

LIETUVOS ELEKTRINĖ AB
Annual Prospectus – Report 2004

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I. GENERAL PROVISIONS

1. Reporting period covered by this Annual Prospectus-Report

The Annual Prospectus-Report is prepared for the year 2004.

2. Main data about the issuer

Name of the company	Public company (AB) Lietuvos Elektrinė
Code	1108 70933
Authorised capital	LTL 145 800 689
Address	21 Elektrinės St., LT- 26108, Elektrėnai
Telephone	(+370~528) 39 066
Fax	(+370~528) 39 733
E-mail address	info@lelektrine.lt
Internet website	www.lelektrine.lt
Legal and organisational form	Legal person of a limited liability; public company
Date and place of registration	31 December 2001; Ministry of Economy of the Republic of Lithuania
Registration number	BI 01-249

3. Type of the issuer's principal activities

The branch of industry of Lietuvos Elektrinė AB: energy sector.
The company produces and sells electricity and thermal energy.

4. Information about where and how one can get acquainted with the Report, supporting documents and the designation of the means of mass media to announce information.

The Report is available at the company's registered office at 21 Elektrinės St., Elektrėnai and at the financial brokerage firm Finasta AB, 23 Konstitucijos St., Vilnius.

The means of mass media: the daily "Lietuvos Rytas"; the Lithuanian News Agency ELTA.

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

5.1. The issuer's employees and the Head of the Administration

Pranas Noreika, Director General, tel. (8~528) 33 250, fax (8~528) 39 733
Rolandas Jancauskas, Chief Financier, tel. (8~528) 33 743, fax (8~528) 39 733

5.2. The report was prepared with the assistance of Finasta AB (Konstitucijos pr. 23, Vilnius, tel. (8~5) 278 68 44, faks. (8~5) 210 24 74). The Annual Prospectus – Report was prepared by Asta Krušnauskaitė, corporate advisor, on the basis of the information provided by the issuer.

6. Declaration by the members of the issuer's managing bodies, employees, the Head of the Administration and the issuer's consultants that the information contained in the Report is in accordance with the facts and that the Report makes no omission likely to have an effect on the investors' decision concerning purchase, sale or valuation of the issuer's securities or on the market price of these securities.

Pranas Noreika, Director General _____

Rolandas Jankauskas, Chief Financier _____

Asta Krušnauskaitė, corporate consultant of Finasta AB _____

Date of signing of the Report: 25 May 2005.

Place of preparation of the Report: Finasta AB (23 Konstitucijos St., Vilnius)

II. DATA ABOUT THE ISSUER'S AUTHORISED CAPITAL AND THE SECURITIES ISSUED

7. The issuer's authorized capital:

7.1. The authorized capital as registered in the Register of Legal Entities

Table 7.1.1. Composition of the authorised capital.

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Portion in the authorised capital, %
Ordinary registered shares	145,800,689	1	145,800,689	100.00

All shares of Lietuvos Elektrinė AB are fully paid up.

7.2. Information about the projected increase of the authorized capital in connection with conversion or exchange of convertible debt securities or derivative securities into shares:

The company issued no debt securities or derivatives.

8. Shareholders

The Annual General Meeting (AGM) of Lietuvos Elektrinė AB shareholders was held on 26 April 2005.

Record Day: 19 April 2005.

Number of shareholders: 4 809.

Table 8.1. Shareholders who had by the right of ownership or held more than 5 percent of the issuer's authorized capital on the Record Day.

Name of the shareholder (type, address of registered office and code of the enterprise)	Number of ordinary registered shares the shareholder holds by the right of ownership, units	Portion of the authorised capital held, %	Portion of the votes attaching to the shares held by the right of ownership, %	Portion of votes held by the shareholder together with the persons acting in concert, %
The state, represented by the Ministry of Economy of the Republic of Lithuania 38/2 Gedimino St., LT-2600 Vilnius 8862191	140 711 469	96.51	96.51	----

9. Main characteristics of the shares issued for public trading

On 22 December 2001, the Securities Commission registered 150,743,012 ordinary registered shares of Lietuvos Elektrinė AB of one litas nominal value (Act No. AB-5018). The company's shares were issued for the formation of the authorised capital at the time of the company founding after reorganisation of the special purpose public company Lietuvos Energija in accordance with the company division method. The company was registered on 31 December 2001.

In 2003, the authorised capital of Lietuvos Elektrinė AB was reduced by LTL 4,942,323, i.e. by the value of the property transferred to Elektrėnai municipality when reducing the number of shares held by the state in Lietuvos Elektrinė AB. Amendments to the Articles of Association were registered on 9 May 2003.

10. Data about the shares offered for private placement

There were no private placements of shares.

11. Information about depositary receipts representing shares

No depositary receipts representing shares were issued.

12. Main characteristics of the debt securities issued for public trading

No debt securities were issued for public trading.

13. Data about the debt securities offered for private placement

No debt securities were offered for private placement.

14. Securities not representing capital, the trading of which is regulated by the Law on Securities Market, except debt securities

There were no issues of securities not representing capital, the trading of which is regulated by the Law on Securities Market.

III. DATA ABOUT THE SECONDARY TRADING IN THE ISSUER'S SECURITIES

15. Securities admitted to the trading lists of the stock exchanges

Securities of Lietuvos Elektrinė AB are on the Current List of the Vilnius Stock Exchange (hereinafter – VSE).

Table 15.1. Main characteristics of the shares of Lietuvos Elektrinė AB.

Type of shares	ISIN code	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000126351	145,800,689	1.00	145,800,689.00

16. Trading in the issuer's securities on the VSE and other organized markets

16.1. Traded on the VSE

Table 16.1.1. Trading in ordinary registered shares of Lietuvos Elektrinė AB on the central market of the VSE¹

Reporting period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	High est	Lowest	Last session	Highest	Low est	Last session		units	LTL
2003, 1 st quarter	0.70	0.53	0.60	19 931	-	713	31.03.2003	231 770	146 011
2003, 2 nd quarter	1.09	0.57	1.05	56 737	-	14 005	30.06.2003	669 502	569 368
2003, 3 rd quarter	1.52	0.96	1.35	52 878	-	2 750	30.09.2003	737 388	924 386
2003, 4 th quarter	1.50	1.24	1.46	25 460	-	-	31.12.2003	207 016	284 645
2004, 1 st quarter	2.22	1.50	2.15	73 373	18	7 166	31.03.2004	503 673	955 316
2004, 2 nd quarter	3.59	2.17	2.80	195 166	-	1 431	30.06.2004	463 689	1 242 270
2004, 3 rd quarter	3.35	2.68	3.30	344 154	-	10 117	30.09.2004	394 844	1 162 620
2004, 4 th quarter	4.81	3.18	4.80	159 420	-	15 283	31.12.2004	252 937	905 524

Table 16.1.2. Trading in ordinary registered shares of Lietuvos Elektrinė AB (negotiated deals)

Reporting period	Average price, LTL	Turnover	
		Units	LTL
2003, 1 st quarter	0.56	26 000	14 665
2003, 2 nd quarter	0.56	41 372	23 004
2003, 3 rd quarter	0.86	21 473	18 452
2003, 4 th quarter	1.09	6 283	6 839
2004, 1 st quarter	1,72	26 629	45 840
2004, 2 nd quarter	2.29	672	1 538
2004, 3 rd quarter	2.73	340	928
2004, 4 th quarter	3.27	2 102	6 880

16.2. Trading on other exchanges

Securities of Lietuvos Elektrinė AB are not traded on any other exchanges.

¹ According to the data of the VSE (www.lt.omxgroup.com)

16.3. Trading on other organised markets

Securities of Lietuvos Elektrinė AB are not traded on any other organised markets.

