

AB KAUNO ENERGIJA

**CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR FIRST QUARTER 2008
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS**

Balance sheets

		Group		Company	
		As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Notes					
ASSETS					
Non-current assets					
		2.168	2.511	2.064	2.448
		28.829	29.112	27.202	27.469
		110.626	110.136	110.582	110.094
		1.396	1.348	1.175	1.113
		7.663	8.035	7.552	7.939
		1.804	2.016	1.804	2.016
		8.249	8.204	7.949	8.204
	3	158.567	158.851	156.564	156.835
Non-current financial assets					
	1	-	-	6.518	6.518
	4	122	117	122	117
		433	433	433	433
		555	550	7.073	7.068
Total non-current assets					
		161.290	161.912	165.701	166.351
Current assets					
Inventories and prepayments					
		5.935	6.531	5.790	6.364
		430	463	429	446
		6.365	6.994	6.2190	6.810
Current accounts receivable					
	5	46.941	37.884	46.480	37.606
		3.509	3.551	4.085	3.567
		50.450	41.435	50.565	41.173
	6	4.964	4.886	4.924	4.864
Total current assets					
		61.779	53.315	61.708	52.847
Total assets					
		223.069	215.227	227.409	219.198

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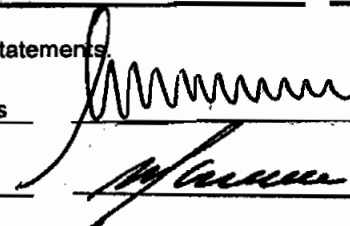

The accompanying notes are an integral part of these financial statements.

AB KAUNO ENERGIJA, company code 235014830, Raudondvario Rd. 84, Kaunas, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR FIRST QUARTER 2008
(all amounts are in LTL thousand unless otherwise stated)

Balance sheets (cont'd)

		Group		Company	
		As of 31	As of 31	As of 31	As of 31
	Notes	March 2008	December 2007	March 2008	December 2007
EQUITY AND LIABILITIES					
Equity					
Share capital	1	118.310	118.310	118.310	118.310
Legal reserve	7	11556	11.373	11.323	11.323
Other reserve	7		163	-	-
Retained earnings (deficit)					
Net profit (loss) for the current year		19.828	(8.520)	19.778	(8.515)
Net profit (loss) for the previous years		(12.206)	(3.666)	(8.515)	-
Total retained earnings (deficit)		7.622	(12.186)	11.263	(8.515)
Total equity		137.488	117.660	140.896	121.118
Liabilities					
Non-current liabilities					
Non-current borrowings	8	26.679	23.039	26.679	23.039
Financial lease obligations	9	181	181	37	37
Other accounts payable		824	824	824	824
Deferred income tax liability		909	909	1.578	1.578
Grants (deferred income)	10	10.325	10.503	10.325	10.503
Total non-current liabilities		38.918	35.456	39.443	35.981
Current liabilities					
Current portion of non-current borrowings and financial lease	8,9	7.822	8.772	7.783	8.726
Current borrowings	8	14.788	21.020	14.788	21.020
Trade payables	11	21.256	28.181	22.011	28.424
Advances received		586	753	586	753
Payroll-related liabilities		1.252	2.087	1.002	1.936
Taxes payable		715	994	658	936
Income tax payable		-	-	-	-
Other current liabilities		244	304	242	304
Total current liabilities		46.663	62.111	47.070	62.099
Total liabilities		85.581	97.567	86.513	98.080
Total equity and liabilities		223.069	215.227	227.409	219.198

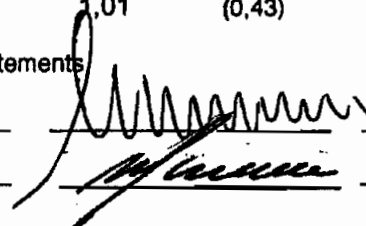
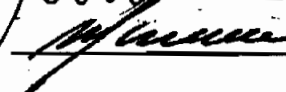
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<u>General Manager</u>	<u>Aleksandras Sigitas Matelionis</u>		<u>22 April 2008</u>
<u>Chief Accountant</u>	<u>Violeta Staškūnienė</u>		<u>22 April 2008</u>

