

**AB KAUNO TIEKIMAS
INTERIM REPORT FOR 6 MONTHS
2007**

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I. GENERAL PROVISIONS

1. Reporting period for which the report has been prepared

The Interim Report has been produced for the first half of the year 2007.

2. Main data about the Issuer

AB Kauno Tiekimas. The authorised capital amounts to LTL10,180,884. The company is a limited civil liability company. AB Kauno Tiekimas is a legal person which has commercial, production and economic, financial, organisational, and legal independence. Address: Palemono g.171, Kaunas, LT-52501. Administrator's telephone number: (8 37) 37 35 50, General Director's telephone number: (8 37) 473744, telephone/fax: (8 37) 473744, e-mail: tiekimas@kaunas.balt.net. Legal form: public limited company. AB Kauno Tiekimas was registered on 26 November 1992 under Decree No 2088 of the Board of the City of Kaunas, register No AB-1072, Company code: 133523653. The Issuer has no website.

3. Information on the place and manner of the access to the report and the documents, which served as the basis for the report; the name of the means of mass media

The Interim Report and other documents that were used to draft the Interim Report are available at the accounts department of AB Kauno Tiekimas, tel. (8 37) 373570, telephone/fax (8 37) 473744, and the Reading Room of the State Securities Commission during the office hours. Material information is published in the daily *Lietuvos Rytas*.

4. Persons responsible for the accuracy of information in the Report:

Persons responsible for the information provided in the Report include:

Irena Keblerienė, General Director, tel./fax 8 37 473744, and

Danutė Skučienė, Chief Financial Officer, tel. 8 37 373570.

The management of the Company hereby declare that the information contained in the Report conforms to the facts and the Report contains no omissions that are likely to have an effect on the investors' decisions related to the purchase or sales of the Issuer's securities or on the market price and valuation of such securities.

5. Declaration by the Head of the Administration and the issuer's consultants that the information contained in the Report is in accordance with the facts and that the Report contains no omissions likely to have an effect on the investors' decision concerning purchase or sale of the issuer's securities or on the market price or valuation of these securities:

AB Kauno Tiekimas hereby declare that the information contained in the Report conforms to the facts and the Report contains no omissions that are likely to have a material effect on the investors' decisions.

General Director

Irena Keblerienė

Chief Financial Officer

Danutė Skučienė

Report signed in August 2007 in Kaunas.

II. OBJECTIVE OVERVIEW OF THE COMPANY STANDING, BUSINESS AND DEVELOPMENT

6. Company background

AB Kauno Tiekimas is a limited civil liability private legal person.

The Company has one branch. AB Kauno Tiekimo branch was registered on 8 November 2002. The Branch code is 235944730. The branch is a structural unit of the Company which is not a legal person. The activities of the Branch are regulated by its Statute. The Branch Director organizes the work of the Branch, directs the economic activities of the Branch, manages the property of the Branch, issues orders, and approves/signs the documents. AB Kauno Tiekimas Branch specialises in the selling alumina and other aluminium industry products and sells the products produced by Birač factory operating in Bosnia and Herzegovina.

The bodies of the Company include the General Meeting, the Board, and the Head of the Company. The Supervisory Board is not formed.

The authorised capital amounts to LTL10,180,884.

The authorised capital of the Company is divided into 10,180,884 ordinary registered shares with the nominal value of LTL1 each.

7. Shareholders

Shareholders whose participation in AB Kauno Tiekimas authorised capital and the number of votes held thereby exceed 5% as of 30 June 2007:

Shareholder	Company Register No	Seat address	No of shares		Participation in the authorised capital, %		Votes, %	
			Total	Under the property right	Total	Under the property right	Total	Under the property right
UAB Ūkio Banko Investicinė Grupė	135201099	K.Donelaičio g. 60, Kaunas	3597376	1827783	35.33	17.95	35.33	17.95
UAB FMĮ Finbaltus	122020469	Konstitucijos pr.23-660, Vilnius	3597376	1769593	35.33	17.38	35.33	17.38
AB Ūkio Bankas FMD	112020136	Maironio 25, Kaunas	2000000	2000000	19.64	19.64	19.64	19.64
InCompleks LLC	CP00193203	101 South Spring Street, Suite 2, Little Rock, Arkansas 72201, USA	1502461	1502461	14.76	14.76	14.76	14.76
UAB Energolinija	135647258	Palemono 171, Kaunas	1232000	1232000	12.10	12.10	12.10	12.10

