

PUBLIC COMPANY LIETUVOS ELEKTRINĖ
Annual Prospectus – Report 2006

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I. GENERAL PROVISIONS

1. Reporting period covered by this Annual Prospectus -Report

The Annual Prospectus-Report has been drawn up for the year 2006.

2. Main data about the issuer

Name of the Company	Public Company (AB) Lietuvos Elektrinė
Code	110870933
Office address	Elektrinės St. 21, LT- 26108, Elektrėnai, Lithuania
Telephone	(+370~528) 39 066
Fax	(+370~528) 39 733
E-mail address	info@lelektrine.lt
Internet website	www.lelektrine.lt
Authorized capital	LTL 145,800,689, divided into 145,800,689 ordinary registered shares of LTL 1 nominal value
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
Register, in which data about the Company are stored	Register of Legal Entities

3. Type of the issuer's principal activities

AB Lietuvos Elektrinė operates in the energy sector. The Company produces and sells electricity and thermal energy.

4. Information about where and how one can access the Report and its supporting documents and the designation of the means of mass media to announce information

The Report and the supporting documents, on the basis whereof it has been drawn up, may be accessed at the Company's registered office at Elektrinės St. 21, Elektrėnai and at the financial brokerage firm AB "Finasta", Konstitucijos St. 23, Vilnius.

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

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

5.1. Members of the managing bodies, employees and the Head of the Administration of the issuer are responsible for the accuracy of the information

Pranas Noreika, Director General, tel. (+370~528) 33 250, fax (+370~528) 39 733

Rolandas Jankauskas, Chief Financier, tel. (+370~528) 33 743, fax (+370~528) 39 733

5.2. The Report has been drawn up by Asta Krušnauskaitė, a financial broker with the brokerage firm AB "Finasta" (Konstitucijos St. 23, Vilnius, tel. (+370~5) 278 68 44, fax. (+370~5) 210 24 74), on the basis of the information submitted by the Company.

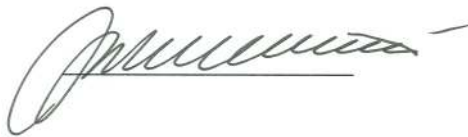
6. Declaration by the members of the issuer's managing bodies, employees, the Head of the Administration and the issuer's consultants that the information contained in the Report is in accordance with the facts and that the Report makes no omission likely to have an effect on the investors' decision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

AB Lietuvos elektrinė, represented by Pranas Noreika, Director General, and Rolandas Jankauskas, Chief Financier, hereby confirm 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



The financial brokerage firm AB "Finasta", represented by Asta Krušnauskaitė, a financial broker, confirm that the Report contains accurate information as presented to AB "Finasta" by the employees and managers of AB Lietuvos elektrinė. AB "Finasta" is responsible for the proper disclosure of the presented facts. AB Lietuvos elektrinė is responsible for the accuracy of the information.

Asta Krušnauskaitė, financial broker of AB "Finasta"



Date of signing of the Report: 25 May 2007.

Place of drawing up of the Report: AB "Finasta" (Konstitucijos St. 23, 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 AB Lietuvos elektrinė 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, convertible into shares.

8. Shareholders

The Annual General Meeting (AGM) of AB Lietuvos Elektrinė shareholders was held on 26 April 2007. The Registration Day: 19 April 2007.

Total number of shareholders: 4,567.

Table 8.1. Shareholders who held title to more than 5 percent of the issuer's authorized capital or votes on the Registration 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., Vilnius 188621919	140,684,381	96.49	96.49	----

9. Main characteristics of the shares issued for public trading

On 22 December 2001, the Lithuanian Securities Commission registered 150,743,012 ordinary registered shares of AB Lietuvos Elektrinė of one litas nominal value (Share Registration Certificate No. AB-5018; registration of the securities issue No. A01011524). The Company's shares were issued for the formation of the authorised capital at the time of the Company founding after the reorganisation of the special purpose public company "Lietuvos Energija" following the company division method. The Company was registered on 31 December 2001.

In 2003, the authorised capital of AB "Lietuvos Elektrinė" 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. Amendments to the Articles of Association were registered on 9 May 2003.

After the reduction, the Company's authorized capital amounts to LTL 145,800,689. It is divided into 145,800,689 ordinary registered shares of LTL 1 nominal value.

