AKCINĖ BENDROVĖ
LIETUVOS ELEKTRINĖ

code 110870933, Elektrinės st. 21, Elektrėnai LT-26108, tel. 8528-39533, fax. 8528-39733

Independent Auditor's Report,
Annual Report and
Financial Statements for the year
ended 31 December 2007

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CONFIRMATION OF THE MANAGEMENT

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Drawing Up and Submission of Periodic and Additional Information approved by the Lithuanian Securities Commission, we, General Director of AB Lietuvos elektrine Pranas Noreika and Chief Financier Rolandas Jankauskas, hereby confirm that to the best of our knowledge this Annual Report of AB Lietuvos elektrinė for the year of 2007 contains correct business development and activity survey.

Pranas Noreika	Rolandas Jankauskas
Director General	Chief Financier

1 April 2007

Main data about the Company

Name of the Company	Public Company (AB) Lietuvos elektrinė (Lithuanian Power Plant – LPP), hereinafter referred to as the Company
Legal form	Public company
Code	110870933
VAT payer's code	LT108709314
Authorised capital	The authorized capital of AB Lietuvos elektrinė of LTL 145,800,689 is divided into 145,800,689 ordinary registered shares of LTL 1 nominal value.
Office address	Elektrinės St. 21, LT–26108 Elektrėnai
Telephone	(8~528) 39 066
Fax	(8~528) 39 733
E-mail	info@lelektrine.lt
Website	http://www.lelektrine.lt
Date and place of registration	31 December 2001; Ministry of Economy of the Republic of Lithuania
Register, in which data about the Company are stored	Register of Legal Entities
Type of the issuer's core activities	AB "Lietuvos Elektrinė" operates in the energy sector. The Company produces and sells electricity and thermal energy.

Composition of the Company's Board during the reporting period:

Pranas Noreika – Chairman of the Board, Director General of the Company;

Vida Dzermeikienė – Head of Electricity and Heat Division of the Energy Department, Ministry of Economy;

Domininkas Pečiulis – Head of State Property Privatization and Management Division, Ministry of Economy;

Dr. Arvydas Galinis – Senior Research Specialist of the Lithuanian Energy Institute;

Rolandas Jankauskas – Chief Financier of the Company.

1. An objective review of the Company's position, its performance and business development, a description of the principal risks and uncertainties related to the operations of the Company.

As long as Ignalina nuclear power plant is working, the power plant Lietuvos Elektrinė essentially performs a function of a backup power plant.

After the projected decommissioning of the second reactor of Ignalina Nuclear Power Plant in 2010, the power plant Lietuvos Elektrinė will be the main producer of electricity in Lithuania.

During the last 10 years, the Company allocated LTL 500m for the upgrading of the plant. In the future all four energy blocks of 300MW are to be used to full capacity and a new combined cycle turbo unit of 400 MW will be built. The latter will require only one third of gas compared to the old units. The main fuel of Lietuvos elektrinė is natural gas. When the fume purification equipment is installed, it will be possible to fire crude oil and cheaper emulsions.

Main risk factors related to the issuer's activity

1. Economic risk factors.

In 2007, the sales of AB Lietuvos elektrinė under the electricity purchase quota approved by the Ministry of Economy of the Republic of Lithuania and of the reserve capacity accounted for 69.2% of all sales of the Company.

With a significantly increased prices of organic fuels, the price of the electricity produced by the plant at the moment cannot compete in its price with the cheap energy of Ignalinos NPP.

If it were to produce more electricity, Lietuvos elektrinė would have to buy carbon credits at USD 21–25 on the market, which would boost the costs by additional 7–8.5 cnt/kWh.

2. Political risk factors.

Currently the power transmission lines to Russia are of limited capacity, and Russia has no intention to increase it. Furthermore, the European part of Russia experiences shortages of electricity itself, therefore electricity import from Russia is hardly an option.

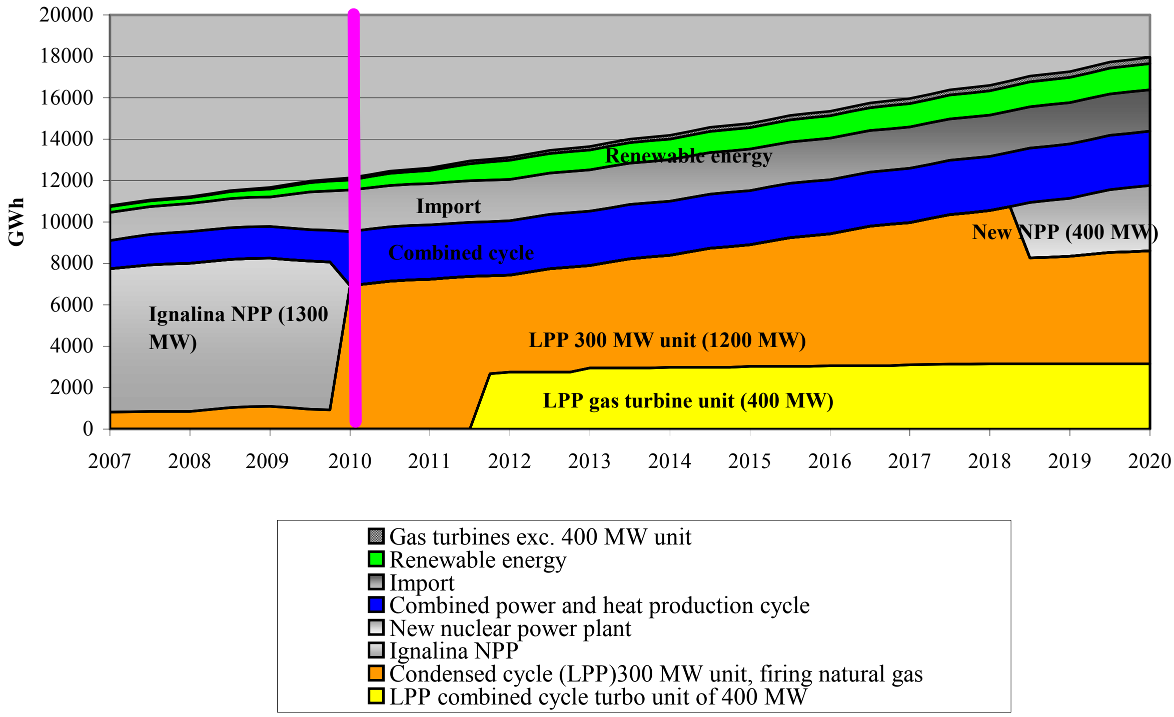
The link to the power grids of Poland and Sweden will be built later in the future. In winter time Scandinavian countries import energy themselves.

Chances of importing electricity from Ukraine are also limited, because of insufficient power grid capacity in Belarus. A prospect of importing energy from Estonia is not clear either.

As a result of a substancial surge in gas prices, the cost of energy has soared. Procurement of gas from one supplier country, i.e. Russia, is potentially risky as well.

AB Lietuvos elektrinė is searching for substitutes for natural gas and for possibilities to reduce costs.

Meeting Lithuania's power demand: scenario for the years 2007-2020



3. Social risk factors.

During the last few years the labour cost in Lithuania continued to grow. Therefore there is a need to increase labour efficiency at the plant. The Company has paid much attention to improvement of working conditions and employee training and know-how.

But the number of job vacancies has also been increasing, while due to rising prices employees demand higher salaries. In order to keep employees and attract new young specialists, managers are forced to increase wages and salaries. People‘s expectations, however, have grown considerably, both due to the fast growth rate in salaries and increasing inflation.

4. Technical and technological risk factors.

Acting in accordance with Paragraph 8 of Article 2 of Protocol No 4 of the Accession Treaty of the Republic of Lithuania and under provisions of the National Energy Strategy, after the closure of the Ignalina Nuclear Power Plant as of 31 December 2009, the Lithuanian Power Plant will be the main producer of electricity in Lithuania. In order to ensure a secure supply of electricity, a combined cycle turbo unit of about 400 MW has to be mounted at the power plant.

The Assembly of Donors approved the building of a new unit and adopted respective decisions. The framework/ main agreement was signed with the EBRD concerning financing of the project up to 70%. AB Lietuvos elektrinė signed loan agreements with 5 banks in Lithuania.

In 2007, a tender was announced for a building contractor. The building of the unit will commence in 2008.

As a unit of a combined cycle allows reduction of gas consumption by 30%, environmental pollution goes down accordingly.

This unit, being very economical, will be able to remain operational after a new nuclear power plant is launched. The Baltic Energy Strategy reveals that after the decommissioning of Ignalina NPP in 2009, the major part of electricity will be generated by existing power plants (having modernised the Lithuanian power plant and renovated units at Estonian power plants) the available capacities in the Baltic power system, including planned modern thermal power plants and power plants within the systems of central heating and industrial enterprises, will be sufficient to meet the regional demand only until 2015. The new nuclear power plant to be built will not be capable of satisfying Lithuania’s needs either, because in 10 years they will increase by more than 800 MW. The analysis of the demand for energy shows that there is no ground to claim that the new unit of a combined cycle of 400 MW capacity, starting from 2010, will ensure Lithuania’s sustainability with regard to power supply.

5. Ecological risk factors.

Furthermore, AB Lietuvos elektrinė will be able to ensure a stable process of power generation, independent of the disruptions in gas supply, because two of the eight units of the plant may fire less ecological, but easily accessible and transportable fuel, i.e. crude oil and emulsions. Due to fume purification systems hazardous pollutants will not be emitted and, thus, there will be no violations of the EU environment laws.

6. Payment of bank loans.

Loans are repaid according to the contractual loan repayment schedule. All payments to the bank are made in time.

2. Analysis of financial and non-financial performance and information relating to environmental and employee matters.

2.1. Indicators, characterizing the Company's performance in 2005–2007

	2007 (LTL)	**2006 (LTL)**	**2005 (LTL)**
Turnover, LTL	305,058,255	264,086,686	205,268,393
Gross profit, LTL	17,367,686	(26,182,376)	27,887,604
Operating profit, LTL	43,759,548	32,085,749	15,518,070
Profit before taxes, LTL	42,467,779	31,173,600	20,546,965
Net annual profit, LTL	33,916,710	25,007,221	17,229,842
EBITDA, LTL	69,476,407	58,093,421	40,397,794
Assets, LTL	1,569,500,120	1,410,906,882	1,340,453,811
Equity, LTL	980,406,862	946,490,152	1,025,288,857
Lowest price, LTL	4.00	2.80	3.56
Highest price, LTL	7.38	4.54	5.35
Closing price	6.10	4.49	4.02
Capitalization (LTL m)	889.38	654.65	586.12

2.2. Operations

2.2.1. Performance in 2007

During 2007, AB Lietuvos elektrinė had a profit of LTL 5.044m from core operating activities. The Company also generated extra revenues from additionally sold electricity during the repairs of Ignalina NPP. Having sold carbon credits and having received a compensation for a breach of contract to supply orimulsion, AB Lietuvos elektrinė earned a profit of LTL 42.468m., a substancial increase from the planned LTL 22.588m.

AB Lietuvos elektrinė had a profit of LTL 37.424m from ancillary activities, mostly from the sales of carbon credits.