Income statements

		Group		First Quarter	
	Notes	2008	2007	2007	2006
Operating income					
Income from sales	12	85.796	169.528	72.340	183.734
Other operating income	13	275	1.319	262	3.704
Total operating income		86.071	170.847	72.602	187.438
Operating expenses					
Fuel and heat acquired		(49.769)	(112.195)	(46.574)	(112.894)
Salaries and social security		(4.217)	(22.989)	(4.161)	(26.017)
Raw materials		(589)	(2.356)	(542)	(3.407)
Taxes other than income tax		(857)	(3.409)	(1007)	(4.085)
Electricity		(994)	(3.976)	(944)	(3.804)
Depreciation and amortisation		(5.311)	(20.540)	(5.016)	(18.560)
Repairs and maintenance		(524)	(2.807)	(324)	(755)
Water		(84)	(801)	(237)	(1.069)
Change in allowance for accounts receivable	5	438	1.133	3.084	847
Change in allowance for inventories			8		324
Petrašiūnų elektrinės operatoriaus sąnaudos	1	(515)	(2.193)	(487)	(967)
Other expenses		(3.058)	(9.363)	(2.302)	(11.413)
Other activities expenses	13	(370)	(1.025)	(220)	(1.198)
Total operating expenses		65.850	(180.513)	(58.730)	(182.998)
Profit (loss) from operations		(20.221)	(9.666)	13.872	4.440
Financial and investment activities	14				
Income from financial and investment activities		303	1.314	427	1.946
Expenses from financial and investment activities		(696)	(2.008)	(381)	(1.347)
Financial and investment activities, net		(393)	(694)	46	599
Profit (loss) before tax		19.828	(10.360)	13.918	5.039
Income tax			1.840		868
Net profit (loss)		19.828	(8.520)	13.918	5.907
Basic earnings (loss) per share (litas)	15	1.01	(0,43)	0,71	0.30

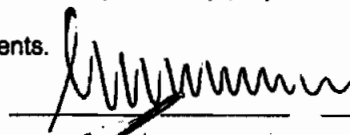
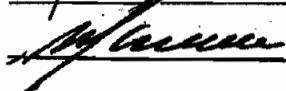
The accompanying notes are an integral part of these financial statements

General Manager	Aleksandras Sigita Matelionis		22 April 2008
Chief Accountant	Violeta Staškūnienė		22 April 2008

AB KAUNO ENERGIJA, company code 235014830, Raudondvario Rd. 84, Kaunas, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR FIRST QUARTER 2008
(all amounts are in LTL thousand unless otherwise stated)

		Company		First Quarter	
	Notes	2008	2007	2007	2006
Operating income					
Income from sales	12	85.451	168.003	71.878	183.224
Other operating income	13	279	1.370	289	8.464
Total operating income		85.730	169.373	72.167	191.688
Operating expenses					
Fuel and heat acquired		(49.769)	(112.195)	(46.574)	(112.894)
Salaries and social security		(3.531)	(19.966)	(3.392)	(24.543)
Raw materials		(466)	(2.013)	(480)	(3.352)
Taxes other than income tax		(846)	(3.354)	(1.006)	(4.086)
Electricity		(985)	(3.956)	(944)	(3.804)
Depreciation and amortisation		(5.264)	(20.389)	(4.987)	(18.497)
Repairs and maintenance		(524)	(2.804)	(321)	(755)
Water		(80)	(787)	(237)	(1.069)
Change in allowance for accounts receivable		438	1.133	3.084	847
Change in allowance for inventories			8		324
Maintenance of heating systems	1,12	(729)	(2.801)	(723)	(1.995)
Petrašiūnai power plant operator expenses		(515)	(2.193)	(487)	(967)
Other expenses		(2.921)	(8.791)	(2.195)	(10.942)
Other activities expenses	13	(369)	(986)	(208)	(1.491)
Total operating expenses		(65.561)	(179.094)	(58.470)	(183.204)
Profit (loss) from operations		20.169	(9.721)	13.697	8.484
Financial and Investment activities	14				
Income from financial and investment activities		303	1.364	427	1.946
Expenses from financial and investment activities		(694)	(2.003)	(381)	(1.347)
Financial and Investment activities, net		(391)	(639)	46	599
Profit (loss) before tax		19.778	(10.360)	13.743	9.083
Income tax			1.845		277
Net profit (loss)		19.778	(8.515)	13.743	9.360
Basic earnings (loss) per share (litas)		1,00	(0,43)	0,70	0,47