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, except debt securities

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

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

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

All ordinary registered shares of AB Lietuvos Elektrinė are on the Current List of the Vilnius Stock Exchange (hereinafter – VSE) (admitted to the List on 1 February 2002).

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

Type of shares	ISIN code	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares	LT0000126351	145,800,689	1	145,800,689

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 the Company's shares, 2004 – 2006

Reporting period	Price, LTL			Turnover, LTL			Date of the last session	Total turnover	
	Highest	Lowest	Last session	Highest	Lowest	Last session		Units	LTL
2004, 1 st quarter	2.22	1.49	2.15	75,870.67	210.63	8,117.24	31.03.2004	530,302	1,001,155.92
2004, 2 nd quarter	3.94	2.15	2.80	195,166.45	-	1,430.80	30.06.2004	464,361	1,243,807.67
2004, 3 rd quarter	3.50	2.64	3.30	344,154.00	-	10,116.50	30.09.2004	395,184	1,163,548.06
2004, 4 th quarter	4.83	3.06	4.80	159,420.00	-	15,283.10	31.12.2004	255,039	912,403.98
2005, 1 st quarter	5.35	4.00	4.20	75,901.77	-	21,505.68	31.03.2005	183,240	846,325.59
2005, 2 nd quarter	4.25	3.56	3.90	46,434.87	-	1,170.00	30.06.2005	14,300	562,559.57
2005, 3 rd quarter	4.68	3.80	4.25	61,680.00	-	61,680.00	30.09.2005	140,580	590,543.17
2005, 4 th quarter	4.80	3.75	4.02	99,252.06	-	144.72	31.12.2005	263,696	1,089,314.68
2005, 1 st quarter	4.25	3.21	3.55	800,595.25	0	3,550.00	31.03.2006	360,150	1,456,530.93
2005, 2 nd quarter	3.70	2.80	3.04	82,744.10	0	1,881.76	30.06.2006	164,110	518,646.53
2005, 3 rd quarter	4.01	3.05	3.90	122,296.00	0	3,900.00	29.09.2006	135,122	488,987.14
2005, 4 th quarter	4.54	3.75	4.49	43,788.21	0	11,124.40	29.12.2006	158,340	669,721.16



Fig. 9.1. Trading in the Company's shares

16.2. Trading on other exchanges

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

16.3. Trading on other organised markets

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

17. Capitalization of securities

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

Date of the last session	Capitalization (LTL)
31.03.2004	313,471,481.35
30.06.2004	408,241,929.20
30.09.2004	481,142,273.70
31.12.2004	699,843,307.20
31.03.2005	612,362,893.80
30.06.2005	568,622,687.10
30.09.2005	619,652,928.25
31.12.2005	586,118,769.78
31.03.2006	517,592,445.95
30.06.2006	443,234,094.56
30.09.2006	568,622,687.10
31.12.2006	654,645,093.61

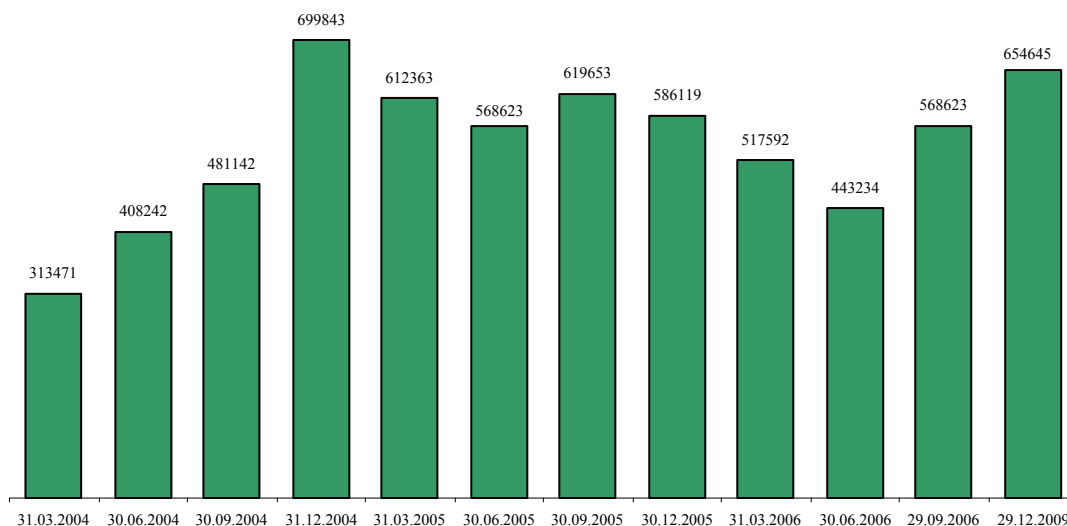


Fig. 17.1. Capitalization of the Company's shares, LTL thousand

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

As the securities issued by AB Lietuvos Elektrinė 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.

