



JOINT STOCK COMPANY „KAUNO ENERGIJA“

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

2009-10-29 Nr. 20-4829

To: JSC Vilnius Stock Exchange of Lithuania
Konstitucijos av. 7, 15 floor., LT-08105 Vilnius

CONFIRMATION FROM RESPONSIBLE PERSONS

Following the guidelines of 22 article of the Law on Securities Market of the Republic of Lithuania and Lithuanian Securities Commission periodical and additional information preparation and presentation regulations, we a General Manager Rimantas Bakas and Chief Accountant Violeta Staškūnienė JSC „Kauno energija“ approving, that according ours knowledge the JSC „Kauno energija“ interim financial reporting of the 9 months of the year 2009 prepared according to the International Financial Reporting Standards, generally accredited in European Union, satisfy actuality and correct indicate assets, liabilities, financial position and profit for time period of the enterprise.

ENCLOSING: JSC „Kauno energija“ consolidated and company's financial statements for the 9 months of the year 2009, prepared according to the International Financial Reporting Standards as adopted by the European unijon, 23 pages.

Yours respectfully

General Manager

Rimantas Bakas

Chief Accountant

Violeta Staškūnienė

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JSC „KAUNO ENERGIJA“

**CONSOLIDATED AND COMPANY'S
FINANCIAL STATEMENTS FOR THE 9 MONTHS,
2009 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS
ADOPTED BY THE EUROPEAN UNION**

Balance sheets

		Group		Company	
		30 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Notes					
ASSETS					
Non-current assets					
Non-current intangible assets		1.339	1.783	1.335	1.683
Non-current tangible assets	3				
Land and buildings		29.838	30.692	28.297	29.108
Structures and machinery		257.852	117.555	257.829	117.525
Vehicles		734	1.109	596	937
Equipment and tools		5.743	7.062	5.664	6.966
Construction in progress and prepayments		11.394	8.681	11.394	8.681
Total tangible assets		305.561	165.099	303.780	163.217
Non-current financial assets					
Investments into daughter companies	1	-	-	5.772	6.053
Non-current accounts receivable	4	67	65	289	65
Deferred tax income		88	88	-	-
Other financial assets	5	433	433	433	433
Total non-current financial assets		588	586	6.494	6.551
Total non-current assets		307.488	167.468	311.609	171.451
Current assets					
Inventories and prepayments					
Inventories		5.078	5.581	4.812	5.541
Prepayments		374	511	525	499
Total inventories and prepayments		5.452	6.092	5.337	6.040
Current accounts receivable	6				
Trade receivables		35.524	54.797	35.268	55.032
Other receivables		4.986	8.547	5.014	8.655
Total accounts receivable		40.510	63.344	40.282	63.687
Cash and cash equivalents	7	1.278	3.616	1.261	3.604
Total current assets		47.240	73.052	46.880	73.331
Total assets		354.728	240.520	358.489	244.782

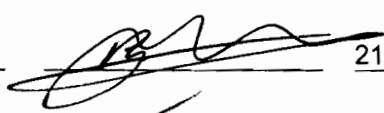
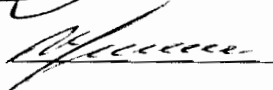
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The accompanying notes are an integral part of these financial statements.

Balance sheets (cont'd)

		Group		Company	
	Notes	30 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
EQUITY AND LIABILITIES					
Equity					
Share capital	1	255.710	119.510	255.710	119.510
Legal reserve	8	233	3.041	-	2.808
Other reserve		-	-	-	-
Retained earnings (deficit)					
Profit (loss) for the current year		7.458	(4.235)	7.401	(4.343)
Profit (loss) for the previous year		(6.466)	(5.039)	(2.883)	(1.348)
Total retained earnings (deficit)		992	(9.274)	4.518	(5.691)
Total equity		256.935	113.277	260.228	116.627
Payables and liabilities					
Non-current payables and liabilities					
Non-current financial debts	9	37.879	33.921	37.879	33.921
Lease (financial lease)	10	95	95	-	-
Deferred tax liability		-	-	805	805
Grants (deferred income)	11	9687	10.253	9687	10.253
Employee benefit liability	12	1.524	1.612	1.524	1.612
Other non-current liabilities		855	824	855	824
Total non-current payables and liabilities		50.040	46.705	50.750	47.415
Current payables and liabilities					
Non-current portion of financial debts and lease (financial lease) of the current year	9, 10	1.915	8.834	1.902	8.785
Current financial debts	9	26.587	15.720	26.587	15.720
Trade payables	13	15.183	50.929	15.380	51.361
Payroll related liabilities		1.216	2.054	969	1.933
Advances received		1.292	932	1.150	920
Taxes payable		174	775	137	727
Derivative financial instruments	14	922	567	922	567
Other current payables and liabilities		464	727	464	727
Total current payables and liabilities		47.753	80.538	47.511	80.740
Total payables and liabilities		97.793	127.243	98.261	128.155
Total equity and liabilities		354.728	240.520	358.489	244.782