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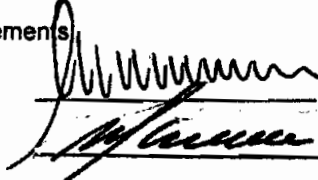
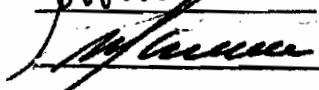
<u>General Manager</u>	<u>Aleksandras Sigitas Matelionis</u>		<u>22 April 2008</u>
<u>Chief Accountant</u>	<u>Violeta Staškūnienė</u>		<u>22 April 2008</u>

Statements of changes in equity

Group	Notes	Share capital	Legal reserve	Other reserve	Retained (deficit)	Total
Balance as of 31 December 2006		118.310	3.634	-	4.236	126.180
Transferred to reserves	7	-	50	163	(213)	-
Net profit for the year		-	-	-	13.868	13.868
Balance as of 31 March 2007		118.310	3.684	163	17.891	140.048
Transferred to reserves	7	-	7.689	-	(7.689)	-
Net (loss) for the year		-	-	-	(22.388)	(22.388)
Balance as of 31 December 2007		118.310	11.373	163	(12.186)	117.660
Transferred to reserves	7	-	183	(163)	(20)	-
Net (loss) for the year		-	-	-	19.828	19.828
Balance as of 31 March 2008		118.310	11.556	-	7.622	137.488

Company	Notes	Share capital	Legal reserve	Other reserve	Retained (deficit)	Total
Balance as of 31 December 2006		118.310	3.634	-	7.689	129.633
Transferred to reserves		-	-	-	-	-
Net profit for the year		-	-	-	13.743	13.743
Balance as of 31 March 2007		118.310	3.634	-	21.432	143.376
Net (loss) for the year		-	-	-	(22.258)	(22.258)
Transferred to reserves	7	-	7.689	-	(7.689)	-
Balance as of 31 December 2007		118.310	11.323	-	(8.515)	121.118
Transferred to reserves		-	-	-	-	-
Net (loss) for the year		-	-	-	19.778	19.778
Balance as of 31 March 2008		118.310	11.323	-	11.263	140.896

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<u>Chief Accountant</u>	<u>Violeta Staškūnienė</u>		<u>22 April 2008</u>

Cash flow statements

	Group		Company	
	First Quarter 2008	First Quarter 2007	First Quarter 2008	First Quarter 2007
Cash flows from (to) operating activities				
Net profit (loss)	19.828	13.918	19.778	13.743
Adjustments for non-cash items:				
Depreciation and amortisation	5.647	5.243	5.599	5.203
Change in allowance for accounts receivable	(438)	(3.084)	(438)	(3.084)
(Gain) from sale and write-off of property, plant and equipment and shares	30	(9)	-	(9)
Change in allowance for inventories			30	
Income tax expenses (income)		(50)		
(Gain) from revaluation of non-current assets transferred to subsidiary				
Accruals	(1.503)	(1.271)	(1503)	(1.271)
(Amortisation) of grants	(318)	(159)	(318)	(159)
Interest expenses	696	371	694	371
Elimination of other financial and investing activity results	(242)	(378)	(242)	(383)
	3.872	663	3.822	668
Changes in working capital:				
Decrease (increase) in inventories	596	1.584	574	1.590
(Increase) decrease in prepayments	32	(57)	17	(58)
(Increase) decrease in trade receivables	(8.618)	(32)	(8.436)	39
Decrease in other receivables	45	507	(518)	483
(Decrease) in non-current trade payable	-		-	
Increase in non-current other payable				
Increase in current trade payables and advances received	(7.092)	(7.483)	(6.580)	(7.304)
Increase (decrease) in payroll-related liabilities	668	573	569	447
(Decrease) increase in other liabilities to budget	(279)	(769)	(278)	(762)
Increase (decrease) in other liabilities	(59)	827	(62)	826
Net cash flows from operating activities	8.993	9.731	8.886	9.677

