LIETUVOS ELEKTRINĖ AB

Annual Report and
Financial Statements for the year
ended 31 December 2006

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PUBLIC COMPANY LIETUVOS ELEKTRINĖ

ANNUAL REPORT 2006

The Annual Report of AB Lietuvos elektrinė (hereinafter – Company) was prepared by the Board of the Company in accordance with Article 34 of the Law on Companies of the Republic of Lithuania. The Company's Annual Report is public. Every interested person may have access to it at the Company's registered office at 21 Elektrinės St., Elektrėnai.

During the reporting period the Company's Board comprised the following members:

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 of the Republic of Lithuania;

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

Dr. Arvydas Galinis – senior research specialist of the Lithuanian Energy Institute;

Rolandas Jankauskas – Chief Financier of the Company.

During the year, the Board held 12 meetings, at which the Company's financial plans, investment projects and their implementation, quarterly results of economic activities, income and expenditure estimates and a great many of other issues within the competence of the Board were discussed. In this Annual Report the Company's Board presents the Company's shareholders, creditors and all other interested persons a review of the Company's activities in the financial year 2006, highlights of the financial year, the Company's plans and all other relevant information to be disclosed in the Company's Annual Report as prescribed by law.

ACTIVITIES OF THE BOARD IN 2006

March:

- The Board approved the Corporate Action Plan for 2006.
- The Board approved the Investment Plan for 2006.

April:

- The Annual General Meeting (AGM) of the Company's shareholders approved the Annual Report 2005 and the financial statements for the year 2005, including the Balance Sheet, the Income Statement, and the Statement on Changes in Equity. The AGM approved the profit appropriation.

July:

- The new price was approved for the thermal energy produced by the Lithuanian Power Plant at 6.87 ct/kWh.

September:

- Adjustments were made to the Corporate Action Plan for the year 2006.
- The Board approved the relatively fixed costs and the remuneration fund for the year 2007.

October:

- 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 19.00 ct/kWh, excluding VAT.

November:

- Mr. Pranas Noreika was elected Chairman of the Board of the public company (AB) Lietuvos elektrinė.

December:

- An agreement for gas supply, transmission and distribution in the year 2007 was signed with AB Lietuvos dujos.

PERFORMANCE INDICATORS

1. The Company's Performance in 2006

In 2006, AB Lietuvos elektrinė supplied 885,062 thousand kWh of busbar energy. Furthermore, AB Lietuvos elektrinė sold thermal energy in the amount of 148,904 Gcal to the town of Elektrėnai and the Kietaviškės greenhouses "Gausa".

Balance of energy and fuel costs

Table 1

Indicators	Unit of measurement	2006	
		Production of electricity	Production of thermal energy
1. Electricity produced in kind	thou kWh	986 245	x
Of it	Gcal	x	169 949
- in gas boiler houses	Gcal	x	3 095
- in electric-boiler houses	Gcal	x	0
2. Power energy used	thou kWh	69 287	1 082
in the production of electricity	%	7.02	x
	kWh/Gcal	x	6.37
3. Additional production	thou kWh	30 814	x
Of it to:	Gcal	x	21 045
3.1. feed the thermal network	thou kWh	633	x
	Gcal	x	8 365
3.2. maintain circulation of the thermal network	thou kWh	3 174	x
3.3. maintain state reserve fuel in stock	thou kWh	1 184	x
	Gcal	x	1 122
3.4. maintain plant reserve fuel in stock	thou kWh	0	x
	Gcal	x	649
3.5. accept for storage fuel from other companies	thou kWh	279	x
	Gcal	x	308
3.6. support other needs of the plant	thou kWh	25 544	x
	Gcal	x	10 601
4. Energy sold	thou kWh/Gcal	885 062	148 904
4.1. from busbar and collectors	thou kWh	885 062	x
Of it :	Gcal	x	145 809
4.1.1. quota electricity	thou kWh	623 322	x
4.1.2. contractual	"	0	x
4.1.3. additional	"	136 712	x
4.1.4. regulating (balance)	"	-1 377	x
4.1.5. balancing (balance)	"	125 341	x
4.1.6. sold from the transformers for the Company's own needs	"	1 064	x
4.2. of it to the Kietaviškės greenhouses	Gcal	x	76 003
4.3. Additionally supplied from boiler houses	"	x	3 095

4.4. Losses in thermal networks	"	x	0
4.5. Thermal energy supplied to consumers:	"	x	148 903
- the town of Elektrėnai	"	x	66 344
- all residents	"	x	0
of it for hot water	"	x	0
- companies and organisations	"	x	6 458
- greenhouses	"	x	76 132
5. Contractual fuel used:	Contractual fuel, t	350 885	25 219

2. Performance in carrying out the Corporate Action Plan for 2006

With prices for natural gas going up and those for electricity down, Lithuanian Power Plant had a total loss of LTL 39,398m in core activities. Furthermore, the power plant failed to receive the expected proceeds for the capacity reserve in the amount of LTL 20m. during the period of repair works in Ignalina Nuclear Power Plant. Having sold tradable permits to CO_2 emissions, however, the Company earned a profit before taxes in the amount of LTL 31.174m. The planned profit was LTL 22.132m.

The Lithuanian Power Plant gained a profit in LTL 70.942m from ancillary activities, mainly, from the sale of tradable permits to CO_2 emissions.

Performance in 2006 compared to planned indicators

Table 2

Item No.	Indicators	Unit of measurement	Planned in 2006	Result
	I. TECHNICAL INDICATORS			
1.	Electricity supplied to:	thou kWh	850 000	885 062
1.1.	AB Lietuvos energija	-“-	190 000	884 039
1.1.1.	Of it under PSO quota	-“-	660 000	516 361
1.2.	Other consumers	-“-	-	1 023
2.	Capacity sold:	MW*h		
2.1.	Warm capacity reserve	-“-	876 000	565 219
2.2.	Cold capacity reserve	-“-	8 698 680	6 538 789
3.	Thermal energy sold	Gcal	140 000	183 358
4.	Fuel costs in production of contractual electricity	g/kWh	398.1	396.5
5.	Fuel costs in production of contractual thermal energy	kg/Gcal	165.7	169.7
	II. REVENUES (total):	LTL thou	**258 394**	**264 628**
1.	Electricity sold	-“-	109 879	119 796
2.	Cold capacity reserve	-“-	53 939	53 939
3.	Warm capacity reserve	-“-	7 972	7 972
4.	Thermal energy	-“-	10 123	9 056
5.	Revenues from ancillary activities	-“-	76 482	73 324
6	Revenues from financial investment activities	-“-	0	542
	III. COSTS (total):	LTL thou	**236 261**	**233 454**
1.	Variable	-“-	139 128	140 352
1.1.	For electricity	-“-	128 936	131 393
1.2.	For thermal energy	-“-	10 192	8 959
2.	Relatively fixed	-“-	97 134	89 808

