



AKCINĖ BENDROVĖ „KAUNO ENERGIJA“

To: Lithuanian Securities Commission

2009-08-07 Nr.20-3609

Konstitucijos av.23, LT-08105 Vilnius

†

JSC NASDAQ OMX Vilnius

Konstitucijos av. 7, 15 a., LT-08105 Vilnius

FOR ACCOUNTABILITY OF THE FIRST HALF-YEAR OF 2009

Following the statutes of 1 part of 22 article of the Law on Securities of the Republic of Lithuania and the regulations of Securities Commission on periodical and additional information preparation and presentation, we are - Chief executive officer Stanislovas Karčiauskas, acting for General director and the Chief Accountant Violeta Staškūnienė - confirms that our AB „Kaunas energija" 2009, 6 months, the company consolidated and I half-year financial report (attached), prepared in accordance with international accounting standards adopted by the application of the European Union, with the reality and fair view of the issuer's assets, liabilities, financial position, profits or losses and 2009 of 6 months of the consolidated and company intermediate report (attached) is correct in business development and operational review.

Chief executive officer
acting for General director

Stanislovas Karčiauskas

Chief Accountant

Violeta Staškūnienė

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AB "KAUNO ENERGIJA"

**INTERMEDIATE CONSOLIDATED REPORT
OF AB "KAUNO ENERGIJA"
6 MONTHS PERIOD, 2009**



AB "KAUNO ENERGIJA"
CONSOLIDATED ANNUAL REPORT FOR THE 6 MONTHS PERIOD, 2009

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1. Accountability period for which intermediate report is prepared

The consolidated intermediate report of AB „Kauno energija“ is prepared for the 6 months period, 2009.

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

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

The main data about the Company:

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

On 17 December 2008 the registered authorized capital is LTL 119,510,292 (one hundred nineteen millions five hundred ten thousands two hundred ninety two) and is divided into 19,918,382 (nineteen millions nine hundred eighteen thousand three hundred eighty two) ordinary registered shares of LTL 6 nominal value. 100 thousand units ordinary registered shares on 31 December 2008 are not paid.

Main data about the daughter company:

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

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

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

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

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

On 1 April 2003 the Issuer signed service agreement with joint stock company SEB Bankas (company code 1202123, Gedimino ave. 12, Vilnius), represented by the Finance markets department.

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

The nominal value of Issuer's 19 918 382 units of ordinary registered shares (VP ISIN code LT0000123010) is – 119.510.292 LTL. They are included into Vilnius Stock Exchange Baltic additional trade list.

6. Objective review of companies group state, activity and development, characterization of main risk types and in determination with which there is confrontation

Information on the AB „Kauno energija“ about heat distribution by the number of consumer groups and the significant market size, as well as information on the external risk factors, economic factors, political factors, social factors, the technical - technological factors, ecological factors, remained unchanged from the description of the information published in AB Kaunas energy "the consolidated annual report prepared for the 2008.

Detailed information about the 2009, I half of the Company's heat sales income of the consolidated companies is presented in 2009 I half-yearly financial reports explanatory note 15, and information about the tangible and intangible asset acquisitions is presented in the cash flow statement of investment activity in the cash flow.

The bank loans repayment. The Company repays loans in the determined time. Detailed information is presented in Company's consolidated and the Company's financial statements for the 6 months period, 2009, Note 9 in the explanatory notes.

7. The analysis of the companies group financial and non-financial activity results, information related to the environment and personnel issues

The first half of 2009 financial performance comparison with the 2008 is presented in Table 1.

AB KAUNO ENERGIJA
INTERMEDIATE CONSOLIDATED REPORT FOR 6 MONTH PERIOD YEAR 2009
(all amounts are in LTL thousand unless otherwise stated)

Table 1

Eil. Nr.	Rodiklio pavadinimas	Company's 2008	Group's 2008	Company's first half of 2009	Group's first half of 2009
1	Net profitability, % (net profit /sales and services)*100	-2,1	-2,1	12,1	11,9
2	Return on tangible asset, % (net profit/average value of tangible asset)*100	-2,7	-1,8	9,3	9,2
3	Debt coefficient (liability /asset)	0,52	0,53	0,40	0,40
4	Debt – ownership coefficient (liability/ownership of the owners)	1,1	1,12	0,68	0,68
5	General liquidity coefficient (short term asset /short term liability)	0,91	0,91	1,42	1,42
6	The turnover of the asset (sales and services /asset	0,84	0,86	0,77	0,77
7	ETBITA (profit before interest, profit tax, depreciation and amortization) LTL thousand	16.825	16.987	31.395	31.343
8	General profitability (general profit/sales and services)*100	-1,1	-1,4	12,7	12,6
9	Profitability from main activity (activity profit/ sales and services)*100	-1,1	-1,4	12,7	12,6
10	Ownership change (ROE) percent (net profit/average ownership of owners)*100	-3,7	-3,4	14,5	14,4
11	Asset change (ROA) percent (net profit/average asset)*100	-1,8	-1,8	9,2	9,2
12	Urgent payment coefficient ((short term asset-storages)/short term liabilities)	0,84	0,84	1,29	1,29
13	Payment in cash index (cash in account and cash/short term liabilities)	0,04	0,04	0,05	0,05
14	Net profit per share (net profit/average weighted number of the shares in turnover)	-0,22	-0,21	1,07	1,07
15	Net profit, LTL thousand	-4.343	-4.235	21.375	21.237
16	Asset, LTL thousand	244.782	240.520	231.747	227.804
17	The owners' ownership, LTL thousand	116.627	113.277	138.002	134.514
18	The owners' ownership per share, LTL	6,4	6,2	7,4	7,4
19	P/E (last market price of year share/(net profit/number of shares at the end of the year) price-earnings ratio	-9,17	-9,41	1,86	1,88
20	Sales and services, LTL thousand	205.233	205.974	177.930	178.039
20.1	Heat energy	201.793	201.760	176.719	176.684
20.2	Electric energy	506	506	171	171
20.3	The supervision of building heating and hot water supply systems, heating points equipment	2.934	3.708	1.039	1.183
21	Share capital, LTL thousand	119.510	119.510	119.510	119.510
22	Relation of share capital and asset	0,49	0,50	0,52	0,52

*** the asset of the Group is less than the Company's because of the elimination of LTL 6,053 million asset revaluation for the asset contribution to the subsidiary.*

The comparison of non-financial data for the year 2008 with the first half of 2009 is presented in Table 2.

Table 2

No.	Index name	Index characterisation	Company's 2008	Group's 2008	Company's 2009 first half	Group's 2009 first half
1.	Produced and purchased energy: from it supplied to network	thousand MWh	1631,2	1631,2	882,1	882,1
1.1.	Heat energy supplied to the network	thousand MWh	1607,1	1607,1	881,5	881,5
1.2.	Electricity energy	thousand MWh	2,3	2,3	0,6	0,6
2.	Sold energy	thousand MWh	1280,1	1.280,1	729,6	729,6
2.1.	Heat energy	thousand MWh	1.277,8	1.277,8	729,0	729,0
2.2.	Electricity energy	thousand MWh	2,3	2,3	0,6	0,6

With environmental and personnel matters related information remained unchanged from the information published in AB „Kauno energija“ consolidated annual report prepared for the 2008.

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

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

Information on the consolidated internal control remained unchanged from the information published in AB „Kauno energija“ consolidated annual report prepared for the 2008.

9. Important events after the end of the previous financial year

Data on the most important events presented after the end of this report and in paragraph 27 of the consolidated companies in 2009 first half-yearly financial reports explanatory note 23 and paragraph 27 of this report.

10. The plans and forecasts of the activity of the companies group

Information related to the group of companies operating plans and forecasts unchanged since the information was published in AB „Kaunas energija“ consolidated annual report prepared for the 2008.

The result of the planned activities in the 2009 will be adjusted when the company's board agree about specified activities of the planned performance of 2009.

11. Information on the companies group research and development activity

Information about the group of companies for research and development activities remained unchanged from the information published in AB „Kauno energija“ consolidated annual report prepared for the 2008.

12. Information on Issuer acquired and own shares

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

The Company did not acquire its own shares. Daughter company also did not acquire the Company shares. The Company and it's daughter company during the reporting period did not buy or sell their shares.

13. Information on financial risk management aims, used insurance measures for main groups of foreseen agreements for which accounting of insurance agreements is applied and scope of price risk, credit risk, liquidity risk and money flows risk of group of companies when group of companies uses financial means and when it is important in evaluation of the property, own capital, obligations, financial state and activity results of the group of companies

All information on this subject is presented by the consolidated companies in 2009 I half-yearly financial reports for Explanatory Memorandum 14, 18, 20 notes.

14. Information on Issuer subsidiary and secondary enterprises

Information on the issuer's subsidiaries and affiliate companies remains unchanged from the information published in AB „Kauno energija“ consolidated annual report prepared for the 2008.

15. The authorized capital structure of the Issuer

In the Enterprises register of the Republic of Lithuania the registered share capital of the Company is LTL 119,510,292.

The authorized capital structure of the Issuer according to the shares type is presented in Table 3.