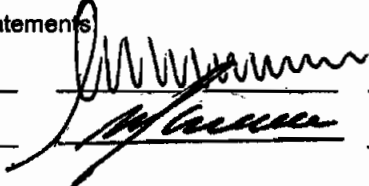
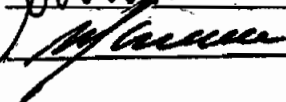
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Cash flow statements (cont'd)

	Group		Bendrovė	
	First Quarter 2008	First Quarter 2007	First Quarter 2008	First Quarter 2007
Cash flows from (to) investing activities				
(Acquisition) of tangible and intangible assets	(4.923)	(5.262)	(4.847)	(5.261)
(Acquisition) of non-current investments	-	-	-	-
Proceeds from sale of tangible and intangible assets and investments	14	12	14	12
Penalty interest and fines received	281	379	281	379
Dividends received	-	-	-	-
Increase in cash flows from (to) non-current accounts receivable	(5)	-	(5)	-
Interest received	3	-	3	5
Net cash flows from (to) investing activities	(4.633)	(4.871)	(4.554)	(4.870)
Cash flows from (to) financing activities				
Proceeds from loans	3.618	4.779	3.618	4.779
(Repayment) of loans	(7.145)	(8.771)	(7.145)	(8.771)
Interest (paid)	(738)	(363)	(736)	(363)
Financial lease (payments)	(17)	-	(9)	-
Penalty interest and fines (paid)	-	(9)	-	(9)
Net cash flows from (to) financing activities	(4.282)	(4.364)	(4.272)	(4.364)
Net increase in cash and cash equivalents	78	496	60	443
Cash and cash equivalents at the beginning of the year	4.886	4.466	4.864	4.436
Cash and cash equivalents at the end of the year	4.964	4.962	4.924	4.879

The accompanying notes are an integral part of these financial statements

General Manager	Aleksandras Sigitas Matelionis		22 April 2008
Chief Accountant	Violeta Staškūnienė		22 April 2008

Notes to the financial statements

1 General information

AB Kauno Energija (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Raudondvario Rd. 84,
Kaunas,
Lithuania.

The Company is involved in heat, electricity generation and distribution and maintenance of the heating and hot water systems. The Company was registered on 1 July 1997 after the reorganisation of AB Lietuvos Energija. The Company's shares are traded on the Baltic Main List of the Vilnius Stock Exchange.

As of 31 March 2008 and 31 December 2007 the shareholders of the Company were as follows:

	Number of shares owned	%age of ownership
Municipality of Kaunas city	16,954,892	85.99
Municipality of Kaunas district	1,606,168	8.14
The municipality board of Jurbarkas district	443,810	2.25
Other minor shareholders	713,512	3.62
	19,718,382	100.00

All the shares with a par value of LTL 6 each are ordinary shares and were fully paid as of 31 December 2007 and 2006. The share capital did not change in 2007 and 2006. The Company did not hold its own shares in 2007 and 2006.

AB Kauno Energija consists of the Company's head office and the branch of Jurbarko Šilumos Tinklai.

The Company is also involved in maintenance of heating systems. On 1 July 2006 on the basis of Kaunas Energy Services Department AB Kauno Energija established the subsidiary UAB Pastatų Priežiūros Paslaugos (hereinafter the Subsidiary), the statutory capital of which was LTL 10 thousand. The main activity of the Subsidiary 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 UAB Pastatų Priežiūros Paslaugos. From 1 July 2006 the Company is contracting UAB Pastatų Priežiūros Paslaugos for permanent technical maintenance of heating and hot water supply systems.