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

General director	Rimantas Bakas		21 October, 2009
Chief accountant	Violeta Staškūnienė		21 October, 2009

Income (loss) statements		Group					
	Notes	III quarter, 2009	I-III quarters, 2009	III quarter, 2008	I-III quarters, 2008	2008	2007
Operating income							
Sales income	15	17.426	195.465	14.548	127.208	205.974	169.528
Other operating income	16	271	825	480	881	1.337	1.319
Total operating income		17.697	196.290	15.028	128.089	207.311	170.847
Operating expenses							
Fuel and heat purchased		(14.826)	(139.200)	(12.505)	(80.194)	(137.604)	(112.195)
Salaries and social security	12	(5.621)	(15.606)	(6.187)	(16.755)	(24.999)	(23.121)
Raw materials		(440)	(1.300)	(527)	(1.799)	(2.404)	(2.356)
Taxes other than income tax		(1.141)	(3.000)	(816)	(2.498)	(3.462)	(3.409)
Electricity		(441)	(1.909)	(590)	(2.113)	(2.891)	(3.976)
Depreciation and amortization	3	(4.310)	(12.675)	(4.932)	(14.926)	(18.982)	(20.540)
Repairs and maintenance		(361)	(1.389)	(2.108)	(4.840)	(5.160)	(2.807)
Water		(210)	(467)	(195)	(373)	(517)	(801)
Change in allowance for accounts receivable	6	(1.448)	(2.914)	(73)	509	1	1.133
Change in allowance for inventories				9	9	181	8
Petrašiūnai power plant operator expenses	1	(418)	(1.588)	(562)	(1.599)	(2.184)	(2.193)
Other expenses		(1.694)	(6.425)	(2.025)	(8.269)	(10.760)	(9.363)
Other operating expenses	16	(228)	(601)	(222)	(1.082)	(1.363)	(1.025)
Total operating expenses		(31.138)	(187.074)	(30.733)	(133.930)	(210.144)	(180.645)
Operating profit		(13.441)	9.216	(15.705)	(5.841)	(2.833)	(9.798)
Income from financial and investment activity	17	488	1.180	331	987	1.281	1.314
Expenses from financial and investment activity	18	(826)	(2.938)	(649)	(1.916)	(3.343)	(2.008)
Net profit for financial and investment activity		(338)	(1.758)	(318)	(929)	(2.062)	(694)
Profit before tax			7.458				
		(13.779)		(16.023)	(6.770)	(4.895)	(10.492)
Income tax						-660	-1.866
Net profit		(13.779)	7.458	(16.023)	(6.770)	(4.235)	(8.626)
Basic earnings per share (LTL)	19	(0,44)	0,24	(0,81)	(0,34)	(0,21)	(0,44)

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

General director Rimantas Bakas  21 October, 2009

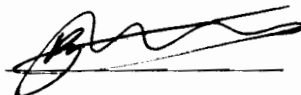
Chief accountant Violeta Staškūnienė  21 October, 2009