Table 3

Type of shares	Number of shares, units	Par value, LTL	Total nominal value, LTL	Municipalities portion in the share capital, %	Private shareholders portion in the share capital, %
Ordinary registered shares	19,918,382	6	119,510,292	96.42	3.58
Total	19,918,382*	-	119.510.292	96.42	3.58

16. Data on issues of the shares of the Issuer

On 17 December 2008 the registered authorized capital is LTL 119,510,292 (one hundred nineteen millions five hundred ten thousands two hundred ninety two) and is divided into 19,918,382 (nineteen millions nine hundred eighteen thousand three hundred eighty two) ordinary registered shares of LTL 6 nominal value.

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

16.1. Basic characteristics of shares issued into public circulation of securities

No. of registration of stock	A01031430
Number of shares	19,918,382 ORS
Nominal value	LTL 6
Total nominal value of shares	LTL 119,510,292

The Company’s security trading history is presented in Table 4.

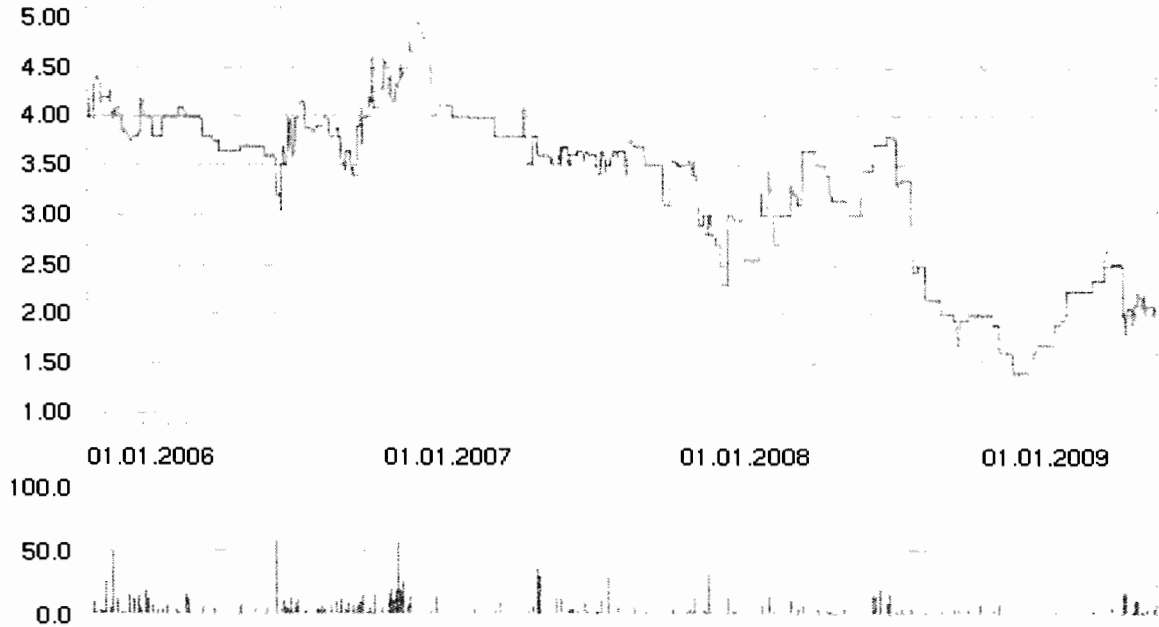
Table 4

PRICE	2005	2006	2007	2008	2009
Open	1.96	4.18	4.58	3.50	2,00
High	6.30	4.67	4.95	3.80	2,00
Low	2.01	3.05	3.10	1.70	1,41
Last	4.18	4.30	3.50	2.00	1,41
Traded, units	870,151	183,008	138,163	82,775	8 203
Turnover, million	4.19	0.70	0.55	0.26	0,01
Capitalisation, million	79.29	81.56	66.39	37.94	27,80

Share prices and turnover history is presented in Chart 2.

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 (all amounts are in LTL thousand unless otherwise stated)

Chart 2



Comparison of JSC “Kauno energija” share price with it’s section rate and OMX Vilnius index

Chart 3

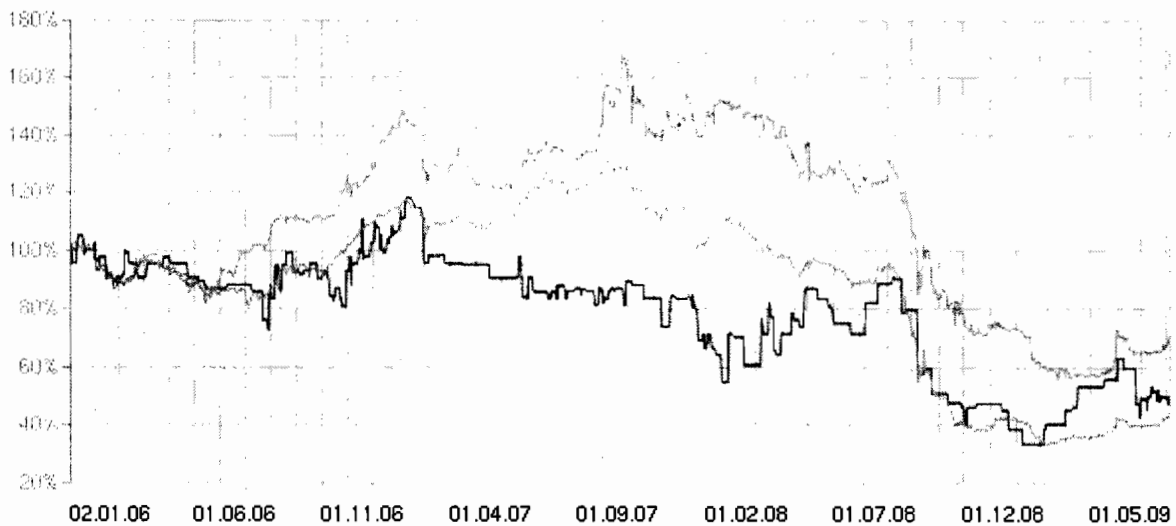


Chart 3 data:

Index/Equity	01.01.2006	05.08.2009	+/-%	
–OMX Vilnius	448.76	203.77	-54.59	↓.
–OMX Baltic Utilities GI	786.12	574.18	-27.25	↓.

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Index/Equity	01.01.2006	05.08.2009	+/-%	
–KNR1L	4.18 LTL	2.04 LTL	-51.20	↓.

17. Information about Issuer shareholders

Total number of AB “Kauno energija” shareholders on 30 June 2009 is 346 shareholders.

Shareholders of the Issuer, who owned more than 2 % of authorized Company’s capital (19,918,382 ORS), registered on 30 December, 2009, as of 17 June, 2009 are presented in Table 5.

Table 5

The name of shareholder, surname (name of the company, type, address, code)	The number of ordinary registered shares belonging to the shareholder, units	The portion of authorized capital, %	The portion of votes given by the ownership right belonging shares, %	The portion of votes belonging to the shareholder together with operating persons, %
Kaunas city municipality Laisvės Ave. 96, 44251 Kaunas Company code 111106319	16,954,892	85.12	85.12	-
Kaunas district municipality Savanorių Ave. 371, 49500 Kaunas Company code 111100622	1,606,168	8.07	8.07	-
Other shareholders	713,512	3.58	3.58	-
Jurbarkas district municipality Dariaus ir Girėno Str. 96, 74187 Jurbarkas Company code 111106276	643,810	3.23	3.23	-
Total	19,918,382	100	100	

Shareholders who on 30 June 2009 owned more than 2 % of shares of AB “Kauno energija” (19,918,382 ORS) released into public circulation of securities (registration No. A01031430) are presented in Table 6.

Table 6

The name	Type of shares	Number of shares, units	Total value of shares, LTL	Amount of shares (%) from total number of released into public circulation	Share of authorized capital (%)
Kaunas city municipality Laisvės ave. 96, 44251 Kaunas Company code 111106319	Ordinary registered shares	16,954,892	101,729,352	85.12	85.12
Kaunas district municipality Savanorių ave. 371, 49500 Kaunas Company code 111100622	Ordinary registered shares	1,606,168	9,637,008	8.07	8.07
Other shareholders	Ordinary registered shares	713,512	4,281,072	3.58	3.58
Jurbarkas district municipality Dariaus ir Girėno str. 96, 74187 Jurbarkas Company code 111106276	Ordinary registered shares	643,810	3,862,860	3.23	3.23
		19,918,382	119,510,292	100	100

No shareholders of the Issuer have any special control rights. Rights of all shareholders are equal, which are determined in 4 clause of Law on joint stock companies of the Republic of Lithuania. Number of shares, which grant votes during general meeting of shareholders of the Company, is 19,918,382 units.

The Company is not informed about voting rights limitation and about any shareholders mutual agreements for which could be limited the transfer of securities and (or) voting rights.

Since the establishment of the Issuer there were no dividends allotted to pay.

18. Employees

According to the data of 30 June 2009 626 employees are employees in the Group in total. The change of the employee's number during 2009 is presented in Table 7.

