



APSKAITOS IR KONTROLĖS UŽDAROJI AKCINĖ BENDROVĖ "AUDITAS"

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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 2006, 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 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. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair representation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 2006 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 2006. 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 2006 presented by Lietuvos Elektrinė AB, we have not identified any material inconsistencies with the accompanying financial statements for the year ended 31 December 2006.

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

Alma Lizunova, Auditor
Auditor's Certificate No. 000152

2 April 2007
Vilnius

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

AUDIT REPORT
on public company Lietuvos Elektrinė financial statements 2006

I. BACKGROUND

We have audited the financial statements of public company Lietuvos Elektrinė (hereinafter referred to as "Lietuvos Elektrinė AB" or "the entity") as of 31 December 2006 prepared according to International Financial Reporting Standards as adopted for use in the EU and the Annual Report 2006 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 consistent with financial statements.

The Audit Report deals 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 2006 to 31 December 2006 inclusive. The financial statements include comparative data of 2 financial years (2005 and 2006). 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 2006 in our Independent Auditor's Report of 2 April 2007. We have also stated that we have not identified any material inconsistencies between the Annual Report 2006 and the accompanying financial statements for the year ended 31 December 2006.



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. Chief Financial Officer organises the work of the accounting service in such a way as to ensure that transactions and events are recorded accurately and the correct amounts are entered in the relevant accounts of the period concerned to facilitate preparation of financial statements according to the existing legal acts.

Lietuvos Elektrinė AB financial statements 2006 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. This assumption means that the entity is going to operate for unlimited duration and is not going to be liquidated. 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. To this end, Lietuvos Elektrinė AB financial statements contain the following information about the entity's:

- (a) assets;
- (b) liabilities;
- (c) equity;
- (d) income and expenses, including gains and losses;
- (e) other changes in equity; and
- (f) 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. An asset is classified as a current asset when it meets any of the following criteria:

- (a) it is expected to be realised in, or is held for sale or consumption in the normal course of the entity's operating cycle;
- (b) it is held primarily for trading purposes;
- (c) it is expected to be realised within twelve months of the balance sheet date; or
- (d) it is cash or a cash equivalent (as defined in IAS 7 Cash Flow Statements), unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets are classified as non-current.

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 2006 of Lietuvos Elektrinė AB accompanying the audited financial statements 2006. 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 2006 and the accompanying financial statements for the year ended 31 December 2006. 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 organise operations of the entity, design an internal control system and help ensure its effectiveness minimises 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.

The internal control system designed by the entity is sufficient as regards preparation of financial statements. We have no material comments on the internal control system of the entity.

Accounting and audit company Auditas UAB
Alma Lizunova, Auditor (Auditor's Certificate No. 000152)



2 April 2007
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