17. Capitalization of securities

Table 17.1. Capitalization of ordinary registered shares of Lietuvos Elektrinė AB²

Date of the last session	Capitalization (LTL)
31.03.2003	90 445 807
30.06.2003	153 090 723
30.09.2003	196 830 930
31.12.2003	212 896 006
31.03.2004	313 471 481
30.06.2004	408 241 929
30.09.2004	481 142 274
31.12.2004	699 843 307

18. Trading in the issuer's securities on the OTC market

As the securities issued by Lietuvos Elektrinė AB are admitted to the Current List of the Vilnius Stock Exchange, OTC trades are allowed only if settlement is made in kind (by donation, inheritance, exchange). Settlement in cash is possible only in the case of REPO trades.

Table 18.1. OTC transactions in securities of Lietuvos Elektrinė AB³

Reporting period	Settlement in cash					Settlement in kind	
	Price, LTL		Price, LTL	Amount, LTL	Number of transactions	Number of securities	Number of transactions
	Highest	Lowest					
2003, 1 st quarter	-	-	-	-	-	12 217	23
2003, 2 nd quarter	-	-	-	-	-	12 018	25
2003, 3 rd quarter	-	-	-	-	-	16 450 880	35
2003, 4 th quarter	-	-	-	-	-	8 653	15
2004, 1 st quarter	1.30	1.00	79 451	92 596	5	16 299	25
2004, 2 nd quarter	1.40	1.10	54 541	65 486	4	8 819	23
2004, 3 rd quarter	2.10	1.15	151 559	221 151	14	16 645	15
2004, 4 th quarter	3.33	1.27	115 639	206 491	11	3 355	13

19. Data about the issuer's buying up of own shares

During the reporting period no buying up of own shares was carried out by Lietuvos Elektrinė AB.

² According to the data of the VSE (www.lt.omxgroup.com)

³ According to the data of the VSE (www.lt.omxgroup.com)

20. Indication of a tender offer

No tender offer to acquire shares of the company was made during the reporting period. Neither did the issuer announce a tender offer to acquire securities issued by other entities.

21. The issuer's paying agents

Lietuvos Elektrinė AB signed agreements with the financial brokerage firm Finasta AB (23 Konstitucijos St., Vilnius, tel. (+370~5) 278 68 44, fax (+370~5) 210 24 74) concerning payment of dividends to the shareholders for the financial years 2002–2004.

22. Agreements with intermediaries of public trading in securities

Lietuvos Elektrinė AB signed agreements with the financial brokerage firm Finasta AB (23 Konstitucijos St., Vilnius) concerning management of securities accounting and payment of dividends to the shareholders for the financial years 2002–2004.

IV. DATA ABOUT THE ISSUER'S ACTIVITY

23. Legal basis for the issuer's activity

Main legal acts regulating the issuer's activities:

- Law on Companies of the Republic of Lithuania;
- Law on Securities Market of the Republic of Lithuania;
- Law on Electricity of the Republic of Lithuania;
- Other legal acts of the Republic of Lithuania;
- The Company's Articles of Association.

24. Membership in associated structures

Lietuvos Elektrinė AB is a member of the National Electric Energy Association. The Company participates in this organisation by right of membership; it pays a membership fee. Representatives of the company are not members of the managing bodies of this organisation and have no participation in its capital.

The Association is a voluntary organisation, representing and defending interests of electricity producers and suppliers, organisations and other associated energy structures as well as of individual entities acting in the sector of electricity production, transmission and energy construction. The Association organises seminars and meetings on urgent issues of the reorganisation of the energy sector.

25. Brief description of the issuer's history

Lietuvos Elektrinė AB was founded as a result of reorganisation of the special purpose public company Lietuvos Energija AB in accordance with the company division method. Prior to the reorganisation, Lietuvos Elektrinė AB was a branch of SP Lietuvos Energija AB. The newly founded company Lietuvos Elektrinė AB was registered with the Ministry of Economy of the Republic of Lithuania on 31 December 2001.

Building of the Lithuanian power plant began in July of 1960. The initial projected capacity of the power plant was 1200 MW to be generated by the projected 4 units, comprising steam boilers with a capacity of 500 t/h, turbines with a capacity of 150 MW and electric generators with a capacity of 150 MW and 2 units, comprising steam boilers with a capacity of 950 t/h, turbines with a capacity of 300 MW and electric generators with a capacity of 300MW. The first 150 MW capacity unit of the power plant was launched 28 months from the beginning of the construction, on 30 December 1962. The second unit of the power plant of the same capacity became operational on 4 November 1963; the third – on 12 September 1964, and the fourth – on 8 August 1965. The fifth and the sixth units of the power plant were of double capacity – 300 MW each. They were launched on 22 June 1967 and on 30 June 1968 respectively.

The construction of the power plant did not end with the targeted initial capacity reached. It was decided to build two more units of 300 MW capacity with the same type of equipment. The seventh unit with a capacity of 300 MW was launched on 29 December 1971 and the eighth unit of the same capacity became operational on 28 September 1972.

The power plant was finally built when a capacity of 1800 MW was attained. Alongside with the power plant, power lines of 110- 330 kV voltage and sub-stations of 330 kV voltage were built to transmit the electricity produced by the plant.

In 1973 the Lithuanian power plant generated 90 percent of all electricity produced in Lithuania. Since 1992 the power plant has mainly operated as an alternate capacity reserve in the energy system of Lithuania.

After decommissioning of Ignalina nuclear power plant in 2009, the Company will become the major supplier of electricity in Lithuania. As the energy units have to be prepared to start work in full capacity before the closure of the second power unit of Ignalina nuclear power plant, Lietuvos Elektrinė has to undergo modernisation: combustion product purification facilities, new burners, a modern system of management and control will be installed. The modernisation projects will be financed from the EU Ignalina NPP Decommissioning Support Fund (57 %) and from the State INPP Decommissioning Fund (10 %), the remaining part to be covered by Lietuvos Elektrinė itself. In June 2003, the company signed the agreement with the Swedish consulting firm *SwedPower* concerning preparation of tender documents for technical and environmental renovation project of Lietuvos Elektrinė AB.

26. Characteristics of production (services)

Lietuvos Elektrinė produces and sells electricity and thermal energy.

Table 26.1. General volume of sales in kind in 2002–2004

	Year 2002	Year 2003	Year 2004
Electricity sold, thousand kWh	656 218	645 192	664 337
Thermal energy produced, Gcal	156 161	152 599	162 882
Cold capacity reserve, MWh	8 590 056	8 297 527	7 423 148
Warm capacity reserve, MWh	761 414	412 809	685 018

Table 26.2. General volume of sales in terms of value in 2002–2004

Indicators	Year 2002		Year 2003		Year 2004	
	LTL thousand	%	LTL thousand	%	LTL thousand	%
Electricity	87 631	51.11	88 463	51.06	90 040	51.25
Thermal energy	8 921	5.20	8 575	4.95	9 225	5.25
Cold capacity reserve	68 430	39.91	69 723	40.25	69 949	39.82
Warm capacity reserve	6 474	3.78	6 477	3.74	6 457	3.68
Total	171 456	100.0	173 238	100.00	175 671	100.00

Table 26.3. Average prices 2002–2004

	Year 2002	Year 2003	Year 2004
Quota electricity LTL/kWh	0.1352	0.1352	0.1352
Warm capacity reserve LTL/MW	8.45	8.45	8.45
Cold capacity reserve LTL/MW	7.90	7.90	7.90
Thermal energy LTL/Gcal	56.64	56.64	56.64

Table 26.4. Ratios characterizing the issuer's activity.