	Notes	Company				2008	2007
		III quarter, 2009	I-III quaters, 2009	III quarter, 2008	I-III quaters, 2008		
Operating income							
Sales income	15	17.039	194.969	14.414	126.564	205.233	168.003
Other operating income	16	386	901	473	874	1.322	1.370
Total operating income		17.425	195.870	14.887	127.438	206.555	169.373
Operating expenses							
Fuel and heat purchased		(14.826)	(139.200)	(12.505)	(80.194)	(137.604)	(112.195)
Salaries and social security	12	(5.153)	(14.308)	(5.558)	(14.716)	(22.396)	(20.098)
Raw materials		(355)	(1.146)	(478)	(1.465)	(1.991)	(2.013)
Taxes other than income tax		(1.130)	(2.966)	(803)	(2.462)	(3.402)	(3.354)
Electricity		(438)	(1.895)	(585)	(2.093)	(2.863)	(3.956)
Depreciation and amortization	3	(4.267)	(12.546)	(4.882)	(14.778)	(18.784)	(20.389)
Repairs and maintenance		(398)	(1.426)	(2.129)	(4.861)	(5.181)	(2.804)
Water		(209)	(462)	(193)	(363)	(502)	(787)
Change in allowance for accounts receivable	6	(1.448)	(2.914)	(73)	509	1	1.133
Change in allowance for inventories				9	9	181	8
Heating and hot water systems supervision expenses	1	(145)	(997)	(546)	(1.963)	(2.485)	(2.801)
Petrašiūnai power plant operator expenses	1	(418)	(1.588)	(562)	(1.599)	(2.184)	(2.193)
Other expenses		(1.671)	(6.301)	(1.973)	(7.895)	(10.248)	(8.791)
Other operating expenses	16	(322)	(684)	(219)	(1.077)	(1.357)	(986)
Total operating expenses		(30.780)	(186.433)	(30.497)	(132.948)	(208.815)	(179.226)
Operating profit		(13.355)	9.437	(15.610)	(5.510)	(2.260)	(9.853)
Income from financial and investment activity	17	488	1.180	331	987	1.281	1.364
Expenses from financial and investment activity	18	(1.107)	(3.216)	(646)	(1.909)	(3.800)	(2.003)
Net profit for financial and investment activity		(619)	(2.036)	(315)	(922)	(2.519)	(639)
Profit before tax		(13.974)	7.401	(15.925)	(6.432)	(4.779)	(10.492)
Income tax						-436	-1.871
Net profit		(13.974)	7.401	(15.925)	(6.432)	(4.343)	(8.621)
Basic earnings per share (LTL)		(0,45)	0,24	(0,81)	(0,33)	(0,22)	(0,44)

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General director

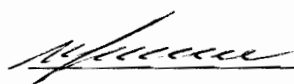
Rimantas Bakas



21 October, 2009

Chief accountant

Violeta Staškūnienė



21 October, 2009

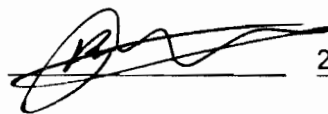
Statements of changes in equity

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		-	-	-	(6.770)	(6.770)
Transferred to reserves	8	-	(8.332)	(163)	8.495	-
Balance as of 30 September, 2008		118.310	3.041	-	(11.809)	109.542
Increase in share capital	1	1.200	-	-	-	1.200
Net profit (loss) for the year		-	-	-	2.535	2.535
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		-	-	-	7.458	7.458
Increase or share capital	1	136.200				136.200
Balance as of 30 September, 2009		255.710	233	-	992	256.935

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		-	-	-	(6.432)	(6.432)
Transferred to reserves	8	-	(8.515)		8.515	-
Balance as of 30 September, 2008		118.310	2.808	-	(7.780)	113.338
Increase in share capital	1	1.200	-	-	-	1.200
Net profit (loss) for the year		-	-	-	2.089	2.089
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				-	7.401	7.401
Increase or share capital	1	136.200				136.200
Balance as of 30 September, 2009		255.710		-	4.518	260.228

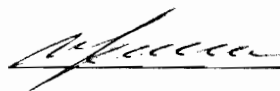
The accompanying notes are an integral part of these financial statements.