After the Law on Markets in Financial Instruments of the Republic of Lithuania became effective on 8 February 2007, the requirement to conclude secondary market sale and purchase trades concerning listed securities only on the exchange is no longer valid: trades can be concluded both on the VSE and OTC.

Table 18.1. OTC trades in the ordinary registered shares of AB Lietuvos Elektrinė

Reporting period	Settlement in cash					Settlement in kind	
	Price, LTL		Price, LTL	Amount, LTL	Number of trades	Number of securities	Number of trades
	Highest	Lowest					
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
2005, 1 st quarter	3.45	1.14	26,714	52,567	7	3,137	5
2005, 2 nd quarter	3.22	1.90	31,869	89,730	7	2,774	6
2005, 3 rd quarter	-	-	-	-	-	7,756	20
2005, 4 th quarter	3.18	2.89	6,503	19,594	4	5,348	15
2006, 1 st quarter	3.23	1.97	57,863	122,039	8	4,086	7
2006, 2 nd quarter	3.34	1.52	103,750	287,227	4	52,093	39
2006, 3 rd quarter	3.30	3.30	1,695	5,5934	1	4,858	14
2006, 4 th quarter	2.47	2.47	85,000	210,007	1	116,216	34

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 AB Lietuvos Elektrinė.

20. Indication of a tender offer

No tender offer to acquire shares of the Company was made during 2006. Neither did the issuer announce a tender offer to acquire securities issued by other entities.

21. The issuer's paying agents

AB Lietuvos Elektrinė signed agreements with the financial brokerage firm AB "Finasta" (Konstitucijos St. 23, Vilnius, tel. (+370~5) 278 68 44, fax (+370~5) 210 24 74) concerning payment of dividends to the shareholders for the financial years 2002–2005.

22. Agreements with intermediaries of public trading in securities

AB Lietuvos elektrinė has signed an agreement with the financial brokerage firm AB "Finasta" (Konstitucijos St. 23, Vilnius; tel. (+370~5) 278 68 33) concerning management of securities accounting and drawing up of the periodical reports.

IV. DATA ABOUT THE ISSUER'S ACTIVITY

23. Legal basis for the issuer's activity

The Company is operating in compliance with the provisions of the Law on Companies, the Law on Securities, the Law on Electricity and other legal acts of the Republic of Lithuania and its By-laws.

24. Membership in associated structures

AB Lietuvos Elektrinė, or the Lithuanian power plant, is a member of the **National Electric Energy Association**, which represents common interests of the European electric energy traders and producers (EUROELECTRIC). 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.

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 they do not participate in its capital.

25. Brief description of the issuer's history

AB Lietuvos Elektrinė was founded as a result of a reorganisation of the special purpose public Company AB “Lietuvos Energija” applying the company division method. The newly founded Company AB Lietuvos Elektrinė 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 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 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.

Construction of the power plant was completed when a capacity of 1800 MW was reached. Alongside with the power plant, power lines of 110- 330 kV voltage and sub-stations of 330 kV voltages were built to transmit the electricity produced by the plant. In 1973, the Lithuanian power plant generated 90 % 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 the 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 the Ignalina nuclear power plant, AB “Lietuvos Elektrinė” has to undergo modernisation: combustion product purification facilities, new burners, a state-of-the-art management and control system will be installed. The modernisation projects will be financed from the EU Ignalina NPP Decommissioning Support Fund (57 %) and from the State Ignalina NPP 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 projects of AB Lietuvos Elektrinė.

26. Characteristics of the production

AB Lietuvos Elektrinė produces and sells electricity and thermal energy.