	Year 2002	Year 2003	Year 2004
Profit margin	11.68%	10.50%	6.74%
Return on assets	7.91%	7.00	1.71%
Debt ratio	0.19	0.21	0.06
Debt-equity ratio	0.24	0.27	0.06
Current Ratio	2.92	2.80	4.65
Total assets turnover	0.68	0.65	0.16
Book value per share	LTL 1.36	1.44	LTL 7.16
Net profit per share	LTL 0.13	LTL 0.12	LTL 0.08

27. Sales markets

Table 27.1. Sales volume in 2002–2004

Consumer of the production	Unit of measurement	Year 2002	Year 2003	Year 2004
Total electricity	KWh, thousand	656 218	645 192	664 337
including:				
Lietuvos Energija AB	“	655 983	643 979	662 777
Other consumers	“	235	1 213	1 560
Total thermal energy	Ggcal	156 161	152 599	162 882
including:				
- Kietaviškių gausa AB	“	80 769	83 488	83 812
- Elektrėnai municipality	“	70 613	64 297	74 427
- other consumers	“	4 779	4 814	4 643

A year-long agreement was signed with Lietuvos Energija AB; long-term agreements signed with other consumers.

28. Procurement

Fixtures, consumables, repair and construction works and other services are procured in accordance with the Law on Public Procurement of the Republic of Lithuania under the simplified procurement procedure, approved by the Company's Board. Short term and one off agreements have been signed.

The main supplier of fuel for production purposes is Lietuvos Dujos AB. The procurement is based on one-year long term agreement; the price has been also set for one year, the same as in previous years. Therefore, the electricity and the price of thermal energy will depend on the main component, i.e. the fuel price. The Company buys another type of fuel, orimulsion, from the Venezuelan company Bitor Europe under the grounds of a long term (until 2012) fuel procurement agreement.

29. Immovable property and other main facilities

Lietuvos Elektrinė AB is located in Elektrėnai, Vilnius county, Elektrėnai municipality (at 21 Elektrinės St.), within a distance of 40–50 km from Vilnius and Kaunas. A highway Vilnius–Klaipėda is 2 km North of the power plant. A ten-kilometers' long spur track connects the plant with Kaugonys railway station.

Lietuvos Elektrinė was built inbetween 1960-1972 in the Elektrėnai industrial area. Currently no other major industrial enterprises are located in this territory.

The land lot is leased under the Lease Agreement No. 268 of 13 October 1995, leasing the state land for the purposes other than agriculture.

Table 29.1. Main buildings and constructions as of 31 December 2004

Name	Functional purpose	Year of building	Status	Initial value, LTL thousand	Carrying value, LTL thousand
Main building	The building housing all power units	1962	Very good	45 192	144 670

Table 29.2. Construction in progress as of 31 December 2004

Name of the project	Functional purpose	Beginning/end of construction	Project value (LTL, thousand)	Construction in progress (LTL, thousand)
Construction of desulphurisation filter	Purification of fume from sulphur	2003 – 2005	EUR 13.6 million	EUR 12.9 million

30. Risk factors related to issuer's activity

Lietuvos Elektrinė AB is an enterprise producing electricity. Its potential competitors are other enterprises producing electricity.

Lietuvos Elektrinė AB is functioning in the energy sector. Production and sales of electricity in Lithuania are subject to more stringent regulations of the state than any other branch of economy. The order of production and sales of electricity in Lithuania is regulated by the Law on Electricity of the Republic of Lithuania as of 20 July 2000 (No. VIII-1881). Frequent amendments to laws and other legal acts regulating enterprise activities produce a negative impact on the operation of Lietuvos Elektrinė AB, the same as on that of other companies.

The state regulates electricity prices. The Government's practice to solve social problems by fixing too low energy prices for consumers also has a negative effect. The state, represented by the Ministry of Economy, holds 96.51 percent of the company's capital by the right of ownership, therefore the state representatives are in a position to easily control management of the company. Trade unions and professional organisations operate within the power plant; the Collective Agreement ensures the employees a variety of social guarantees.

Main buildings and energy units are technically in order. One of the power units contains a modern computerised management system. Starting from 1992, it was mostly one power unit that was operated at a minimum capacity. However, the power plant had to maintain equipment in good order in order to be able to launch the power plant to its full capacity at any moment. **After decommissioning of the first power unit of Ignalina nuclear power plant**, the targeted increase in the production of electricity in Lietuvos Elektrinė is up to 4 billion kWh per year, starting with the year 2005. Such a volume of electricity can be produced by three units with a capacity of 300 MW, as their efficiency is higher. Later the production will grow to embrace all units of the plant, generating an aggregate amount of up to 10 billion kWh per year. **The main parameters of the Lithuanian power plant correspond to the parameters of modern power plants.** The efficiency of the power plant may be further increased by 2–3 percent with a help of cheap measures by way of modernization of certain parts of the basic or supporting equipment. This type of work is performed every year. During the last 10 years LTL 500 million were spent on modernisation.

Table 30.1. Pollutants emitted into the atmosphere

Pollutants		Emissions		
Type of pollutant	code	From 1 January 2004 to 31 December 2004		
		One-off amount		Annual, t/m
		unit	DLT	
Sulphur dioxide (A)	1753	mg/Nm ³	1 700	3 203.120
Nitrogen oxides (A)	250	mg/Nm ³	450	683.392
Carbon monoxide (A)	177	mg/Nm ³	300	101.997
Solid particles (A)	6493	mg/Nm ³	100	3.591
including V ₂ O ₅ (A)	2023	mg/Nm ³	-	2.211
Total according to the type of activity:				3 994.311

The year 2004 for Lietuvos Elektrinė AB was the year of tremendous changes and challenges. With the accession into the EU we accepted new environmental obligations. One of the first prohibitions, which came into effect as from 1 January 2004, was the prohibition to burn liquid fuel that contains sulphur in excess of 1 %, unless the SO₂ concentration in the fume is below 1700 mg/Nm³. Therefore, our plant reduced the consumption of liquid fuel to stay within the required 1700 mg/Nm³.

In order to reduce the hazardous effect of pollution from industrial entities and avoid their transfer from one stratum of the environment to another, Lietuvos Elektrinė has prepared an application for a permit in accordance with the requirements of Council Directive 96/61/EC concerning integrated pollution prevention and control. In the application an integrated system of pollution prevention and control, covering emissions into air, water or soil, as well as waste management, is clearly stated.

At the end of 2004 mounting of equipment for fume purification from SO₂ and solid particles was completed and at the beginning of 2005 its testing began in boiler K-8B.

Lietuvos Elektrinė systematically monitors discharges into the river Strėva; the inventory of the major emissions and sources responsible for water pollution with dangerous substances has been made. Monitoring programmes of the use and hazardous waste discharge in oil product tanks and in the production process of thermal energy are prepared. Much has been done in waste reduction and management. The plan for termination of waste treatment operations has been prepared and approved.

Due to the decommissioning of Ignalina nuclear power plant, in the future power units of the Lithuanian power plant are anticipated to work in full capacity. The planned fuels are gas, fuel oil and, to the largest extent, a cheap type of fuel, orimulsion, which contains up to 3% of sulphur. Pursuant to the provisions of the EU Directive 2001/80/EC, as from 1 January 2008 the existing combustion plants shall be subject to a reduced limit value for SO₂ emissions of 400 mg/Nm³, while new plants or those changing the type of fuel shall be subject to a limit value of 200 mg/Nm³. The limit value for solid particles is reduced to 30 mg/Nm³. To meet these requirements it is necessary to mount fume purification equipment and modernize unit control systems and other equipment.