The Company's Performance in 2007

No.	Indicators	Unit of measurement	Planned for 2007	Actual result
	I. TECHNICAL INDICATORS			
1.	Electricity supplied to:	kWh thou	700,000	868,181
1.1.	AB Lietuvos energija, of it:	**-"-**	700,000	866,880
	under PSO [1] quota	**-"-**	*700,000*	*698,173*
1.2.	Other consumers	**-"-**	-	1,301
2.	Capacity sold:	MW*h		
2.1.	Warm capacity reserve	**-"-**	876,000	673,546
2.2.	Cold capacity reserve	**-"-**	8,698,680	8,478,836
3.	Thermal energy sold	Gcal	140,000	126,764
4.	Fuel costs in production of contractual electricity	g/kWh	398.1	395.4
5.	Fuel costs in production of contractual thermal energy	kg/Gcal	165.7	169.9
	II. REVENUES – total:	LTL thou	**247,814**	**306,201**
1.	Electricity sold	-"-	133,000	170,189
2.	Cold capacity reserve	-"-	73,939	73,939
3.	Warm capacity reserve	-"-	7,972	7,972
4.	Thermal energy	-"-	13,103	10,128
5.	Revenues from ancillary activities	-"-	19,800	42,831
6.	Revenues from financial investment activities	-"-	-	1,910
	III. COSTS – total:	LTL thou	**225,226**	**264,500**
1.	Variable	-"-	141,702	176,346
1.1.	For electricity	-"-	128,793	166,403
1.2.	For thermal energy	-"-	12,909	9,942
2.	Relatively fixed	-"-	83,524	85,498
2.1.	Amortization	-"-	27,619	25,717
2.2.	Wages and salaries	-"-	21,848	21,856
2.3.	Social insurance	-"-	6,992	7,246
2.4.	Taxes	-"-	2,565	3,261
2.5.	Material costs	-"-	23,700	27,418
3.	Other activities	-"-	-	1,364
4.	Financial investment activities	-"-	-	1,292
	IV. PROFIT (total):	LTL thou	**22,588**	**42,468**
1 .	From core activities	-"-	22,588	383
2.	From other activities	-"-	-	41,466
3.	From financial investment activities	-"-	-	619

[1] *PSO – Public Service Obligation*

2.2.2. Emissions of the power plant into the atmosphere in 2007

Pollutants	Current emissions, tonnes:
1. Flue gas emissions into the atmosphere, t:	
SO_2	2,182.133
NO_x	914.524
CO	110.517
Solid particles from crude oil and orimusion	1.730
including V_2O_5	1.096
2. Hydrocarbon vapour, tonnes:	0.006
3. Emissions into the atmosphere from small sources, t:	
NO_x	0.023
CO	0.065
Solid particles	0.034
Iron compounds	0.048
Manganese compounds	0.007
Sulphuric anhydride	0.026
Volatile organic compounds	0.016
Sulphuric acid	0.003
4. Emissions to the river of Strėva:	
BOD7, t	0.016
Sinking substances, t	2.486
Oil substances, kg	0.059

2.2.3. Staff

Average number of employees at AB Lietuvos elektrinė in 2007:

	Result	
	2006	2007
Total number of employees	706	673
of them:		
- specialists	197	218
- workers	509	455

3. References to and additional explanations of the data presented in the annual financial statements.

The data in the annual financial statements and the Explanatory Notes are sufficient, comprehensive and require no additional explanations.

4. The number of the shares acquired by the Company and the Company's own shares as well as nominal value thereof and a part of the authorised capital made up by these shares; the number of own shares acquired and transferred during the reporting period, where they are acquired or transferred against payment; information about payment for own shares, where they are acquired or transferred against payment; reasons for acquiring the Company's own shares during the reporting period.

During the reporting period, the Company did not own, acquire or transfer any of its shares. The state, represented by the Ministry of Economy of the Republic of Lithuania, is the main shareholder of the Company, holding 96.48% votes.

5. Information about the Company's subsidiaries and representative offices.

The Company has no subsidiaries or representative offices.

6. Corporate events since the end of the last financial year.

January:

- The Company's Board approved the Organisation Chart and the list of job functions.

February:

- Unaudited results of AB Lietuvos elektrinė were announced for the year 2006. AB Lietuvos elektrinė in 2006 earned a net unaudited profit of LTL 25.03m (EUR 7.23m) (LTL 17.23m (EUR 4.99m) in 2005). In 2006, the revenues amounted to LTL 264.09m (EUR 76.48m) (LTL 205.27m (EUR 59.45m) in 2005). Due to the sale of unused carbon credits the profit before taxes in 2006 was by LTL 31.20m (EUR 9.03m) higher than planned LTL 22.00m (EUR 6.37m).

March:

- The agreement for the supply of orimulsion was terminated.
- The Coporate Action Plan for the year 2007 was approved.
- At the intiative of the Company's Board and by their decision, the Annual General Meeting of the shareholders of AB Lietuvos elektrinė was convened to take place at 11 am, on 26 April 2007, at the Company's office at Elektrinės St. 21, Elektrėnai.

April:

- AB Lietuvos elektrinė announced the net profit for the year 2006 in the amount of LTL 25,007,221 (twenty five million seven thousand two hundred and twenty one) (EUR 7,242,592).
- On 26 April 2007, the Annual General Meeting of the Company's shareholders resolved to: approve the annual financial statements of 2006, approve the profit appropriation, remove from office Audrius Bilis, Member of the Supervisory Board, elect Janina Butkevičienė, Chief specialist of the Electricity and Heat Division of the Energy Department, Ministry of Economy of the Republic of Lithuania, to the Supervisory Board.
- The unaudited profit before taxes of AB Lietuvos elektrinė during the first quarter of 2007 amounted to LTL 28.8m (EUR 8.3m) (a year ago it was LTL 46.5m (EUR 13.5m)).

July:

- The unaudited profit before taxes of AB Lietuvos elektrinė during the first half of 2007 amounted to LTL 44.7m (EUR 12.9m) (a year ago it was LTL 36.1m (EUR 10.4m)).
- The Board approved the technical and economic feasibility study of the combined cycle turbo generator at the power plant Lietuvos elektrinė.

August:

- The Board agreed to stop implementation of the second part of the flue gas desulphurisation plant construction and decided to build a combined cycle turbo generator of 400 MW capacity instead.

September:

- The Board approved the relatively fixed costs and the remuneration fund for the year 2008.
- On 26 September 2007, AB Lietuvos elektrinė received the decision of the Vilnius Regional Administrative Court, obligating the Lithuanian Securities Commission, against the application of Vidmantas Martikonis, to approve the price of LTL 7.39 per each ordinary share of AB Lietuvos elektrinė.

October:

- The result of the three quarters 2007 of AB Lietuvos elektrinė, i.e. the unaudited profit before taxes, totalled LTL 56.3m (EUR 16.3m) (LTL 27.3m (EUR 7.9m) in 2006 respectively).
- The National Control Commission for Prices and Energy set the purchase price of electricity produced by AB Lietuvos elektrinė, where electricity production is necessary to ensure the energy reserves of the system, for the year 2007 at 29.18 ct/kWh, excluding VAT.

December:

- An agreement for natural gas supply, transmission and distribution in the year 2008 was signed with AB Lietuvos dujos.
- On 12 December 2007, AB Lietuvos elektrinė signed a syndicated loan agreement of EUR 81.4m with the banks AB Hansabankas, AB SEB Vilniaus bankas, AB DnB NORD bankas, AB Sampo bankas and Nordea Bank Finland Plc for financing the construction of a combined cycle turbo generator of 400 MW capacity.

7. Information about activities of the Company in the field of Research and Development.

7.1. Investment absorbtion in 2007

No.	Project	**2007** (LTL)
	I. On-going projects	
I.1.	Flue gas desulphurisation plants (electrostatic precipitators)	116,950,476
I.2.	Installation of burners of low nitrogen oxide output and booster fans	29,140,800
I.3.	Upgrading of the control system in Units 5, 7 and 8	8,643,469
I.4.	Upgrading of regenerative air preheaters	15,163,327
I.5.	Project management (quality assurance and eco management)	3,019,260
I.6.	Equipment not requiring installation	1,500,000
	II.New projects	
II.1.	Fencing part of the territory	500,000
	Total I and II:	**174,917,332**

8. The Corporate Action Plan and Projections.

8.1. The Corporate Action Plan for the year 2008

In 2008, AB Lietuvos elektrinė approved the Corporate Action Plan, which projected revenues in the amount of LTL 395,896 thousand, costs of LTL 393,641 thousand (of them LTL 87,431 thousand of relatively fixed costs) and a profit of LTL 2,255 thousand.

Main indicators as planned for 2008

No.	Indicators	Unit of measurement	Achieved in 2007	Planned in 2008
1.	**Relatively fixed costs:**	**LTL m**	**85.50**	**87.43**
1.1.	Material costs:		27.42	20.90
1.1.1.	*Repair works by contracts*	-"-	*6.93*	*7.00*
1.1.2.	*Maintenance costs*	-"-	*9.96*	*8.90*
1.1.3.	*Other material costs*	-"-	*10.52*	*5.00*
1.2.	Depreciation and amortisation	-"-	25.72	27.62
1.3.	Wages and salaries	-"-	21.86	26.22
1.4.	Social insurance	-"-	7.25	8.39
1.5.	Taxes	-"-	3.26	2.90
1.6.	Interest	-"-	-	1.40
2.	**Fuel costs**	**-"-**	**176.35**	**306.21**
2.1.	Fuel for production of electricity	-"-	166.40	290.60
2.2.	Fuel for production of thermal energy	-"-	9.94	15.60
3.	**Total costs of core activities**	**-"-**	**261.84**	**393.64**
4.	Other operational costs	LTL m	1.36	-
5.	Costs of financial and investment activities	-"-	1.29	-
6.	**Total costs**	**-"-**	**264.50**	**393.64**
7.	Cold capacity reserve ordered	MW	993.00	993.00
8	Warm capacity reserve	-"-	100.00	100.00
9.	Capacity used	-"-	99.10	108.20
10.	Electricity sold, of it	kWh m	868.20	950.00
	under PSO[2] quota	-"-	*700.00*	*700.00*
11.	Price for cold capacity reserve and for the capacity used	LTL/MWh	8.50	10.00
12.	Price for warm capacity reserve	-"-	9.10	10.70
13.	Average price for electricity	cnt/kWh	19.60	30.19
14.	**Revenues from reserves and capacity used**	**LTL m**	**82.23**	**103.62**
14.1.	Of them for: cold capacity reserve	-"-	73.94	87.23
14.2.	Warm capacity reserve	-"-	7.97	9.40
14.3.	Capacity used, collected through payments for electricity	-"-	0.32	7.00
15.	Thermal energy sold	MWh	157,000	139,560
16.	Revenues from thermal energy	**LTL m**	**10.13**	**12.51**
17.	**Total revenues for electricity**	**-"-**	**252.10**	**286.76**
18.	**Total revenues from core activities**	**-"-**	**262.23**	**395.90**
19.	Other operating revenues	LTL m	42.83	0.0
21.	Revenue from financial investment activities	-"-	1.91	0.0
22.	**Total revenues**	**-"-**	**306.97**	**395.90**
23.	**Profit before taxes**	**-"-**	**42.47**	**2.26**

[2]-*PSO – Public Service Obligation*

Emissions into the atmosphere planned for the year 2008, tonnes

Pollutants	2008
1. Planned flue gas emissions into the atmosphere, *t*:	
SO_2	401.920
NO_x	1,415.080
CO	239.760
Solid particles from crude oil and orimulsion	6.830
including V_2O_5	3.284
2. Planned hydrocarbon vapour, t:	0.308
3. Planned emissions into the atmosphere from small sources, t:	
NO_x	0.023
CO	0.065
Solid particles	0.034
Iron compounds	0.048
Manganese compounds	0.007
Sulphuric anhydride	0.026
Sulphuric acid	0.003
Volatile organic compounds	0.020
4. Emissions will contain, g/kWh:	
SO_2	0.211
NO_x	0.741
CO	0.126
Solid particles from crude oil and orimusion	0.004
including V_2O_5	0.002

Ash in boilers K-2 and K-8 will be precipitated in an electrostatic filter, granulated, packed into hermetic plastic bags and sent abroad for recycling.