2.1.	Amortization	-“-	30 890	25 619
2.2.	Wages and salaries	-“-	18 998	18 999
2.3.	Social insurance	-“-	6 080	6 122
2.4.	Taxes	-“-	4 278	2 587
2.5.	Material costs	-“-	36 088	36 482
3.	Other activities	-“-	0	2 382
4	Financial investment activities	-“-	800	912
	IV. PROFIT (total):	LTL thou	**22 132**	**31 174**
1 .	From core activities	-“-	22 132	-39 398
2.	From other activities	-“-	-	70 942
3.	From financial investment activities	-“-	-	-370

3. Prices for electricity and capacity reserves in 2006

Table 3

			Ordered amount	Price
1.	Warm capacity reserve	MW	100 MW	9.10 LTL/MW*h
2.	Cold capacity reserve ordered	-"-	993 MW	8.50 LTL/MW*h
3.	PSO	-"-	660m kWh	13.77 cnt/kWh

STAFF

In 2006, the average number of AB Lietuvos elektrinė employees under the payroll statistical report:

Table 4

	Result	
	2005	2006
Total number of employees	744	706
Of them:		
- employees in core operations	687	666
- employees in ancillary operations	57	40
Staff structure by nature of work:		
- specialists	206	197
- workers	538	509
Average wages and salaries, LTL	2 137	2 592
- specialists	2 638	3 118
- workers	1 939	2 382

ENVIRONMENT PROTECTION

Emissions of the power plant into the atmosphere in 2006

Table 5

Pollutants	Current emissions, tonnes:
Flue gas emissions into the atmosphere:	
SO_2	1,131.481
NO_x	815.049
CO	102.311
Solid particles from crude oil and orimusion	4.556
including V_2O_5	2.335
3. Hydrocarbon vapour, t:	0.276
2.1. 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
Emissions to the river of Strėva:	
BOD7, t	0.805
Sinking substances, t	2.401
Oil substances, kg	0.072

Report on greenhouse gas emissions by the Lithuanian Power Plant in 2006

Table 6

Amounts of greenhouse gas emissions by Annex I activities (EC decision of 29/01/2004)						
Categories	IPCC CRF-Category	IPPC code of EPER Category	Approach used? *Calculation/ Measurement*	Uncertainty (*Measurement approach*)	Tiers changed? *Yes/No*	Emissions, *t/CO2*
1	A. Fuel Combustion Activities 1. Energy industries a. Public Electricity and Heat Production	1.1.	Calculation	–	No	638,523

INVESTMENT

Implementation of the Investment Plan Projects in 2006

1. Modernization of regenerative air heaters in units 5, 6, 7 and 8.

All air heaters in Unit 5 – ROP-5A, 5B, 5C, 5D – were modernized. Sealing improvements of rotary type air pre-heaters ROP-6A and ROP-6B in Unit 6 were completed while upgrading of rotors ROP-6C and ROP-6D was performed by about 80 %.

Modernization of regenerative air pre-heaters in Units 6, 7 and 8 will continue throughout 2007.

2. Upgrading of control systems in Units 5, 7 and 8.

A control system was mounted in Unit 5. Sensors T, P, F, L, Q were replaced and automated security control program launched. Automatic operation of the power plant process during start-up procedures was introduced to allow automatic start-ups at all regimes.

Automatic regulation regime was set for operation at minimum and maximum capacity when firing gas. The following work still remains to be completed: tuning of coordinated unit operation mode (turbine control loads MW – boiler – steam pressure before the turbine), acceptance tests corresponding to the UCPTE standards and the optimization of operation of temperature corrections.

The work on upgrading of control systems in Units 7 and 8 will continue in 2007.

3. Installation of low NOx burners for boilers in Units 1, 2, 5, 6, 7 and 8.

Hot air blowers and low NOx burners as well as anti-explosive safety systems were installed in boilers 5A and 5B in Unit 5. Their tests were carried out firing natural gas. The measuring of the NOx emissions revealed good results.

Reconstruction of boilers 6A and 6B in Unit 6 is going on. The foundation was made for new hot air blowers; a new flue gas recirculation system is under construction. Work on Units 1, 6, 7 and 8 will be carried on throughout the year 2007.

4. Assembly of flue gas desulphurisation plant and FDG absorbers in Unit 7 and Boiler 8A.

The following sections have already been assembled: heating pipelines leading to the industrial area (Pramone) and the greenhouses, a gas pipe, the foundation for electrostatic precipitators (ESP) in 7A and 7B, supporting structures, hoppers, ESP casings, inlet and outlet ducts, inlet and outlet distribution plates, the ESP-8A foundation, supporting structures, hoppers, the foundation for a gypsum storage building and tanks for the limestone silo, limestone pulp, gypsum pulp, the filtrate, the foundation for the neutralization plant.

Collecting and discharge electrodes in ESP-7A and 7B are under erection; work on ESP-8A casing, insulation and cladding is in progress; the foundation for the gypsum sludge dewatering building is also under construction. Repair works on neutralization tanks have been completed and the tanks relocated. Pipelines to the neutralization plant and to the ash pond are being assembled. The building of underground communications is close to completion. Work on detailed design is continued. A bypass road has been built; it will be paved with asphalt. Work in Unit 7 and Boiler 8A will be continued in 2007.

5. Building of a new 2000 m^3 water collection tank.

The building of a 2000 m^3 water collection tank was completed.

6. Renovation of a 1.2 km railway track and roads 101 and 108.
Renovation of a 1. 2 km railway track as well as of Roads 101 and 108 was completed.

Investment absorbtion in 2006

Table 7, LTL thou

No.	Project	Plan for 2006	Implementation in 2006	Source of funding			
				Own funds	Loans	National Ignalina decommissioning fund	International Ignalina decommissioning support fund
1	2	3	4	5	6	7	8
1.1.	Flue gas desulphurisation plants (electrostatic precipitators) in Boiler 8B	2800000	481198	481198			
1.2.	Renovation of the railway runway	721000	680750	680750			
1.3.	Building of a new 2000 m^3 water collection tank	398000	398140	398140			
1.4.	FDG absorbers in Unit 7 and boiler 8A	111559000	66033215			11552778	86747738
1.5.	Installation of burners of low nitrogen oxide output and booster fans	41010000	24419919		20433707	2456527	
1.6.	Upgrading of regenerative air preheaters	20639000	12924754		1847305	5250184	
1.7.	Upgrading of the control system in Units 5, 7 and 8	28695000	8727643		6890753		
1.8.	Project management (quality assurance and eco management)	4485000	2968844		2254262		1484225
1.9.	Refurbishment of the main building	100000					
1.10.	Upgrading of computer and local network equipment	100000					
1.11.	Equipment not requiring installation	1500000	1078206	1078206			
1.12.	Replacement of a turbo supply pump	50000					
1.13.	Preparation of an ash pond for depositing desulpharisation products	400000					
1.14.	Replacement of high pressure preheater valves by more reliable ones	100000					
1.15.	Staff training	2500000					
1.16.	Assembly of new cooling equipment in Units 7 and 8	400000					
1.17.	Replacement of CIS and HIS control valves	300000					
1.18.	Replacement of EMC and TMS recirculation valves	80000					
1.19.	Replacement of direct current panel for Central Accumulator Battery	100000					
	Total:	**215937004**	**117712669**	**2638294**	**31426027**	**19259489**	**88231963**

THE COMPANY'S PLANS FOR THE YEAR 2007

The Company's main plans for the year 2007 are reflected in Tables 8 and 9.