Environmental projects include building desulphurisation equipment and solid particle filters as well as installation of burners of low nitrogen oxide output.

Construction of desulphurisation equipment and solid particle filters is projected for boilers 1, 2, 5A, 5B, 6A, 6B, 7A, 7B, and 8A. The construction work will begin in July 2005. The work will begin with K-7 and will be continued with K-6, K-5, K-8A, K-1 and K2. The work on each following unit will begin in three months. The projected time for the work on one unit is about 20 months. Completion of construction works in all units is planned for March 2008.

Installation of burners of low nitrogen oxide output is projected for boilers 1, 2, 5A, 5B, 7A, 7B, 8A and 8B. Such burners have already been installed in boilers 6A and 6B, only they have to be adjusted for burning orimulsion. The work should last for about three months. The reconstruction of burners in each boiler will be completed in 5 months, devoting two months for testing. Burner control and ignition as well as explosion prevention devices for all three types of fuel will be fully automated. Implementation of the projects will ensure reliable operation of Lietuvos Elektrinė AB burning three types of fuel in compliance with the environmental requirements.

Payment of bank loans

Table 30.2. Payment of bank loans (loan status, credit line)

Financial debts to credit institutions	Within one financial year	After one year, but not later than within five years	After five years	Total
Bank Nord/LB Lietuva AB			12 999 792	12 999 792
Bank Hansabankas AB	3 000 000	11 657 198		14 657 198
	3 000 000	11 657 198	12 999 792	27 656 990

The crediting agreement was signed with the bank Norld/LB Lietuva AB, under which Lietuvos Elektrinė AB was extended a credit of EUR 3 765 000. The credit maturity date is 2010-2013. The floating interest rate is applied: LIBOR of twelve months plus 0.84 %. Under this Agreement the Company has pledged the current and future funds in the accounts held with this Bank and a part of fuel stock, for the amount of LTL 16 242 618.

Under the overdraft agreement, signed with the bank Hansabankas AB, the company was extended a credit limit of LTL 28 000 000, of which LTL 14 657 198 was absorbed by 31 December 2004. The maturity date of the overdraft is 2005-2009. A fixed interest rate of 4.35% was applied until 16 May 2005; from 16 May 2005 a floating interest rate is applied: VILIBOR of six months plus 1.55%. Under this Agreement, the Company has pledged current and future funds in certain accounts with this Bank.

Notes of the audit firm, Deloitte & Touche UAB, that conducted the audit of the Company's financial statements of 2004:

- No audit firm was chosen to conduct the audit of the Balance Sheet of 31 December 2003, the adjustments of which, if made, might have a material effect on the profit (loss) and cash flows of 2004, and, therefore, we cannot and do not give our opinion on the Income Statement, the Cash Flow Statement and the Statement of Changes in Equity of 2004.
- On 31 December 2002 the Company revaluated its long term assets and on 1 January 2004 it reduced the revaluation reserve by a loss of LTL 10 022. In the auditors' opinion, the Lithuanian Business Accounting Standards provide that a loss due to the reduced value of the asset must be accounted in the Income Statement for the reporting period concerned. If the loss referred had been shown in the Income Statement of 2004, then, on 31 December 2004, the Company's revaluation reserve would increase, and the operating result would decrease by LTL 10 022 thousand.
- On 31 December 2004 the Company did not evaluate and account the liability of the financial derivative transactions. In the auditors' opinion, the Lithuanian Business Accounting Standards provide that such liabilities must be accounted and reported. If the loss of LTL 6 980 thousand due to financial derivative transactions had been accounted in the Income Statement, on 31 December 2004 the Company's liabilities would increase, and the operating result would decrease by LTL 6 980 thousand.
- In 2004 the Company reported LTL 2 273 thousand of the main building renovation costs, incurred before 31 December 2002, in the value of long term assets of 2004. In the auditors' opinion, these costs had to be accounted in the Income Statement, as from 1 January 2004 the Company conducted accounting of long term assets at the revaluated value, and the revaluation was performed on the basis of the data of 31 December 2002. It means that the value of the reconstruction was already included into the revaluated value of the main building. If the Company accounted these costs in the Income Statement, on 31 December 2004 the Company's long term assets and the operating result of 2004 would decrease by LTL 2 273 thousand.

- On 31 December 2004 the Company did not accrue LTL 935 thousand of costs for the not used employee holiday payments. The Lithuanian Business Accounting Standards provide that such costs must be shown in the period they are incurred. If the Company accrued such costs, its liabilities would increase, while the equity as shown on 31 December 2004 and the profit of 2004 would decrease by LTL 935 thousand.
- During 2004 the Company incurred expenses of LTL 1 626 thousand, that were accounted by reducing the shareholders' equity. The Lithuanian Business Accounting Standards provide that a company must show all costs incurred during the reporting period in the Income Statement of the period. If these costs were accounted for in 2004, the profit of the year 2004 would decrease by LTL 1 626 thousand.

31. Halts or reductions of production that have exercised or are exercising material impact on the results of the issuer during the last two financial years

During the reporting period no instances of complete halt of production took place.

32. Patents, licenses, contracts

Operations of Lietuvos Elektrinė AB are licensed (production of electricity and thermal energy).

33. Court (arbitration) proceedings

During the reporting period, no court (arbitration) proceedings likely to have had or to have a material effect on the financial position of Lietuvos Elektrinė AB took place.

34. Staff.

Table 34.1. Enrollment list of the employees, 2002–2004 (as of 31 December)

	2002	2003	2004
Number of employees	836	818	791
Managers	4	4	4
Specialists	197	216	216
Workers	635	598	571

Table 34.2. Average monthly salary by employee groups, 2002–2004.

Employee groups	Average remuneration 2002 (LTL)	Average remuneration 2003 (LTL)	Average remuneration 2004 (LTL)
Managers	7 001	9 380	10 841
Specialists	1 918	1 946	2 079
Workers	1 444	1 561	1 669
Total:	1 583	1 705	1 830

Table 34.3. Breakdown of the staff by education, 2002–2004.

Number of employees with:	2002	2003	2004
higher education	186	203	183
vocational education	190	188	167
secondary education	384	363	344
incomplete secondary	76	64	55

35. Investment policy

Lietuvos Elektrinė AB has not invested more than 30 percent of its authorised capital into any enterprise, nor are there any enterprises in the authorised capital of which the issuer's part comprises more than 30 percent.

Table 35.1. Investment absorption in 2004, LTL thousand

No	Project description	PLANNED FOR 2004	USED IN 2004
I. On-going projects			
1.1.	Surge suppressors	450	385
1.2.	Units 5-8. Replacement of 6 kV oil switches by vacuum switches; replacement of protectors by digital protectors	1 085	984
1.3.	Units 1-8: Replacement of 0.4 kV dispenser equipment	724	419
1.4.	Units 1,2, 5-8. Replacement of direct current panels	37	323
1.5.	Renovation of electric section of traveller No.2 in the machinery room	331	331
1.6.	Refurbishment of the main building	1 200	687
1.7.	Upgrading of computer and local network equipment	100	142
1.8.	Computerisation of measurement of levels in fuel oil tanks and accounting of fuel oil	60	-
1.9.	Equipment not requiring installation	1 000	981
1.10.	Preparation of documents to the EU institutions (agreements with AIE, LEI)	53	136
1.11.	Unit 8. Fume purification (desulphurisation equipment and solid particle filter)	18 782	16 039
1.12.	Feasibility study of environmental and technological projects	1 467	620
	including: From the Swedish Government Fund: Total SEK 5 142 784 + SEK 400 000	771	195
	Payments to <i>SwedPower</i> by LE: SEK 2,950,000 + SEK 362,000 SEK; Work and services of the LE staff: SEK 1,700,000 + SEK 717 000	441 255	111 314
1.14.	Preparation of the ash pit for the desulphurised waste for K-8B	500	25
1.15.	Building of a new crude oil tank of 5000 m ³ capacity	300	1 222
1.16.	Explosion prevention equipment in boiler K-7		77
1.17.	Electrolizer		1 206
1.18.	Replacement of the inner body of TMS-5	500	
1.19.	Installation of pipes of a larger diameter for thermal network in 300 MW unit.	1 000	
1.20.	Installation of the orimulsion heater in the second fuel oil pumphouse	150	
1.21.	Replacement of one turbopump (TMS-6) by a new one	150	
II. NEW PROJECTS		612	
2.1.	Implementation of environmental and upgrading projects (main funding from Ignalina NP decommissioning fund)	10 845	
TOTAL: I AND II		39 346	23577