8.2. Description of the measures on the Investment plan of AB Lietuvos elektrinė for the period 2008–2009

Investment plan 2008–2009

No.	Project	2008 (LTL)	2009 LTL)	Sources of financing			
				Own funds (LTL)	National Ignalina decommissioning fund (LTL)	International Ignalina decommissioning support fund (LTL)	TOTAL (LTL)
	I.On-going projects						
I.1.	Flue gas desulphurisation plants (electrostatic precipitators)	57,989,346	-	-	29,800,000	188,326,630	218,126,630
I.2.	Installation of burners of low nitrogen oxide output and booster fans	10,967,393	26,959,462	75,794,759	2,350,000	-	78,144,759
I.3.	Upgrading of the control system in Units 5, 7 and 8	10,373,178	6,572,128	32,539,186	-	-	32,539,186
I.4.	Upgrading of regenerative air preheaters	4,291,084	-	20,684,391	-	-	20,684,391
I.5.	Project management (quality assurance and eco management)	3,561,560	1,641,648	3,396,700	-	5,095,051	8,491,751
I.6.	Equipment not requiring installation	1,500,000	1,500,000	4,500,000	-	-	4,500,000
	II.New projects						
II.1.	Replacement of an ejector pump 5A	-	-	430,000	-	-	430,000
II.2.	Up-grading of high pressure preheater valves	-	-	2,600,000	-	-	2,600,000
II.3.	Replacement of an electric feed pump	-	-	1,900,000	-	-	1,900,000
II.4.	Construction of a 400MW combined-cycle gas turbine	345,280,000	345,280,000	233,064,000	-	543,816,000	776,880,000
II.5.	Replacement of a 300MW generator	-	36,000,000	36,000,000	-	-	36,000,000
	Total I and II:	**433,962,561**	**417,953,238**	**410,909,036**	**32,150,000**	**737,237,681**	**1,180,296,717**

9. Where the Company uses financial instruments and where this is of importance for the evaluation of the Company's assets, equity capital, liabilities, financial position and performance, the Company shall disclose financial risk management objectives, its policy for hedging major types of forecasted transactions for which hedge accounting is used, and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

The Company did not use any financial instruments of importance for the evaluation of the Company's assets, equity capital, liabilities, financial position and performance.

Chairman of the Board
Pranas Noreika ________________________

Annex 1to the Annual report for the year ended 31 December 2007

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

The public company Lietuvos elektrinė, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Plans and forecasted results of the Company are published on an annual report.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Company's supervisory and management bodies are focused on the implementation of the main objectives and tasks of the Company.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board of the Company, the Management Board and the Head of the Company cooperate in view of seeking the best benefit for the Company and its shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company fully complies with these recommendations.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	Both the collegial suprevisory body – the supervisory board and the collegial management body - the management bord are formed in the Company.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The supervisory board of the Company is responsible for the supervision of the Company's Board and general director. The management Bord of the Company is responsible for the strategic management of the Company and other main functions of corporate government.

2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the collegial suprevisory body – the supervisory board and the collegial management body - the management board are formed in the Company.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The supervisory board of the Company (also the management board insofar as it is posible) is formed and operates in the manner defined in Principles III and IV.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The supervisory board of the Company consists of 5 members. The management board of the Company also consists of 5 members. Such number of members of the collegial management body is optimal considering the Company's operation and particularity.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The supervisory board of the Company shall be elected for the maximum period of 4 years. In accordance with the Law on Companies of the Republic of Lithuania the General meeting of shareholders is entitled to revoke all or individual members of the supervisory board before expiration of their tenure.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the supervisory board is the representative of the main shareholder. The supervisory's chairman has not been the head of the Company, and his current offiice constitutes no obstacle to conduct independent and imparial supervision.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The supervisory board is elected in compliance with the procedure prescribed by the law on companies of the Republic of Lithuania. This mechanism ensure objective and fair monitoring of the company's. The member of the supervisory board can be a person with the right qualification. All members of the supervisory board are not the employees of the Company, and all of them are the representatives of the main shareholder - the State, represented by the Ministry of Economy of the Republic of

		Lithuania. Small shareholders can not be represented on supervisory board as their portion of the capital is only 3.54 %. However, the rights of the small shareholders' are protected by the main shareholder – the State.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about the members of the supervisory bord (their qualification, positions taken) is disclosed by the Company in its periodical reports, also is included in the agenda of the general shareholders' meeting.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Before a member is appointed to the supervisory board, the information about candidate's qualification, positions in other companies is presented for the shareholders at the nominating meeting. Information about the members to the supervisory board is disclosed by the Company in its periodical reports.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The supervisory board of the Company is formed taking into consideration the Company's structure and activities. The members have a recent knowlegde and relevante experience for the proper performance of their tasks.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Present memebers of the supervisory board have experience of the companies' management. New members elected to the supervisory board of the Company are made familiar with the Company, its organization, activity specifics.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	There has been any independent member in the supervisory board of the Company. All supervisory bord's members are representative of the main shareholder. Nonetheless, all material conflicts of interest with a member of collegial body are resolved properly.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the	Yes	Independence of the members of the supervisory board of the Company evaluate in accordance with this recommendation. According to the criteria laid down in this paragraph, there has been any independent member in the supervisory board. All supervisory bord's members are

determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years.		representative of the main shareholder.

He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	The Company has not defined the concept of independence.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The company has not applied so far the practice of evaluation of independence of the members of the supervisory board.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company has not applied so far the practice of evaluation of independence of the members of the supervisory board.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	Members of the supervisory board are not remunerated from the Company's funds for their work and participation in the meetings of the collegial body.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The supervisiory board of the Company regularly makes recommendations to the managing bodies of the Company.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company.	Yes	To the best knowledge of the Company, all members of the supervisory board act in a good will in respect of the Company, comply with the intrests of the Company (not those of third parties) and take efforts to maintain independence in decision making.

Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).		
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	Members of the collegial body properly perform the functions delegated to them: actively participate at the sitting of the collegial body and devote sufficient time for the performance of their duties as the members of the supervisory board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The collegial body treat all shareholders in a fair and unbiased manner.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	Transactions between the Company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the Company's management are concluded and approved in accordance with the Lithuanian legislation and the Articles of the Association.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	There have been no restrictions for the supervisory board to receive all information they need to perform their duties. The collegial body is independent in making decision important for the activities and strategy of the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may	No	No nomination, remuneration and audit committees have been formed in the Company so far. Nonetheless, the members of the supervisory board have major influence in relevant aspects of the Company's activity, control the management board and head of the Company, offer the suggestions for their maded decisions.

decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	No	No committees have been formed in the Company so far.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	No committees have been formed in the Company so far.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	No committees have been formed in the Company so far.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed	No	No committees have been formed in the Company so far.

should be specified in the regulations for committee activities.		
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	No committees have been formed in the Company so far.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the	No	No committees have been formed in the Company so far.

level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002	No	No committees have been formed in the Company so far.

Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial	No	Such practice has not been applied in the Company.

body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.		
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Company fully complies with these recommendations.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	Sittings of the collegial bodies if the Company are held at such intevals as are necessary to guarantee an uninterrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board are convented at least once in a quarter, and company's board meets at least once a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company fully complies with these recommendations. Both the metting of the supervisory's board and the meeting of the management's board goes according to the agenda approved in advance. Members of the collegial bodies are notified on the sitting in advance. Alongside with the notice about the meeting being convented, all the documents relevant to the issues on the agenda of the meeting are submitted to the members of the collegial body.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The chairpersons of the collegial supervisory and management bodies of the Company positively co-operate by resolving the issues of the corporate governance.
Principle VI: The equitable treatment of shareholders and shareholder rights		

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The authorized capital of the Company consists of LTL 145 800 689 and is comprised of 145 800 689 ordinary shares. The par value of one share is LTL 1. All shareholders of the Company enjoy equal rights.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully complies with these recommendations.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	I accoradance with the Lithuanian legislation and the Articles of the Association, the transactions that are important to the Company such as transfer, investment, and pfledge of the company's assets or any other type of encumbrance are subject to approval of the management board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The Company fully complies with these recommendations. Procedures of the convening and conducting a general shareholders' meeting ensure equal opportunities for the shareholders to effectively participate at the meetings, and do not violate their rights and interests. Notice of convening a general shareholders' meeting are published in the Lietuvos rytas daily. This Information is also disclosed through the Company News Service (CNS) of the Vilnius Stock Exchange.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	At least 10 days before the general meeting, the draft resolution of the meeting is published through the Company News Service of the Vilnius Stoch Exchange. Before the meeting all shareholders are provided an opportunity to familiarize with all information about the draft resolution of the general meeting. The adopted resolutions are published also through the CNS. The information is published in Lithuanian and English languages. The Company has not so far the technical opportunity to disclose this information on the webside of the Company. The Company is going to do it in the future.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders of the Company may exercise their right to attend the general meeting of shareholders personally or trough a proxy. Also, the shareholders of the Company may vote by filling in common ballot-papers.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal	Not applicable	Based on current practice of the Company, there has been no need so far to comply with this recommendation.

<table>
<tr><td>equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</td><td></td><td></td></tr>
<tr><td colspan="3">Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</td></tr>
<tr><td>7.1. Any member of the company’s supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company’s interests. In case such a situation did occur, a member of the company’s supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company’s body that has elected him/her, or to the company’s shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</td><td>Yes</td><td rowspan="3">The Company fully complies with these recommendations.