On 30 August 2006 the Company increased the share capital of UAB Pastatų Priežiūros Paslaugos to LTL 6,518 thousand by a contribution in-kind. The net book value of the transferred assets amounted to LTL 2,046 thousand. After evaluation of the transferred assets by independent valuers, the difference of LTL 4,462 thousand between the net book and fair value of the transferred assets.

The Group consists of AB Kauno Energija and subsidiary UAB Pastatų Priežiūros Paslaugos (hereinafter the Group):

Company	Registration address	Share of the stock held by the Group	Cost of investment	Profit (loss) for the reporting period	Total equity	Main activities
UAB Pastatų Priežiūros Paslaugos	Savanoriai Ave. 347, Kaunas	100%	6,518	(27)	6,769	Maintenance of heating systems

Operations of AB Kauno Energija 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 is coming in to force.

1 General information (cont'd)

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.

In 2003 the Company sold part of the assets of the subdivision Kauno Elektrinė to UAB Kauno Termofikacinė 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 establishes that the purchase price of heat energy from KTE will not increase during the first 5 years from the date of signing the contract. In accordance with the Law amending the Heating Law No. X-1329 of 20 November 2007, starting May 2008 KTE sale price of heat energy has to be approved by the Commission, accordingly the Company's purchase price of heat energy from KTE will be approved by the Commission.

On 8 June 2006 AB Kauno Energija signed the agreement with UAB 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, UAB 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 UAB Energijos Sistemų Servisas. On 22 June 2006 the Company signed a lease agreement with UAB Kauno Termofikacinė Elektrinė regarding the equipment used in production of heating energy operated by UAB Energijos Sistemų Servisas. The contract is valid for a period of three years.

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

The Company's total heat and electricity generation capacity is 538 MW and 8.75 MW, respectively, out of which 265.8 MW of heat generation and 8 MW of electric capacity are located at the power plant in Petrašiūnai. Total Company's power generation capacity is 546.75 MW.

In First Quarter 2008 the average number of employees at the Group was 705 (721 employees in 2007). In First Quarter 2008 the average number of employees at the Company was 616 (624 employees in 2007).

2. Accounting principles

2.1. Basis of preparation

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

2.2. Measurement and presentation currency

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

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

3 Property, plant and equipment (cont'd)

The depreciation charge of the Group's and Company's property, plant and equipment for First Quarter 2008 amounts to LTL 5.227 thousand and LTL 5.181 thousand, respectively (LTL 20.676 thousand and LTL 20.507 thousand in the year 2007). The amounts of LTL 4.891 thousand and LTL 4.846 thousand for the year 2007 (LTL 19.672 thousand and LTL 19.531 thousand for the year 2007), respectively, were included into operating expenses in the Group's and the Company's income statement.

As of 31 March 2008 the major part of the Group's and Company's construction in progress consisted of reconstruction works.

As of 31 March 2008 property, plant and equipment of the Group and the Company with the net book value of LTL 19.672 thousand (LTL 79.042 thousand as of 31 December 2007) was pledged to banks as a collateral for loan.

4 Non-current accounts receivable s

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Long-term loans granted to the Company's employees	104	104	104	104
Other	18	13	18	13
	<u>122</u>	<u>117</u>	<u>122</u>	<u>117</u>

Long-term loans granted to the employees of the Company are non-interest bearing and mature from 2009 to 2023. These loans are accounted for at discounted value using 6% interest rate.

All non-current accounts receivable as of 31 March 2008 and 31 December 2007 are neither past due nor impaired.

5 Current accounts receivable

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Trade receivables, gross	66.920	58.283	66.459	58.005
Less: impairment of doubtful receivables	(19.979)	(20.399)	(19.979)	(20.399)
Trade receivables, net	<u>46.941</u>	<u>37.884</u>	<u>46.480</u>	<u>37.606</u>

Change in impairment of doubtful receivables in First Quarter 2008 and 2007 is included into the change in allowance for doubtful receivables caption in the Group's and the Company's income statement.

Trade receivables are non-interest bearing and are generally on 30 – 45 days terms.