Prices for electricity and capacity reserves in 2007

Table 8

			Price
1.	Warm capacity reserve	100 MW	9.10 LTL/MW*h
2.	Cold capacity reserve ordered	993 MW	8.50 LTL/MW*h
3.	PSO quota planned	700m kWh	19.0 cnt/kWh

The Corporate Action Plan of AB Lietuvos elektrinė for the year 2007 was approved, projecting revenues in the amount of LTL 247,814 thousand, costs in the amount of LTL 225,691 thousand (of them LTL 83,524 thousand of relatively fixed costs, including LTL 21,848 thousand allocated for wages and salaries) and LTL 22,123 thousand in profit.

Main indicators as planned for 2007

Table 9

No.	Indicators	Unit of measurement	Achieved in 2006	Planned for 2007
1.	**Total relatively fixed costs:**	**LTL m**	**89.808**	**83.524**
	Of them:			
1.1.	Material costs:		36.482	23.700
1.1.1.	*Repair works by contracts*	-"-	*14.164*	*8.000*
1.1.2.	*Maintenance costs*	-"-	*15.074*	*12.000*
1.1.3.	*Other material costs*	-"-	*7.244*	*3.700*
1.2.	Depreciation and amortisation	-"-	25.619	27.619
1.3.	Wages and salaries	-"-	18.999	21.848
1.4.	Social insurance	-"-	6.122	6.992
1.5.	Taxes	-"-	2.586	2.565
1.5.1.	*Real estate tax*	-"-	*0.544*	*0.544*
1.5.2.	*Land lease tax*	-"-	*0.756*	*0.756*
1.5.3.	*Environment tax*	-"-	*0.190*	*0.190*
1.5.4.	*Pollution tax*	-"-	*0.967*	*0.967*
1.5.5.	*Payment into the Guarantee Fund*	-"-	*0.044*	*0.044*
1.5.6.	*Other taxes (VAT, Stamp duty)*	-"-	*0.086*	*0.064*
1.6.	Interest	-"-	-	0.800
2.	**Fuel costs**	**-"-**	**140.4**	**142.2**
2.1.	Fuel for production of electricity	-"-	131.4	128.8

2.2.	Fuel for production of thermal energy	-"-	9.0	13.4
3.	**Total costs of core activities**	**-"-**	**230.2**	**225.7**
3.1.	Other operating costs	LTL m	2.4	0.0
3.2.	Costs of financial investment activities	-"-	0.9	0.0
4.	**Total costs**	**-"-**	**233.5**	**225.7**
5.	Cold capacity reserve ordered	MW	**993**	**993**
6.	Warm capacity reserve	-"-	**100**	**100**
7.	Capacity used	-"-	**101.0**	**79.9**
8.	Electricity sold	KWh m	**885.1**	**700.0**
8.1.	Of it under PSO quota	-"-	660.0	700.0
9.	Price for cold capacity reserve and for the capacity used	LTL/MWh	8.50	8.50
10.	Price for warm capacity reserve	-"-	9.10	9.10
11.	Price for electricity	ct/kWh	13.54	19.00
11.1.	Of it under PSO quota	ct/kWh	13.77	19.00
12.	**Revenues from reserves and capacity used**	**LTL m**	**67.5**	**87.9**
12.1.	Of them for: cold capacity reserve	-"-	53.9	73.9
12.2.	Warm capacity reserve	-"-	8.0	8.0
12.3.	Capacity used, collected through payments for electricity	-"-	5.6	6.0
13.	Thermal energy sold	MWh	173175	190732
14.	Price for thermal energy	ct/kWh	5.23	6.87
15.	**Revenues for thermal energy**	**LTL m**	**9.06**	**13.1**
16.	**Revenues for electricity (less capacity used)**	**LTL m**	**114.2**	**127.1**
17.	**Total revenues from core activities**	**-"-**	**190.8**	**228.0**
18.	**Profit (loss) from core activities**	**-"-**	**-39.4**	**2.3**
18.1.	Other operating revenues	LTL m	73.3	19.8
	Of them sales of tradable permits to CO_2 emissions that ensure profitability of the Company		71.2	19.8
18.2.	Revenue from financial investment activities	-"-	0.5	0.0
19.	**Total revenues**	**-"-**	**264.6**	**247.8**
20.	**Profit before taxes**	**-"-**	**31.2**	**22.1**

Planned emissions into the atmosphere in 2007, tonnes:

Table 10

Pollutants	2007	1st quarter	2nd quarter	3rd quarter	4th quarter
1. Planned emissions of flue gases, tonnes:					
SO_2	4505.96	1618.059	780.159	847.191	1260.56
NO_x	1355.280	194.516	263.851	483.471	413.442
CO	240.98	55.40	44.092	65.090	76.393
Ashes of crude oil and orimulsion	6.98	2.024	1.187	1.47	2.303
including V_2O_5	3.34	0.969	0.568	0.701	1.102
2. Planned hydrocarbon vapor (VOC) level, t:	0.308	0.0616	0.077	0.1078	0.0616
3. Planned emissions from small sources of pollution, t:					
NO_x	0.023	0.00575	0.00575	0.00575	0.00575
CO	0.065	0.01625	0.01625	0.01625	0.01625
Solid particles	0.034	0.0085	0.0085	0.0085	0.0085
Iron compounds	0.048	0.012	0.012	0.012	0.012
Manganese compounds	0.0066	0.00165	0.00165	0.00165	0.00165
Sulphuric anhydride	0.026	0.0065	0.0065	0.0065	0.0065
Sulphuric acid	0.003	0.00075	0.00075	0.00075	0.00075
VOC	0.02	0.004	0.004	0.004	0.004
4. Emissions, g/kWh, will consist of:	2005	2007			
SO_2	2.650	2.220			
NO_x	1.580	0.668			
CO	0.710	0.119			
Ashes of crude oil and orimulsion	0.012	0.003			
including V_2O_5	0.005	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.