Table 7

Listed number of employees	Company's 31-12-2008	Group's 31-12-2008	Company's 30-06-2009	Group's 30-06-2009
Total	598	654	539	626
Managers	4	6	3	7
Specialists	295	314	279	309
Workers	299	334	257	310

The education of employees at the end of the period

Table 8

No.	Educational level	Company's 31-12-2008	Group's 31-12-2008	Company's 30-06-2009	Group's 30-06-2009
1.	Not finished secondary	23	27	15	20
2.	Secondary	241	270	230	267
3.	College	105	110	82	103
4.	Higher	229	247	212	236
	Total	598	654	539	626

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

Table 9

No.	Employees	Company	Group
1.1.	Average conditional number of managers	4	7,9
1.2.	Average monthly salary of managers	8918,9	6944,3
2.1.	Average conditional number of specialists	264,4	290,1
2.2.	Average monthly salary of specialists	2619,7	2589,6
3.1.	Average conditional number of workers	259,3	315,1
3.2.	Average monthly salary of workers	1872,8	1847,9

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

According to collective agreement currently in effect in the Company:

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

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

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

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

- in case of marriage of employee's daughter, son or legal foster-child - 3 calendar days.
3. Employer is obliged:
- to assure conditions for preventive checking of health of employees and in case of the need arisen – rehabilitation treatment, to provide free services in health centre of the Company;
 - in case of employee to pay grant of two last month average salaries size, free transport or to cover expenses for the transport. The grant is to be paid for the person who was responsible for the burial;
 - in case of the death of close person of employee (father, mother or husband or wife), to pay grant of one last month average Company or branch salary size, free transport or to cover expenses for the transport;
 - in case of one or more children to pay grant for employee of 25% last month average Company or branch salary size for each child born;
 - in case of marriage of employee to pay grant for employee of 25% last month average Company or branch salary size;
 - for employees who are raising three or more children younger than 16 years, widower (widow) or lonely parents who are raising one or more children till 19 years old (if they are attending secondary school) or 21 year old (if they are full-time students of high school) or are caring for other members of the family with heavy or medium level of disability or lower than 55 % level of working capacity or family members of old-age pension age who have, according to the laws, appointed large or average special demand level, to pay once a year grant for employee of 50% last month average Company or branch salary size according to the date of appeal presentation;
 - for the employees of 50 and 60 years, having more than 20 years of work record in the Company, for the good work duties implementation by the department head proposal to allot 50 % of Company's or subsidiary previous months average work salary amount monetary present;
 - in all other cases when material support is required (due to experienced casualties from natural disasters or from other reasons independent on the employee) to pay grant up to 2,000 LTL in size on the agreement of the sides who signed Collective agreement;
 - in case of heavy sickness of employee or in case of heavy disaster, to pay grant of five last month average Company or branch salaries size on the agreement of the sides who signed Collective agreement.

19. Order of changes of Regulations of the Issuer

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

20. Issuer bodies

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

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

In the General Meeting of Shareholders or repeated General Meeting of Shareholders persons who at

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

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

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

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

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

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

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

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

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

Jonas Koryzna. Doctor of Technical sciences. Member of Kaunas city Municipality Council. Member of City Committees of Economy and Energy, Chairman of Privatization Commission. Chairman of the Company's Supervisory Board. Vice-president of Kaunas Hall of Commerce, Industry and Craft, member of Kaunas Rotary club. Has no shares of the Company. Has shares of FMI "Kapitalo srutai" and FMI "Baltijos vertybiniai popieriai".

The beginning of the term of office on 30-07-2007, ends on 30-04-2011

Jadzė Bartasiėnė. Teacher-expert of physics in J. Urbšys secondary school, independent expert of Ministry of Education and Science. Has no shares of the Company. Does not participate in the capital of other companies.

The beginning of the term of office on 30-07-2007, ends on 30-04-2011.

Edita Gudišauskienė. Member of Kaunas city municipality council, chairman of Budget and finance committee. Has no shares of the Company. Does not participate in the capital of other companies.

The beginning of the term of office on 28-04-2009, ends on 30-04-2011

Orinta Leiputė. Member of Kaunas city municipality council, member of Culture, communities and self-government development committee.

The beginning of the term of office on 28-04-2009, ends on 30-04-2011

Arvydas Padegimas. Member of Kaunas city municipality council. Has no shares of the Company. Does not participate in the capital of other companies.

The beginning of the term of office 28-04-2009, ends on 30-04-2011.

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

The beginning of the term of office on 30-07-2007 ends on 30-04-2011

Gediminas Žukauskas. Member of Kaunas city Municipality Council, Chairman of Committee of City Economy and Energy. Chief-engineer in closed-end company "Kauno vandenys". Chairman of Panemunė Community Center. Has no shares of the Company. Does not participate in the capital of other companies.

The beginning of the term of office on 30-07-2007 ends on 30-04-2011

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

21.2. Data about the members of the management board

Vytautas Mikaila. Doctor of Technical sciences. Director of closed-end company "MVE group". From 16 December, 2008 Chairman of the Company's management board. From 02-02-2009 Consultant of General Manager on Strategy at Company. Has no shares of the Company. Has 55 % of closed-end company "MVE group" shares.

Per I half, 2009 for the member of management board was accounted total cash sum (salary) – LTL 20 thousand, no bonuses or guarantees granted, no property transfers were made or occurred.
The beginning of the term of Office 03-12-2008, end 30-04-2011.

Ramūnas Gatautis. Doctor of Technical sciences, Lithuanian Energy Institute, Laboratory of Energetics complex research. 01-08-2008 – 30-01-2009 - Consultant of General Manager on Strategy at Company. From 02-02-2009 –Deputy of Administration Director, Kaunas city municipality. Chairman of the Management Board at Company till 15-12-2008. Member of International energy economists association. Has no shares of the Company. Does not participate in the capital of other companies.
During the reporting period for the member of Management board there was counted payment (salary) amounting to LTL 40 thousand, no bonuses or guarantees granted, no property transfers were made or occurred.
The beginning of term of office 27-11-2007, end 30-04-2011.

Algirdas Vaitiekūnas. Head of Energy Sector Department, City Economy Department, Kaunas city municipality. Deputy Chairman of the Management Board of Company. Has no shares of the Company. Does not participate in the capital of other companies.
During the reporting period the member of the Management board did not receive any payments (salary, bonuses) or guaranties, no property transfers were made or occurred.
The beginning of term of office 30-04-2004, end 30-04-2011.

Mantas Raila. Director of closed-end company RP Reklama. Chairman of Lithuanian Sail association. Shareholder of closed-end company RP reklama, has 50 units of shares, which make 50 % of authorized capital. Has no shares of the Company.
During the reporting period the member of the Management board did not receive any payments (salary, bonuses) or guaranties, no property transfers were made or occurred.
The beginning of term of office 27-11-2007, end 27-01-2009.

Vykintas Šuksteris. Doctor of Technical sciences. Director of closed-end company AF-terma. Member of International energy economists association, member of Lithuanian Thermotechnical Engineers Society, President of Lithuanian Association of Energy Consultants. Has no shares of the Company. Does not participate in the capital of other companies.
During the reporting period the member of the Management board did not receive any payments (salary, bonuses) or guaranties, no property transfers were made or occurred.
The beginning of term of office 27-11-2007 end 30-04-2011.

Eugenijus Ušpuras. Director of Lithuanian Energy Institute, professor of Department of Thermal and Nuclear Energy, member-correspondent of Lithuanian Science Academy. Has no shares of the Company. Does not participate in the capital of other companies.
During the reporting period the member of the Management board did not receive any payments (salary, bonuses) or guaranties, no property transfers were made or occurred.
The beginning of term of office 27-11-2007, end 30-04-2011.

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

During the reporting period the member of the Management board did not receive any payments (salary, bonuses) or guaranties, no property transfers were made or occurred.
The beginning of term of office 27-11-2007, end 30-04-2011.

Kęstutis Miškinis. Master student at Kaunas university of technology, Electricity and management engineering faculty. Has no shares of the Company. Does not participate in the capital of other companies. Per accounting period for the members of management board there was no accounted cash sums (salaries, bonuses), or guaranties, no property transfers were made or occurred.
The beginning of term of office 31-03-2009, ends on 30-04-2011.

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

Rimantas Bakas. Doctor of Technical sciences. General manager of the Company from 24-11-2008. Education – higher, Kaunas university of technology, 1985, engineer of industry heat energy. Working places during last 10 years and positions held – 01-1999–02-2001 company „Terma ir KO“ (from 2000 closed-end company „AF – Terma“), 10-2001–02-2003 vicepresident and executive director, Lithuanian bioenergetics and energy saving association; 03-01-2001–18-11-2008 Head of Strategy department at Company. Has no shares of the Company. Does not participate in the capital of other companies.

Violeta Staškūnienė. Chief accountant of the Company since 27-07-2000, chief accountant since 16-01-2003. Education – higher, Vilniaus University, 1984, work economy, profession – economist. Working places during 10 years and positions held: Chief Accountant of the Company’s subsidiary “Kauno energijos paslaugos” (22-06-1998), Company’s Deputy Chief Accountant (10-01-2000). Closed end company “Itvizija” chief accountant (1998 till 2004-04), closed-end company “Energijos realizacijos centras” chief accountant (01-2003 till 06-2004). Has 2,641 units of the Company’s shares, which make less than 5 % of the authorized capital. Does not participate in the capital of other companies.

Per I half, 2009 for the Company’s manager and chief accountant there was accounted total sum of LTL 118,2 thousand, average amount for one member is LTL 59,1 thousand, and there was no transfer of any asset or guarantees.

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

None.

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

None.

24. Information about larger related agreements of the sides

There have been no major separate agreements. The detailed information is presented in Item

consolidated companies in 2009 I half-yearly financial reports for explanatory paragraph 22.