The most of the members of the collegial bodies are the pulic officials.</td></tr>
<tr><td>7.2. Any member of the company’s supervisory and management body may not mix the company’s assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders’ meeting or any other corporate body authorized by the meeting.</td><td>Yes</td></tr>
<tr><td>7.3. Any member of the company’s supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company’s shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</td><td>Yes</td></tr>
<tr><td>7.4. Any member of the company’s supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</td><td>Yes</td><td>The members of the collegial bodies are farmiliarized with these provisions and must fully comply these recommendation.</td></tr>
<tr><td colspan="3">Principle VIII: Company’s remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors’ remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company’s remuneration policy and remuneration of directors.</td></tr>
<tr><td>8.1. A company should make a public statement of the company’s remuneration policy (hereinafter the remuneration statement). This statement should be part of the company’s annual accounts. Remuneration statement should also be posted on the company’s website.</td><td>No</td><td>Such practice has not been apllied in the Company so far.</td></tr>
</table>

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary under item 8.1.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See commentary under item 8.1.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See commentary under item 8.1.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.		
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See commentary under item 8.1.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional	No	See commentary under item 8.1.

remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	Such practice has not been apllied in the Company so far.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which		

the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company complies with all statutory requirements aimed at ensuring the rights of interest holders.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency		

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	The Company fully complies with these recommendations.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company publishes information through the information system of the Vilnius Stock Exchange in Lithuanian and English simultaneously. The Company, if possible, publishes its information prior to or after trade session on the Vilnius Stock Exchange. The Company does not publish in commentaries, interviews or otherwise any information, until such information is announced through the CNS of the Vilnius Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to	Yes	The Company, if possible, publishes information through the information system of

relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.		the Vilnius Stock Exchange in Lithuanian and English simultaneously. The Company has not so far the technical opportunity to disclose this information on the webside of the Company. The Company is going to do it in the future.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	No	The Company has not so far the technical opportunity to disclose this information on the webside of the Company. The Company is going to do it in the future.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An annual audit of the Company's financial stateements and report is conducted by an independet firm of auditors.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	No	Primarily a tender for selection of the firm of auditors is conducted in accordance with the requirements prescribed by laws regulating public procurements. Following the selection of the firm of auditors, a candidate firm of auditors is proposed to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The firm of auditors has not provides any non-auditor services to the Company and has not received any fees thereon from the Company.

CONFIRMATION OF THE MANAGEMENT

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Drawing Up and Submission of Periodic and Additional Information approved by the Lithuanian Securities Commission, we, General Director of AB Lietuvos elektrine Pranas Noreika and Chief Financier Rolandas Jankauskas, hereby confirm that to the best of our knowledge this Annual Financial Statement for the year ended 31 December 2007 is made in accordance with International Financial Reporting Standards, gives a true and fair view of the financial position, property, liability, profit of the Company.

Pranas Noreika	Rolandas Jankauskas
Director General	Chief Financier

1 April 2007

LIETUVOS ELEKTRINĖ AB

BALANCE SHEET
AS OF 31 DECEMBER 2007

	Notes	31-12-2007 (LTL)	31-12-2006 (LTL)
ASSETS			
Non-current assets:			
Non-current tangible assets	***5***	1 395 642 451	1 183 942 084
Intangible assets	***6***	8 317 388	102 819 624
Non-current avcounts recievable	***7***	1 095 762	1 248 458
Deferred taxes	***27***	243 736	241 188
Total non-current assets		**1 405 299 337**	**1 288 251 353**
Current assets:			
Inventories	***8***	21 749 315	34 522 218
Accounts receivable and prepayments	***9***	26 998 989	26 749 743
Cash and cash equivalents	***10***	115 452 479	61 383 567
Total current assets		**164 200 783**	**122 655 528**
TOTAL ASSETS		**1 569 500 120**	**1 410 906 882**
EQUITY AND LIABILITIES			
Equity:			
Share capital	***11***	145 800 689	145 800 689
Revaluation reserve	***12***	664 668 688	678 996 602
Legal reserve	***12***	9 615 437	8 363 997
Other reserves	***12***	78 437 483	57 736 702
Retained earnings	***14***	81 884 565	55 592 163
Total equity		**980 406 862**	**946 490 152**
Grants and subsidies	***15***	**270 244 320**	**206 953 596**
Non-current liabilities:			
Bank loans	***16***	113 106 432	47 923 096
Financial leasing	***17***	-	6 696
Deferred profit tax	***27***	119 248 168	122 295 619
Total non-current liabilities		**232 354 601**	**170 225 441**
Current liabilities:			
Trade and other debts payable	***18***	80 032 810	37 641 277
Labour related liabilities	***19***	2 477 506	1 937 662
Current year profit tax		3 702 598	4 191 198
Pollution quota liabilities	***13***	274 726	43 428 302
Financial lease liabilities	***17***	6 696	39 283
Total current assets		**86 494 337**	**87 237 723**
TOTAL EQUITIES AND LIABILITIES		**1 569 500 120**	**1 410 906 882**

Pranas Noreika
Director General

Rolandas Jankauskas
Chief Financier

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	31-12-2007 (LTL)	31-12-2006 (LTL)
Income from sales	***20, 22***	262 227 573	190 762 359
Costs of sales	***21, 22***	(244 859 888)	(216 944 735)
Gross profit (loss)		**17 367 686**	**(26 182 376)**
Operating costs	***23***	(16 984 736)	(13 215 580)
Other operating income	***24***	42 830 681	73 324 327
Other operating costs	***24***	(1 364 484)	(2 382 353)
Interest income		1 910 401	541 731
Operating profit (loss)		**43 759 548**	**32 085 749**
Financing costs	***25***	(196 133)	(461 719)
Effect of change in the currency exchange rate		(1 095 636)	(450 430)
Profit (loss) before taxes		**42 467 779**	**31 173 600**
Profit tax expenses	***26***	(8 551 069)	(6 166 379)
NET PROFIT (LOSS)		**33 916 710**	**25 007 221**
Profit (loss) per share	***28***	0.23	0.17

Pranas Noreika
Director General

Rolandas Jankauskas
Chief Financier

LIETUVOS ELEKTRINĖ AB

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Paid up authorised capital (LTL)	Revaluation reserve of non-current tangible assets (LTL)	Legal reserve (LTL)	Other reserves (LTL)	Revalution reserve of CO_2 emission rights (LTL)	Retained earnings (LTL)	TOTAL (LTL)
Balance of 31 December 2005	**145 800 689**	**692 623 615**	**7 502 505**	**54 091 852**	**98 822 418**	**26 447 779**	**1 025 288 857**
Net profit (loss) of the period (31 December 2006)	-	-	-	-	-	25 007 221	25 007 221
Dividend	-	-	-	-	-	(4 983 508)	(4 983 508)
Formed reserve	-	-	861 492	6 613 770	-	(7 475 262)	-
Used reserve	-	-	-	(2 968 920)	-	2 968 920	-
Decrease in the revaluation reserve due to depreciation or writing off of the revalueted assets	-	(13 627 013)	-	-	-	13 627 013	-
Decrease in revaluation reserve of unused CO_2 emission rights	-	-	-	-	(98 822 418)	-	(98 822 418)
Balance as of 31 December 2006	**145 800 689**	**678 996 602**	**8 363 997**	**57 736 702**	**-**	**55 592 163**	**946 490 152**
Net profit (loss) of the reporting period (31 December 2007)	-	-	-	-	-	33 916 710	33 916 710
Formed reserve	-	-	1 251 440	23 755 781	-	(25 007 221)	-
Used reserve	-	-	-	(3 055 000)	-	3 055 000	-
Decrease in the revaluation reserve due to depreciation or writing off of the revaluated assets	-	(14 327 913)	-	-	-	14 327 913	-
Balance as of 31 December 2007	**145 800 689**	**664 668 688**	**9 615 437**	**78 437 483**	**-**	**81 884 565**	**980 406 862**

Pranas Noreika
Director General

Rolandas Jankauskas
Chief Financier

CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	31-12-2007 (LTL)	31-12-2006 (LTL)
OPERATING ACTIVITIES		
Cash receipt from customers	353 631 071	293 855 752
Other income	57 123	46 496
Cash paid to supplier and amployees	(297 154 940)	(242 338 224)
Other payments	(12 933 099)	(2 739 942)
Cash generated from operations	**43 600 155**	**48 824 082**
Income tax paid	(8 108 911)	(1 304 168)
Interest paid	(181 525)	(102 181)
Net cash from operating activities	**35 309 719**	**47 417 734**
INVESING ACTIVITIES		
Acquisition of plant, property and equipment	(48 444 999)	(51 540 762)
Disposal of plant, property and equipment	1 055	2 203
Repayment of loans granted	152 696	95 838
Interest received	1 910 401	541 731
Net cash used in investing activities	**(46 380 847)**	**(50 900 989)**
FINANCING ACTIVITES		
Proceeds from borrowings	65 183 336	34 923 304
Repayments of borrowings	(39 283)	(37 794)
Dividends paid	(4 014)	(3 370 602)
Grants received	-	19 259 387
Net cash from financial activities	**65 140 039**	**50 774 295**
Effect of foreign exchange rate changes	-	-
Net increase (decrease) in cash and cash equivalents	**54 068 912**	**47 291 039**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**61 383 567**	**14 092 527**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**115 452 479**	**61 383 567**

Pranas Noreika
Director General

Rolandas Jankauskas
Chief Financier

1. General information

Acting in accordance with the Law on Reorganization of the Public Special-Purpose Company "Lietuvos Energija" No VIII – 1693 of 18 May 2000, "Lietuvos Energija" underwent reorganization by way of company splitting, i.e. a portion of assets, rights and obligations was separated from "Lietuvos Energija" and new companies were established on that basis, including public company "Lietuvos elektrinė", public company "Mažeikių Elektrinė", public company "Rytų Skirstomieji Tinklai" and public company "Vakarų Skirstomieji Tinklai".

The public company "Lietuvos elektrinė" was registered with the Ministry of Economy on 31 December 2001 in accordance with the Law on Register of Enterprises of the Republic of Lithuania:

- Company registration No. – BĮ 01-249;
- Company code – 110870933;
- VAT payer's code – LT108709314;
- Policyholder registration in the Social Insurance Fund–No. 853488;
- Registered office: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- The authorized capital of the Company is LTL 145 800 689;
- The company aims to ensure reliable and efficient supply, transmission and distribution of electricity and thermal energy of high quality.

The prices of the power energy supplied by the Company are regulated by the State Price and Energy Control Commission. For 2007 the Commission established the purchase price for the electric energy generated by the Company in which the production of electric energy is required to ensure the reserves of the energy system at 19.00 ct/kWh (excl. VAT).

The financial year of the Company is the calendar year. The anticipated duration of the commercial - economic activity is unlimited.

The Company is a member of the Lithuanian Electricity Association and an active participant in the activities of the Association representing the common interest of the European electricity sector (EUROELECTRIC).

As of 31 December 2007 the Company had 673 employees (on 31 December 2006 – 688 employees).

The financial statements presented have been drawn up in the national Lithuanian currency – litas (LTL).

2. Application of new and revised IASs

During the accounting period the Company introduced all new and revised Standards and Interpretations approved by the International Accounting Standards Board (IASB) and the International Reporting interpretations Committee of the International Accounting Standards Board (IFRIC) that are related to the operations of the Company and were made effective starting with the accounting period that started on 1 January 2007. The adoption of the new and the revised Standards and Interpretations had no significant effect upon the change in the accounting policy of the Company.

At the date of the authorization of these financial statements the following Standards and Interpretations were issued but not yet effective.