Description of investments in AB Lietuvos elektrinė in 2007 - 2009

1. Assembly of a natural gas fired combined cycle turbo generator of 350÷450 MW capacity in the Lithuanian Power Plant.

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 unit of a combined cycle of about 400 MW has to be assembled at the power plant.

In the event a unit of a combined cycle is not assembled at the plant, in 2010 we can anticipate a shortage of capacity and a deficit of electricity in about 840 GWh.

Lithuania's chances to join the electricity market of Western Europe before 2010 are very limited due to technical problems. Currently the electricity trade market can only include the market of the CIS countries. However, the electricity import from Russia is also limited due to the transmission capacity of electric lines. Thus, Lithuania's possibilities to import power in 2010 are vague. The country will have to satisfy the demand for electricity producing it in local power plants.

In order to ensure a reliable supply of electricity at lowest prices possible, a most feasible solution is to modernize the Lithuanian power plant by building a unit of a combined cycle of about 400 MW.

Building this unit at the Lithuanian power plant would require less investment compared to building a new power plant in another location, because it would be possible to use the current facilities. Fuel costs for one KWh of energy would reduce by 30 %, compared to the costs of production in a 150 MW unit.

As a combined cycle technology allows reducing fuel costs by 30 %, environment pollution also reduces.

2. Replacement of 300 MW turbo generator TVV-320-2 in Unit 5

The turbo generator TVV-320-2 in Unit 5 (production No. 15974) was manufactured in 1966 and launched in 1967. The turbo generator has worked for 170 000 hours generating 38 000 000 000 kWh of electricity.

The turbo generator was repaired 9 times. In 1987, repair works after a failure in the turbo generator revealed multiple heating spots in the reactive metal, therefore replacement of the turbo generator was to take place before 1994. Due to the changed political situation it was impossible to obtain a new turbo generator before 1994 and the turbo generator was not replaced.

In 2003, AB Lietuvos elektrinė ordered a defect check in the turbo generator. The check was carried out by specialists from the factory "Elektrosila". The specialists concluded that the turbo generator had passed its operation life limit (the reactive metal in the turbo generator is far from satistfactory, the stator insulation system had passed its warranty life) and cannot ensure safe operation. No further repair work can improve the general status of the turbo generator, therefore it was recommended to replace the turbo generator by a new one.

3. Replacement of the electric feed pump in Unit 7.

The pump was assembled in 1971. It was manufactured at Leningrad Metal Factory which ceased pump production as far back as 1985. Currently no spare parts are produced for this type of pumps, furthermore, its hydraulic muff does not meet the modern requirements of the pump capacity control.

4. Upgrading of high pressure air preheaters in Unit 5.

High pressure air preheaters were manufactured in 1966. They have already reached their operation life limit. During the technical diagnostic check in 2006, when a hydraulic test was carried out in the spiral tube system, a number of cracks formed in the spriral tubes. The analysis of the cracks revealed that the tube walls of the spiral system had thinned to a critical level.

5. Replacement of an ejector pump 5A.

Due to insufficient water pressure in the inlet region of the ejector pump, an increased cavitation of inner surfaces takes place. Having dismantled the pump, we discovered washed metal particles from the working wheel and the casing of the pump. A new pump is necessary with a cavitation reserve of more than 3.6 metre water column.

6. Assembly of flue gas desulphurisation plants and absorbers.

Work on the assembly of these facilities in Unit 7 and Boiler 8A will continue in 2007 - 2008.

7. Installation of Low-NOx burners and booster fans.

It is an on-going project in Units 1, 2, 6, 7 and 8 for the period of 2007 – 2009.

8. Upgrading of the control systems in Units 5, 7 and 8.

Upgrading of the control systems in Units 5, 7 and 8 is projected to continue in the period of 2007 – 2009.

9. Upgrading of regenerative air preheaters.

Work on upgrading of regenerative air pre-heaters will be continued in Units 6, 7 and 8 in the period of 2007 – 2008.

10. Project management (quality assurance and eco management)

The services will be further provided in the period of 2007 – 2009.

Plan of Investments for the Year 2007

Table 11
LTL thou

No.	Project title	2007	2008	2009	Source of funding			
					Own resources	Ignalina national decommissioning fund	Ignalina international decommissioning support fund	TOTAL
	I. On-going projects							
1.1.	Assembly of flue gas desulphurisation plant and dust precipitators	160137284	57989346	0	0	29800000	188326630	218126630
1.2.	Installation of burners of low nitrogen oxide output and booster fans	40217904	10967393	26959462	75794759	2350000	0	78144759
1.3.	Upgrading of the control systems in Units 5, 7 and 8	15593880	10373178	6572128	32539186	0	0	32539186
1.4.	Upgrading of regenerative air preheaters	16393307	4291084	0	20684391	0	0	20684391
1.5.	Project management (quality assurance and eco management)	3288543	3561560	1641648	3396700	0	5095050,6	8491751
1.6.	Equipment not requiring installation	1500000	1500000	1500000	4500000	0	0	4500000
	II. New projects							
2.1.	Replacement of an ejector pump 5A	430000	0	0	430000	0	0	430000
2.2.	Upgrading of high pressure pre-heaters	2600000	0	0	2600000	0	0	2600000
2.3.	Replacement of an electric feed pump	1900000	0	0	1900000	0	0	1900000
2.4.	Construction of a 400MW combined-cycle gas turbine	86320000	345280000	345280000	233064000	0	543816000	776880000
2.5.	Replacement of a 300MW generator	0	0	36000000	36000000	0	0	36000000
	Total I and II:	**328380918**	**433962561**	**417953238**	**410909036**	**32150000**	**737237681**	**1180296717**

Chairman of the Board **Pranas Noreika**

BALANCE SHEET, 2006

(Reporting period)

31 December 2006

LTL

ITEMS	Notes	31 December 2006	31 December 2005
ASSETS			
Non-current assets:			
Non-current tangible assets	**5**	1,183,942,084	1,054,419,403
Intangible assets	**6**	102,819,624	216,091,452
Non-current accounts receivable	**7**	1,248,458	1,344,296
Deferred taxes	**27**	241,188	206,820
Total non-current assets		**1,288,251,353**	**1,272,061,970**
Current assets:			
Inventories	**8**	34,522,218	33,353,748
Accounts receivable and prepayments	**9**	26,749,743	20,945,566
Cash and Cash Equivalents	**10**	61,383,567	14,092,527
Total current assets		**122,655,528**	**68,391,841**
TOTAL ASSETS		**1,410,906,882**	**1,340,453,811**
EQUITY AND LIABILITIES			
Equity:			
Share capital	**11**	145,800,689	145,800,689
Revaluation reserve	**12**	678,996,602	692,623,615
Legal reserve	**12**	8,363,997	7,502,505
Other reserves	**12**	57,736,702	54,091,852
Revaluation reserve of unused CO2 emission rights	**13**	-	98,822,418
Retained earnings	**14**	55,592,163	26,447,779
Total equity		**946,490,152**	**1,025,288,857**
Grants and subsidies	**15**	**206,953,596**	**107,708,465**
Non-current liabilities:			
Bank loans	**16**	47,923,096	12,999,792
Financial leasing	**17**	6,696	45,979
Deferred profit tax	**27**	122,295,619	125,499,659
Total non-current liabilities		**170,225,411**	**138,545,430**
Current liabilities:			
Trade and other debts payable	**18**	37,641,277	13,427,080
Labour related liabilities	**19**	1,937,662	1,712,780
Current year profit tax		4,191,198	1,533,614
Pollution quota liabilities	**13**	43,428,302	52,199,792
Financial lease liabilities	**17**	39,283	37,794
Total current assets		**87,237,723**	**68,911,060**
TOTAL EQUITIES AND LIABILITIES		**1,410,906,882**	**1,340,453,811**