Table 26.1. General sales volume in kind, 2003–2006

	2003	2004	2005	2006
Electricity sold, thousand kWh	645,192	664,337	972,110	885,062
Thermal energy produced, Gcal	152,599	162,882	150,024	148,904
Cold capacity reserve, MWh	8,297,527	7,423,148	4,852,150	7,167,158
Warm capacity reserve, MWh	412,809	685,018	470,226	472,148

Table 26.2. General sales volume in terms of value, 2003–2006

	2003		2004		2005		2006	
	LTL thousand	%	LTL thousand	%	LTL thousand	%	LTL thousand	%
Electricity	88,463	51.06	90,040	51.25	118,347	58.31	119,796	62.80
Thermal energy	8,575	4.95	9,225	5.25	8,498	4.19	9,056	4.75
Cold capacity reserve	69,723	40.25	69,949	39.82	69,589	34.29	53,939	28.28
Warm capacity reserve	6,477	3.74	6,457	3.68	6,524	3.21	7,972	4.18
Total	173,238	100.00	175,671	100.00	202,958	100.00	190,762	100.00

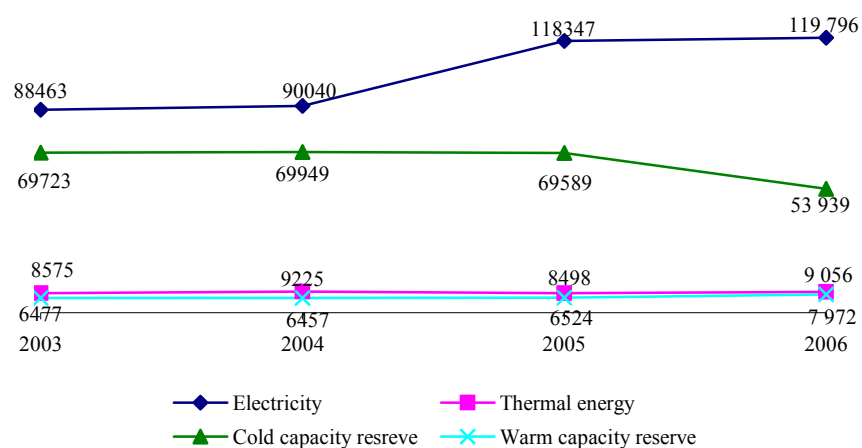


Fig. 26.1. The Company's sales volume in 2003–2006, LTL thou

Table 26.3. Average prices, 2003–2006

	2003	2004	2005	2006
Quota electricity LTL/kWh	0.1352	0.1352	0.1300	0.1377
Warm capacity reserve LTL/MW	8.45	8.45	8.56	9.10
Cold capacity reserve LTL/MW	7.90	7.90	8.00	8.50
Thermal energy LTL/Gcal	56.64	56.64	56.64	56.64

Table 26.4. Financial indicators characterizing the issuer's activity

Indicator	2006	2005	2004
Turnover, LTL	190,762,359	202,958,526	175,670,559
Gross profit, LTL	(26,182,376)	27,887,604	26,850,649
Operating profit, LTL	32,085,749	15,518,070	5,347,818
Profit before taxes, LTL	31,173,600	20,546,965	(4,899,734)
Net annual profit, LTL	25,007,221	17,229,842	(4,771,073)
EBITDA, LTL	58,093,421	40,397,794	31,582,347
Assets, LTL	1,410,906,882	1,340,453,811	1,114,965,097
Equity, LTL	946,490,152	1,025,288,857	914,881,908
Grants and subsidies, LTL	206,953,596	107,708,465	23,133,021
Liabilities, LTL	257,463,134	207,456,490	176,944,168
Number of shares, LTL	145,800,689	145,800,689	145,800,689
Dividend (for the previous reporting period)	4,983,508	4,735,674	7,275,613
Gross profit margin, %	-13.7	13.7	15.3
Operating profit margin, %	16.8	7.6	3.0
Net profit margin, %	13.1	8.5	(2.7)
EBITDA margin, %	30.5	19.9	18.0
ROA, %	1.8	1.3	(0.4)
ROE, %	2.6	1.7	(0.5)
Debt ratio	0.2	0.2	0.2
Debt/Equity ratio	0.3	0.2	0.2
Asset turnover	0.1	0.2	0.2
Current ratio	1.4	1.0	3.3
Quick ratio	1.0	0.5	1.9
Book value per share, LTL	6.5	7.0	6.3
Net profit per share, LTL	0.2	0.1	0.0
Dividend per share (for the previous period), LTL	0.0	0.0	0.0
Dividend / net profit (for the previous period), LTL	0.2	0.3	-
P/E per share	26.2	34.0	-
Last price, LTL	4.49	4.02	4.80
Highest price (for the reporting period), LTL	4.54	5.35	4.83
Lowest price (for the reporting period), LTL	2.80	3.06	1.49
Turnover, LTL	3,133,886	3,088,743	4,320,916
Capitalisation, LTL	654,645,094	586,118,770	699,843,307