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

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

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

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

27. Data about publicly declared information

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

Information declared during 2009:

- 13.01.2009 Information on the resignation of the Management board member;
- 30.01.2009 - Preliminary result of the AB "Kauno energija" activity of the year 2008;
- 25.03.2009 - Convocation of JSC „Kauno energija“ general shareholders meeting and projects of the decisions;
- 01.04.2009 Information on the election of the member of Management board
- 15.04.2009 - The change of JSC "Kauno energija" general shareholders meeting agenda
- 28.04.2009 - The decisions of the general shareholders meeting and activity results of the Iquarter, 2009;

Not audited Company activity result of the I quarter, 2009 (31 March, 2009) according to the International accounting standards is profit (before taxes) LTL 28647 thousand (EUR 8297 thousand), Group's profit (before tax) LTL 28598 thousand (EUR 8283 thousand). Income from the sales of the Company per 3 months period, 2009 - LTL 146879 thousand (EUR 42539 thousand), Group's - LTL 146931 thousand (EUR 42554 thousand).

Presenting the intermediate not audited financial statements for the I quarter of the year 2009.

The planned activity result of the year 2009 will be made more clear, when company in the State prices and energy control commission would coordinate and in the company's management board would confirm new heat sale prices.

In the general shareholders meeting of JSC "Kauno energija" on 28 April, 2009 the following decisions were taken:

1. Listened to the independent auditor (closed-end company „Ernst & Young Baltic“) conclusion on financial reports.

2. To confirm audited consolidated and company's financial statements for the year 2008, prepared according to the International financial reporting standards, accepted to use in the European Union (attached).

3. To allot company's profit (loss) for the year 2008 according to the profit (loss) allocation project (attached) provided to the general shareholders meeting.

4. To recall members from the Supervisory board of joint stock company „Kauno energija“: Bronislovas Kučinskas, Pranas Paškevičius and Rimas Antanas Ručys.

5. To elect the members of joint stock company „Kauno energija“ Supervisory board: Orianta Leiputė, Edita Gudišauskienė and Arvydas Padegimas.

- 28.04.2009 - Annual report and financial statements;
- 06.05.2009 – Complemented annual report and financial statements by confirmation of persons.
- 01.06.2009 – Provided report on heat, supplied by JSC „Kauno energija“, price determination and application
- 22.06.2009 - Announced general meeting of JSC “Kauno energija” shareholders and decisions projects
- 09.07.2009 - Announced annual report and financial statements;
- 09.07.2009 - General meeting of JSC “Kauno energija” shareholders and decisions projects;
- 23.07.2009 - The Decisions of the general shareholders meeting of JSC Kauno energija and intermediate information for the 6 months;

At the repeated general shareholders meeting of JSC “Kauno energija” on 23 July, 2009 the following decisions were made:

1. Agenda question - increasing of JSC “Kauno energija” authorized capital.

1.1 To increase authorized capital of joint stock company „Kauno energija“ up to 136 200 000 LTL (39446246,52 EUR) (from 119 510 292 LTL (34612572,98 EUR) up to 255 710 292 LTL (74058819,51 EUR) by issuing 22 700 000 ordinary registered 6 LTL (1,74 EUR) nominal value of shares, the issue price equal to the nominal value;

1.2 To cancel the priority right for all shareholders to acquire newly issued 22 700 000 (twenty two million seven hundred thousand) units ordinary named 6 (six) LTL (1,74 EUR) nominal value shares of joint stock company „Kauno energija“, nominal value of shares, the issue price equal to the nominal value. The right to purchase these shares has budget office of Kaunas city municipality, code 111106319, Laisvės al. 96, Kaunas. Then JSC “Kauno energija” can take over buildings and civil engineering works (Collector) - tunnels, which belong to Kaunas City municipality;

1.3 To agree that Kaunas city municipality acquires joint stock company's "Kauno energija" released 22 700 000 (twenty two million seven hundred thousand) units ordinary named 6 (six) LTL (1,74 EUR) nominal value of shares, the issue price equal to the nominal value, for a contribution of Kaunas city municipality owned engineering structures (collectors) - tunnels (property assessors set the value of the assets - 136 200 000 LTL) to JSC “Kauno energija”

2. Agenda question - Concerning the change of JSC "Kauno energija" regulations.

To change the regulations of joint stock company „Kauno energija“ setting out their new version and to authorize general director of joint stock company „Kauno energija“ to sign the changed regulations of joint stock company „Kauno energija“.

3. Agenda question - The selection of the Audit Company and terms of payment for audit services.

To select JSC "PricewaterhouseCoopers" Ltd. to do the audit of joint stock company's „Kauno energija“ and consolidated (group companies) of the financial statements for the financial year 2009, as

well as determine that payment for audit services for the financial year 2009 - 55 000 LTL (15929,10 EUR) excluding VAT, but not more than 4,000.00 EUR additional costs of mission at the time of the audit, a total of 59,000.00 LTL, excluding VAT. The payment should be done in 30 days after signing the service acceptance-transfer certificate.

Not audited Company activity result for the 6 months, 2009 (30 June, 2009), according to the International accounting standards is profit (before taxes) LTL 21375 thousand (EUR 6191 thousand), Group's profit (before tax) LTL 21237 thousand (EUR 6151- thousand). Income from the sales of the Company per 6 months period, 2009 - LTL 177930 thousand (EUR 51532 thousand), Group's - LTL 178039 thousand (EUR 51564 thousand).

JSC "Kauno energija" Chief executive officer
acting for General director



Stanislovas Karčiauskas

JSC „KAUNO ENERGIJA“

**CONSOLIDATED AND COMPANY'S
FINANCIAL STATEMENTS FOR THE I HALF,
2009 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION**

Balance sheets

	Notes	Group		Company	
		30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
ASSETS					
Non-current assets					
Non-current intangible assets		1.407	1.783	1.401	1.683
Non-current tangible assets	3				
Land and buildings		30.135	30.692	28.579	29.108
Structures and machinery		119.940	117.555	119.925	117.525
Vehicles		837	1.109	725	937
Equipment and tools		6.177	7.062	6.090	6.966
Construction in progress and prepayments		7.557	8.681	7.557	8.681
Total tangible assets		164.646	165.099	162.876	163.217
Non-current financial assets					
Investments into daughter companies	1	-	-	6.053	6.053
Non-current accounts receivable	4	65	65	65	65
Deferred tax income		88	88	-	-
Other financial assets	5	433	433	433	433
Total non-current financial assets		586	586	6.551	6.551
Total non-current assets		166.639	167.468	170.828	171.451
Current assets					
Inventories and prepayments					
Inventories		6.082	5.581	5.925	5.541
Prepayments		696	511	700	499
Total inventories and prepayments		6.778	6.092	6.625	6.040
Current accounts receivable	6				
Trade receivables		44.608	54.797	44.488	55.032
Other receivables		7.731	8.547	7.763	8.655
Total accounts receivable		52.339	63.344	52.251	63.687
Cash and cash equivalents	7	2.048	3.616	2.043	3.604
Total current assets		61.165	73.052	60.919	73.331
Total assets		227.804	240.520	231.747	244.782

(cont'd on the next page)

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

Balance sheets (cont'd)

	Notes	Group		Company	
		30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
EQUITY AND LIABILITIES					
Equity					
Share capital	1	119.510	119.510	119.510	119.510
Legal reserve	8	233	3.041	-	2.808
Other reserve		-	-	-	-
Retained earnings (deficit)					
Profit (loss) for the current year		21.237	(4.235)	21.375	(4.343)
Profit (loss) for the previous year		(6.466)	(5.039)	(2.883)	(1.348)
Total retained earnings (deficit)		14.771	(9.274)	18.492	(5.691)
Total equity		134.514	113.277	138.002	116.627
Payables and liabilities					
Non-current payables and liabilities					
Non-current financial debts	9	37.869	33.921	37.869	33.921
Lease (financial lease)	10	95	95	-	-
Deferred tax liability		-	-	805	805
Grants (deferred income)	11	9.875	10.253	9.875	10.253
Employee benefit liability	12	1.605	1.612	1.605	1.612
Other non-current liabilities		795	824	795	824
Total non-current payables and liabilities		50.239	46.705	50.949	47.415
Current payables and liabilities					
Non-current portion of financial debts and lease (financial lease) of the current year	9, 10	4.828	8.834	4.803	8.785
Current financial debts	9	28.479	15.720	28.479	15.720
Trade payables	13	6.185	50.929	6.199	51.361
Payroll related liabilities		1.319	2.054	1.107	1.933
Advances received		892	932	892	920
Taxes payable		40	775	10	727
Derivative financial instruments	14	864	567	864	567
Other current payables and liabilities		444	727	442	727
Total current payables and liabilities		43.051	80.538	42.796	80.740
Total payables and liabilities		93.290	127.243	93.745	128.155
Total equity and liabilities		227.804	240.520	231.747	244.782

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

General director	Rimantas Bakas <small>Generalinio direktoriaus pavaduotojas- pardavimų ir rinkodaros departamento direktorius</small> Stanislavas Karčiauskas	20 July, 2009
Chief accountant	Violeta Staškūnienė	20 July, 2009