- IFRS 8 'Operating segments' shall be applied to the annual periods beginning on or later 1 January 2009;
- IFRS 3 'Business combinations' (revised) shall be applied to the annual periods beginning on or later 1 July 2009;
- IFRS 2 'Share-based payment' amendments shall be applied to the annual periods beginning on or later 1 January 2008;
- IAS 1 'Presentation of Financial Statement' amendments shall be applied to the annual periods beginning on or later 1 January 2009;
- IAS 23 'Borrowing costs' amendments shall be applied to the annual periods beginning on or later 1 January 2009;
- IAS 27 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries' amendments shall be applied to the annual periods beginning on or later 1 January 2009;
- IFRIC 11 'IFRS 2 on Group and treasury shares transactions' shall be applied to the annual periods beginning on or later 1 March 2007;
- IFRIC 12 'IFRS Service concession arrangements' shall be applied to the annual periods beginning on or later 1 January 2008;
- IFRIC 13 'IFRS Customer Loyalty Programmes' shall be applied to the annual periods beginning on or later 1 July 2008.

The management of the Company believes that the adoption of these Standards and Interpretations in future period will have no material impact upon the financial statements of the Company.

3. Accounting policy

Basis for the preparation of the financial statements
These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), approved by the International Accounting Standards Board (IASB) and the and the International Reporting interpretations Committee of the International Accounting Standards Board (IFRIC) that are related to the operations of the Company and are effective starting from the accounting period that commenced on 1 January 2007.

These financial statements have been prepared on the basis of the modified principle of the acquisition value (due to revaluation of non-current assets, greenhouse gas emissions permits, and the related State grants, and the measurement of certain financial instruments at fair value). Starting from 1 January 2004 (transition to IFRS) the fair value of non-current assets is considered to represent deemed cost.

Non-current intangible assets
Intangible assets should be recognized if it satisfies the definition of intangible assets and the following recognition criteria: the enterprise can reasonably expect to obtain future economic benefits from the assets; the historical (production) cost of the assets can be reliably measured and distinguished from the value of other assets; the enterprise can dispose such assets, control them or limit the others' right to use such assets.

The non-current intangible assets are accounted at acquisition costs less accumulated depreciation and the impairment losses evaluated.

Amortization is computed using the straight-line method over the estimated useful lives of the related assets. The liquidation value is not calculated. In the income statement amortization expenses are distributed into depreciation, amortization and impairment loss expenses.

The groups of intangible assets and their amortization periods have been determined as follows:

Software	3
Other intangible assets	4

Non-current tangible assets
Non-current tangible assets are recorded at deemed cost less the subsequent accumulated depreciation and the impairment value. As a result of the Company's transition to IFRS the property, plant and equipment were revalued at fair value that is considered to be deemed cost as of transition date. Fair value of the assets was determined on the basis of the results of revaluation performed by the independent assets valuators UAB "Korporacija Matininkai" on 31 December 2002. The revaluation results were recorded in the accounts on 1 January 2004.

Depreciation is provided in equal monthly installments except for the month the asset is placed in service over the expected average useful lives as follows:

Buildings	30-75
Constructions	10-70
Pipelines, lines	10-50
Heat equipment	10-60
Power equipment	10-50
Measuring devices and equipment	5-30
Computer hardware, management and communication equipment	5-20
Other equipment	5-40
Vehicles	6-50
Tools	5-15
Inventory and other assets	4-15

Assets are recognized as non-current assets if their useful life is longer than one year and the acquisition value not less than LTL 2,000.

Gains and losses on disposal of tangible non-current assets are recognized in the income statement during the year of disposal.

Impairment of assets
At each balance sheet date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists the Company shall recalculate the recoverable value of the assets in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable value of the assets the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had not impairment loss been recognized for the asset (cash-generating unit) in prior years. Any reversal of the impairment loss is recognized as income immediately.

Greenhouse gas emission allowances – The system for trading in greenhouse gas emissions permits was established on the basis of the Directive 2003/07/EC of the European Parliament and of the Council and will be put into operation on 1 January 2005. The first period of the operation of the system will cover three years, starting from 2005 and until 2007, the second period will last for five years from 2008 to 2012, in line with the period established in the Kyoto agreement. The system operates on the basis of "Cap" and "Trade". Each Member State of the European Union is required to establish the allowances for each emission object and the implementation period. The allowances are established in the National Allocation Plan (NAP) to be drawn up by the competent authority of each Member State (in Lithuania – the Ministry of Environment). The NAP establishes the annual pollution allowance (measured in tones of carbon dioxide equivalent) per each object and specified period and allocates the respective annual green house emissions permits.

A Member State is obligated to allocate the greenhouse emissions permits by 28 February each year on the basis of the NAP (part of the permits are reserved for new entrants).

A Member State must ensure that by 30 April of the next year the manager of each pollution object submit the data on the actual emissions during the current calendar year. Such pollution objects shall be obligated for the first time to submit the reports on the use of the emissions permits for 2007 by 30 April 2008.

Intangible assets
The EU green house emissions permits are the intangible assets allowed by the State in the form of a non-monetary grant, and recognized in the accounts at fair value at the moment of its issue of the transfer.

Following the initial recognition the intangible asset is revaluated at fair value on the basis of the active market prices. The revaluation result related to the unused permits is directly recognized in the equity item. The revaluation result in respect of the liabilities related to the used permits (whether used or transferred) is recognized in the income statement.

State grant
The EU emissions permits allowed to the Company at no charge are considered to represent the non-monetary State grants that are recognized in the accounts at fair value at the date of their receipt or issue. Subsequently the State grant for the use of the emissions permits during the term of validity of such permits or upon their transfer is recognized as income.

Provision for the use of the greenhouse gas emissions permits
Upon the emission by the Company of pollutants into the environment an obligation arises to account for the pollution with the State by means of permits the nominal value whereof corresponds to the amount of emissions. This obligation is a provision that is measured at the value corresponding to the costs to be incurred by the Company to discharge the liability at the balance sheet date. The liability may be offset with intangible assets only provided the amounts of emissions are approved by a competent public authority. Changes in the fair value of the liability are recognized in the income statement.

Revenue recognition

Sale
Revenue from the supply of power, heat energy and the electric energy reserve are recognized on the monthly on the basis of the readings of the metering devices (on the basis of the accrual principle).

Sale of services
Revenues are recognized when the transaction is finished or the stage of the completion of the transaction at the balance sheet date can be measures reliably.

Revenue from the sale of goods
Revenue from the sale of goods is recognized when significant risks related to the sold goods and reward of ownership of the goods are transferred to the buyer and the amount of revenue can be measured reliably.

Interest
Interest income is recognized on accrual basis by reference to the principal outstanding and the interest rate applicable.

Expense recognition
Expense in the accounting is recognized on the basis of the accrual principle.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the acquisition value of those assets.

Borrowing costs are recognized as cost in the income statement in the period in which they are incurred.

The Company has been applying the current accounting policy since 1 January 2005. Before that date the Company recognized the borrowing costs as costs in the income statement of the period in which they were incurred.

Financial instruments – Financial assets and financial liabilities are recognized on the Company‘s balance sheet when the Company has become a party to the contractual provisions of the instrument.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and in bank, term deposits and other short-term liquid investment readily convertible into express amounts of cash characterized by an insignificant risk of the change in value.

Trade receivables
Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated recoverable amounts are recognized in the income statement when there is objective evidence that the asset is impaired. The impairment amount is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

The change in the fair value of the financial instruments is recognized as investment gains (loss).

Accounting of lease

Lease is classified as financial lease when under the lease terms substantially all the risks and the awards of the ownership are transferred. The lease of the assets where the lessor retains a substantial part of the risks and the awards of the ownership is classified as operating lease.

Company as lessor
When assets are held subject to financial lease the present value of the lease payment is recognized s a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned financial income. Lease income is recognized over the term of the lease using the net investment method which reflects a constant period rate of return.

Assets held under operating lease are recorded in the balance sheet as non-current tangible assets. Such assets are depreciated over their estimated useful lives. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Company as lessee
Assets held under financial lease are recognized as assets at fair value equal to the fair value at the beginning of the lease, and where the fair value is lower then at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. The lease payments are distinguished into financial costs and the reduction of the financial liability so as to produce a constant periodic rate of charge on the remaining balance of the obligations. Financial costs are recognized as costs in the income statement

Inventories
Inventories in the financial statements are stated at the lower of acquisition (production) cost or net realizable value.

The costs of purchase of inventories comprises the purchase price, al purchase-related taxes (except those to be recovered later), transportation, preparation for use and other costs directly attributable to the acquisition of inventories.

The cost of inventories is computed using the FIFO cost method (which assumes that the items of inventory that were sold or used first are purchased first) and the weighted average method (in respect of boiler oil).

Appropriate consideration is given to deterioration, obsolescence and other factors when evaluating net realizable value.

Taxation
Income tax expense represents the sum of the tax currently payable in the current year and movements in deferred income tax.

The charge for current tax is based on the result for the year as adjusted for items not increasing or decreasing the income tax. The income tax costs are calculated using tax rates effective at the date of the drawing up of the financial statements.

The deferred tax is accounted using the balance sheet liability method. Deferred tax assets and liabilities are measured for future tax purposes, recognizing the differences between the carrying amount of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences, and the deferred tax assets are recognized to the extent that will probably reduce the tax liability in the future. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill), or from the initial recognition (other than in business combination) of other assets and liabilities in transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future.

The carrying amount of the deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is not longer probable that sufficient taxable profits will be available to realize the asset to the amount that will probably in the future reduce the tax profit.

Deferred tax assets and liabilities are measured using the effective tax rate used to calculate the taxable income of the year in which those temporary differences are expected to reverse or be settled. The deferred tax costs and income are recognized in the income statement except where they are related to items accounted in owners’ equity when the deferred taxes are also accounted in owners' equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and when the Company intends to cover the taxes due at fair value.

Foreign currency
Transactions denominated in foreign currency are translated into litas at the official exchange rate as fixed by the Bank of Lithuania on the date of the transaction which approximates the prevailing market rates.

Monetary assets and liabilities are translated at the rate of exchange of the balance sheet date. The applicable rates used for the drawing up of the balance sheet as of 31 December 2006 and 2005 were as follows:

	2007			2006	
1 USD	=	LTL 2.3572	1 USD	=	LTL 2.6304
1 EUR	=	LTL 3.4528	1 EUR	=	LTL 3.4528

Exchange rate differences resulting from the settlement of transactions in foreign currencies are recorded in the income statement in the period in which they arise. Gain or loss on changes in the foreign currency exchange rates when translating the monetary assets or liabilities into litas are recorded in the annual income statement.

Business segment
A business segment is a distinguishable component of a company that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business components of the Company.

The business segments distinguished in the operations of the Company are the production of power and heat energy.

Financial risk management policy
Credit risk
Credit risk attributable to trade receivables is limited because the principal customer of the Company is its reliable customer AB "Lietuvos energija".

Credit risk related to cash in bank is limited because the Company effects operations with banks of high credit ratings assigned by international credit-rating agencies.

Interest rate risk
The Company's loans consist of loans with floating interest rate which is related to LIBOR, VILIBOR. The Company did not use any financial instruments in order to control the risk of interest rate changes.

Foreign currency exchange risk
The Company uses the derivative financial instruments in order to control foreign currencies exchange risk .

Liquidity risk
In order to maintain a sufficient amount of cash and control over liquidity risk the Company makes monthly and annual cash flows forecasts.