The objective of the measures to be implemented in 2005 is to launch environmental and related technical projects, financed from the EU Ignalina NPP Decommissioning Support Fund, from the State INPP Decommissioning Fund and from the funds of Lietuvos Elektrinė AB.

IMPLEMENTATION OF ENVIRONMENTAL AND RELATED TECHNICAL PROJECTS (MAIN FINANCING FROM IGNALINA NPP DECOMMISSIONING SUPPORT FUND)

Due to the decommissioning of Ignalina nuclear power plant, in the future power units of the Lithuanian power plant are anticipated to work in full capacity. The planned fuels are gas, fuel oil and, to the largest extent, a cheap type of fuel, orimulsion, which contains up to 3% of sulphur. Pursuant to the provisions of the EU Directive 2001/80/EC, as from 1 January 2008 the existing combustion plants shall be subject to a reduced limit value for SO₂ emissions of 400 mg/Nm³, while new plants or those changing the type of fuel shall be subject to a limit value of 200 mg/Nm³. The limit value for solid particles is reduced to 30 mg/Nm³. To meet these requirements it is necessary to mount fume purification equipment and modernize unit control systems and other facilities.

Lietuvos derybininkai, These projects will be financed from the EU Ignalina NPP Decommissioning Support Fund (57 %), from the State INPP Decommissioning Fund (10 %), the remaining part will constitute the Company's means and borrowed funds. In 2005, the company is planning to borrow up to EUR 49 million for the implementation of these projects. Total value of the projects amounts to about EUR 243 million.

In the accession negotiations it was agreed that implementation of environmental and renovation projects at the Lithuanian power plant would be financed from the international Ignalina NPP Decommissioning Support Fund (57 %) and from the State INPP Decommissioning Fund (10 %), while the Company itself will cover the remaining part itself.

The following environmental and modernisation projects are projected:

- Construction of desulphurisation equipment and solid particle filters is projected in boilers 1, 2, 5A, 5B, 6A, 6B, 7A, 7B, and 8A. (It is projected to use wet limestone scrubber technology for fume purification)
- Installation of burners of low nitrogen oxide output is projected for boilers 1, 2, 5A, 5B, 7A, 7B, 8A, and 8B.
- Modernization of regenerative air heaters for boilers 5A, 5B, 6A, 6B, 7A, 7B, 8A and 8B.
- Modernization of control system in units 5, 7 and 8.

Tender documents for these projects have already been prepared. They will be implemented in accordance with the requirements of the EU and the European Bank for Reconstruction and Development. Tenders have already been announced. Implementation of the projects at the Lithuanian power plant will allow burning the three types of fuel in compliance with the requirements of environmental protection.

Replacement of generator 5 by a new one.

The working reserve of the generator in energy unit 5 is running out, which reduces its reliability. Therefore it is advisable to replace it.

Other measures of a smaller scope

The Investment Plan contains other measures of a smaller scope, which are not described in the Explanatory Notes in more detail.

36. Competitors

Currently the main and only competitor on electricity sales market is Ignalina nuclear power plant.

37. Dividends paid

On 25 April 2003, the AGM of shareholders of Lietuvos Elektrinė AB was held, which motioned to allocate LTL 8.026 million for payment of dividends (5.3 cents per share).

The AGM held on 28 April 2004 decided to allocate LTL 7.276 million for payment of dividends (4.99 cents per share).

The AGM of Lietuvos Elektrinė AB shareholders of 26 April 2005 passed a resolution to pay dividend for the total amount of LTL 4 735 674 for payment of dividends (3.25 cents per share).

V. FINANCIAL STATUS

38. Financial statements

Balance Sheet, LTL

No.	ASSETS	31.12.2003	31.12.2002
A	LONG TERM ASSETS	201 806 696	181 008 011
I.	FORMATION COSTS		
II.	INTANGIBLE ASSETS	2 447 231	130 997
III.	PROPERTY, PLANT AND EQUIPMENT	197 815 545	179 228 041
III.1.	Land		
III.2.	Buildings	55 392 971	61 729 797
III.3.	Plant and machinery	91 275 236	84 905 437
III.4.	Vehicles	640 230	652 129
III.5.	Other fixtures, fittings, tools and equipment	7 850 928	3 666 045
III.6.	Leasing and similar rights		
III.7.	Other fixed assets	2 292 255	3 911 282
III.8.	Non-operational fixed assets		
III.9.	Construction in progress and prepayments	40 363 925	24 363 351
IV.	FINANCIAL LONG TERM ASSETS		
V	AMOUNTS RECEIVABLE AFTER ONE YEAR	1 543 920	1 648 973
B	CURRENT ASSETS	64 072 678	72 790 468
I	INVENTORIES AND CONTRACTS IN PROGRESS	35 284 135	33 088 562
I.1.	Inventories	35 284 135	33 088 562
I.1.1.	Raw materials and consumables	34 988 093	31 988 523
I.1.2.	Work in progress		73 102
I.1.3.	Finished products		
I.1.4.	Goods purchased for resale	71 500	71 500
I.1.5.	Immovable property intended for resale		
I.1.6.	Prepayments	224 542	955 437
I.2.	Contracts in progress		
II	AMOUNTS RECEIVABLE WITHIN ONE YEAR	25 056 066	19 227 836
II.1.	Trade debtors	21 777 998	18 132 865
II.2.	Other amounts receivable	3 278 068	1 094 971
III.	INVESTMENTS AND TERM DEPOSITS	2 895 840	4 942 323
III.1.	Own shares		4 942 323
III.2.	Other investments and term deposits	2 895 840	
IV.	CASH AT BANK AND IN HAND	836 637	15 531 747
C	ACCRUED INCOME AND DEFERRED CHARGES	34 381	129 608
	TOTAL ASSETS	265 913 755	253 928 087