Income (loss) statements

		Group					
	Notes	II quarter, 2009	I half, 2009	II quarter, 2008	I half, 2008	2008	2007
Operating income							
Sales income	15	31.108	178.039	26.864	112.660	205.974	169.528
Other operating income	16	293	554	126	401	1.337	1.319
Total operating income		31.401	178.593	26.990	113.061	207.311	170.847
Operating expenses							
Fuel and heat purchased		(21.524)	(124.374)	(17.920)	(67.689)	(137.604)	(112.195)
Salaries and social security	12	(5.777)	(9.985)	(6.351)	(10.568)	(24.999)	(23.121)
Raw materials		(417)	(860)	(683)	(1.272)	(2.404)	(2.356)
Taxes other than income tax		(873)	(1.859)	(825)	(1.682)	(3.462)	(3.409)
Electricity		(442)	(1.468)	(529)	(1.523)	(2.891)	(3.976)
Depreciation and amortisation	3	(4.115)	(8.365)	(4.683)	(9.994)	(18.982)	(20.540)
Repairs and maintenance		(649)	(1.028)	(2.208)	(2.732)	(5.160)	(2.807)
Water		(187)	(257)	(94)	(178)	(517)	(801)
Change in allowance for accounts receivable	6	(1.126)	(1.466)	144	582	1	1.133
Change in allowance for inventories						181	8
Petrašiūnai power plant operator expenses	1	(585)	(1.170)	(522)	(1.037)	(2.184)	(2.193)
Other expenses		(2.219)	(4.731)	(3.186)	(6.244)	(10.760)	(9.363)
Other operating expenses	16	(224)	(373)	(490)	(860)	(1.363)	(1.025)
Total operating expenses		(38.138)	(155.936)	(37.347)	(103.197)	(210.144)	(180.645)
Operating profit		(6.737)	22.657	(10.357)	9.864	(2.833)	(9.798)
Income from financial and investment activity	17	426	692	353	656	1.281	1.314
Expenses from financial and investment activity	18	(1.050)	(2.112)	(571)	(1.267)	(3.343)	(2.008)
Net profit for financial and investment activity		(624)	(1.420)	(218)	(611)	(2.062)	(694)
Profit before tax		(7.361)	21.237	(10.575)	9.253	(4.895)	(10.492)
Income tax						-660	-1.866
Net profit		(7.361)	21.237	(10.575)	9.253	(4.235)	(8.626)
Basic earnings per share (LTL)	19	(0,37)	1,07	(0,54)	0,47	(0,21)	(0,44)

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

General director	Rimantas Bakas	AB "Kauno energija" Generalinio direktoriaus pavaduotojas- pardavimų ir rinkodaros departamento direktorius <i>Stanislavas Karčiauskas</i>	20 July, 2009
Chief accountant	Violeta Staškūniene	<i>Violeta Staškūniene</i>	20 July, 2009

JSC „KAUNO ENERGIJA“, enterprise code 235014830, Raudondvario rd. 84, Kaunas, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE I HALF, 2009
(thousand litas, if not otherwise stated)

	Notes	Company		II quarter,	I half,	2008	2007
		2009	2009	2008	2008		
Operating income							
Sales income	15	31.051	177.930.	26.699	112.150.	205.233	168.003
Other operating income	16	269	515	122	401	1.322	1.370
Total operating income		31.320	178.445	26.821	112.551	206.555	169.373
Operating expenses							
Fuel and heat purchased		(21.524)	(124.374)	(17.920)	(67.689)	(137.604)	(112.195)
Salaries and social security	12	(5.358)	(9.155)	(5.627)	(9.158)	(22.396)	(20.098)
Raw materials		(286)	(791)	(521)	(987)	(1.991)	(2.013)
Taxes other than income tax		(861)	(1.836)	(813)	(1.659)	(3.402)	(3.354)
Electricity		(438)	(1.457)	(523)	(1.508)	(2.863)	(3.956)
Depreciation and amortisation	3	(4.072)	(8.279)	(4.632)	(9.896)	(18.784)	(20.389)
Repairs and maintenance		(649)	(1.028)	(2.208)	(2.732)	(5.181)	(2.804)
Water		(185)	(253)	(90)	(170)	(502)	(787)
Change in allowance for accounts receivable	6	(1.126)	(1.466)	144	582	1	1.133
Change in allowance for inventories						181	8
Heating and hot water systems supervision expenses	1	(399)	(852)	(688)	(1.417)	(2.485)	(2.801)
Petrašiūnai power plant operator expenses	1	(585)	(1.170)	(522)	(1.037)	(2.184)	(2.193)
Other expenses		(2.166)	(4.630)	(3.001)	(5.922)	(10.248)	(8.791)
Other operating expenses	16	(220)	(362)	(489)	(858)	(1.357)	(986)
Total operating expenses		(37.969)	(155.653)	(36.890)	(102.451)	(208.815)	(179.226)
Operating profit		(6.649)	22.792	(10.069)	10.100	(2.260)	(9.853)
Income from financial and investment activity	17	426	692	353	656	1.281	1.364
Expenses from financial and investment activity	18	(1.049)	(2.109)	(569)	(1.263)	(3.800)	(2.003)
Net profit for financial and investment activity		(623)	(1.417)	(216)	(607)	(2.519)	(639)
Profit before tax		(7.272)	21.375	(10.285)	9.493	(4.779)	(10.492)
Income tax						-436	-1.871
Net profit		(7.272)	21.375	(10.285)	9.493	(4.343)	(8.621)
Basic earnings per share (LTL)		(0,37)	1,07	(0,52)	0,48	(0,22)	(0,44)

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

General director	Rimantas Bakas	Generalinio direktoriaus pavaduotojas- pardavimų ir rinkodaros departamento direktorius <i>Stanislovas Karčiauskas</i>	20 July, 2009
Chief accountant	Violeta Staškūnienė	<i>[Signature]</i>	20 July, 2009

Statements of changes in equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained (deficit)	Total
Balance as of 31 December, 2007		118.310	11.373	163	(13.534)	116.312
Net profit (loss) for the year		-	-	-	9.253	9.253
Transferred to reserves	8	-	(8.332)	(163)	8.495	-
Balance as of 30 June, 2008		118.310	3.041	-	4.214	125.565
Increase in share capital	1	1.200	-	-	-	1.200
Net profit (loss) for the year		-	-	-	(13.488)	(13.488)
Balance as of 31 December, 2008		119.510	3.041	-	(9.274)	113.277
Transferred to reserves	8	-	(2.808)	-	2.808	-
Net profit (loss) for the year		-	-	-	21.237	21.237
Balance as of 30 June, 2009		119.510	233	-	14.771	134.514

Company	Notes	Share capital	Legal reserve	Other reserves	Retained (deficit)	Total
Balance as of 31 December, 2007		118.310	11.323	-	(9.863)	119.770
Net profit (loss) for the year		-	-	-	9.493	9.493
Transferred to reserves	8	-	(8.515)	-	8.515	-
Balance as of 30 June, 2008		118.310	2.808	-	8.145	129.263
Increase in share capital	1	1.200	-	-	-	1.200
Net profit (loss) for the year		-	-	-	(13.836)	(13.836)
Balance as of 31 December, 2008		119.510	2.808	-	(5.691)	116.627
Transferred to reserves	8	-	(2.808)	-	2.808	-
Net profit (loss) for the year		-	-	-	21.375	21.375
Balance as of 30 June, 2009		119.510	-	-	18.492	138.002

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

General director

Rimantas Bakas

Generalinio direktoriaus pavaduotojas
pardavimų ir rinkodaros departamentą
direktorius
Stanislovas Karčiauskas



20 July, 2009

Chief accountant

Violeta Staškūnienė



20 July, 2009

Cash flow statements

	Group		Company
	I half,	I half,	I half,
	2009	2008	2009
			I half,
			2008
Cash flows from 9to) operating activities			
Net (loss)	21.237	9.253	21.375
Adjustments for non-cash items	9.922	9.116	9.812
Depreciation and amortisation	8.792	10.686	8.706
Write-offs and change in allowance for accounts receivable	1.466	(582)	1.466
Loss from sale and write-off of non-current assets	75	457	73
Accruals	(1.443)	(1.519)	(1.462)
Grants (amortisation)	378	(659)	(378)
Derivative financial instruments	297		297
Interest expenses	1.695	1.266	1.692
Elimination of other financial and investment activity results	(582)	(533)	(582)
Changes in working capital	(36.277)	2.308	(36.207)
Decrease in inventories	(501)	393	(384)
(increase) in prepayments	(185)	(186)	(201)
(increase) in trade receivables	8.723	18.453	9.078
(increase) decrease in other receivables	816	(1)	892
Increase (decrease) in non-current liabilities	(36)	-	(36)
Increase (decrease) in current trade payables and advances received	(44.784)	(16.088)	(45.190)
Increase in payroll related liabilities	708	627	636
(decrease) in other liabilities to budget	(735)	(831)	(717)
Increase in other current liabilities	(283)	(59)	(285)
Net cash flows from operating activities	(5.118)	20.677	(5.020)
(acquisition) of tangible and intangible assets	(8.125)	(9.755)	(8.112)
Proceeds from sale of tangible assets	87	75	(44)
Interest for delayed receivables	688	623	688
Increase in cash flows from non-current accounts receivable		(5)	(5)
Interest received	4	-	4
Net cash flows from investment activities	(7.346)	(9.062)	(7.464)
Proceeds from loans	16.732	4.305	16.732
(repayment) of loans	(3.987)	(16.873)	(3.987)
(paid) interest	(1.685)	(1.355)	(1.682)
(payments) lease (financial lease)	(44)	(42)	(20)
(paid) penalty interest and fines	(120)	(1)	(120)
Net cash flows from financing activity	10.896	(13.966)	10.923
Net (decrease) increase in cash and cash equivalents	(1.568)	(2.351)	(1.561)
Cash and cash equivalents at the beginning of the year	3.616	4.886	3.604
Cash and cash equivalents at the end of the year	2.048	2.535	2.043

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

General director	Rimantas Bakas Generalinio direktoriaus pavaduotojas direktorius Stanislavas Karčiauskas	20 July, 2009
Chief accountant	Violeta Staškūnienė	20 July, 2009

Notes to the financial statements

General information

JSC “Kauno energija” (hereinafter the Company) is joint stock company registered in the Republic of Lithuania. The address of its registered office is as follows:

Raudondvario Rd. 84,
Kaunas,
Lithuania.