27. Sales markets

AB Lietuvos elektrinė concludes short-term and one-off agreements with the customers. The main purchaser of electricity is AB "Lietuvos energija". Every year a one year-long agreement is signed with this customer for the supply of electricity.

Table 27.1. Sales volume in 2003–2006

Consumer	Unit of measurement	2003	2004	2005	2006
Total electricity	KWh, thousand	645,192	664,337	972,110	885,062
including:					
AB "Lietuvos Energija"	"	643,979	662,777	970,850	884,012
Other consumers	"	1,213	1,560	1,260	1,050
Total thermal energy	Ggcal	152,599	162,882	150,024	148,904
including:					
- AB "Kietaviškių gausa"	"	83,488	83,812	75,831	76,003
- town of Elektrėnai	"	64,297	74,427	71,087	66,344
- other consumers	"	4,814	4,643	3,106	6,557

28. Procurement

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

The main supplier of gas for production purposes is AB "Lietuvos Dujos". The procurement is based on a one-year-long agreement; the price has been set for one year, the same as in previous years. Therefore, the electricity and the price of thermal energy will depend on the price of 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.

Procurement volume by countries, %:

- Lithuania – 99.98 %
- Venezuela – 0.02 %

29. Immovable property and other main facilities

AB Lietuvos Elektrinė is located in Elektrėnai, Vilnius County, Elektrėnai municipality (at Elektrinės St. 21), 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-kilometres' long railway runway connects the plant with Kaugonys railway station.

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

The land plot was leased under the Lease Agreement No. 268 of 13 October 1995, taking under lease a plot of the state land to be used for the purposes other than agriculture.

Table 29.1. Main buildings and constructions

Name	Functional purpose	Year of building	Status	Book value as of 31.12. 2006, LTL thou
Main building	The building, housing all power units	1962	Very good	135,925

Table 29.2. Construction in progress as of 31 December 2006

Name of the project	Functional purpose	Beginning/end of construction	Project value (LTL, thousand)	Construction in progress (LTL, thousand)
Renovation of the railway runway	To renovate the railway runway of 1.2 km and roads 101 and 108	2005– 2008	3,200	3,159

30. Risk factors related to the issuer's activity

Economic risk factors, payment of bank loans. AB Lietuvos Elektrinė is an enterprise producing electricity. Its potential competitors are other enterprises producing electricity.

In 2006, the result of the operating activities was a loss in the amount of LTL 39,398 million. This loss was caused by the increased prices of natural gas and low prices of electricity. Furthermore, AB Lietuvos Elektrinė did not receive the projected LTL 20 million for the capacity reserve during the repair works at Ignalina nuclear power plant. Due to the sold greenhouse gas emission permits, the Company's profit before taxes amounted to LTL 31.174 million, the projection being LTL 22.132 million.

The ancillary activities of AB Lietuvos elektrinė generated a profit of LTL 70.942 million, mostly from the sale of greenhouse gas emission permits.

AB Lietuvos elektrinė has signed a contract for the supply of orimulsion until the year 2012 (a future contract) with a Venezuelan company "Bitor Europe". Under this contract, the Company irrevocably undertakes to purchase every year the fixed amount of fuel at the agreed price of USD 5.1–7.7 million. The Company intends to terminate the contract in 2007.