Group of related persons:

Company name	Seat address of the Company	Company code	No of shares and votes
UAB Ūkio Banko Investicinė Grupė	K.Donelaičio 60, Kaunas	135201099	1,827,783
UAB FMĮ Finbaltus	Konstitucijos pr. 23 – 660, Vilnius	122020469	1,769,593

On 30 June 2007 the total number of shareholders was 254.

8. Business activities

Established more than 3 decades ago, AB Kauno Tiekimas is mainly involved in wholesale trading with Lithuanian and foreign companies. Since 2002, the company has been successfully trading in alumina, which is the main raw material in aluminium production, and the main materials required for alumina production. After AB Kauno Tiekimas started trading in alumina, the Company entered the constantly growing alumina market. In order to strengthen its positions in this market, in November 2002 AB Kauno Tiekimas opened a branch of the Company which was entrusted all the activities in alumina and the raw materials trade. AB Kauno Tiekimas Branch is cooperating with Birač alumina factory, which is a strategic and one of the three largest companies in Srpska Republic, Bosnia and Herzegovina. Birač alumina factory does not buy raw materials or sell alumina by itself. This function is delegated to the trade representative of the company Balkal A.D., Bosnia. AB Kauno Tiekimas Branch and Balkal A.D. have signed an agreement, under which AB Kauno Tiekimas Branch undertakes the supply of raw material, i.e. hydrate of sodium and bauxites. Balkal A.D., in its turn, sells the Branch of AB Kauno Tiekimas the production of Birač factory: alumina, alumina hydrate, zeolite. After AB Kauno Tiekimas started the new activity, it significantly increased the production volumes and improved its performance results accordingly. In business year 2005, the turnover of the Company amounted to LTL639.6m and increased by 104.3% in comparison to 2004. In business year 2006, the sales revenue of the Company amounted to LTL648m and increased by 1.31% in comparison to 2005. The increase of the revenue was mainly related to the development of alumina trading activities. In the first half of 2007 the sales revenue amounted to LTL191m.

In view of the price fall in the global alumina market, which has been experienced since 2006, it is anticipated that in 2007 Birač factory will use 83% of its production capacity and will not increase it in order to minimise the losses. In the 2nd quarter of 2007 the trends are similar to those in the 1st quarter of the year: the prices in the main activities of the Company, i.e. wholesale prices of alumina and as well as the prices of finished products in the international markets persist to be several times lower in comparison with the beginning of the last year.

Other business activities of the Company include the lease of the Company's property and related services. On the territory of the Company there is a customs post and warehouses.

Apart from the ordinary operations, the Company is engaged in financial and investment activities. Successful investment into securities and the revenue earned from their sales led to the profitable result of the Company in 2006.

III. INFORMATION ON THE ISSUER'S AUTHORISED CAPITAL, ISSUED SECURITIES, AND THE MANAGEMENT BODIES

9. Authorised capital of the Issuer:

9.1. Authorised capital registered with the Register of Companies

The authorised capital of LTL10,180,884 is registered with the Register of Companies. The capital consists of sudaro 10,180,884 ordinary registered shares with the nominal value of LTL1 (one litas) each. The shares of the above type comprise 100% of the authorised capital. All the authorised capital is paid up in full.

10. Securities non-representing participation in the capital, the trading whereof is governed by the Law on Securities Market of the Republic of Lithuania

The Company has not issued securities non-representing participation in the authorised capital.

11. Secondary trading in Issuer's securities

Since 31/03/2003, AB Kauno Tiekimas securities have been included to the Vilnius Stock Secondary List. Securities code: LT0000104879.

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Reporting period		Central market and negotiated deals								
		Price (LTL)			Turnover (LTL)				Last session date	Total turnover
from	to	max.	min.	units	units	min.	last session			units
2007-01-01	2007-03-30	1.89	1.12	1.12	56898	86	1568	2007-03-30	365347	622029
2007-04-01	2007-06-29	1.24	0.95	1.08	72429	1.09	324	2007-06-29	189562	196029

12. Agreements with intermediaries of public trading in securities

The Company has entered into a service agreement with UAB FMI Finbaltus, Konstitucijos pr. 23-660, Vilnius LT -08105.