Director General
Pranas Noreika

(signature)

Chief Accountant
Rolandas Jankauskas

(signature)

INCOME STATEMENT, 2006

(Reporting period)

31 December 2006

LTL

ITEMS	Notes	31 December 2006	31 December 2005
INCOME FROM SALES	**20, 22**	190,762,359	202,958,526
COSTS OF SALES	**21, 22**	(216,944,735)	(175,070,921)
GROSS PROFIT (LOSS)		**(26,182,376)**	**27,887,604**
Operating costs	**23**	(13,215,580)	(13,117,755)
Other operating income	**24**	73,324,327	2,309,867
Other operating costs	**24**	(2,382,353)	(2,061,449)
Interest income		541,731	499,803
Operating profit (loss)		**32,085,749**	**15,518,070**
Financing costs	**25**	(461,719)	(921,192)
Effect of change in the currency exchange rate		(450,430)	5,950,087
PROFIT (LOSS) BEFORE TAXES		**31,173,600**	**20,546,965**
Profit tax expenses (gain)	**26**	(6,166,379)	(3,317,123)
NET PROFIT (LOSS)		**25,007,221**	**17,229,842**
Profit (loss) per share	**28**	**0.17**	**0.12**

Director General
Pranas Noreika

(signature)

Chief Accountant
Rolandas Jankauskas

(signature)

STATEMENT OF CHANGES IN EQUITY, 2006

(Reporting period)

31 December 2006

LTL

	Paid up authorised capital	Revaluation reserve of non-current tangible assets	Legal reserve	Other reserves	Revaluation reserve of unused CO2 emision rights	Retained earnings	TOTAL
At 31 December 2004	**145,800,689**	**707,383,281**	**6,910,546**	**49,135,664**	**-**	**5,651,728**	**914,881,909**
Net profit	-	-	-	-	-	17,229,843	**17,229,843**
Dividends paid	-	-	-	-	-	(4,735,674)	**(4,735,674)**
Reserves used	-	-	-	(1,555,364)	-	1,555,364	**-**
Transfer to legal reserve	-	-	591,959	-	-	(591,959)	**-**
Transfer to other reserves	-	-	-	6,511,552	-	(6,511,552)	**-**
Decrease in the revaluation reserve due to depreciation or writing off of the revalued assets	-	(13,850,028)	-	-	-	13,850,028	**-**
Increase of deferred tax liability due to the change of income tax rate	-	(909,639)	-	-	-	-	**(909,639)**
Revaluation of emssion rights	-	-	-	-	98,822,418	-	**98,822,418**
At 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	-	-	-	-	-	25,007,221	**25,007,221**
Dividends paid	-	-	-	-	-	(4,983,508)	**(4,983,508)**
Reserves used	-	-	-	(2,968,920)	-	2,968,920	**-**
Transfer to legal reserve	-	-	861,492	-	-	(861,492)	
Transfer to other reserves	-	-	-	6,613,770	-	(6,613,770)	**-**
Decrease in the revaluation reserve due to depreciation and writing off of the revalued assets	-	(13,627,013)	-	-	-	13,627,013	**-**
Decrease in revaluation reserve of unused CO2 emission rights	-	-	-	-	(98,822,418)	-	**(98,822,418)**
At 31 December 2006	**145,800,689**	**678,996,602**	**8,363,997**	**57,736,702**	**-**	**55,592,163**	**946,490,152**

Director General
Pranas Noreika
(signature)

Chief Accountant
Rolandas Jankauskas
(signature)

CASH FLOWS STATEMENT, 2006

(Reporting period)

31 December 2006

LTL

ITEMS	31 December 2006	31 December 2005
OPERATING ACTIVITIES		
Cash receipts from customers	293,855,752	245,725,507
Other income	46,496	90,986
Cash paid to suppliers and employees	(242,338,224)	(188,527,676)
Other payments	(2,739,942)	(14,332,482)
Cash generated from operations	**48,824,082**	**42,956,336**
Income tax paid	(1,304,168)	(3,989,080)
Interest paid	(102,181)	(580,854)
Net cash from operating activities	**47,417,734**	**38,386,402**
INVESTING ACTIVITIES		
Acquisition of plant, property and equipment	(51,540,762)	(48,831,710)
Proceeds from disposal of plant, property and equipment	2,203	-
Repayment of loans granted	95,838	69,525
Interest received	541,731	499,803
Term deposits	-	21,000,000
Net cash used in investing activities	**(50,900,989)**	**(27,262,382)**
FINANCING ACTIVITIES		
Proceeds from borrowings	34,923,304	-
Repayment of borrowings	(37,794)	(14,707,745)
Dividends paid	(3,370,602)	(4,703,787)
Grants recieved	19,259,387	19,971,000
Net cash from financing activities	**50,774,295**	**559,468**
Effect of foreign exchange rate changes	**-**	**126,107**
equivalents	**47,291,039**	**11,809,594**
OF THE YEAR	**14,092,527**	**2,282,933**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**61,383,567**	**14,092,528**

General Director
Pranas Noreika

(signature)

Chief Accountant
Rolandas Jankauskas

(signature)

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 – 108709314;
- 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 2006 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 13.77 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 the Company had 688 employees (on 31 December 2005 – 728 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 2005. 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.