Table 30.1. Payment of bank loans as of 31 December, LTL

	2006	2005
Loan from the bank “Nord/LB”, denominated in EUR, payable before 1 May 2013	12,999,792	12,999,792
Syndicated bank loan (AB <i>Hansabankas</i> , AB <i>SEB Vilniaus bankas</i> , <i>Nordea Bank Finland Plc</i> . Lithuanian branch office, AB <i>DnB Nord bankas</i>), repayable before 09.11.2020	34,923,304	-
	47,923,096	12,999,792
Bank loans will be paid according to the following schedule:		
First year	-	-
Second year	-	-
Third year	2,850,632	-
Fourth year	6,564,857	-
Fifth year	6,564,857	3,714,225
After five years	31 942 751	9,285,567
	47 923 096	12,999,792
Current portion of the long-term debt	-	-
Long-term portion	47,923,096	12,999,792
	47,923,096	12,999,792

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

On 9 November 2005, the Company signed a credit agreement with the banks AB *Hansabankas*, AB *SEB Vilniaus bankas*, *Nordea Bank Finland Plc* Lithuanian branch and AB *Nord/LB Lietuva*, providing for a loan of EUR 49,000,000 to the Company. Floating interest rate applies: 6 months’ EURLIBOR + 0.8 % margin. The ultimate credit repayment date is 9 November 2020. On 28 March 2006, the Company subscribed to mortgage bonds and pledged the equipment for LTL 343,539,000 and buildings for LTL 140,986,000. Under the agreement the Company undertook jointly with regard to all the banks to pledge its current and future funds in the accounts of all the banks. Under this credit agreement, as of 31 December the Company has withdrawn EUR 10,114,488 (not spent on 31 December 2005). Purpose of the credit – financing of the first investment program.

Political risk factors. AB *Lietuvos Elektrinė* 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 state regulates prices for electricity. The Government’s practice to solve social problems by fixing too low energy prices for consumers has a negative effect. The state, represented by the Ministry of Economy, holds 96.46 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.

Social risk factors. Trade unions and professional organisations operate within the power plant; the Collective Agreement ensures the employees a variety of social guarantees.

Technical and technological risk factors. Main buildings and energy units are technically in order.

Ecological risk factors.

Table 30.1. Pollutants emitted into the atmosphere by the plant in 2006

Pollutants	Current Emissions
Flue gas emissions into the atmosphere, tonnes:	
SO ₂	1,131.481
NO _x	815.049
CO	102.311
Ash of crude oil and orimulsion	4.556

Including V ₂ O ₅	2.335
3. Hydrocarbon vapour, tonnes:	0.276
2.1. Emissions into the atmosphere from small sources, tonnes	
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 with water to the river of Strėva, tonnes	
BDS ₇ , tonnes	0.805
Sinking substances, tonnes	2.401
Oil substances, kg	0.072

Table 30.2. Report on greenhouse gas emissions by the Plant in 2006

Categories	IPCC CRF-Category	IPPC code of EPER Category	Approach used (Calculation/ Measurement)	Uncertainty (Measurement approach)	Tiers changed? Yes/No	Emissions t/CO ₂
1	A. Fuel Combustion Activities 1. Energy industries a. Public Electricity and Heat Production	1.1.	Calculation	–	No	638,523

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 period of 2005-2006 there were no halts of production process.

32. Patents, licenses, contracts

The activity of AB Lietuvos Elektrinė is 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 AB Lietuvos Elektrinė took place.

34. Staff

Table 34.1. Number of employees in 2003–2006 (as of 31 December)

	2003	2004	2005	2006
Number of employees	818	791	744	706
Managers	4	4	3	3
Specialists	216	216	203	194
Workers	598	571	538	509

Table 34.2. Average monthly wages by employee groups, 2003– 2006

	Average wages 2003, LTL	Average wages 2004, LTL	Average wages 2005, LTL	Average wages 2006, LTL
Managers	9,380	10,841	11,907	14,342
Specialists	1,946	2,079	2,487	2,941
Workers	1,561	1,669	1,939	2,382
Total	1,705	1,830	2,137	2,592

Table 34.3. Breakdown of the staff by education, 2003– 2006

Number of employees with:	2003	2004	2005	2006
Higher education	203	183	174	171
Vocational education	188	167	163	151
Secondary school education	363	344	346	316
Unfinished secondary school education	64	55	38	45

35. Investment policy

AB Lietuvos Elektrinė has not invested more than 30 % 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 %.

Description of the Investment Plan project implementation in 2006

1. Modernize 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. Upgrade 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. Install 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. Assemble 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 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. Build a new 2000 m³ water collection tank.

The building of a 2000 m³ water collection tank was completed.