Accounting of grants
Grants are accounted on the accrual basis, i.e., grants received are recognized as used in the periods in which the costs related to the grants are incurred.

Assets-related grants
Grants received in the form of non-current assets or intended for the acquisition of non-current assets. The grants are measured at fair value of the assets received and recognized to the extent of the share used by reducing the assets depreciation costs over the useful life of the corresponding non-current assets.

Dividends
Dividends are recorded in the Company's financial statements in the period in which they are approved by the shareholders.

Related parties
Related parties are defined as shareholders, employees, members of the Board, their close relatives, profit - seeking State controlled companies, and the companies that directly r indirectly via an intermediary control the Company or are controlled or are under control with the other party that is also recognized as a related party on the condition that this relationship enables one of the parties or exercise a significant influence over the other party in making financial or operating decisions.

4. Critical judgments and uncertainties

Critical judgments in applying the Company's accounting policy

Non-current assets depreciation rates
In making its judgment for the remaining useful life of the non-current tangible assets the management of the Company is guided by the conclusions of the employees responsible for the maintenance of the non-current tangible assets.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Fair value of the non-current tangible assets
The Company, on the annual basis, referring to the assets impairment accounting policy, examines the non-current tangible assets for possible impairment loss. The recoverable value of the money-generating unit is established on the usage value method. As of 31 December 2007, non-current tangible assets showed no indications of the impairment loss of the fair value.

5. Tangible assets

	Buildings and constructions (LTL)	Machinery and equipment (LTL)	Vehicles (LTL)	Other property, plant and equipment (LTL)	Construction in progress (LTL)	Total (LTL)
Deemed cost						
31 December 2006.	217 407 887	1 132 675 525	2 669 394	191 052 938	3 159 458	1 546 965 203
Change of the financial year:						
- acquisitions	-	237 150 946	25 860	621 496	-	237 798 302
- disposals and write-offs (-)	-	(192 705)	-	(118 145)	-	(310 850)
- transfers from one heading to another +/(-)	-	(49 441 406)	-	(49 441 406)	-	-
31 December 2007	**217 407 887**	**1 320 192 360**	**2 695 254**	**240 997 695**	**3 159 458**	**1 784 452 655**
Depreciation						
31 December 2006	50 440 219	263 043 147	1 636 221	47 903 532	-	363 023 119
Change of the financial year:						
- depreciation in the financial year	3 034 617	18 526 314	158 006	4 366 327	-	26 085 262
- depreciation of transferred and written—off assets (-)	-	(192 612)	-	(105 565)	-	(298 177)
- transfers from one heading to another +/(-)	-	(52 593)	-	52 593	-	-
31 December 2007	**53 474 836**	**281 324 255**	**1 794 227**	**52 216 886**	**-**	**388 810 204**
Residual value 31 December 2006	**166 967 668**	**869 632 378**	**1 033 172**	**143 149 406**	**3 159 458**	**1 183 942 084**
Residual value 31 December 2007	**163 933 052**	**1 038 868 105**	**901 027**	**188 780 809**	**3 159 458**	**1 395 642 451**

All non-current assets of the Company are held for own use. The depreciation costs adjusted for the used part of the grant are accounted as cost and other operating costs (Notes 16, 22, 24).

Residual value of leased property as of 31 December 2007 was LTL 83 476 (31 December 2006 – LTL 94 859).

At 31 December 2007 the cost of machinery and equipment includes capitalized interest in the amount of LTL 3 410 940 (Note 26).

6. Intangible assets

	Software (LTL)	Greenhouse gas emissions permits (Note 13) (LTL)	Other intangible assets (LTL)	Total (LTL)
Acquisition cost				
31 December 2006	365 619	99 813 766	2 968 844	103 148 229
Change in the financial year:				
- acquisition of assets	46 178	49 634 105	4 958 334	54 638 616
- transferred and written-off (-)	-	(43 372 793)	-	(43 372 793)
- impairment of the unused greenhouse gas emissions permits	-	(105 747 364)	-	(105 747 364)
31 December 2007	**411 797**	**327 715**	**7 927 178**	**8 666 689**
Amortization				
31 December 2006	328 605	-	-	328 605
Change in the financial year:				
- amortization in the financial year	20 696	-	-	20 696
- amortization of transferred ad written-off assets (-)	-	-	-	-
31 December 2007	**349 301**	**-**	**-**	**349 301**
Residual value 31 December 2006	**37 014**	**99 813 766**	**2 968 844**	**102 819 624**
Residual value 31 December 2007	**62 495**	**327 715**	**7 927 178**	**8 317 388**

Amortization costs are accounted as cost.

7. Long-term receivables

As of 31 December amounts receivable after one year were as follows:

	2007 (LTL)	2006 (LTL)
Receivables for loans to employees	1 095 762	1 248 458
Total:	**1 095 762**	**1 248 458**

Annual interest rate for the loans extended is 0.1 – 1 percent, maturity – up to 25 years.

8. Inventories

As of 3 December the Company's inventories comprised:

	2007 (LTL)	2006 (LTL)
Fuel	14 045 594	26 885 190
Spare parts	4 696 674	4 486 490
Materials	2 832 835	2 976 130
Other	174 212	174 408
Total:	**21 749 315**	**34 522 218**

Under credit agreement concluded with AB DnB NORD bankas, the Company on 31 December 2007 pledged the fuel reserves (Note 17).

9. Amounts receivable and prepayments

As of 31 December amounts receivable within one year were as follows:

	2007 (LTL)	2006 (LTL)
Trade receivables	24 653 653	26 867 954
Provisions for doubtful debts (-)	(644 129)	(898 439)
VAT receivable	1 435 741	-
	806 919	-
Prepayments	702 904	743 552
Other debts	46 301	36 676
Total:	**26 998 989**	**26 749 743**

Change in allowances for doubtful amounts in the year:

	2007 (LTL)	2006 (LTL)
1 January.	**1,143,288**	**1,540,706**
Provision write back (Note 24)	(244,849)	(397,418)
31 December .	**898,439**	**1,143,288**

10. Cash and cash equivalents

Cash on 31 December:

	2007 (Lt)	2006 (Lt)
Funds in current bank accounts	52 713 456	52 714 038
Overnight deposit	62 739 023	8 669 529
Total:	**115 452 479**	**61 383 567**

According to credit agreement concluded with AB DnB NORD bankas, the Company had pledged the existing and future funds held with the bank. The balance of the funds with AB DnB NORD bankas as of 31 December 2007 was LTL 2 474 305 (2006: LTL 793 067).

According to credit agreement concluded with AB bankas „Hansabankas", AB SEB bankas, Nordea Bank Finland Plc Lithuanian branch and AB DnB NORD bankas, the Company as undertaken jointly to all the banks to pledge its current and future funds in the Bank's accounts.

11. Share capital

At 31 December 2007, the Company's share capital consisted of 145 800 689 ordinary registered shares at par value of LTL 1 each. All shares are fully paid up.

At 31 December 2007, the Company's shareholders were:

Shareholders	Holding in the authorized capital (LTL)	Percent
State represented by the Ministry of Economy of the Republic of Lithuania	140 576 934	96.42
Other	5 223 755	3.58
Total:	**145 800 689**	**100.00**

In the accounting year 2007 the share capital of the Company did not change.

12. Reserves

The revaluation reserve consists of the appreciation of the non-current tangible assets resulting from the asset revaluation. The independent assets valuators UAB "Korporacija Matininkai" conducted the asset valuation on 31 December 2002. The revaluation results were recorded in the accounts on 1 January 2004.

The legal reserve is compulsory under the Lithuanian legislation. Annual contributions of at lest 5% of the net distributable profit is required until the legal reserve reaches 10% of the registered share capital. This reserve may be used only for the reduction of the accumulated loss.

On 31 December 2007, other reserves of the Company accounted for LTL 78 437 483.

13. Greenhouse gas emission permits

On 31 December the greenhouse gas emission allowances were accounted as follows:

	Greenhouse gas emission allowances (Note 6) (LTL)	State grants (Note 15) (LTL)	Provisions for unused gas emission allowances (LTL)
31 December 2006	**99 813 766**	**56 385 464**	**43 428 302**
State grant received at fair value	49 634 105	49 634 105	-
Approved emissions	(43 372 793)	55 509	(43 428 302)
Impairment of greenhouse gas emission permits	(105 747 364)	(105 747 364)	-
Provisions for used gas emission allowances	-	(274 726)	274 726
31 December 2007	**327 715**	**52 988**	**274 726**

14. Draft profit distribution

Draft profit distribution at 31 December 2007 for approval of the shareholders, *Annex 1*

15. Grants and subsidies

Balance of grants as of 31 December and the use during the year:

	Assets-related grants (fuel incineration plant and other property (LTL)	Assets-related grants (Renovation, environmental and safety standards enhancement project) (LTL)	Grants for greenhouse gas emission allowances (LTL)	Total (LTL)
Balance of grants as of 31 December 2005	**2 864 402**	**39 866 000**	**64 978 063**	**107 708 465**
Depreciation of non-current assets	(373 698)	-	-	**(373 698)**
Grants received	14 477	108 196 951	162 000 205	**270 211 633**
Impairment of greenhouse gas emission allowances	-	-	(127 156 709)	**(127 156 709)**
Greenhouse gas emission allowances used	-	-	(43 436 095)	**(43 436 095)**
Balance of grants as of 31 December 2006	**2 505 181**	**148 062 951**	**56 385 464**	**206 953 596**
Depreciation of non-current assets (Note 5)	(374 100)	-	-	**(374 100)**
Grants received	-	119 997 299	49 634 105	**169 631 405**
Impairment of greenhouse gas emission allowances	-	-	(105 747 364)	**(105 747 364)**
Greenhouse gas emission allowances used	-	-	(219 217)	**(219 217)**
Balance of grants as of 31 December 2007	**2 131 081**	**268 060 251**	**52 988**	**270 244 320**

During 2007, the assets-related grants (fuel incineration plant and other assets) decreased by LTL 374 100, for the amount of the depreciation of non-current assets (2006 – LTL 373 698). This amount decreased the cost of depreciation of non-current assets in the income statement.

During 2007 the Company from the State enterprise Ignalina Nuclear Power Plat decommissioning fund received no grants (2006 - LTL 19 259 386). The funds are intended for co-financing of the renovation, environmental and safety standards enhancement project. As of 31 December 2007, all funds were used.

Per 2007 from the International Ignalina Decommissioning Support Fund received LTL 119 997 299 (2006 – LTL 88 937 565). The funds will be used for co-financing of the project of the removal of sulphuric oxides from smoke and the solid particles collection plant. As of 31 December 2007, all funds were used.