General director Rimantas Bakas



21 October, 2009

Chief accountant Violeta Staškūnienė



21 October, 2009

Cash flow statements	Group I-III quarters, 2009	I-III quarters, 2008	Company I-III quarters, 2009	I-III quarters, 2008
Cash flows from operating activities				
Net (loss)	7.458	(6.770)	7.401	(6.432)
Adjustments for non-cash items	16.022	14.295	16.055	14.153
Depreciation and amortization	13.369	15.931	13.240	15.779
Write-offs and change in allowance for accounts receivable	2.914	(509)	2.914	(509)
Loss from sale and write-off of non-current assets	70	318	(26)	318
Reserve valuation change		(9)		(9)
Accruals	(1.443)	(1.519)	(1.462)	(1503)
Grants (amortization)	(566)	(950)	(566)	(950)
Derivative financial instruments	355		355	
Investment in a subsidiary depreciation			281	
Interest expenses	2.463	1.915	2.459	1.908
Elimination of other financial and investment activity results	(1.140)	(882)	(1.140)	(881)
Changes in working capital	(15.142)	9.494	14.969	9.170
Decrease in inventories	503	776	729	679
(increase) in prepayments	137	(48)	(26)	(44)
(increase) in trade receivables	16.359	22.375	16.850	21.947
(increase) decrease in other receivables	3.561	(285)	3.641	(301)
Increase (decrease) in non-current liabilities	(88)	-	(88)	
Increase (decrease) in current trade payables and advances received	(35.386)	(12.950)	(35.751)	(12.668)
Increase in payroll related liabilities	605	644	498	559
(decrease) in other liabilities to budget	(601)	(941)	(590)	(925)
Increase in other current liabilities	(232)	(77)	(232)	(77)
Net cash flows from operating activities	8.338	17.019	8.487	16.891
(acquisition) of tangible and intangible assets	(17.420)	(16.177)	(17.357)	(15.978)
Proceeds from sale of tangible assets	163	262	128	226
Interest for delayed receivables	1.177	953	1.175	953
Increase in cash flows from non-current accounts receivable	(2)	(10)	(224)	(10)
Interest received	26	34	28	34
Net cash flows from investment activities	(16.054)	(14.878)	(16.250)	(14.775)
Proceeds from loans	13.904	16.802	13.904	16.802
(repayment) of loans	(5.932)	(20.069)	(5.932)	(20.069)
(paid) interest	(2.406)	(2.019)	(2.402)	(2.013)
(payments) lease (financial lease)	(66)	(62)	(30)	(28)
(paid) penalty interest and fines	(120)	(1)	(120)	(1)
Net cash flows from financing activity	5.380	(5.349)	5.420	(5.309)
Net (decrease) increase in cash and cash equivalents	(2.338)	(3.208)	(2.343)	(3.193)
Cash and cash equivalents at the beginning of the year	3.616	4.886	3.604	4.864
Cash and cash equivalents at the end of the year	1.278	1.678	1.261	1.671

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

General director Rimantas Bakas

Chief accountant Violeta Staškūnienė

21 October, 2009

21 October, 2009

Notes to the financial statements

1. General information

JSC "Kauno energija" (hereinafter the Company) is joint stock company registered in the Republic of Lithuania. The address of it's registered office is as follows:

Raudondvario rd. 84,
Kaunas,
Lithuania.

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

The Company is involved in heat, electricity generation and 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 September, 2009 the shareholders of the Company were as follows:

	Number shares (units)	of owned Percentage of ownership
Kaunas city municipality	39.654.892	93,05
Kaunas district municipality	1.606.168	3,77
Jurbarkas district municipality	643.810	1,51
Other minor shareholders	713.512	1,67
	<u>42.618.382</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 September, 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 September, 2009.

On 11 June, 2009 the 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 issueing 22.700.000 ordinary shares with the par value LTL 6 each, paying for them by Kaunas city municipality asset input. For this issue on 23 July, 2009 there was held an extraordinary shareholders meeting in which this decision was confirmed. On 3 August, 2009 Kaunas city municipality has transferred to the Company asset input, which is composed of engineering networks (collectors) belonging by ownership right to the Kaunas city municipality - tunnels, which market value on transfer day was LTL 136.200 thousand. Company has begun to provide collectors supervision service for Kaunas city companies, which use these tunnels for their infrastructure network.

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 it's daughter company closed-end company "Pastatų priežiūros paslaugos" (hereinafter– Group):

Company	Registration address	Shares of the stock held by the Group	Cost investment	Profit for reporting period	(loss) the Total equity	Main activity
Closed-end company „Pastatų priežiūros paslaugos“	Savanorių priežiūros sav. Kaunas	347, 100 %	6.518	(281)	5.771	Maintenance of heating systems

As of 30 September, 2009 impairment loss of investments into closed-end company "Pastatų priežiūros paslaugos" are LTL 281 thousand, on 31 December, 2008 - LTL 465 thousand and are recognized in the Parent's financial statements.

Operations of the Company are regulated by the Law on heat No. IX-1565 of 20 May, 2003 of the Republic of Lithuania. Starting 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 Law on heat 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.

Aiming to manage Company's activity more efficiently, to reduce management and production costs, from 1 August, 2009 Company's management structure was changed by separating some of the Company's structures, related to the non core production and services supply.