AB Kauno Energija consists of the Company's head office and subsidiary “Jurbarko šilumos tinklai”.

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 reorganisation of JSC “Lietuvos energija”. The Company's shares are traded on the Baltic Secondary List of the NASDAQ OMX Vilnius.

As of 31 December, 2008 and 30 June, 2009 the shareholders of the Company were as follows:

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

All the shares with a par value of LTL 6 each are ordinary shares. The Company did not hold its own shares in 2008 and on 30 June, 2009.

On 26 June, 2008 in the Company's shareholders meeting it was 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 council. 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. All shares were fully paid as of 30 June, 2009.

On 11 June, 2009 Council of Kaunas city municipality made the decision in the extraordinary shareholders meeting of the Company to vote for the increase of share capital by issuing 22.700.000 ordinary shares with the par value LTL 6 each, paying for them by Kaunas city municipality asset input. For this issue extraordinary shareholders meeting, which will be held on 23 July, 2009, is convened.

The Company is also involved in maintenance 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 the daughter company). The main activity of the daughter company is exploitation and maintenance of building heating network and heating consumption equipment, internal engineering networks and systems as well as building structures. After establishing of subsidiary the employees of the Company working at Kaunas Energy Services Department were dismissed from the Company and hired by closed-end company “Pastatų priežiūros paslaugos”. From 1 July, 2006 the Company is contracting closed-end company “Pastatų priežiūros paslaugos” for permanent technical maintenance of heating and hot water supply systems.

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

Company	Registration address	Shares of the stock held by the Group	Cost investment	Profit (loss) for the reporting period	Total equity	Main activity
Closed-end company „Pastatų priežiūros paslaugos”	Savanorių priežiūros ave. Kaunas	347, 100 %	6.518	(196)	5.857	Maintenance of heating systems

As of 31 December, 2008 impairment loss of investment in closed-end company “Pastatų priežiūros paslaugos” in amount of LTL 465 thousand was recognised in the Parent's financial statements.

Operations of the Company are regulated by the Heating Law No. IX-1565 of 20 May, 2003 of the Republic of Lithuania. Starting 1 January, 2008, the Law amending the Heating Law No. X-1329 of 20 November, 2007 of the Republic of Lithuania came in to force.

According to the Heating Law of the Republic of Lithuania, the Company's activities are licensed and regulated by the State Price Regulation Commission of Energy Resources (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 21 the Company participates as a third party in administrative litigation between KTE and the Commission. After the reduction of KTE heat sales price, the Commission coordinated new heat price for the Company 22,2 percent lower that was valid, which came into effect from the 1 June, 2009.

On 8 June, 2006 the 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 closed-end company KTE regarding the equipment used in production of heating energy operated by closed-end company “Energijos sistemų servisas”. For the purchase of this service on 2 July, 2009 with the closed-end company “Energijos sistemų servisas” was signed new agreement, valid till the 3 August, 2010.

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 30 June, 2009 Group's average number of employees was 641 (663 employees in 2008). On 30 June, 2009 the average number of employees in the Company was 592 (609 employees in 2008).

2.1. Financial statements form

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

2.2. Financial statements currency

Group managers accounting and in the amounts shown in these financial statements are measured and presented in the local currency of the Republic of Lithuania, litas (LTL) and all values are rounded to the nearest thousand, except when otherwise indicated.

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.

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 income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement.

2.4. Non-current tangible assets

Property, plant and equipment of the Group and the Company are stated at cost less accumulated depreciation and impairment losses.

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

	Years
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 items in property, plant and equipment. Depreciation periods were revised as of 1 September, 2008. Group and Company evaluated non-current tangible asset useful life and from the 1 September, 2008 increased heating networks depreciation period from 20 years up to 30 years, for heat exchangers and other special equipments from 10 years up to 15 years. If the Group and Company further would use 20 years and 10 years depreciation periods, in the year 2008 depreciation expenses would amount to LTL 1.200 thousand higher and the balance of non-current tangible asset would be LTL 1.200 thousand lower.

2.5. Segments

Group and Company implements activity in one business and geographical segment.

3. Non-current tangible assets

Group's and Company's depreciation of non-current tangible asset on 30 June, 2009 amounts to LTL 8.736 thousand and LTL 8.656 thousand respectively (in 2008 – LTL 19.207 thousand and LTL 18.971 thousand respectively). LTL 8.309 thousand and LTL 8.229 thousand sums (in 2008 – LTL 19.050 thousand and LTL 18.894 thousand) in Group's and Company's profit (loss) statement are included in the operating expenses.

Acquisition value of Company's non-current tangible asset, which acquisition value on 30 June, 2009 amounted to LTL 48.469 thousand respectively was fully depreciated (LTL 50.828 thousand as of 31 December, 2008), but still used in the activity.

On 30 June, 2009 and on 31 December, 2008 Group's and Company's large portion of not finished construction consists of heat supply networks capital repair works.

On 30 June, 2009 Group's and Company's non-current tangible asset which balance value amounted to LTL 68.479 thousand (LTL 73.691 thousand as of 31 December, 2008), was pledged for the banks as collateral for the loans (9 note).

4. Non-current accounts receivable

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 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 employees of the Company are non-interest bearing and mature from 2008 to 2023. These loans are accounted for at discounted value using 8.0 % interest rate.

All non-current accounts receivable as of 31 December, 2008 and 30 June, 2009 are neither past due nor impaired.

5. Other financial assets

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 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. Current accounts receivable

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
Trade receivables, gross	65.558	74.277	65.438	74.512
Less: impairment of doubtful receivables	(20.950)	(19.480)	(20.950)	(19.480)
Trade receivables, net	<u>44.608</u>	<u>54.797</u>	<u>44.488</u>	<u>55.032</u>

Change in impairment of doubtful receivables on 30 June, 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 30 June, 2009 trade receivables with the nominal value of LTL 20.950 thousand (LTL 19.480 thousand as of 31 December, 2008), were impaired and fully provided for.

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

	<u>Total</u>
Balance as of 31 December, 2006	22.370
Unused amounts reversed	(1.014)
Utilized	(957)
Balance as of 31 December, 2007	20.399
Unused amounts reversed	(241)
Utilized	(678)
Balance as of 31 December, 2008	19.480
Depreciation	1.470
Balance as of 30 June, 2009	20.950

In I half, 2009. Group and Company received LTL 9 thousand (in 2008 – LTL 67 thousand) of bad debts, which were written off in the previous periods.

The ageing analysis of the Group's trade receivables as of 31 December and 30 June, 2009 is:

Trade receivables past due but not impaired

	<u>Trade receivables neither past due nor impaired</u>	<u>Less than 60 days</u>	<u>151 - 151 days</u>	<u>241 - 241 days</u>	<u>360 More than 360 days</u>	<u>Total</u>	
2009-06-30	6.512	14.299	19.323	2.513	312	1.649	44.608
2008-12-31	43.602	6.338	1.569	1.612	817	859	54.797

The ageing analysis of the Company's trade receivables as of 31 December, 2008 and 30 June, 2009 is as follows:

Trade receivables past due but not impaired

	<u>Trade receivables neither past due nor impaired</u>	<u>Less than 60 days</u>	<u>151 - 151 days</u>	<u>241 - 241 days</u>	<u>360 More than 360 days</u>	<u>Total</u>	
2009-06-30	6.452	14.239	19.323	2.513	312	1.649	44.488
2008-12-31	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.

On June, 2009 Group's and Company's other receivables amounted to LTL 7.731 thousand and LTL 7.763 thousand (LTL 8.547 thousand and LTL 8.655 thousand as of 31 December, 2008), which larger portion makes debt of municipalities for the compensations for low income families, receivable value added tax, receivable sums for sold inventories (metal, heating systems equipments) and provided services (transportation and permanent heating systems supervision services).

The ageing analysis of the other Group's trade receivables (except receivable taxes) as of 31 December, 2008 and 30 June, 2009 is as follows:

Trade receivables past due but not impaired

	Trade receivables neither past due nor impaired	Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	Total
2009-06-30	392	3.701	507	28	8	301	4.937
2008-12-31	2.305	63	39	-	2	242	2.651

The ageing analysis of the other Company's trade receivables (except receivable taxes) as of 31 December, 2008 and 30 June, 2009 is as follows:

Trade receivables past due but not impaired

	Trade receivables neither past due nor impaired	Less than 60 days	60 - 150 days	151 - 240 days	241 - 360 days	More than 360 days	Total
2009-06-30	390	3.701	507	28	8	336	4.970
2008-12-31	2.413	63	39	-	2	242	2.759

Group's and Company's other receivables are without interest and usually their term is 30 - 45 days.