(continued on the following page)

continued

NO.	OWNER'S EQUITY AND LIABILITIES	31.12.2003	31.12.2002
A	CAPITAL AND RESERVES	210 029 766	205 577 638
I.	CAPITAL	145 800 689	150 743 012
I.1.	Subscribed capital	145 800 689	150 743 012
I.2.	Uncalled capital		
II.	SHARE PREMIUM ACCOUNT		
III.	REVALUATION RESERVE	289 962	289 962
IV.	RESERVES	45 788 620	34 479 428
IV.1.	Legal reserve	6 001 094	4 997 832
IV.2.	Reserves not available for distribution	38 734 378	28 359 499
IV.3.	Reserves available for distribution	1 053 148	1 122 097
V.	PROFIT (LOSS) BROUGHT FORWARD	18 150 495	20 065 236
V.1.	Profit (loss) of the current year	18 150 495	20 065 236
V.2.	Profit (loss) of the previous year		
B	FINANCING (GRANTS AND SUBSIDIES)	3 611 638	3 736 177
C	PROVISIONS FOR LIABILITIES AND CHARGES		
D	AMOUNTS PAYABLE AND LIABILITIES	51 932 785	44 428 781
I.	AMOUNTS PAYABLE AFTER ONE YEAR AND LONG TERM LIABILITIES	29 382 985	19 661 544
I.1.	Financial debts	29 382 985	19 661 544
I.1.4.	Financial debts to credit institutions	29 382 985	19 661 544
I.2.	Trade creditors		
I.3.	Prepayments received on contracts in progress		
I.4.	Other amounts payable and long term liabilities		
II.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT TERM LIABILITIES	22 549 800	24 767 237
II.1.	Short term portion of long term debts	1 922 568	6 451 810
II.2.	Financial debts		
II.3.	Trade creditors	15 559 112	13 214 758
II.3.1	Debts to suppliers	15 559 112	13 214 758
II.4.	Prepayments received on contracts in progress	13 795	49 183
II.5.	Taxes, remuneration, and social security payable	3 423 591	3 980 890
II.5.1.	Taxes	2 844 087	3 216 381
II.5.2.	Remuneration	211	243 266
II.5.3.	Social security payable	579 293	521 243
II.6.	Other amounts payable and short term liabilities	1 630 734	1 070 596
E	ACCRUED CHARGES AND DEFERRED INCOME	339 566	185 491
	TOTAL OWNER'S EQUITY AND LIABILITIES	265 913 755	253 928 087

Balance Sheet prepared according to the Lithuanian Business Accounting Standards (BAS), LTL

	ASSETS	31.12.2004	31.12.2003 (unaudited)
A.	LONG TERM ASSETS		
I.	INTANGIBLE ASSETS		
I.1.	Software	138 385	196 296
I.2.	Other intangible assets	562 733	2 250 935
		701 118	2 447 231
II.	PROPERTY, PLANT AND EQUIPMENT		
II.1.	Land and buildings	175 032 646	55 392 971
II.2.	Plant and machinery	736 339 415	91 275 236
II.3.	Vehicles	842 297	640 230
II.4.	Other fixtures, fittings, tools and equipment	72 451 225	7 850 928
II.5.	Construction in progress	48 303 598	40 363 925
II.6.	Other fixed assets		2 292 255
		1 032 969 181	197 815 545
III.	FINANCIAL ASSETS		
III.1.	Amounts receivable after one year	1 413 821	1 543 920
		1 413 821	1 543 920
	TOTAL LONG TERM ASSETS	1 035 084 120	201 806 696
B.	CURRENT ASSETS		
I.	INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS		
I.1.	Inventories	34 177 494	35 059 593
I.1.1.	Raw materials and consumables	34 177 494	34 988 093
I.1.2.	Goods purchased for resale		71 500
I.2.	Prepayments	823 924	224 542
		35 001 418	35 284 135
II.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		
II.1.	Trade debtors	21 567 047	21 777 998
II.2.	Other amounts receivable	2 260 321	3 278 068
		23 827 368	25 056 066
III.	OTHER CURRENT ASSETS		
III.1.	Term deposits	21 000 000	2 895 840
III.2.	Other current assets		34 381
		21 000 000	2 930 221
IV.	CASH AND CASH EQUIVALENTS	2 282 933	836 637
	TOTAL CURRENT ASSETS	82 111 719	64 107 059
	TOTAL ASSETS	1 117 195 839	265 913 755

(to be continued on the next page)

Continued

	OWN CAPITAL AND LIABILITIES	31.12.2004	31.12.2003 (unaudited)
C.	OWN CAPITAL		
I.	CAPITAL		
I.1.	Authorised (Subscribed) capital	145 800 689	145 800 689
II.	REVALUATION RESERVE (RESULTS)	839 075 748	289 962
III.	RESERVES		
III.1.	Legal reserve	6 910 546	6 001 094
III.2.	Other reserves	48 126 760	39 787 526
		55 037 306	45 788 620
IV.	PROFIT BROUGHT FORWARD		
IV.1.	Profit of the current year	11 839 185	18 150 495
IV.2.	Profit of the previous year		
		11 839 185	18 150 495
	TOTAL OWN CAPITAL	1 051 752 928	210 029 766
D.	GRANTS AND SUBSIDIES	23 133 021	3 611 638
E.	AMOUNTS PAYABLE AND LIABILITIES		
I.	AMOUNTS PAYABLE WITHIN ONE YEAR AND LONG TERM LIABILITIES		
I.1.	Financial debts	24 656 990	29 382 985
I.1.1.	Financial debts to credit institutions	24 656 990	29 382 985
		24 656 990	29 382 985
II.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT TERM LIABILITIES		
II.1.	Current portion of long term debts	3 000 000	1 922 568
II.2.	Debts to suppliers	11 334 268	15 559 112
II.3.	Prepayments received	56 715	13 795
II.4.	Taxes, remuneration, and social security payable	1 296 436	3 423 591
II.5.	Other amounts payable and short term liabilities	1 965 481	1 970 300
		17 652 900	22 889 366
	TOTAL AMOUNTS PAYABLE AND LIABILITIES	42 309 890	52 272 351
	TOTAL OWN CAPITAL AND LIABILITIES	1 117 195 839	265 913 755

Income Statement, LTL

NO	ITEMS	YEAR 2003	YEAR 2002
I.	SALES AND SERVICES	173 237 601	171 846 917
I.1.	Income from sales	164 662 972	171 456 363
I.2.	Income from services rendered	8 574 629	390 554
II.	COSTS OF GOODS SOLD AND WORK PERFORMED	143 963 502	145 438 453
II.1.	Raw materials, consumables and goods for resale	107 675 432	114 849 726
II.2.	Services, work and research	36 288 070	30 588 727
III.	GROSS PROFIT (LOSS)	29 274 099	26 408 464
IV.	OPERATING EXPENDITURE	9 151 025	8 593 736
IV.1.	Sales	4 703 548	4 401 055
IV.2.	General and administrative	4 447 477	4 192 681
V.	OPERATING PROFIT (LOSS)	20 123 074	17 814 728
VI.	OTHER ACTIVITIES	580 411	133 917
VI.1.	Income	3 253 025	3 386 318
VI.2.	Expenditure	2 672 614	3 252 401
VII.	FINANCIAL AND INVESTMENT ACTIVITIES	922 601	3 245 000
VII.1.	Income	2 839 251	6 133 631
VII.2.	Expenditure	1 916 650	2 888 631
VIII.	PROFIT (LOSS) FROM ORDINARY ACTIVITIES	21 626 086	21 193 645
IX.	EXTRAORDINARY GAIN	87 756	1 328 841
X.	EXTRAORDINARY LOSS	266 501	22 972
XI.	PROFIT (LOSS) BEFORE TAXES	21 447 341	22 499 514
XII.	INCOME TAX	3 258 308	2 434 278
XIII.	NET PROFIT (LOSS) FOR APPROPRIATION	18 189 033	20 065 236

Income Statement prepared in accordance with the Lithuanian Business Standards, LTL