New Standard, Interpretation, Revision	**Approval date**	**Valid for accounting period beginning on or after**
IAS 39 revised - Cash flow hedge of forecast intra-group transactions - Financial Guarantee Contracts (IFRS 4 amended accordingly) - Fair value option	2004	1 January 2006
Amendments to IAS 1 to add capital disclosures	2005	1 January 2007
IAS 19 Employee Benefits	2004	1 January 2006
IFRS 4 Insurance Contracts: amendments for the financial guarantee contracts	2005	1 January 2006
IFRS 6 Exploration for and Evaluation of mineral Resources (IFRS 1 amended accordingly)	2004	1 January 2006
IFRS 7 Financial Instruments: Disclosure (supersedes 30 IAS)	2005	1 January 2007
IFRIC 4 – Determining whether an Arrangement Contains a Lease	2004	1 January 2006
IFRIC 5 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds	2004	1 January 2006
IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	2005	1 January 2005
IFRIC 7 –Appling the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	2005	1 March 2006
IFRIC 8 – Scope of IFRS 2	2006	1 May 2006
IFRIC 9 – Reassessment of Embedded Derivatives	2006	1 June 2006

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 2005.

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 2005 by 30 April 2006.

<u>Intangible assets</u>

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.

<u>State grant</u>

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.

<u>Provision for the use of the greenhouse gas emissions permits</u>

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:

2006			**2005**		
1 USD	=	LTL 2.6304	1 USD	=	LTL 2.9102
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.

Geographical segment
A geographical segment is a distinguishable component of a company that is engaged in providing products or services within a particular geographic economic environment and that is subject to risks and returns that are different from those of the components operating in other geographic economic environment.

The Company does not distinguish any geographical segments.

Financial risk management policy
<u>Credit risk</u>
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.

<u>Interest rate risk</u>
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.

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

<u>Liquidity risk</u>
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 2006, 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)	Construc-tion in progress (LTL)	Total (LTL)
Deemed cost						
31 December 2005.	217,497,737	978,236,744	2,523,797	190,283,491	3,228,018	1,391,769,788
Change of the financial year:						
- acquisitions	-	153,325,932	208,525	842,815	1,078,890	155,456,163
- disposals and write-offs (-)		(3,654)	(68,936)	(238,358)	-	(310,948)
- written back	-	-	-	1,700	-	1,700
- transfers from one heading to another +/(-)	(89,580)	1,116,503	6,007	163,290	(1,147,450)	48,500
31 December 2006	**217,407,887**	**1,132,675,525**	**2,669,394**	**191,052,938**	**3,159,458**	**1,549,924,220**
Depreciation						
31 December 2005	47,493,136	244,552,198	1,555,507	43,749,544	-	337,350,385
Change of the financial year:						
- depreciation in the financial year	3,036,933	18,523,258	143,497	4,255,076	-	25,958,765
- depreciation of transferred and written—off assets (-)	-	(3,451)	(68,487)	(232,169)	-	(304,107)
- reclassification from deemed cost						
- written back	-	-	-	1,700	-	1,700
- transfers from one heading to another +/(-)	(89,580)	(28,859)	5,704	129,381	-	16,376
31 December 2006	**50,440,219**	**263,043,147**	**1,636,221**	**47,903,532**	**-**	**363,023,119**
Residual value 31 December 2005	**170,004,602**	**733,684,546**	**968,290**	**146,533,947**	**3,228,018**	**1,054,419,403**
Residual value 31 December 2006	**166,967,668**	**869,632,378**	**1,033,172**	**143,149,406**	**3,159,458**	**1,183,842,084**

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 15, 21, 24).

Under a syndicated credit agreement the Company has subscribed to mortgage bonds and pledged plant and property the residual value whereof, was, respectively, LTL 343,539,000 and LTL 140,986 000. As of 31 December 2005, the Company had no pledged non-current assets.

Residual value of leased property as of 31 December 2006 was LTL 94,859 (31 December 2005 – LTL 106,242).

6. Intangible assets

	Software (LTL)	Greenhouse gas emissions permits (Note 13 (LTL)	Other intangible assets (LTL)	Total (LTL)
Acquisition cost				
31 December 2005	402,235	216,000,273	-	216,000,273
Change in the financial year:				
- acquisition of assets	26,866	49,634,105	2,968,844	52,629,815
- transferred and written-off (-)	(14,982)	(52,219,436)		(52,234,418)
- transfers to tangible assets (-)	(48,500)	-	-	
- impairment of the unused greenhouse gas emissions permits	-	(113,601,176)	2,968,844	(113,601,176)
31 December 2006	**365,619**	**99,813,766**	**2,968,844**	**103,148,229**
Amortization				
31 December 2005.	311,056	-	-	311,056
Change in the financial year:	-			
- amortization in the financial year	48,907	-	-	48,907
- amortization of transferred ad written-off assets (-)	(14,982)	-	-	(14,982)
- transfers to tangible assets (-)	(16,376)	-	-	(16,376)
31 December 2006	**328,605**	**-**	**-**	**328,605**
Residual value 31 December 2005	**91,179**	**216,000,273**	**-**	**216,091,452**
Residual value 31 December 2006	**37,014**	**99,813,766**	**2,968,844**	**102,819,624**

Amortization costs are accounted as cost.

7. Long-term receivables

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

	2006 (LTL)	2005 (LTL)
Receivables for loans to employees	1,248,458	1,344,295
Total:	**1,248,458**	**1,344,295**

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:

	2006 (LTL)	2005 (LTL)
Fuel	26,885,190	24,375,914
Spare parts	4,486,490	4,686,025
Materials	2,976,130	4,039,527
Other	174,408	252,282
Total:	**34,522,218**	**33,353,748**

Under credit agreement concluded with AB bankas "Norld/LB", the Company on 31 December 2006 pledged the fuel reserves for LTL 16,242,618 (2005 -LTL 16,242,618 Lt) (Note 16).

9. Amounts receivable and prepayments

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

	2006 (LTL)	2005 (LTL)
Trade receivables	26,867,954	19,901,971
Provisions for doubtful debts (-)	(898,439)	(1,143,288)
VAT receivable	-	1,224,856
Prepayments	743,552	920,245
Other debts	36,676	41,782
Total:	**26,749,743**	**20,945,566**

Change in allowances for doubtful amounts in the year:

	2006 (Lt)	2005 (Lt)
1 January.	**1,143,288**	**1,540,706**
Provision write back (Note 23)	(244,849)	(397,418)
31 December .	**898,439**	**1,143,288**

10. Cash and cash equivalents

Cash on 31 December:

	2006 (Lt)	2005 (Lt)
Funds in current bank accounts	52,714,038	4,461,781
Overnight deposit	8,669,529	9,630,746
Total:	**61,383,567**	**14,092,527**

According to credit agreement concluded with AB bankas "DnB Nord", the Company had pledged the existing and future funds held with the bank. The balance of the funds with AB bankas "DnB Nord" as of 31 December 2006 was LTL 793,067 (2005: LTL 877,164).

11. Share capital

On 31 December, 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.

On 31 December, 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	140,638,221	96,46
Other	5,162,468	3,54
Total:	**145,800,689**	**100.00**

In the accounting year 2006 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 2006, other reserves of the Company accounted for LTL 57,736,702.