6. Renovate a 1.2 km railway runway and roads 101 and 108.

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

Table 35.1. Investment absorption in 2006, LTL thousand

No	Project description	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	2,800,000	481,198	481,198			
1.2.	Renovation of the railway runway	721,000	680,750	680,750			
1.3.	Building of a new 2000 m ³ water collection tank	398,000	398,140	398,140			
1.4.	FDG absorbers in Unit 7 and boiler 8A	111,559,000	66033215			11,552,778	86,747,738
1.5.	Installation of burners of low nitrogen oxide output and booster fans	41,010,000	24,419,919		20,433,707	2,456,527	
1.6.	Upgrading of regenerative air preheaters	20,639,000	12,924,754		1,847,305	5,250,184	
1.7.	Upgrading of the control system in Units 5, 7 and 8	28,695,000	8,727,643		6,890,753		
1.8.	Project management (quality assurance and eco management)	4,485,000	2,968,844		2,254,262		1,484,225
1.9.	Refurbishment of the main building	100,000					
1.10.	Upgrading of computer and local network equipment	100,000					
1.11.	Equipment not requiring installation	1,500,000	1,078,206	1,078,206			
1.12.	Replacement of a turbo supply pump	50,000					

Table 35.1. continued

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
1.13.	Preparation of an ash pond for depositing desulpharisation products	400,000					
1.14.	Replacement of high pressure preheater valves by more reliable ones	100,000					
1.15.	Staff training	2,500,000					
1.16.	Assembly of new cooling equipment in Units 7 and 8	400,000					
1.17.	Replacement of CIS and HIS control valves	300,000					
1.18.	Replacement of EMC and TMS recirculation valves	80,000					
1.19.	Replacement of direct current panel for Central Accumulator Battery	100,000					
	Total	215,937,004	117,712,669	2,638,294	31,426,027	19,259,489	88,231,963

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.

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. In this period 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 suitable 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 of 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 had 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 satisfactory, 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 spiral 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)

Table 35.2. Plan of investments for the years 2007–2009, LTL

No.	Project title	2007	2008	2009	Source of funding			TOTAL
					Own resources	Ignalina national decommissioning fund	Ignalina international decommissioning support fund	
I. On-going projects								
1.1.	Assembly of flue gas desulphurisation plant and dust precipitators	160,137,284	57,989,346	0	0	29,800,000	188,326,630	218,126,630
1.2.	Installation of burners of low nitrogen oxide output and booster fans	40,217,904	10,967,393	26,959,462	75,794,759	2,350,000	0	78,144,759
1.3.	Upgrading of the control systems in Units 5, 7 and 8	15,593,880	10,373,178	6,572,128	32,539,186	0	0	32,539,186
1.4.	Upgrading of regenerative air preheaters	16,393,307	4,291,084	0	20,684,391	0	0	20,684,391

1.5.	Project management (quality assurance and eco management)	3,288,543	3,561,560	1,641,648	3,396,700	0	50,950,506	8,491,751
1.6.	Equipment not requiring installation	1,500,000	1,500,000	1,500,000	4,500,000	0	0	4,500,000
	II. New projects							
2.1.	Replacement of an ejector pump 5A	430,000	0	0	430,000	0	0	43,000
2.2.	Upgrading of high pressure pre-heaters	2,600,000	0	0	2,600,000	0	0	2,600,000
2.3.	Replacement of an electric feed pump	1,900,000	0	0	1,900,000	0	0	1,900,000
2.4.	Construction of a 400MW combined-cycle gas turbine	86,320,000	345,280,000	345,280,000	233,064,000	0	543,816,000	776,880,000
2.5.	Replacement of a 300MW generator	0	0	36,000,000	36,000,000	0	0	36,000,000
	Total I and II:	328,380,918	433,962,561	417 953 238	410909036	32,150,000	737,237,681	1,180,296,717

36. Competitors

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

37. Payment of dividends

A decision concerning payment of dividends and the amount thereof is taken by the Company's general shareholders' meeting. Persons entitled to dividend are those shareholders of the Company who are registered as such at the end of the day of the general shareholders' meeting that has announced payment of dividends or those who had the right to dividend under other legal basis.