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 649 (663 employees in the year 2008). On 30 September, 2009 the average number of employees in the Company was 579 (609 employees in the year 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 its 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 the 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 September, 2009 amounts to LTL 12.357 thousand and LTL 12.326 thousand respectively (in the year 2008 – LTL 19.207 thousand and LTL 18.971 thousand respectively). LTL 12.229 thousand and LTL 12.198 thousand sums (in the year 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 September, 2009 amounted to LTL 46.542 thousand respectively was fully depreciated (LTL 50.828 thousand as of 31 December, 2008), but still used in the activity.

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

On 30 September, 2009 Group's and Company's non-current tangible asset which balance value amounted to LTL 103.487 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	31	30	31
	September,	December,	September,	December,
	2009	2008	2009	2008
Long-term loans granted to the Company's employees		56	56	56
Other		11	233	9
		<u>67</u>	<u>289</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 September, 2009 are neither past due nor impaired.

5. Other financial assets

	Group		Company	
	30	31	30	31
	September,	December,	September	December,
	2009	2008	2009	2008
Ordinary shares - unquoted		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	31	30	31
	September,	December,	September	December,
	2009	2008	2009	2008
Trade receivables, gross	57.921	74.277	57.665	74.512
Less: impairment of doubtful receivables	(22.397)	(19.480)	(22.397)	(19.480)
Trade receivables, net	<u>35.524</u>	<u>54.797</u>	<u>35.268</u>	<u>55.032</u>

Change in impairment of doubtful receivables on 30 September, 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 September, 2009 trade receivables with the nominal value of LTL 22.397 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:

	Total
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	2.917
Balance as of 30 September, 2009	22.397

In I-III quaters, 2009. Group and Company received LTL 18 thousand (in the year 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, 2008 and 30 September, 2009 is:

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
30-09-2009	7.046	2.842	9.012	14.228	887	1.509	35.524
31-12-2008	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 September, 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
30-09-2009	6.790	2.842	9.012	14.228	887	1.509	35.268
31-12-2008	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 4.986 thousand and LTL 5.014 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 September, 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
30-09-2009	230	67	492	950	28	344	2.111
31-12-2008	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 September, 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
30-09-2009	258	67	492	950	28	344	2.139
31-12-2008	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 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Cash in transit	657	2.158	657	2.158
Cash at bank	536	1.437	520	1.426
Cash on hand	85	21	84	20
	<u>1.278</u>	<u>3.616</u>	<u>1.261</u>	<u>3.604</u>

Group's and Company's accounts in litas, which balance on 30 September, 2009 amounted to LTL 519 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 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Non-current financial debts				
Non-current loans	37.879	33.921	37.879	33.921
Current loans				
Non-current portion of current year loans	1.895	8.748	1.895	8.748
Current bank loans (included credit line)	17.875	15.720	17.875	15.720
Factorised trade debts	8.712	15.720	8.712	15.720
	<u>28.482</u>	<u>24.468</u>	<u>28.482</u>	<u>24.468</u>
Total	<u>66.361</u>	<u>58.389</u>	<u>66.361</u>	<u>58.389</u>

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

	Group		Company	
	30 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
2009	1.895	8.748	1.895	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	3.997	3.987	3.997	3.987
2015	3.987	1.406	3.987	1.406
2016	1.716	349	1.716	349
	<u>39.774</u>	<u>42.669</u>	<u>39.774</u>	<u>42.669</u>

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

	Group		Company	
	30 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Loan currency				
EUR	50.992	32.913	50.992	32.913
LTL	15.369	25.476	15.369	25.476
	<u>66.361</u>	<u>58.389</u>	<u>66.361</u>	<u>58.389</u>

On 1 August, 2005 the Group and the Company signed a long-term loan agreement with AB Bankas Hansabankas for the amount of LTL 5,000 thousand. The maturity date of the last portion of the loan is 1 August 2012. As of 30 September, 2009 the outstanding balance of the loan amounted to LTL 2.297 thousand of which LTL 208 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 December 31, 2014. The outstanding balance of the loan amounted to EUR 3.801 thousand (the equivalent of LTL 13.125 thousand) as of 30 September, 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 5,197 thousand, of which LTL 209 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 September, 2009 the outstanding balance of the loan amounted to EUR 744 thousand (the equivalent of LTL 2,569 thousand), of which LTL 99 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 December 31 2016. As of 30 September, 2009 the outstanding balance of the loan amounted to EUR 522 thousand (the equivalent of LTL 1,802 thousand), of which LTL 62 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 September, 2009 the Group's and the Company's balance of used overdraft was LTL 991 thousand (LTL 1,010 thousand as of December 31 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 September, 2009 the outstanding balance of the investment credit amounted to EUR 528 thousand (the equivalent of LTL 1,824 thousand), of which LTL 88 thousand with maturity date 31 December, 2018 is 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 September 30, 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 December 31 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 December 31, 2011. Loan balance on 30 September, 2009 is EUR 2,608 thousand (LTL 9,005 thousand equivalent), from which LTL 604 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 June, 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 September, 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. On 19 August, 2009 agreement validity was prolonged to the 19 July, 2010. Fro the credit line 1 month's VILIBOR + 2,4 percent interest are payed.