16. Bank loans

As of 31 December the loans from banks were as follows:

	2007 (LTL)	2006 (LTL)
AB DnB NORD bankas, EUR, repayable by 01-05-2013	12 999 792	12 999 792
Syndycated loan (AB bankas "Hansabankas", AB "SEB Vilniaus bankas", Nordea Bank Finland Plc Lithuanian branch, AB bankas "DnB Nord"), EUR, repayable by 09-11-2020	100 106 640	34 923 304
	113 106 432	**47 923 096**

Bank loans will be repaid:

In the first year	**-**	**-**
In the second year	8 433 474	**-**
In the third year	12 147 699	2 850 632
In the fourth year	12 147 699	6 564 857
In the fifth year	12 147 699	6 564 857
After five years	68 229 861	31 942 751
	113 106 432	**47 923 096**

Short-term share	-	-
Long-term share	113 106 432	47 923 096
	113 106 432	**47 923 096**

Under the credit agreement signed with AB DnB NORD bankas the Company was extended a credit of EUR 3 765 000. Credit repayable in 2010-2013. Under this agreement the Company as of 31 December 2007 had pledged its current and future funds in the accounts of the bank and part of the fuel. Under this credit agreement on 31 December 2007 and 2006, all funds of the credit were used.

On 9 November 2005, the Company signed the credit agreement with AB bankas "Hansabankas", AB SEB bankas, Nordea Bank Finland Plc Lithuanian branch and AB DnB NORD bankas, providing for a EUR 49 000 000 loan to the Company. The ultimate credit repayment date is 9 November 2020. On 28 March 2006 the Company subscribed to mortgage bonds and pledged the part of equipment and buildings. Under the agreement the Company as undertaken jointly to all the banks to pledge its current and future funds in the Bank's accounts. Under this credit agreement as of 31 December the Company has withdrawn EUR 32 757 887 (2006: EUR 10 114 488). Purpose of the credit – financing of the first investment program.

On 12 December 2007, the Company signed the credit agreement with AB bankas "Hansabankas", AB SEB bankas, AB DnB NORD bankas, AB Sampo bankas and Nordea Bank Finland Plc Lithuanian branch, providing for a EUR 81 400 000 loan to the Company. Purpose of the credit – financing of the building of 400 MW Gas Turbine Unit.

The carrying amount of the bank loans is approximate to their fair value.

17. Financial lease liabilities

On 31 December 2007, the future minimum financial lease installments consisted of:

	Minimum financial lease installments (LTL) 2007	Present value of the minimum financial lease installments (LTL) 2007
Amounts payable under financial lease agreements :		
During the firs year	6 750	6 696
Minimum financial lease installments	**6 750**	**-**
Less the interest	(54)	-
Present value of the minimum financial lease installments	**6 696**	**6 696**

Leasing liabilities are secured since in case of default under the leasing liabilities the ownership of the assets held under lease shall automatically be returned to the lessor.

The leasing agreement provides for the interest rate of 6 months' EURIBOR + 1.67 % margin.

18. Trade and other payables

As of 31 December, trade and other amounts payable were as follows:

	2007 (LTL)	2006 (LTL)
Debts to suppliers for construction works and investment	63 829 474	20 192 722
Debts to suppliers for fuel	13 036 968	8 820 749
Outstanding dividends	986 541	886 655
Tax payable (except corporate income tax)	684 838	1 166 321
Other debts for services	662 409	1 473 461
Debts to suppliers for inventories	547 216	1 314 254
Debts to suppliers for repair works	248 710	2 609 076
Advance payments received	-	1 107 281
Other	36 655	70 758
Total:	**80 032 810**	**37 641 277**

19. Liabilities related to labour relations

As of 31 December , the Company's' liabilities related to labour relations were as follows:

	2007 (LTL)	2006 (LTL)
Holiday reserve	1 624 907	1 339 932
Taxes payable	852 599	597 730
Total:	**2 477 506**	**1 937 662**

20. Sales

Sales for the year that ended on 31 December were:

	2007 (LTL)	2006 (LTL)
Production of electricity	169 873 385	119 632 890
Cold capacity reserve	73 938 780	53 938 780
Heat energy	10 128 476	9 056 004
Warm reserve	7 971 600	7 971 600
Other	315 332	163 085
Total:	**262 227 573**	**190 762 359**

21. Costs

Costs for the year that ended on 31 December were:

	2007 (LTL)	2006 (LTL)
Gas	161 398 103	126 799 141
Depreciation and amortization costs	25 716 859	25 618 974
Wages and social insurance	25 099 648	21 536 914
Orimulsion	11 816 565	9 212 068
Materials	9 480 596	14 609 004
Repair	6 537 694	13 789 597
Balancing electric energy	2 108 010	3 097 356
Boiler fuel	1 023 031	1 243 389
Other	1 679 383	1 038 293
Total:	**244 859 888**	**216 944 735**

22. Business segments

The Company distinguishes the electric energy production and the heat energy production business segments. Information for the two business segments as of 31 December 2007 and for the year then ended is provided below:

2007	Electricity production (LTL)	Thermal energy production (LTL)	Other (LTL)	Total (LTL)
Sales	**252 099 097**	**10 128 476**	**-**	**262 227 573**
Costs	(234 238 888)	(10 621 000)	–	(244 859 888)
Segment gross profit	**17 860 210**	**(492 524)**	**-**	**17 367 686**
Operating costs				(16 984 736)
Other operating income				42 830 681
Other operating costs				(1 364 484)
Interest income				1 910 401
Financing costs				(196 133)
Effect of changes in the currency exchange rate				(1 095 636)
Profit tax expenses				(8 551 069)
Net profit				**33 916 710**
Other information				
Assets	955 450 323	5 906 412	443 942 602	1 405 299 337
Liabilities	-	-	318 848 937	318 848 937
Acquisitions of tangible and intangible assets	-	-	292 436 918	292 436 918
Depreciation and amortization	25 927 262	158 000	20 696	26 105 958

Information for the two business segments as of 31 December 2006 and for the year then ended is provided below.

2006	Electricity production (LTL)	Thermal energy production (LTL)	Other (LTL)	Total (LTL)
Sales	**181 706 355**	**9 056 004**	**-**	**190 762 359**
Costs	(207 566 510)	(9 378 226)	-	(216 944 735)
Segment gross profit	**(25 860 155)**	**(322 222)**	**-**	**(26 182 376)**
Operating costs				(13 215 580)
Other operating income				73 324 327
Other operating costs				(2 382 353)
Interest income				541 731
Financing costs				(461 719)
Effect of changes in the currency exchange rate				(450 430)
Profit tax expenses				(6 166 379)
Net profit				**25 007 221**
Other information				
Assets	1 029 303 397	7 976 724	373 626 761	1 410 906 882
Liabilities	-	-	257 463 502	257 463 134
Acquisitions of tangible and intangible assets	-	-	208 076 151	208 085 978
Depreciation and amortization	25 792 672	200 000	15 000	26 007 672

23. Operating costs

Operating costs for the year than ended on 31 December, was:

	2007 (LTL)	2006 (LTL)
Salaries and social insurance	6 528 933	5 120 385
Pollution tax	1 430 462	966 771
Payouts according to collective agreement	1 203 673	988 801
Support	1 006 534	413 593
Land lease charge	759 784	755 783
Property security costs	618 066	755 017
Oter taxes	572 007	320 386
Immovable property tax	498 245	544 147
Insurance costs	489 776	484 022
Business trips	481 782	326 668
Repairs	396 496	374 276
Public utilities	330 007	102 833
Vacation reserve	284 975	251 406
Communications and postal services	244 592	267 997
Carriage costs	239 831	295 920
Check-ups and servicing	200 800	164 942
Consulting and translative services	177 780	83 131
Training	109 193	152 270
Provisions for amounts receivable	(271 856)	(244 849)
Other	1 683 657	1 092 079
Total:	**16 984 736**	**13 215 580**

24. Other operating income and costs

Other operating income and costs for the year that ended on 31 December were:

	2007 (LTL)	2006 (LTL)
Other operating income		
Profit from transfer of gas emissions permits	21 191 560	71 173 430
Income from custody of material resources	1 372 462	1 358 943
Dispenser servicing income	161 345	332 635
Lease income	131 626	124 224
Other income	601 052	127 809
Forfeit	19 300 485	-
Gain on disposal of inventories	14 803	158 723
Fines and late interest	57 123	46 496
Gain on disposal of property, plant and equipment	225	2 068
	42 830 681	**73 324 327**
Other operating costs		
Costs of sale of greenhouse gas emissions allowances	-	(653 130)
Costs of custody of material resources	(1 180 890)	(1 367 219)
Deprecation related on storage	(15 000)	(15 000)
Dispenser servicing costs	(127 765)	(324 026)
Other costs	(40 830)	(22 978)
	(1 364 484)	**(2 382 353)**

25. Financing costs

Financing costs for the year that ended on 31 December, were:

	2007 (Lt)	2006 (Lt)
Interest costs	3 592 465	583 379
Other financing costs	14 608	359 538
	3 607 072	**942 917**
Less: capitalized interest costs	(3 410 940)	(481 198)
Total:	**196 133**	**461 719**

26. Income tax expense

The income tax calculation on the basis of the income tax expense computed at the statutory rate of income tax (2007 – 18 %, 2006 –19 %):

	2006 (LTL)	%	2005 LTL	%
Profit (loss) before tax	42 467 779	-	31 173 600	-
Tax at the statutory income tax rate 18% (2006: 19 %)	7 644 200	18%	5 922 984	19%
Tax effect of non-taxable income	(421 568)	(1%)	(213 476)	(1%)
Tax effect of costs not increasing the income tax	4 299 993	10%	4,043 835	13%
Adjustment of prior year income tax	78 443	(0%)	(348 556)	(1%)
Deferred income tax liability (reduction)	(3 049 998)	(7%)	(3 238 408)	(10%)
Income tax expense	**8 551 069**	**20%**	**6 166 379**	**20%**
Income tax expense comprised:				
Current year income tax expense	11 522 625	27%	9 753 343	31%
Adjustment of prior year income tax	78 443	0%	(348 556)	(1%)
Deferred income tax asset	(3 049 998)	(7%)	(3 238 408)	(10%)
Income tax expense	**8 551 069**	**(20%)**	**6 166 379**	**(20%)**

27. Deferred income tax

During the year that ended on 31 December the movement in deferred income tax were as follows:

Deferred income tax asset	**Vacation reserve (LTL)**
Balance as of 31 December 2005	**(206 820)**
Recognized (assets) in income statement	(34 368)
Balance as of 31 December 2006	**(241 188)**
Recognized (assets) in income statement	(2 548)
Balance as of 31 December 2007	**(243 736)**

Deferred income tax liabilities	**Accelerated depreciation (LTL)**	**Revalued assets (LTL)**	**Total (LTL)**
Balance as of 31 December 2005	**3 851 215**	**121 648 444**	**125 499 659**
Recognized (assets) in income statement	(173 625)	(3 030 415)	(3 204 040)
Balance as of 31 December 2006	**3 677 589**	**118 618 029**	**122 295 619**
Recognized (assets) in income statement	(169 511)	(2 877 939)	(3 047 450)
Balance as of 31 December 2007	**3 508 078**	**115 740 090**	**119 248 168**

28. Earnings per share

The earnings per share has been calculated on the basis of the weighted average number of ordinary shares during the year that ended on 31 December 2007 and 2006, which accounted for 140 800 689 shares.

As of 31 December 2007 and 2006 and during the year then ended the Company had not effected any options diluting the earnings per share.