13. Greenhouse gas emission permits

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

	Greenhouse gas emission allowances (Note 6) (LTL)	Greenhouse gas emission allowances revaluation reserve (LTL)	State grants (Note 15) (LTL)	Provisions for unused gas emission allowances (LTL)
31 December 2005	**216,000,273**	**98,822,418**	**64,978,063**	**52,199,792**
State grant received at fair value	162,000,205	-	162,000,205	-
Approved emissions	(52,219,436)	(11,852)	(7,793)	(52,199,792)
Impairment of greenhouse gas emission permits	(225,967,276)	(98,810,566)	(127,156,709)	-
Provisions for used gas emission allowances	-	-	(43,428,302)	43,428,302
31 December 2006	**99,813,766**	**-**	**56,385,464**	**43,428,302**

14. Draft profit distribution

Draft profit distribution of 31 December 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) (Lt)	Grants for greenhouse gas emission allowances (LTL)	Total (LTL)
Balance of grants as of 31 December 2004	**3,238,021**	**19,895,000**	-	**23,133,021**
Depreciation of non-current assets	(373,619)	-	-	**(373,617)**
Grants received	-	19,971,000	85,685,215	**105,656,215**
Greenhouse gas emission allowances used	-	-	(20,707,152)	**(20,707,152)**
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 (Note 5)	(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**

During 2006, the assets-related grants (fuel incineration plant and other assets) decreased by LTL 373,69, for the amount of the depreciation of non-current assets (2005 – LTL 373,619). This amount decreased the cost of depreciation of non-current assets in the income statement.

During 2006 the Company from the State enterprise Ignalina Nuclear Power Plat decommissioning fund received grants of LTL 19,259,386 (2005 - LTL 19,971,000). The funds are intended for co-financing of the renovation, environmental and safety standards enhancement project. As of 31 December 2006, all funds were used (on 31 December 2005, they were not yet used).

Per 2006 from the International Ignalina Decommissioning Support Fund received LTL 88,937,565 (no receipts in 2005). 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 2006, all funds were used.

16. Bank loans

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

	2006 (LTL)	2005 (LTL)
AB bankas "DnB Nord", 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"), Lt, repayable by 09-11-2020	34,923,304	-
	47,923,096	**12,999,792**

Bank loans will be repaid:

In the first year	-	-
In the second year	-	-
In the third year	2,850,632	-
In the fourth year	6,564,857	-
In the fifth year	6,564,857	3,714,225
After five years	31,942,751	9,285,567
	47,923,096	**12,999,792**

Short-term share	-	-
Long-term share	47,923,096	12,999,792
	47,923,096	**12,999,792**

Under the credit agreement signed with AB bankas "Nord/LB" the Company was extended a credit of 3,765,000 EUR. Credit repayable in 2010-2013. Floating interest rate applies - 12 months LIBOR + 0.84 % margin. Under this agreement the Company as of 31 December 2006 had pledged its current and future funds in the accounts of the bank and part of the fuel reserve for LTL 16,242,618 (2005 - LTL 16,242,618). Under this credit agreement on 31 December 2006 and 2005, all funds of the credit were used.

On 9 November 2005, the Company signed the credit agreement with AB bankas "Hansabankas", AB SEB Vilniaus bankas, Nordea Bank Finland Plc Lithuanian branch and AB bankas "Nord/LB Lietuva", providing for a 49,000,000 EUR loan to the Company. Floating interest rate applies - 12 months LIBOR + 0.8 % margin. The ultimate credit repayment date is 9 November 2020. After the balance sheet date, on 28 March 2006, the Company subscribed to mortgage bonds and pledged the equipment for LTL 343,539,000, buildings for LTL140,986,000. 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 10,114,488 EUR (not used on 31 December 2005). Purpose of the credit – financing of the first investment program.

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

17. Financial lease liabilities

On 31 December 2006, the future minimum financial lease installments consisted of:

	Minimum financial lease installments (LTL) 2006	Present value of the minimum financial lease installments (LTL) 2006
Amounts payable under financial lease agreements :		
During the firs year	40,371	39,283
During the second-fifth year	6,728	6,696
After five years	-	-
Minimum financial lease installments	**47,099**	**-**
Less the interest	(1,120)	-
Present value of the minimum financial lease installments	**45,979**	**45,979**

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:

	2006 (LTL)	2005 (LTL)
Debts to suppliers for construction works and investment	20,192,722	2,233,653
Debts to suppliers for fuel	8,820,749	3,201,692
Debts to suppliers for repair works	2,609,076	1,573,725
Debts to suppliers for inventories	1,314,254	4,362,429
Other debts for services	1,473,461	235,732
Tax payable (except corporate income tax)	1,166,321	683,472
Advance payments received	1,107,281	54,653
Outstanding dividends	886,655	974,007
Other	70,758	107,717
Total:	**37,641,277**	**13,427,079**

19. Liabilities related to labour relations

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

	2006 (LTL)	2005 (LTL)
Holiday reserve	1,339,932	1,088,526
Taxes payable	597,730	624,254
Total:	**1,937,662**	**1,712,780**

20. Sales

Sales for the year that ended on 31 December were:

	2006 (LTL)	2005 (LTL)
Production of electricity	119,632,890	118,176,862
Cold capacity reserve	53,938,780	69,589,440
Heat energy	9,056,004	8,497,652
Warm reserve	7,971,600	6,524,047
Other revenue	163,085	170,525
Total:	**190,762,359**	**202,958,526**

21. Costs

Costs for the year that ended on 31 December were:

	2006 (LTL)	2005 (LTL)
Gas	126,799,141	83,489,206
Depreciation and amortization costs	25,618,974	24,490,469
Wages and social insurance	21,536,914	19,689,095
Materials	14,609,004	21,492,231
Repair	13,789,597	6,113,757
Orimulsion	9,212,068	17,531,647
Balancing electric energy	3,097,356	617,894
Boiler fuel	1,243,389	705,014
Other	1,038,293	941,609
Total:	**216,944,735**	**175,070,921**

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 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				
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

Information for the two business segments as of 31 December 2005 and for the year then ended is provided below.