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 September, 2009 amounted to LTL 2.896 thousand (LTL 9.999 thousand equivalent), (LTL 8.760 thousand as of 31 December, 2008). For the overdraft are paid 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 September, 2009 is EUR 2.523 thousand (LTL 8.712 thousand equivalent).

On 25 September, 2009 Group and Company had signed overdraft agreement with JSC Swedbank for the amount EUR 2896 thousand (LTL 10.000 thousand equivalent). Overdraft limit validity term is 25 September, 2012. As of 30 September, 2009, overdraft amount was not used. For the overdraft 6-months EURIBOR + 3,85 percent annual interest are paid.

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 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Vehicles				
	136	186	46	55
	136	186	46	55

On 30 September, 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 September, 2009 consists of:

	Group		Company	
	30 September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Per one year	23	93	7	38
From one to five years	101	101	-	-
Total financial lease liabilities	124	194	7	38
Interest	(9)	(13)		(1)
Current value of financial lease liabilities	115	181	7	37
Financial lease liabilities as				
-current	20	86	7	37
-non current	95	95	-	-

11. Grants (deferred income)

	Group		Company	
	30 September, 2009	31 December, 2008	30 September, 2009	31 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	(566)	(1.139)	(566)	(1.139)
Balance at the end of the period	9.687	10.253	9.687	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 December 31, 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 September, 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- September, 2009	31 December, 2008	30 September, 2009	31 December, 2008
Non-current employee benefits	1.524	1.612	1.524	1.612
Non-current portion of employee benefits for the current year		408		408
	1.524	2.020	1.524	2.020

On 30 September, 2009 at the finished half of the year Group's and Company's paid benefits for the employees were LTL 496 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:

	30 September, 2009	31 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 September, 2009 nominal transaction value is LTL 2.608 thousand EUR (LTL 9.005 thousand equivalent), LTL 3.133 thousand EUR as of 31 December, 2008 (LTL 10.818 thousand equivalent). Transaction market value on 30 September, 2009 – LTL 244 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 September, 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 September, 2009 nominal transaction value is LTL 3.801 thousand EUR (LTL 13.125 thousand equivalent). Transaction market value on 30 September, 2009 – LTL 678 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:

	I-III 2009	Group quarters, 2008	I-III 2009	Company quarters, 2008
Heat energy	193.207	201.760	193.242	201.793
Buildings heating and hot water supply supervision	1.781	3.708	1.250	2.934
Electricity	337	506	337	506
Circulating pollution permits	117		117	
Supervision of collectors	23	-	23	-
	<u>195.465</u>	<u>205.974</u>	<u>194.969</u>	<u>205.233</u>

16. Other activity income and costs

	Group I-III 2009	quarters, 2008	Company I-III 2009	quarters, 2008
Other activity income				
Company's services	731	1.003	678	992
Sold tangible asset	44	111	83	112
Non-current asset sales income	13	162	108	157
Other	37	61	32	61
	<u>825</u>	<u>1.337</u>	<u>901</u>	<u>1.322</u>
Other activity costs				
Cost of company's services	(428)	(631)	(411)	(625)
Sold tangible asset	(88)	(253)	(191)	(253)
Non-current asset sales losses	(2)	(475)	(1)	(475)
Non-current assets writeoffs	(81)		(81)	
Other	(2)	(4)		(4)
	<u>(601)</u>	<u>(1.363)</u>	<u>(684)</u>	<u>(1.357)</u>
Net profit: profit (losses)	<u>224</u>	<u>(26)</u>	<u>217</u>	<u>(35)</u>