As of 31 March 2008 trade receivables with the nominal value of LTL 18528 thousand (as of 31 December 2007 – LTL 18732 thousand) were impaired and fully provided for.

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

	Individually Impaired	Collectively Impaired	Total
As of 31 December 2006	1.392	20.978	22.370
Unused amounts reversed	-	(1.971)	(1.971)
As of 31 December 2007	1.392	19.007	20.399
Unused amounts reversed	-	(421)	(421)
As of 31 March 2008	1.392	18.586	19.978

In 2007 the Group and the Company wrote off LTL 957 thousand. In First Quarter 2008 the Group and the Company also recovered LTL 17 thousand of bad debts (in 2007 – LTL 119 thousand), which were written off in the previous periods.

6 Cash and cash equivalents

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Cash at bank	1.651	1.472	1.612	1.450
Cash on hand	10	13	9	13
Cash in transit	3.303	3.401	3.303	3.401
	<u>4.964</u>	<u>4.886</u>	<u>4.924</u>	<u>4.864</u>

The Group's and the Company's accounts in national currency in banks amounting to LTL 1.053 thousand March 31, 2008 (2007 – LTL 865 thousand) are pledged as collateral for the loans (Note 8).

7 Reserves

Legal and other reserves

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 14 May 2007 based on the decision of the shareholders the Company transferred an amount of LTL 7,689 thousand (on 28 April 2006 – LTL 3,634 thousand) 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 other reserve, and on 7 March 2008 based decision to the legal reserve - amount LTL 183 thousand, theretofore an amount of LTL 163 thousand from other reserve was transferred to distributable profit.

8 Borrowings

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Non-current borrowings				
Non-current borrowings	26.679	23.039	26.679	23.039
	<u>26.679</u>	<u>23.039</u>	<u>26.679</u>	<u>23.039</u>
Current borrowings				
Current portion of non-current borrowings	7.754	8.688	7.754	8.688
Current borrowings (including credit line)	14.788	21.020	14.788	21.020
	<u>22.542</u>	<u>29.708</u>	<u>22.542</u>	<u>29.708</u>
	<u>49.221</u>	<u>52.747</u>	<u>49.221</u>	<u>52.747</u>

Terms of repayment of non-current borrowings are as follows (all loans are with variable interest rate):

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
2008	7.752	8.688	7.752	8.688
2009	15.610	15.607	15.610	15.607
2010	2.319	2.319	2.319	2.319
2011	2.319	1.910	2.319	1.910
2012	1.913	1.163	1.913	1.163
2013	1.488	668	1.488	668
2014	1.488	667	1.488	667
2015	1.405	604	1.405	604
2016	139	101	139	101
	34.433	31.727	34.433	31.727

Actual interest rates are close to effective interest rates. Weighted average effective interest rates (in %) of borrowings outstanding at the year-end are as follows:

Parts of borrowings at the end of the year in national and foreign currencies are as follows:

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Currency of the loan				
EUR	23.870	23.610	23.870	23.610
LTL	25.351	29.137	25.351	29.137
	49.221	52.747	49.221	52.747

On 1 August 2005 the Company signed a long-term loan agreement with AB Bankas Hansabankas for the amount of LTL 5,000 thousand. The maturity date of the last portion of the loan is 1 August 2012. As of 31 March 2008 the outstanding balance of the loan amounted to LTL 3,545 thousand of which LTL 624 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Company. The loan bears 6-month VILIBOR plus 0.77% interest rate.

On 23 August 2005 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 2009. The outstanding balance of the loan amounted to EUR 4,887 thousand (the equivalent of LTL 16,875 thousand) as of 31 March 2008, of which LTL 4,574 thousand was accounted for as the current portion of non-current borrowings in the financial statements of the Company. The loan bears 6-month EUR LIBOR plus 0.4% interest rate.