		YEAR 2004	2003 (UNAUDITED)
I.	Income from Sales	175 670 559	173 237 601
II.	Costs of Sales	(148 848 327)	(143 963 502)
III.	GROSS PROFIT	26 822 232	29 274 099
IV.	Operating Costs	(10 417 924)	(9 151 025)
V.	OPERATING PROFIT	16 404 308	20 123 074
VI.	OTHER ACTIVITIES	856 514	580 411
VI.1.	Income	3 178 145	3 253 025
VI.2.	Expenditure	(2 321 631)	(2 672 614)
VII.	FINANCIAL AND INVESTMENT ACTIVITIES	(2 927 864)	922 601
VII.1.	Income	345 379	2 839 251
VII.2.	Expenditure	(3 273 243)	(1 916 650)
VIII.	PROFIT FROM ORDINARY ACTIVITIES	14 332 958	21 626 086
IX.	EXTRAORDINARY GAIN		87 756
X.	EXTRAORDINARY LOSS		(266 501)
XI.	PROFIT BEFORE TAXES	14 332 958	21 447 341
XII.	PROFIT TAX	(2 493 773)	(3 258 308)
XIII.	NET PROFIT	11 839 185	18 189 033

Statement of Changes in Equity, LTL

	Paid up authorised capital	Revaluation reserve of long term fixed assets	Legal reserve	Other reserves	Profit before appropriation	Total
BALANCE AS OF 31 DECEMBER 2002 (UNAUDITED)	150 743 012	289 962	4 997 832	29 481 596	20 065 236	205 577 638
Net profit of the reporting period					18 189 033	18 189 033
Dividend					(8 026 094)	(8 026 094)
Other payments					(661 000)	(661 000)
Other payments					(107 488)	(107 488)
Reserves used				(68 950)	68 950	
Legal reserve made			1 003 262		(1 003 262)	
Other reserves made				10 374 880	(10 374 880)	
Increase/decrease of the authorised capital	(4 942 323)					(4 942 323)
BALANCE AS OF 31 DECEMBER 2003 (UNAUDITED)	145 800 689	289 962	6 001 094	39 787 526	18 150 495	210 029 766
Increase of the value of long term fixed assets		838 785 786				838 785 786
Net profit of the reporting period					11 839 185	11 839 185
Dividend					(7 275 614)	(7 275 614)
Reserves made				9 342 969	(9 342 969)	
Legal reserve made			909 452		(909 452)	
Reserves used				(1 003 735)	(622 460)	(1 626 195)
BALANCE AS OF 31 DECEMBER 2004	145 800 689	839 075 748	6 910 546	48 126 760	11 839 185	1 051 752 928

Cash Flow Statement, LTL

No	ITEMS	YEAR 2003	YEAR 2002
I.	CASH FLOW FROM OPERATING ACTIVITIES		
I.1.	Net profit (loss)	18 189 033	2 499 514
I.2.	Depreciation and amortisation costs	16 645 682	17 156 161
I.3.	Negative (positive) influence of changes in exchange rate of foreign currency	(1 550 302)	4 969 035
I.4.	Loss on sale of fixed assets (gain)	17 589	1 182
I.5.	Decrease (increase) in trade receivables	3 645 135	(2 159 267)
I.6.	Decrease (increase) in trade payables	2 344 345	(3 013 681)
I.7.	Decrease (increase) in other borrowings	(561 335)	440 953
I.8.	Decrease (increase) in amounts payable to Government and authorities	(557 299)	(777 569)
I.9.	Decrease (increase) in prepayments	(730 895)	(4 146 172)
I.10.	Profit (loss) from financial and investment activities	(627 701)	3 245 000
	Cash flows from operating activities (+/-)	36 814 261	38 215 156
II.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.1.	Sales (purchase) of fixed assets	(38 215 731)	(13 680 814)
II.2.	Acquisition (disposal) of financial assets	(2 895 840)	12 740 310
	Net cash flow from investment activities (+/-)	(41 111 571)	(940 504)
III.	CASH FLOWS FROM FINANCIAL ACTIVITIES		
III.1.	Proceeds from ordinary and preference shares		
III.2.	Purchase of own shares (-)		(4 942 323)
III.3.	Proceeds from issue of bonds		
III.4.	Payments of leasing commitments (-)		
III.5.	Increase (decrease) in bank loans	(2 839 274)	(19 738 043)
III.6.	Other enterprises:	432 900	(331 249)
III.6.1.	Increase (decrease) in amounts payable	432 900	(331 249)
III.6.2.	Increase (decrease) in amounts receivable		
III.7.	Dividend paid (-)	(7 115 516)	
III.8.	Other amounts received (paid)		
	Net cash flow from financial activities (+/-)	(9 521 890)	(25 011 615)
IV.	CASH FLOWS FROM EXTRAORDINARY ACTIVITIES		
IV.1.	Increase (decrease) of cash flows from extraordinary activities	(875 910)	961 627
	Net cash flow from extraordinary activities (+/-)	(875 910)	961 627
V.	INCREASE OF NET CASH FLOW		13 224 304
	(DECREASE)	(14 695 110)	
VI.	CASH AT THE BEGINNING OF THE PERIOD	15 531 747	2 307 083
VII.	CASH AT THE END OF THE PERIOD	836 637	15 531 747

Cash Flow Statement according to the Lithuanian Business Standards, LTL

		2004	2003 (UNAUDITED)
I.	Cash flows from operating activities		
I.1.	Net profit	11 839 185	18 189 033
I.2.	Depreciation and amortisation costs	27 214 622	16 645 682
I.3.	Provisions for inventories with a long life cycle	22 258	
I.4.	Decrease (increase) in amounts receivable after one year		(1 502 302)
I.5.	Decrease (increase) in inventory	859 841	2 195 573
I.6.	Decrease (increase) in prepaymentss	2 205 861	(730 895)
I.7.	Decrease (increase) in trade receivables	210 951	3 645 133
I.8.	Decrease (increase) in other amounts receivable	1 017 747	2 183 097
I.9.	Decrease (increase) in other current assets	34 381	
I.10.	Subsidies	19 895 000	
I.11.	Increase (decrease) in current payables to suppliers and prepayments	(6 690 806)	(3 618 024)
I.12.	Increase (decrease) in profit tax liability	(2 805 243)	1 192 481
I.13.	Increase (decrease) in liabilities connected with labour relations	(3 753 350)	(118 121)
I.14.	Increase (decrease) in other amounts payable and liabilities	(38 502)	(344 795)
I.15.	Elimination of financial and investment activity results	2 927 864	(922 601)
I.16.	Nuostoliai iš ilgalaikio turto perleidimo, nurašymo	1 849 469	
	<u>Net cash flows from operating activities</u>	54 789 278	36 814 261
II.	Cash flows from investment activities		
II.1.	Acquisition of long term assets (excluding investments	(23 766 260)	(38 215 731)
II.2.	Transfer of long term assets (excluding investments)	454 049	
II.3.	Net acquisition of long term investments	(18 104 160)	(2 895 840)
II.4.	Loans recovered	130 099	
II.5.	Interest received	134 274	
	<u>Net cash flows from investment activities</u>	(41 151 998)	(41 111 571)
III.	Cash flows from financial activities		
III.1.	Loans received	14 657 198	
III.2.	Loans repaid	(18 305 761)	(2 839 274)
III.3.	Interest paid	(1 165 135)	
III.4.	Dividends paid	(7 241 931)	(7 115 516)
III.5.	Other increase in cash flows from financial activities	211 105	432 900
III.6.	Other decrease in cash flows from financial activities	(346 460)	
	<u>Net cash flows from financial activities</u>	(12 190 984)	(9 521 890)
IV.	CASH FLOWS FROM EXTRAORDINARY ITEMS		(875 910)
V.	Net increase (decrease) in cash flows	1 446 296	(14 695 110)
VI.	Cash and cash equivalents at the beginning of period	836 637	836 637
VII.	Cash and cash equivalents at the end of period	2 282 933	15 531 747

39. Comments on the financial statements

Explanatory Notes to the financial statements of Lietuvos Elektrinė AB is attached to the Annual Prospectus – Report as Annex 1.