17. Financial activity income

	Group I-III quaters, 2009 2008		Company I-III quaters, 2009 2008	
Financial and investment activity income				
Interest for delayed receivables	1.162	1.230	1.162	1.23
Bank interest	3	18	3	1
Dividends	-	-	-	-
Other	15	33	15	3
	<u>1.180</u>	<u>1.281</u>	<u>1.180</u>	<u>1.28</u>

18. Financial activity costs

	Group I-III quaters, 2009 2008		Company I-III quaters, 2009 2008	
Bank loans and overdrafts interest receivables	(2.463)	(2.772)	(2.459)	(2.764)
Net loss on financial liabilities at fair value through profit or loss	(355)	(567)	(355)	(567)
Investments into daughter company value decrease losses	-	-	(281)	(465)
Interest	(120)		(120)	
Other		(4)	(1)	(4)
	<u>(2.938)</u>	<u>(3.343)</u>	<u>(3.216)</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-III quaters, 2009 2008	
Net profit (loss)	7.458	(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	42.618	19.918
Average number of shares (thousand)	<u>31.268</u>	<u>19.818</u>
Basic and diluted (loss) per share (LTL)	<u>0,24</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 the year 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 September, 2008 were 0,99 and 0,88, respectively (0,91 and 0,84 as of 31 December, 2008). The Company's liquidity and quick ratios as of 30 September, 2009 were 0,99 and 0,89 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;
- (3) stops the paramount investments;
- (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 September 30, 2009, were (stated in LTL):

	Group		Company	
	Asset	Liabilities	Asset	Liabilities
LTL	41.788	34.440	41.765	34.103
EUR	0	50.992	0	50.992
	<u>41.788</u>	<u>85.432</u>	<u>41.765</u>	<u>85.095</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 September, 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	31	30	31
	September,	December,	September,	December,
	2009	2008	2009	2008
Non-current liabilities (including deferred tax and grants)	50.040	46.705	50.750	47.415
Current liabilities	47.753	80.538	47.511	80.740
Total liabilities	97.793	127.243	98.261	128.155
Equity	256.935	113.277	260.509	116.627
Debt to equity ratio	38,06	112,33	37,72	109,88
	percent	percent	percent	percent

*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 JSC DnB Nord Bankas in the amount of LTL 5 million for a period till March

31, 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. On the day of these statements preparation Vilnius district court rejected all claims and KTE has claimed these decisions. Supreme administrative court of Lithuania has analyzed one of the claims and rejected, others are still not analyzed.

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 September, 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 court at the Association International trade chamber – Lithuania. Arbitration court took Company's claim and began arbitration procedure.

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-III quaters, 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-III quaters, 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-III quaters, 2009	Purchases	Sales	Receivables	Payables
Entities controlled and financed by Kaunas city municipality	57	12.094	16.410	0
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-III quaters, 2009 and 2008 the Company's transactions with the daughter company and the balances at the end of the year were as follows:

I-III quaters, 2009		Purchases	Sales	Receivables	Payables	
Closed-end company „Pastatų priežiūros paslaugos“		1.125		255	396	168
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-III quaters, 2009 the Group's and Company's management remuneration amounted to LTL 504 thousand and LTL 383 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 September, 2009 (LTL 103 thousand as of 31 December, 2008). To the Group's and Company's management per I-III quaters, 2009 post employment benefits amounted to LTL 93 thousand (there was no such payments in the 2008). Per I-III quaters, 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 15 October, 2009 Group and Company had signed financing and administration agreement of the project „Kaunas city centralized heating networks renewal by implementing modern technologies (reconstruction of heating networks in V.Kreves ave. 82A...118H, Kaunas)“ according to which for the Company is provided financing from the European regional development fund in the amount of LTL 6000 thousand after the implementation of agreement conditions.

On 15 October, 2009 Group and Company had signed financing and administration agreement of the project „Kaunas city integrated network centre highway (4T) modernization“ according to which for the Company is provided financing from the European regional development fund in the amount of LTL 5990 thousand, after the implementation of the agreement conditions.

On 15 October, 2009 Group and Company had signed financing and administration agreement of the project „Kaunas city highway heating networks 6T in Kursiu str. 49C, Jonavos str. between NA-7 and NA-9 and networks under the bridge through Neris in highway Vilnius-Klaipeda by Kaunas complex reconstruction for the reliability increasement by implementing modern technologies“ according to which for the Company is provided financing from the European regional development fund in the amount of LTL 2333 thousand, after the implementation of the agreement conditions.