From buyers and other receivable sums, which period is not passed and for which there is not calculated value reduction at the balance day there were no any features that debtors would not be able to implement their liabilities.

7. Cash and cash equivalents

	Group		Company	
	30 June, 2009 m.	31 December, 2008	30 June, 2009	31 December, 2008
Cash in transit	1.034	2.158	1.034	2.158
Cash at bank	966	1.437	962	1.426
Cash on hand	48	21	47	20
	<u>2.048</u>	<u>3.616</u>	<u>2.043</u>	<u>3.604</u>

Group's and Company's accounts in litas, which balance on 30 June, 2009 amounted to LTL 779 thousand (LTL 801 thousand as of 31 December, 2008), is pledged for the banks as collateral for the loans (9 note).

8. Reserves

Legal and other reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit calculated in accordance with IFRS are compulsory until the reserve reaches 10 % of the share capital. The legal reserve cannot be distributed as dividends but can be used to cover any future losses. On 29 April 2008, based on the decision of the shareholders the Group and the Company transferred an amount of LTL 8,515 thousand from legal reserve to cover losses of 2007. On 14 May 2007 the Group and the Company transferred LTL 7,689 thousand to the legal reserve. On 7 March, 2008 based on the decision of the shareholders the Subsidiary transferred an amount of LTL 183 thousand from other reserve and retained earnings to the legal reserve. On 14 March 2007 based on the decision of the shareholders the Subsidiary transferred an amount of LTL 50 thousand to the legal reserve and an amount of LTL 163 thousand to the other reserve for the purpose of investment. On 28 April, 2009 Company by the decision of shareholders transferred LTL 2.808 thousand from the compulsory reserve to cover losses of the year 2008.

9. Financial debts

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
Non-current financial debts				
Non-current loans	37.869	33.921	37.869	33.921
Current loans				
Non-current portion of current year loans	4.786	8.748	4.786	8.748
Current bank loans (included credit line)	16.129	15.720	16.129	15.720
Factorised trade debts	12.350	15.720	12.350	15.720
	33.265	24.468	33.265	24.468
Total	71.134	58.389	71.134	58.389

Non-current loans payment periods (all loans are with variable interest norm):

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
2009	4.786	8.748	4.786	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	1.716	349	1.716	349
	42.655	42.669	42.655	42.669

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

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
Loan currency				
EUR	55.298	32.913	55.298	32.913
LTL	15.836	25.476	15.836	25.476
	71.134	58.389	71.134	58.389

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 30 June, 2009 the outstanding balance of the loan amounted to LTL 2,505 thousand of which LTL 416 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 3.982

thousand (the equivalent of LTL 13.750 thousand) as of 30 June, 2009, of which LTL 1.250 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 5,406 thousand, of which LTL 424 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 30 June, 2009 the outstanding balance of the loan amounted to EUR 773 thousand (the equivalent of LTL 2,668 thousand), of which LTL 198 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 30 June, 2009 the outstanding balance of the loan amounted to EUR 540 thousand (the equivalent of LTL 1,864 thousand), of which LTL 124 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 30 June, 2009 the Group's and the Company's balance of used overdraft was LTL 991 thousand (LTL 1.010 thousand as of 31 December 2007). 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 30 June, 2009 the outstanding balance of the investment credit amounted to EUR 552 thousand (the equivalent of LTL 1,907 thousand), of which LTL 175 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 30 June, 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 Group and Company signed non-current loan agreement with JSC SEB bank for EUR 3.333 thousand (LTL 11.508 thousand equivalent) sum. Last portion of loan repayment period is 31 December, 2011. Loan balance on 30 June, 2009 is EUR 2.783 thousand (LTL 9.609 thousand equivalent), from which LTL 1.208 thousand in Group's and Company's financial statements accounted in non-current loans current year portion article. The loan bears 1 month EUR LIBOR + 0,7 % interest rate.

On 5 September, 2008 Group and Company had signed current loan agreement with JSC SEB bank for EUR 174 thousand (LTL 601 thousand equivalent) sum. Loan portion repayment period is 31 May, 2009. Loan is repayed.

On 4, 1999 Group and Company signed credit line agreement with JSC SEB bank for the LTL 7.000 thousand sum. Agreement term is 19 July, 2009. Company's used credit line funds on 30 June, 2009 amounted to LTL 6.934 thousand (LTL 6.960 thousand as of 31 December, 2008). For the credit line OVER'N VILIBOR + 1,9 percent interest are payed. Agreement validity term if foreseen to change for the calendar year period.

On 8 July, 2004 Group and Company signed overdraft agreement with JSC AB DnB NORD bank for LTL 18.000 thousand. Overdraft limit validity term is 31 May, 2008. On 27 May, 2008 overdraft sum was reduced to LTL 10.000 and the payment period prolonged to 31 May, 2009. On 29 May, 2009 agreement validity prolonged to 29 May, 2010, by changing it's amount to EUR 2.896 thousand (LTL 9.999 thousand equivalent). Group's and Company's used overdraft sum on 30 June, 2009 amounted to LTL 9.194 thousand (LTL 8.760 thousand as of 31 December, 2008). For the overdraft are payed 1-months EURIBOR + 3 percent annual interest.

On 26 February, 2009 Company, JSC Nordea Finance Lithuania and closed-end company Kauno termofikacijos elektrinė had signed the agreement on the settlement for the heat energy period delay for the additional 30 days period than determined in heat purchase-sale agreement (as described in 1 paragraph). This agreement is signed according to that on 26 February, 2009 JSC Nordea Finance Lithuania and closed-end company Kauno termofikacijos elektrinė signed Factoring agreement for the to the Company provided bills for the heat energy. Liability amount on 30 June, 2009 is EUR 3.577 thousand (LTL 12.350 thousand equivalent).

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

10. Lease (financial lease)

According to the financial lease agreements leased Group's asset consists of vehicles. Financial lease terms are from 2 till 5 years. Further is provided asset balance value acquired by the way of financial lease:

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
Vehicles	155	186	50	55
	155	186	50	55

On 30 June, 2009 financial lease interest norm is variable and fixed. Fixed interest norm is equal 3,99 percent and 5,77 percent. Variable interest norm fluctuates from 6 months VILIBOR + 1,5 percent.

Financial lease balance is denominated in litas.

Financial lease payments in the future according to the lease agreements on 30 June, 2009 consists of:

	Group		Company	
	30 June, 2009	31 December, 2008	30 June, 2009	31 December, 2008
Per one year	46	93	18	38
From one to five years	101	101	-	-
Total financial lease liabilities	147	194	18	38
Interest	(10)	(13)	(1)	(1)
Current value of financial lease liabilities	137	181	17	37
Financial lease liabilities as				
-current	42	86	17	37
-non current	95	95	-	-

11. Grants (deferred income)

	Group		Company	
	30 2009	31 June, December, 2008	30 2009	31 June, December, 2008
Balance at the beginning of the period	10.253	10.503	10.253	10.503
Received per year				
Non-current asset received without payments	0	889	0	889
	0	889	0	889
Amortisation and write-offs	(378)	(1.139)	(378)	(1.139)
Balance at the end of the period	9.875	10.253	9.875	10.253

In the year 2008 Group and Company received heat networks without payments in Žemgalių str. and Raudondvario rd., which vale at the moment of transfer amounted to LTL 149 thousand. Also in the year 2008 Group and Company received telecommunication equipment, which value is at the moment of transfer LTL 140 thousand. On 10 October, 2008 Company's subsidiary „Jurbarko šilumos tinklai“ received LTL 600 thousand subsidy for the change of boiler burned by mazut into burned by gas from public institution Lietuvos aplinkos apsaugos investicijų fondas (LAAIF). On 31 December, 2008 public institution LAAIF transferred to the Company LTL 360 thousand and remained LTL 240 thousand portion was recognised in Group's and Company's other receivables article. On 30 June, 2009 public institution LAAIF fully settled with the Company.

12. Employee benefits liability

Every employee, leaving work and who reached pension age according to the laws of the Republic of Lithuania and collective agreement has to receive compensation of 2 - 6 months salaries.

Compensation liability for the Group and Company employees were:

	Group		Company	
	30 2009	31 June, December, 2008	30 2009	31 June, December, 2008
Non-current employee benefits	1605	1.612	1605	1.612
Non-current portion of employee benefits for the current year		408		408
	1.605	2.020	1.605	2.020

On 30 June, 2009 at the finished half of the year Group's and Company's paid benefits for the employees were LTL 415 thousand (LTL 335 thousand as of 31 December, 2008) and are recognised in salaries and social security costs in Group's and Company's profit (loss) statement.

Main presumptions used for the Group and Company planned payments liabilities are provided below:

	31	
	30 2009	June, December, 2008
Discount norm, percent	7,0	7,0
Employee change index, percent	18,9	18,9
Planned annual increase of salaries, percent	3,0	3,0

13. Trade debts

Trade debts are without interest and usually for them 30 - 90 days period is set.

14. Derivative financial instruments

On 29 October, 2008 Group and Company made the transaction on interest exchange. From 24 November, 2008 till 22 November, 2010 Group and Company set 3.86 percent fixed interest norm for the variable 1-month EURIBOR interest norm. On 30 June, 2009 nominal transaction value is LTL 2.958 thousand EUR (LTL 10.213 thousand equivalent), LTL 3.133 thousand EUR as of 31 December, 2008 (LTL 10.818 thousand equivalent). Transaction market value pn 30 June, 2009 – LTL 277 thousand.