On 1 December 2006 the Company signed a long-term loan agreement with Nordea Bank Finland Plc. Lithuanian branch for the amount of LTL 2,090 thousand. As of 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 December 2015. As of 31 March 2008 the outstanding balance of the loan amounted to LTL 6,029 thousand, of which LTL 204 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 Company signed a long-term loan agreement with AB SEB Bankas for the amount of EUR 2,059 thousand (the equivalent of LTL 7,108 thousand). The maturity date of the last portion of the loan is 30 November 2016. As of 31 March 2008 the outstanding balance of the loan amounted to EUR 1,510 thousand (the equivalent of LTL 5,215 thousand), of which LTL 2,350 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 Company signed a long-term loan agreement with AB DnB NORD Bankas for the amount of EUR 576 thousand (the equivalent of LTL 1,989 thousand). The maturity date of the last portion of the loan is 31 December 2016. As of 31 March 2008 the outstanding balance of the loan amounted to EUR 516 thousand (the equivalent of LTL 1,780 thousand). The whole amount of the outstanding balance of the loan was accounted for as 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 Company signed an overdraft agreement with AB Sampo Bankas for the amount of LTL 1,010 thousand, with the maturity date of 20 October 2009. As of 31 March 2008 the Company's balance of used overdraft was LTL 989 thousand. The overdraft bears 3-month VILIBOR plus 0.44% interest rate.

On 4 June 1999 the Company signed a credit line agreement with AB SEB Bankas for the amount of LTL 7,000 thousand, with the maturity date of 19 July 2008. As of 31 March 2008 the Company's balances of used credit line was LTL 5.800 thousand. The credit line bears 6-month VILIBOR plus 0.6% interest rate.

On 08 July 2004 the Company signed an overdraft agreement with AB DnB NORD Bankas for the amount LTL 18,000 thousand with the maturity date of 31 May 2008. As of 31 March 2008 the Company's balance of used overdraft was LTL 9.012 thousand. The overdraft bears 6-month VILIBOR plus 0.59% interest rate.

The property, plant and equipment (Note 3) and accounts in banks (Note 6) of the Group and the Company were pledged as collateral for the loans.

9 Finance lease obligations

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

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Vehicles	248	265	66	75
	248	265	66	75

As of 31 March 2008 the interest rate on the financial lease obligations is fixed and variable. Fixed interest rate is equal to 3.99% and 5.77%. The variable interest rate varies depending on 6-month EURIBOR plus 1.5%.

Financial lease payables at the year-end are denominated in EUR.

Future minimal lease payments under the above-mentioned financial lease contracts as of 31 March 2008 are as follows:

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Within one year	77	96	31	41
From one to five years	192	192	38	38
Total financial lease obligations	269	288	69	79
Interest	(21)	(23)	(3)	(4)
Present value of financial lease obligations	248	265	66	75

Financial lease obligations are accounted for as:

- current	84	84	38	38
- non-current	181	181	37	37

10 Grants (deferred income)

	Group		Company	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Balance at the beginning of the reporting period	10.503	7.935	10.503	7.935
Received during the year				
Non-current assets received for free		3.370		3.370
		3.370		3.370
Amortisation and write-offs	(177)	(802)	(177)	(802)
Balance at the end of the reporting period	10.326	10.503	10.326	10.503

2007 m. Grupė ir Bendrovė nemokamai gavo šilumos tinklus, esančius Draugystės g., Elektrėnų g. ir Partizanų g., Kaune, kurių vertė perdavimo metu sudarė 3.370 tūkst. litų.

In 2007 the Group and the Company received for free the heating network located in Draugystės Str., Elektrėnų Str. and Partizanų Str. in Kaunas, which value at the date of transfer amounted to LTL 3,370 thousand.

11 Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day terms.