40. Activity Report prepared by the issuer's Board or any other managing body performing its functions

The Activity Report of Lietuvos Elektrinė AB is attached to the Annual Prospectus – Report as Annex 2.

41. Information about the audit

The audit of the Balance Sheet as of 31 December 2004 and the Income Statement of the year then ended, Statement of Changes in Equity and Cash Flow Statement of Lietuvos Elektrinė AB and the Company's Activity Report of 2004 was performed by the audit firm Deloitte & Touche UAB.

Information about the audit firm

Address	2 Aludarių St., LT-01113 Vilnius
Code	1115 25235
Telephone	(8~5) 349 74 25
Fax	(8~5) 212 68 44
Internet website	www.deloitte.lt

The audit of the Company's financials and Activity Report was performed according to the Lithuanian National and the International Audit Standards. The audit was completed on 31 March 2005. The auditor's opinion and the Auditor's Report are attached to the Annual Prospectus – Report.

VI. INFORMATION ABOUT THE ISSUER'S MANAGING BODIES

42. Members of the managing bodies

42.1. Position held, names and surnames, data about participation in the issuer's authorized capital

Table 42.1.1. Members of the managing bodies of Lietuvos Elektrinė AB.

Name, surname	Position held	Share of the capital/ votes held, %
THE SUPERVISORY BOARD		
Artūras Dainius	Chairman	-
Saulius Spėčius	Member	-
Laima Sidarkevičienė	Member	-
Nijolė Bujauskienė	Member	-
Marija Siniavska	Member	-
THE BOARD		
Pranas Noreika	Chairman, Director General	0.004
Vida Dzermeikienė	Member	-
Arvydas Galinis	Member	-
Rolandas Jankauskas	Member, Chief Financier	-
Domininkas Pečiulis	Member	-
ADMINISTRATION		
Pranas Noreika	Director General	0.004
Rolandas Jankauskas	Chief Financier	-

42.2. Data about the Chairman of the Board, the Head of the Administration and the Chief Financier:

Pranas Noreika – the Company's Director General, Chairman of the Board.

Educational background: higher education; profession: engineer; over the past 10 years worked as Director General of Lietuvos Elektrinė AB.

Rolandas Jankauskas – Chief Financier of Lietuvos Elektrinė AB

Educational background: higher education; profession: engineer; over the past 10 years worked as an expert for Vilniaus Bankas AB; as an engineer; Deputy Chief Financier; Chief Financier with Lietuvos Elektrinė AB.

42.3. Data about participation in the activities of other companies, enterprises and organizations (name of the company, enterprise, or organization and position held), over 5 percent of capital and votes held in other enterprises (percentage);

Table 42.3.1. Participation in the activities of other companies, enterprises and organizations.

Name, surname	Name of the company, enterprise, organization; position held	Share of capital and votes held in other enterprises
Artūras Dainius	Secretary of the Ministry of Economy of the Republic of Lithuania	-
	Chairman of the Board of Ignalinos Atominė Elektrinė	-
Laima Sidarkevičienė	Senior specialist of State Property Privatisation and Management Department of the Ministry of Economy of the Republic of Lithuania	-
Saulius Spėčius	Advisor to the Prime Minister of the Republic of Lithuania	-

	Member of the Board of Klaipėdos Nafta AB	-
	Member of the Supervisory Board of Lietuvos Energija AB	-
	Member of the Supervisory Board of Rytų Skirstomieji Tinklai AB	-
Nijolė Bujauskienė	Specialist of State Property Privatisation and Management Department, Ministry of Economy of the Republic of Lithuania	-
	Member of the Supervisory Board of Lietuvos Energija AB	
	Member of the Supervisory Board of Rytų Skirstomieji Tinklai AB	
Marija Siniavska	Senior specialist of Analysis and Forecast Department, Ministry of Economy of the Republic of Lithuania	-
Vida Dzermeikienė	Head of Electricity and Heat Division, Ministry of Economy of the Republic of Lithuania	-
	Member of the Board of Mažeikių Elektrinė AB	-
	Member of the Board of Lietuvos Energija AB	-
Arvydas Galinis	Senior research specialist of the Energy Institute	-
Domininkas Pečiulis	Head of the State Property Privatisation and Management Division of the Enterprise Economics and Management Department, Ministry of Economy of the Republic of Lithuania	-
	Chairman of the Board of Naftos Terminalas AB	-
	Member of the Board of Lietuvos Eksporto ir Importo Draudimas UAB	-
Rolandas Jankauskas	-	-
Pranas Noreika	-	-

42.4. Data about the effective conviction of members of managing bodies for the economic crimes and crimes against property, business procedures and finances

Members of managing bodies are not convicted and have never been convicted for economic crimes and crimes against property, business procedures and finances.

42.5. Data about the beginning and the end of the term of office of each managing body member.

The Supervisory Board and the Board of Lietuvos Elektrinė AB were elected in December 2001 for the term of four years.

43. Information about payments and loans extended to the members of managing bodies

43.1. Information about average amounts of tantiemes, salaries and other payments made

Table 43.1.1. Tantiemes, salaries and other payments made to the members of the Supervisory Board, the Board and the Administration

	Remuneration, LTL	Tantiemes, LTL	Other payments, LTL
Members of the Supervisory Board	-	-	-
Members of the Board	-	-	-
Administration (4 persons)	570 909	-	42 636
Each member of the Administration (average)	142 727	-	10 659

43.2. Total amounts of tantiemes, salaries and other payments made during the accountable period from profit to members of the Supervisory Board, the Board and the administration, received from enterprises wherein the issuer's part in the authorized capital makes up more than 20 per cent

There were none.

43.3. Loans granted to members of managing bodies over the accountable period, guarantees and warranties given with respect to fulfilment of their obligations

No loans were granted, guarantees and warranties given to members of the Supervisory Board, the Board and the Administration of Lietuvos Elektrinė AB during 2004.

44. Transactions with persons concerned

There were no transactions unusual to the principal activities of Lietuvos Elektrinė AB with enterprises, organisations and institutions, in the activities or capital of which the issuer or members of its managing bodies participate.

VII. UPDATED AND MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND PROSPECTS

45. Most recent developments in the issuer's activities

On 26 April 2005, the Annual General Meeting of Lietuvos Elektrinė AB shareholders was held, which resolved to approve the Company's Annual Report for the year 2004, the financial statements, profit appropriation (LTL 4,735,674 was allocated for payment of dividend, i.e. LTL 0.0325 per share) and to amend the Company's Articles of Association.

46. Material events in the issuer's activities

On 28 April 2004, the Annual General Meeting of Lietuvos Elektrinė AB shareholders was held, which resolved to take into consideration the Auditor's Report when approving the Annual Report and the annual financial statements for the year 2003, to approve the company's Annual Report 2003, the annual financial statements for the year 2003, the draft profit appropriation (it was resolved to pay dividends to the shareholders, in total LTL 7 275 613, and to approve the new wording of the company's Articles of Association. It was decided to remove Faustas Juška and Rimantas Cicėnas from the Supervisory Board, replacing them by Nijolė Bujauskienė and Marija Siniavska. The audit firm „Deloitte & Touche” UAB was elected to conduct the audit of the company's financial statements for the years 2004 and 2005. Conditions of payment for audit services were approved.

On 11 October 2004, an Extraordinary General Meeting of Lietuvos Elektrinė AB shareholders approved the changed order of use of the reserves for distribution.

47. Strategy of activity and its prospective changes during current and coming financial (business) years

The company's objective in 2005 is to ensure that the Company's obligations are met. The Company's plans and major projects for the year 2005 are provided in Annex 2.