On 24 October, 2008 Group and Company set interest exchange transaction. From 22 October, 2008 till 23 August, 2010 Group and Company set 4.24 percent fixed interest norm for the variable 6-months EURIBOR interest norm. On 30 June, 2009 nominal transaction value is LTL 4.163 thousand EUR (LTL 14.375 thousand equivalent), as of 31 December, 2008 nominal transaction value is LTL 4.344 thousand EUR (LTL 15.000 thousand equivalent). Company has broken off this transaction on the state of 9 April, 2009.

On 9 April, 2009 Group and Company set interest exchange transaction. From 24 August, 2009 till 22 August, 2014 Group and Company set 4.15 percent fixed interest norm for the variable 6-months EUR LIBOR interest norm. On 30 June, 2009 nominal transaction value is LTL 3.862 thousand EUR (LTL 13.333 thousand equivalent). Transaction market value on 30 June, 2009 – LTL 587 thousand.

15. Sales income

Group and Company makes heat energy supply, buildings heating and hot water supply systems supervision, electricity production and supervision of collectors. These activities are related, that's why for the management aims it is considered that Group and Company organizes activity in the one segment – heat energy supply. Sales income according to the Group's and Company's activities are provided below:

	Group		Company	
	I half, 2009 2008		I half, 2009 2008	
Heat energy	176.684	201.760	176.719	201.793
Buildings heating and hot water supply supervision	1.183	3.708	1.039	2.934
Electricity	171	506	171	506
Supervision of collectors	1	-	1	-
	<u>178.039</u>	<u>205.974</u>	<u>177.930</u>	<u>205.233</u>

16. Other activity income and costs

	Group		Company	
	I half, 2009 2008		I half, 2009 2008	
Other activity income				
Company's services	497	1.003	460	992
Sold tangible asset	26	111	26	112
Non-current asset sales income	1	162	1	157
Other	30	61	28	61
	<u>554</u>	<u>1.337</u>	<u>515</u>	<u>1.322</u>
Other activity costs				
Cost of company's services	(275)	(631)	(266)	(625)
Sold tangible asset	(22)	(253)	(22)	(253)
Non-current asset sales losses	(76)	(475)	(73)	(475)
Other		(4)	(1)	(4)
	<u>(373)</u>	<u>(1.363)</u>	<u>(362)</u>	<u>(1.357)</u>
Net profit: profit (losses)	<u>181</u>	<u>(26)</u>	<u>153</u>	<u>(35)</u>

17. Financial activity income

	Group		Company	
	I half, 2009	2008	I half, 2009	2008
Financial and investment activity income				
Interest for delayed receivables	675	1.230	675	1.230
Bank interest	2	18	2	18
Dividends	-	-	-	-
Other	15	33	15	33
	<u>692</u>	<u>1.281</u>	<u>692</u>	<u>1.281</u>

18. Financial activity costs

	Group		Company	
	I half, 2009	2008	I half, 2009	2008
Bank loans and overdrafts interest receivables	(1.695)	(2.772)	(1692)	(2.764)
Net loss on financial liabilities at fair value through profit or loss	(297)	(567)	(297)	(567)
Investments into daughter company value decrease losses	-	-	-	(465)
Interest from late payment of accounts receivable	(120)		(120)	
Other		(4)		(4)
	<u>(2.112)</u>	<u>(3.343)</u>	<u>(2.109)</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 half, 2009	2008
Net profit (loss)	21.237	(4.235)
Number of shares (thousand) at the beginning of the period	19.918	19.718
Number of shares (thousand) at the end of the period	19.918	19.918
Average number of shares (thousand)	19.918	19.818
Basic and diluted (loss) per share (LTL)	<u>1.07</u>	<u>(0,21)</u>

20. Financial asset, 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 rate 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 2009 and 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.

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 30 June, 2008 were 1,42 and 1,28, respectively (0,91 and 0,84 as of 31 December, 2008). The Company's liquidity and quick ratios as of 30 June, 2009 were 1,42 and 1,29 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) the heat price 24,56 ct/kWh is effective starting from 1 December, 2008 till 31 May, 2009. Fuel and purchased heat price change let the Company by 23,5 percent to reduce heat price till 19,11 ct/kWh, in which it is evaluated and realized heat amount and investment depreciation change, which conditioned price increase by 1,3 percent. From 1 December, 2008 and from 1 June, 2009 in the valid heat price there are calculated experienced costs for the fuel and purchased heat. From the 1 October, 2009 heat price for the consumers will be calculated according to 2 heat price indexes. Constant heat price index during the calculation period will be constant, variable would change according to the fuel process changes, what would let Company to reduce possible loss, when fuel prices would rise.

(2) 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.

Risk of foreign currency

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 national and foreign currency on 30 June, 2009, were (stated in LTL):

	<u>Group</u>		<u>Company</u>	
	<u>Asset</u>	<u>Liabilities</u>	<u>Asset</u>	<u>Liabilities</u>
LTL	54.387	24.638	54.294	24.383
EUR	0	56.162	0	56.162
	<u>54.387</u>	<u>80.800</u>	<u>54.294</u>	<u>80.545</u>

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.

The Group and the Company manages its capital structure and makes adjustments to it in the light of changes in economics conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders, return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December, 2008 and 30 June, 2009.

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	
	30 2009	31 June, December, 2008	30 2009	31 June, December, 2008
Non-current liabilities (including deferred tax and grants)	50.239	46.705	50.949	47.415
Current liabilities	43.051	80.538	42.796	80.740
Total liabilities	93.290	127.243	93.745	128.155
Equity	134.514	113.277	138.002	116.627
Debt to equity ratio	69,35 proc.	112,33 proc.	67,93 proc.	109,88 proc.

* Debt contains all non-current (including deferred income tax liability and grants (deferred revenues)) and current liabilities.

21. Commitments and contingencies

On 10 October, 2008 the Company has given a guarantee for the public enterprise Krepšinio Perspektyvos for a credit line agreement with AB DnB Nord Bankas in the amount of LTL 5 million for a period till 30 June, 2009. In addition the Company has signed the agreement with Kaunas city municipality, in accordance to which Kaunas city municipality is liable to repay the liabilities to the Company, in case the Company will have to make payments to the bank on behalf of the public enterprise. On the day of these statements issuing public enterprise Krepšinio Perspektyvos fulfilled it's liabilities to the bank. Guarantee agreement stopped to be valid.

The Company participates as a third party in the administrative litigation regarding the closed-end company Kauno Termofikacijos Elektrinė complaint on the Commission decree "On the closed-end company Kauno Termofikacijos Elektrinė heat production base price fixing" annulment on 24 October, 2008. KTE claims that the heat production price, calculated on 31 March, 2003 according to the terms of Heat energy purchase and sales agreement, should continue to be applied, not the revised price determined by the Commission. 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.

On 31 March, 2003 Company and KTE signed the Investment agreement. Considering that KTE does not making investment liabilities based on the agreement, KTE must pay LTL 17,7 million claim for the not implemented investments for the Company, there was negotiations between the parties concerning Investment agreement change and investment terms change. On 30 June, 2009 there was not made any decision suitable to both parties concerning Investment agreement change. LTL 17,7 million claim will be discussed in Arbitration to the Association International trade chamber – Lithuania.

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 I half, 2009 and 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 I half, 2009 and 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:

I half, 2009	Purchases	Sales	Receivables	Payables
Entities controlled and financed by Kaunas city municipality	40	16.826	19.895	10
2008	Purchases	Sales	Receivables	Payables
Kaunas city municipality	125*	2.587	839	-
Budgetary institutions under control of Kaunas city municipality	-	13.205	6.236	-
Jurbarkas district municipality	-	-	600**	-
Entities controlled by Kaunas city municipality	1.254	4.878	1.108	100

* represents real estate taxes paid to Kaunas city municipality.

** represents receivable amount from shareholder for issued, but not paid capital, as described in Note 1.

In I half, 2009 and 2008 the Company's transactions with the daughter company and the balances at the end of the year were as follows:

I half, 2009	Purchases	Sales	Receivables	Payables	
Closed-end company „Pastatų priežiūros paslaugos“		885	106	35	131

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

Remuneration of the management and other payments

Per I half, 2009 the Group's and Company's management remuneration amounted to LTL 404 thousand and LTL 322 thousand respectively (LTL 775 thousand and LTL 582 thousand in 2008). Post-employment benefits liability for the Group's and the Company's management amounted to LTL 75 thousand on 30 June, 2009 (LTL 103 thousand as of 31 December, 2008). To the Group's and Company's management per I half, 2009 post employment benefits amounted to LTL 93 thousand (there was no such payments in the 2008). Per I half, 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 2 June, 2009 Kaunas city municipality administration obliged Company to implement engineering constructions (collectors) – tunnels supervision. On 23 July, 2009 extraordinary shareholders meeting is convened, in which it is hoped to confirm decision that Kaunas city municipality would transfer to the ownership of the Company engineering constructions (collectors) – tunnels, which market value is LTL 136.200 thousand. This decision would let Company to provide additional collectors supervision service to Kaunas city companies.

In order to manage Company's activity more efficiently and to reduce management and production costs, it was made the decision from 1 August, 2009 to change the management structure of the Company by separating from the Company some it's divisions, related to the not main production or services provision.