12 Income from sales

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

	Group		Company	
	First Quarter 2008	First Quarter 2007	First Quarter 2008	First Quarter 2007
Heat energy	84.421	70.948	84.436	70.963
Maintenance of the heating and hot water supply systems of buildings	1.210	1.270	850	793
Electricity energy	165	122	165	122
Revenue from sale of emission rights	0	0	0	0
	85.796	72.340	85.451	71.878

13 Other activities

	Group		Company	
	First Quarter 2008	First Quarter 2007	First Quarter 2008	First Quarter 2007
Income from other activities				
Services provided by the Company	201	227	205	254
Materials sold	36	10	36	10
Gain from sale of non-current assets	2	10	2	10
Other	36	15	36	15
	275	262	279	289

Expenses from other operating activities

Cost of services provided by the Company	(127)	(199)	(126)	(187)
Cost of materials sold	(213)	(14)	(213)	(14)
Loss from sale of non-current assets and shares	(32)	(3)	(32)	(3)
Other	2	(4)	2	(4)
	(370)	(220)	(369)	(208)
	(95)	42	(90)	81

14 Financial and investment activities, net

	Group		Company	
	First Quarter 2008	First Quarter 2007	First Quarter 2008	First Quarter 2007
Income from financial and investment activities				
Interest from late payment of accounts receivable	281	379	281	379
Bank interest receivable	3	5	3	5
Foreign currency exchange gain	-	-	-	-
Dividends received	-	43	-	43
Other	19-	-	19-	-
	303	427	303	427
Expenses of financial and investment activities				
Bank loans and overdrafts	(694)	(371)	(694)	(371)
Other	(2)	(10)		(10)
	(696)	(381)	(694)	(381)
	(393)	46	(391)	46

15 Basic earnings (loss) per share

Calculations of the basic earnings per share of the Group are presented below::

	Group	
	As of 31 March 2008	As of 31 December 2007
Net profit (loss)	19.828	(8.520)
Number of shares (thousand), opening balance	19.718	19.718
Number of shares (thousand), closing balance	19.718	19.718
Average number of shares (thousand)	19.718	19.718
Basic earnings (loss) per share (LTL)	1.01	(0,43)

16 Financial assets and liabilities and risk management

Credit risk

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

The Group and the Company do not guarantee obligations of the other parties.

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 its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

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 31 March 2008 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 ratios ((total current assets - inventories) / total current liabilities) as of 31 March 2008 were 1,33 and 1,20, respectively (0,86 and 0,75 as of 31 December 2007). The Company's liquidity and quick ratios as of 31 March 2008 were 1,31 and 1,19 (0,85 and 0,75 as of 31 December 2007).

Foreign currency risk

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

Monetary assets and liabilities denominated in local and foreign currencies as of 31 March 2008 were as follows (stated in LTL):

	Group	Company	Group	Company
	Assets		Liabilities	
LTL	55.844	55.918	49.653	49.916
EUR	-	-	23.870	23.870
Total	55.844	55.918	73.523	73.786

17 Related parties transactions

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

In the Group and the Company did not have any significant transactions with the other companies owned by municipality of Kaunas city except for the purchases or sales of the utility services. The services provided to the companies owned by the municipality of Kaunas City were executed at market prices.

In First Quarter 2008 and 2007 the related party of the Company was UAB Pastatų Priežiūros Paslaugos.

In First Quarter 2008 Company's transactions with the related party and the balances at the end of the year were the follows:

First Quarter 2008	Purchases	Sales	Receivables	Payables
UAB Pastatų Priežiūros Paslaugos	743	87	58	492

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

2007	Purchases	Sales	Receivables	Payables
UAB Pastatų Priežiūros Paslaugos	2.955	310	63	299

Remuneration of the management and other payments

The Group's and the Company's management remuneration amounted to LTL 181 thousand and LTL 116 thousand in First Quarter 2008, respectively (LTL 778 thousand and LTL 390 thousand respectively in 2007). In First Quarter 2008 and 2007 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

18 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 manage 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 end 31 March 2008 and 31 December 2007.

The Group and the Company are obliged to upkeep its equity ratio of not less than 50% of its share capital, as 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	
	As of 31 March 2008	As of 31 December 2007	As of 31 March 2008	As of 31 December 2007
Non-current liabilities (including deferred tax and grants)	38.918	35.456	39.443	35.981
Current liabilities	46.663	62.111	47.070	62.099
Liabilities	85.581	97.567	86.513	98.080
Equity	137.488	117.660	140.896	121.118
Debt* to equity ratio	62,25%	82,92%	61,40%	80,98%

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