2005	Electricity production (LTL)	Thermal energy production (LTL)	Other (LTL)	Total (LTL)
Sales	**194,460,874**	**8,497,652**	**-**	**202,958,526**
Costs	(169,039,935)	(6,030,986)	-	(175,070,921)
Segment gross profit	**25,420,939**	**2,466,666**	**-**	**27,887,605**
Operating costs				(13,117,755)
Other operating income				2,309,867
Other operating costs				(2,061,449)
Interest income				499,803
Financing costs				(921,192)
Effect of changes in the currency exchange rate				5,950,087
Profit tax expenses				(3,317,123)
Net profit				**17,229,843**
Other information				
Assets	1,167,777,540	9,463,468	163,212,803	1,340,453,811
Liabilities	-	-	207,456,489	207,456,489
Acquisitions of tangible and intangible assets	-	-	264,403,569	264,403,569
Depreciation and amortization	24,664,724	200,000	15,000	24,879,724

23. Operating costs

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

	2006 (LTL)	2005 (LTL)
Salaries and social insurance	3,583,859	3,143,515
Pollution tax	966,771	1,820,044
Land lease charge	755,783	755,786
Property security costs	755,017	503,918
Immovable property tax	544,147	524,325
Insurance costs	484,022	41,403
Repair	374,276	744,051
Business trips	326,668	229,456
Communications and postal services	267,997	262,803
Costs of unused vacations by employees	251,406	153,526
Check-ups and servicing	164,942	133,891
Employee training	152,270	129,435
Consulting and translation services	83,131	1,701,905
Medical servicing costs	71,633	81,162
Electric energy purchased	51,138	41,533
Current assets write-offs	35,311	60,103
Road tax	-	443,906
Provisions for amounts receivable (Note 9)	(244,849)	(397,418)
Other	4,592,056	2,744,411
Total:	**13,215,580**	**13,117,755**

24. Other operating income and costs

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

	2006 (LTL)	2005 (LTL)
Other operating income		
Profit from transfer of gas emissions permits	71,173,430	-
Income from custody of material resources	1,358,943	1,530,439
Dispenser servicing income	332,635	426,567
Lease income	124,224	122,137
Other income	127,809	117,400
Profit from disposal of current assets	158,723	22,338
Fines and late interest	46,496	90,986
Profit from disposal of non-current assets	2,068	-
	73,324,327	**2,309,867**
Other operating costs		
Costs of sale of greenhouse gas emissions allowances	(653,130)	-
Costs of custody of material resources	(1,367,219)	(1,522,411)
Depreciation costs related to the custody of material resources	(15,000)	(15,000)
Dispenser servicing costs	(324,026)	(491,592)
Other costs	(22,978)	(32,446)
	(2,382,353)	**(2,061,449)**

25. Financing costs

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

	2006 (Lt)	2005 (Lt)
Interest costs	583,379	988,924
Other financing costs	359,538	340,674
	942,917	1,329,598
Less: capitalized interest costs	(481,198)	(408,406)
Total:	**461,719**	**921,192**

26. Income tax expense

The income tax calculation on the basis of the income tax expense computed at the statutory rate of income tax (2006 – 19 %, 2005 –15 %):

	2006 (LTL)	%	2005 LTL	%
Profit (loss) before tax	31,173,600		20,546,966	
Tax at the statutory income tax rate (19%)	5,922,984	19%	3,082,045	15%
Tax effect of non-taxable income	(213,476)	(1%)	(1,136,771)	(5%)
Tax effect of costs not increasing the income tax	4,043,835	13%	2,904,975	14%
Adjustment of prior year income tax	(348,556)	(1%)	1,104,721	5%
Deferred income tax liability (reduction)	(3,238,408)	(10%)	(2,637,847)	(13%)
Income tax expense	**6,166,379**	**20%**	**3,317,123**	**16%**
Income tax expense comprised:				
Current year income tax expense	9,753,343	31%	4,850,249	24%
Adjustment of prior year income tax	(348,556)	(1%)	1,104,721	5%
Deferred income tax asset	(3,238,408)	(10%)	(2,637,847)	(13%)
Income tax expense	**6,166,379**	**(20%)**	**3,317,123**	**16%**

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 2004	**(140,250)**
Reduction of the non-current asset revaluation reserve due to the change in the deferred income tax rate	-
Recognized (assets) in income statement	(66,570)
Balance as of 31 December 2005	**(206,820)**
Recognized (assets) in income statement	(34,368)
Balance as of 31 December 2006	**(241,188)**

Deferred income tax liabilities	Accelerated depreciation (LTL)	Revalued assets (LTL)	Total (LTL)
Balance as of 31 December 2004	**4,029,161**	**123,132,136**	**127,161,297**
Reduction of the non-current asset revaluation reserve due to the change in the deferred income tax rate	-	909,639	909,639
Recognized (assets) in income statement	(177,946)	(2,393,331)	(2,571,277)
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**

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 2006 and 2005, which accounted for 140,711,469 shares.

As of 31 December 2006 and 2005 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 2006, transactions with State controlled entities and the balances were as follows:

State controlled entities	**Amounts payable**	**Amounts receivable**	**Income generated**	**Costs incurred**
AB "Lietuvos energija"	1,207,994	24,898,009	181,923,575	3,231,022
UAB "Elektrėnų komunalinis ūkis"	-	711,601	4,185,331	-
VšĮ Abromiškių rehabilitation hospital	-	32,264	197,452	-
AB "Rytų skirstomieji tinklai", Vilnius branch	-	-	-	56,274
AB "Lietuvos geležinkeliai"	-	-	-	1,801,994
Total:	**1,207,994**	**25,641,874**	**186,306,358**	**5,089,290**

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 2006 and 2005 was 3. Benefits to the managers during 2006 amounted to LTL 517,678 (LTL 502,777 in 2005).

30. Conditional commitments (LTL)

The Company had concluded a long-term agreement concerning the purchase of Orimulsion (a future contract) with the Venezuelan company "Bitor Europe" valid until 2012. Under this agreement the Company has irrevocably undertaken to purchase a specified amount of fuel at an established price for USD 5.1m – 7.7m each year. The Company intends to terminate this Agreement in 2007.

General Manager
Pranas Noreika ________________________

Chief Financier
Rolandas Jankauskas ________________________

Annex 1

Company Name *AB LIETUVOS ELEKTRINĖ*

Adress *Elektrinės 21, Elektrėnai*

Approved

DRAFT PROFIT DISTRIBUTION

31 december 2006

LTL

No.	Items	2006	2005
I.	Retained earnings at the beginning of the year	0	-4,771,073
II.	Net profit of the year	25,007,221	17,229,843
III.	Retained earnings available for distribution at the end of the year	25,007,221	12,458,770
IV.	Shareholders' contributions against losses	0	0
V.	Transfer from the reserves	0	0
VI.	Distributable profit	25,007,221	12,458,770
VII.	**Profit distribution:**	**25,007,221**	**12,458,770**
VII.1.	transfer to legal reserves	1,251,440	861,492
VII.2.	transfer to other reserves	20,700,781	3,883,770
VII.3.	dividends	0	4,983,508
VII.4.	profit allocation to yearly payoffs:		
VII.4.1.	support	500,000	1,200,000
VII.4.2.	bonuses of employees and orher purpose	2,500,000	1,500,000
VII.5.	annual bonuses for the Board	55,000	30,000
VIII.	**Undistributed result at the end of the year**	**0**	**0**

General Director
Pranas Noreika

Chief Accountant
Rolandas Jankauskas