29. Related party transactions

During the year that ended on 31 December 2007, transactions with State controlled entities and the balances were as follows:

State controlled entities	Amounts payable (LTL)	Amounts receivable (LTL)	Income generated (LTL)	Costs incurred (LTL)
AB „Lietuvos energija"	335 782	23 440 607	251 945 139	2 169 898
VĮ Lietuvos naftos produktų agentūra	85 488	-	1 348 136	85 488
UAB „Elektrėnų komunalinis ūkis"	67 426	669 015	4 701 913	852 687
AB „Lietuvos geležinkeliai"	28 630	-	-	27 339
VšĮ Abromiškių reabilitacinė ligoninė	5 918	38 506	244 847	145 307
AB „Rytų skirstomieji tinklai" Vilniaus fil.	8 240	-	-	85 571
Priešgaisrinė gelbėjimo tarnyba Elektrėnų ir Lietuvos elektrinės apsaugai	-	-	-	603 100
VšĮ Technikos priežiūros tarnyba	-	-	-	93 406
Total:	**531 484**	**24 148 128**	**258 240 035**	**4 062 796**

The management of the Company maintains that all transactions with the State controlled entities were concluded under the same terms as transactions with the unrelated parties.

The average number of managers in the Company in 2007 and 2006 was 3. Benefits to the managers during 2007 amounted to LTL 610 677 (LTL 517 678 in 2006).

30. Post balance sheet events

In 2008 The Company will be started the construction of the 400 MW Gas Turbine Unit, amounting to MEUR 300. This project will be financed from Ignalina international decommissioning support fund (MEUR 170), the loans from commercial banks (MEUR 81.4), and own resources. The project is scheduled to be finished in 2010 – 2011.

Pranas Noreika Director General	Rolandas Jankauskas Chief Financier

Annex 1to the Notes to the Financial Statements

DRAFT PROFIT DISTRIBUTION

No.	**Items**	**2007 (LTL)**	**2006 (LTL)**
I.	Retained earnings at the beginning of the year	-	-
II.	Net profit of the year	33 916 710	25 007 221
III.	Retained earnings available for distribution at the end of the year	33 916 710	25 007 221
IV.	Shareholders‛ contributions against losses	-	-
V.	Transfer from the reserves	47 967 854	-
VI.	Distributable profit	81 884 565	25 007 221
VII.	**Profit distribution:**	**81 884 565**	**25 007 221**
VII.1.	transfer to legal reserves	4 094 228	1 251 440
VII.2.	transfer to other reserves	74 225 337	20 700 781
VII.3.	dividends	-	-
VII.4.	Profit allocation to yearly payoffs:	3 500 000	3 000 000
VII.4.1	*support*	*500 000*	*500 000*
VII.4.2.	*bonuses of employees and other purpose*	*3 000 000*	*2 500 000*
VII.5.	annual bonuses for the Board	65 000	55 000
VIII.	**Undistributed result at the end of the year**	**-**	**-**

Pranas Noreika
Director General

Rolandas Jankauskas
Chief Financier

APSKAITOS IR KONTROLĖS UŽDAROJI AKCINĖ BENDROVĖ "AUDITAS"

Įmonės kodas 120612714 Gedimino pr. 24-11, 01103 Vilnius Tel. (5) 261 97 72 Faks. (5) 212 16 72 El.paštas audito@takas.lt www.audito.lt
Ats. sąskaita LT50 7044 0600 0116 0676 AB SEB Vilniaus bankas Banko kodas 70440 PVM m/k LT206127113

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Lietuvos Elektrinė AB

We have audited the accompanying financial statements of Lietuvos Elektrinė AB as of 31 December 2007, comprising the balance sheet, income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The financial statements of Lietuvos Elektrinė AB have been drawn up in accordance with International Financial Reporting Standards as adopted for use in the EU.

Management of company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lietuvos Elektrinė AB as of 31 December 2007 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the EU.

Furthermore, we have read the Annual Report of Lietuvos Elektrinė AB for the year ended 31 December 2007. Our work with respect to the Annual Report was limited to checking it against the financial statements and excluded any management estimates, operational plans and forecasts. In the Annual Report 2007 presented by Lietuvos Elektrinė AB, we have not identified any material inconsistencies with the accompanying financial statements for the year ended 31 December 2007.

Rišardas Krinickis, Director & Auditor
Auditor's Certificate No. 000136

1 April 2008
Vilnius

Accounting and audit company Auditas UAB
Gedimino pr. 24-11, LT-01103, Vilnius
Audit Firm Certificate No. 001234

AUDIT REPORT
of Lietuvos Elektrinė AB financial statments 2007

I. BACKGROUND

We have audited the financial statements of Lietuvos Elektrinė AB (hereinafter referred to as "Lietuvos Elektrinė AB" or "the entity") as of 31 December 2007 prepared according to International Financial Reporting Standards as adopted for use in the EU and the Annual Report 2007 accompanying these financial statements. Management is responsible for these financial statements and Annual Report. Our responsibility is to express an opinion on these financial statements based on our audit and to evaluate if information presented in the Annual Report is consisted with financial statements.

The Audit Report deal exclusively with such material matters as identified during our audit and discusses matters important for management or supervision of the entity as determined during audit. In planning and performing the audit of financial statements, we do not aim to identify all matters important for management or supervision of the entity and, usually, all such matters are not identified during audit.

This Audit Report is intended solely for the use of Lietuvos Elektrinė AB and its shareholders and may not be used otherwise. This Report may not be made available to any third party without prior written consent of the accounting and audit company Auditas UAB, except where the audit report must be made available as required by laws of the Republic of Lithuania.

II. SCOPE OF AUDIT

The financial year of Lietuvos Elektrinė AB is the calendar year. The financial statements cover the period from 1 January 2007 to 31 December 2007 inclusive. The financial statements include comparative data of 2 financial years (2006 and 2007). The financial statements of Lietuvos Elektrinė AB comprise a balance sheet, income statement, statement of changes in equity, cash flow statement and explanatory note.

We have performed our audit in accordance with International Standards on Auditing drawn up and approved by the International Federation of Accountants, our auditing practice and professional knowledge of auditor as well as auditing procedures chosen at the auditor's discretion.

III. DESCRIPTION OF REASONS FOR AUDITOR'S REPORT MODIFICATIONS

Based on our audit, we have stated our unconditional opinion about the entity's financial statements 2007 in our Independent Auditor's Report of 1 April 2008. We have also stated that we have not identified any material inconsistencies between the Annual Report 2007 and the accompanying financial statements for the year ended 31 December 2007.

IV. FINANCIAL STATEMENTS AND PROPOSED IMPROVEMENTS

The accounting service of Lietuvos Elektrinė AB is an independent structural unit (service) of the entity led by Chief Financial Officer. During the period concerned, Rolandas Jankauskas was Chief Financial Officer of Lietuvos Elektrinė AB.

Accounts of the entity are kept according to International Financial Reporting Standards (IFRS) and accounting policies of the entity. Transactions and events are divided into separate account groups according to the chart of accounts approved by the entity and prepared according to the provisions of IFRS and specific nature of operations.

Lietuvos Elektrinė AB financial statements 2007 were prepared in accordance with International Financial Reporting Standards as adopted for use in the EU and general accounting principles assuming that the activities will be based on the going concern principle. Our audit included an assessment if the entity management properly used the going concern assumption. Having evaluated financial and other factors affecting entity's ability to continue as a going concern, we can conclude that the going concern assumption is relevant.

The financial statements of Lietuvos Elektrinė AB are intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Financial statements are a structured representation of the financial position and performance of the entity. The purpose of financial statements is to provide information about the financial position of the entity, its financial performance and cash flows that is useful to a wide range of users of these financial statements in making economic decisions. Financial statements also indicate how management handled the relevant resources. Lietuvos Elektrinė AB financial statements contain the following information about the entity's assets, liabilities, equity, income and expenses, including gains and losses, other changes in equity and cash flows. This information, along with other information disclosed in the explanatory note, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

The balance sheet presents information about the entity's assets, liabilities and equity. Current and non-current assets as well as current and non-current liabilities of Lietuvos Elektrinė AB are divided into separate groups. Asset and liability items that combine amounts expected to be recovered or settled within twelve months of the balance sheet day are deemed to be current assets or liabilities. Asset and liability items that combine amounts expected to be recovered or settled more than twelve months after the balance sheet day are deemed to be non-current assets or liabilities.

The income statement presents information about the entity's income and expenses, including gains and losses.

The statement of changes in equity presents information about the profit or loss for the period concerned, each item of income and expense for the period that is recognised directly in equity, total income and expense as well as the effects of changes in accounting policies and corrections of errors recognised in accordance with IAS 8.

Information about cash flows is provided in the cash flow statement. Cash flows are divided into cash flows from core activities, investment activities and financial activities. Effects of changes in exchange rates on balances of cash and cash equivalents are presented separately.

In the explanatory note, the entity presents information about the basis of preparation of financial statements and specific accounting policies used as well as information which must be disclosed under IFRS and which is not presented in the balance sheet, income statement, statement of changes in equity or cash flow statement. In the explanatory note, the entity also discloses further division of headings in items presented in financial statements.

V. ASSESSMENT OF COMPLIANCE BETWEEN ANNUAL REPORT AND FINANCIAL STATEMENTS

We have read the Annual Report 2007 of Lietuvos Elektrinė AB accompanying the audited financial statements 2007. Management is responsible for the Annual Report and assumptions given in operational plans and forecasts. Our work with respect to the Annual Report was limited to checking it against annual financial statements and excluded any management estimates, operational plans and forecasts. We have also reviewed if the Annual Report was prepared as required by the Republic of Lithuania Law on Corporate Financial Statements.

Based on our review, we can state that we have not identified any material inconsistencies between the entity's Annual Report 2007 and the accompanying financial statements for the year ended 31 December 2007. The Annual Report was prepared as required by the Republic of Lithuania Law on Corporate Financial Statements in all material respects.

VI. INTERNAL CONTROL

Management is responsible for effectiveness of the internal control system and detection of errors and fraud. Management's ability to properly organize operations of the entity, design an internal control system and help ensure its effectiveness minimizes the risk of potential errors.

Internal control assessment is one of the factors affecting the scope of audit evidence to be collected for the purpose of making an objective report on the customer's financial statements. For audit purposes, the control system was assessed to the extent than enabled us to judge if the existing system can serve as a sufficient basis for preparation of financial statements.

While evaluating the effectiveness of internal control and accounting systems, we noticed that internal control system designed by the entity is sufficient in regards to preparation of financial statements. We have no material comments on the internal control system of the entity.

VII. REMARKS REGARDS TO COMPLIANCE WITH SPECIFIC REQUIREMENTS , SET IN SEVERAL DECREES

At the time of audit we observe that in preparing financial accountability statements there is no breach of laws, applied to preparation of financial accountability statement in Republic of Lithuania.

VIII. OTHER SUBJECTS IMPORTANT TO MANAGEMENT OF THE COMPANY

While conducting an audit there was no significant defects in company management noticed.

IX. OTHER SUBJECTS COVERED BY AUDIT AGREEMENT

There were no other subjects in an audit agreement that would oblige to pay attention to while conducting an audit.

Accounting and audit company Auditas UAB
Rišardas Krinickis, Director & Auditor (Auditor's Certificate No. 000136)

1 April 2008
Gedimino pr. 24-11
LT 01103, Vilnius