13. Members of the managing bodies

The Supervisory Board is not formed.

Board members:

Chairman: Igor Gončaruk, personal ID code 35503130922. Holds 65,994 shares or 0.65% of AB Kauno Tiekimas authorised capital. Holds 8,600 (100%) UAB Agrobiznis shares, and 100 (100%) UAB Klemka shares. Does not have any positions in other companies. During the reporting period, Igor Gončaruk was paid salaries in the total amount of LTL44,275.

Board member Irena Keblerienė, personal ID code 44808010769, has no shareholding in the Company. Does not have any positions in other companies and does not hold over 5% of other companies' shares. During the reporting period, Irena Keblerienė was paid salaries in the total amount of LTL41,079.

Board member Nijolė Varanavičienė, personal ID code 46102090516, Board member of UAB Energolinija; not employed by the Company; has no shareholding in the Company. Does not hold over 5% of other companies' shares. During the reporting period, has been paid bonus in the amount of LTL7,200.

The office term of the Board members started on 25 April 2007; the office term will end in April 2011.

ADMINISTRATION:

Irena Keblerienė: General Director, has no shareholding in the Company.

Igor Gončaruk: CEO, holds 65,994 shares of the Company (0.65% of the authorised capital)

Danutė Skučienė: Chief Financial Officer, personal ID code 45202010255, has no shareholding in the Company. Does not have any positions in other companies and does not hold over 5% of other companies' shares. During the reporting period, Danutė Skučienė was paid salaries in the amount of LTL20,884.

Gediminas Antanas Baranauskas: Director of AB Kauno Tiekimas Branch, personal ID code 36010020131, has no shareholding in the Company, does not have any positions in other companies. Holds 8 UAB Pilega shares(13.33% of the authorised capital). During the reporting period, Gediminas Antanas Baranauskas was paid salaries in the amount of LTL22,669.

Nadežda Belozerskich: Branch Accountant, personal ID code 46602220603, has no shareholding in the Company, holds 320,000 (9.78%) of UAB Korelita shares. During the reporting period, Nadežda Belozerskich was paid salaries in the total amount of LTL41,080.

14. Information on audit

The accounting and financial statements of AB Kauno Tiekimas for the first half of the financial/business year have not been audited.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITIES**15. Material events in the Issuer's activities**

25.07.2007 - 14:51 (VSE)	KTK: Results of the first half of 2007
05.05.2007 – 13:30 (VSE)	KTK: Financial reporting of the first quarter of 2007
26.04.2007 – 08:58 (VSE)	KTK: Results of the first quarter of 2007
25.04.2007 – 14:08 (VSE)	KTK: Resolutions of the General Meeting
13.04.2007 – 16:22 (VSE)	KTK: Auditor's Opinion and Audit Report on the Financial Statements for 2006
13.04.2007 – 16:22 (VSE)	KTK: Draft Resolutions of the General Meeting 25-04-2007
22.03.2007 – 15:24 (VSE)	KTK: Notification about General Meeting
26.02.2007 – 14:15 (VSE)	KTK: Preliminary business results for 2006

Notices on material events have been submitted to the State Securities Commission, National Stock Exchange, the daily *Lietuvos Rytas*, and the news agency BNS.

16. Court and arbitration proceedings

During the reporting period, there have been no court or arbitration proceedings that might have affected the financial standing of the Company.

V. SIGNIFICANT EVENTS OF THE REPORTING PERIOD THAT HAVE EXERCISED IMPACT UPON THE PERFORMANCE OF THE COMPANY

During the first half of the year the global alumina market became more balanced and consequently competitive. As a result of new alumina product suppliers and producers, the previously experienced significant deficit of alumina products markedly decreased. However despite of the market trends and the increasing competition, the business activities of the Company remain profitable.

In order to maintain the existing position, the Company will keep looking for new ways and methods that would boost the sales of the Company and offer possibilities for implementing a more efficient policy of alumina production sales.