.108	100

\* land lease tax paid to Kaunas city municipality.

\*\* from the shareholder receivable sum for the issued, but not paid capital as written in the note.

In the I quarter, 2009 and in the year 2008 Company's transactions with the daughter company and balance at the end of period were as follows:

<b>I quarter, 2009</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
Closed-end company „Pastatų priežiūros paslaugos“	477	73	47	181
<b>2008</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>
Closed-end company „Pastatų priežiūros paslaugos“	2.569	261	51	157

#### Remuneration for the management and other payments

The Group's and the Company's management remuneration amounted to LTL 139 thousand and LTL 111 thousand on 31 March, 2009 respectively (LTL 775 thousand and LTL 582 thousand in the year 2008 respectively). Post-employment benefits liability for the Group's and the Company's management amounted to LTL 103 thousand as of 31 March, 2009 and as of 31 December, 2008. Per I quarter 2009 and 2008 the management of the Group and the Company did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

### **23. Subsequent events**

On 1 April, 2009 Jurbarkas district municipality administration fully paid all price of the shares emission. On 9 April, 2009 Group and Company made the transaction of interest exchange. From 24 August, 2009 to 22 August, 2014 the Group and Company determined 4.15 percent fixed interest norm for the 6 months EURIBOR interest norm. Nominal value of the transaction is EUR 3.862 thousand (LTL 13.333 thousand).