Table 7.1. Payment of dividends

Financial year	Dividend, LTL thou	Dividend per share, LTL
2002	8,026	0.053
2003	7,276	0.0499
2004	4,736	0.0325
2005	4,984	0.0342
2006	-	-

V. FINANCIAL STATUS

38. Financial statements

38.1. Balance Sheet, LTL

ITEMS	31.12.2006	31.12.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS			
Non-current tangible assets	1,183,942,084	1,054,419,403	1,030,592,189
Intangible assets	102,819,624	216,091,452	701,118
Non-current accounts receivable	1,248,458	1,344,296	1,413,821
Deferred corporate tax	241,188	206,820	140,250
TOTAL NON-CURRENT ASSETS	1,288,251,353	1,272,061,970	1,032,847,378
CURRENT ASSETS			
Inventories	34,522,218	33,353,748	34,177,494
Accounts receivable and pre-payments	26,749,743	20,945,566	24,651,292
Term deposits			21,000,000
Cash and cash equivalents	61,383,567	14,092,527	2,282,933
TOTAL CURRENT ASSETS	122,655,528	68,391,841	82,111,719
TOTAL ASSETS	1,410,906,882	1,340,453,811	1,114,959,097
EQUITY AND LIABILITIES			
EQUITY			
Share capital	145,800,689	145,800,689	145,800,689
Revaluation reserve	678,996,602	692,623,615	707,383,281
Legal reserve	8,363,997	7,502,505	6,910,546
Other reserves	57,736,702	54,091,852	49,135,664
Revaluation reserve of unused CO2 emission permits		98,822,418	
Retained earnings	55,592,163	26,447,779	5,651,728
TOTAL EQUITY	946,490,152	1,025,288,857	914,881,908
GRANTS AND SUBSIDIES	206,953,596	107,708,465	23,133,021
NON-CURRENT LIABILITIES			
Bank loans	47,923,096	12,999,792	24,656,990
Financial leasing	6,696	45,979	
Deferred corporate tax	122,295,619	125,499,659	127,161,297
TOTAL NON-CURRENT LIABILITIES	170,225,411	138,545,430	151,818,287
CURRENT LIABILITIES			
Trade and other debts payable	37,641,277	13,427,080	13,585,264
Labour related liabilities	1,937,662	1,712,780	1,560,617
Current year corporate tax	4,191,198	1,533,614	
Provisions for CO2 emission permits	43,428,302	52,199,792	
Bank loans			3,000,000
Financial leasing	39,283	37,794	
Financial derivatives			6,980,000
TOTAL CURRENT LIABILITIES	87,237,723	68,911,060	25,125,881
TOTAL EQUITY AND LIABILITIES	1,410,906,882	1,340,453,812	1,114,959,097

38.2. Income statement, LTL

ITEMS	2006	2005	2004
Income from sales	190,762,359	202,958,526	175,670,559
Costs of sales	(216,944,735)	(175,070,921)	(148,819,910)
GROSS PROFIT (LOSS)	(26,182,376)	27,887,604	26,850,649
Operating costs	(13,215,580)	(13,117,755)	(22,596,667)
Other operating income	73,324,327	2,309,867	3,012,773
Other operating costs	(2,382,353)	(2,061,449)	(2,192,279)
Interest income	541,731	499,803	273,342
OPERATING PROFIT (LOSS)	32,085,749	15,518,070	5,347,818
Financing costs	(461,719)	(921,192)	(1,505,904)
Influence of change in the currency exchange rate	(450,430)	5,950,087	(8,741,648)
PROFIT (LOSS) BEFORE TAXES	31,173,600	20,546,965	(4,899,734)
Corporate tax expenses (gain)	(6,166,379)	(3,317,123)	128,661
NET PROFIT (LOSS)	25,007,221	17,229,842	(4,771,073)
Profit (loss) per share	0.17	0.12	(0.03)

38.3. Cash Flow Statement, LTL

Items	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash income from clients	293,855,752	245,725,507	211,263,079
Other income	46,496	90,986	72,037
Cash payment to suppliers and employees	(242,338,224)	(188,527,676)	(161,212,193)
Other cash payments	(2,739,942)	(14,332,482)	(11,876,098)
Cash flows from operating activities	48,824,082	42,956,336	38,246,825
Corporate tax paid	(1,304,168)	(3,989,080)	(4,471,413)
Interest paid	(102,181)	(580,854)	(1,165,135)
Net cash flows received from operating activities	47,417,734	38,386,402	32,610,277
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisitions of non-current assets	(51,540,762)	(48,831,710)	(22,519,792)
Sale of non-current assets	2,203	-	161,700
Repaid loans	95,838	69,525	130,099
Interest income	541,731	499,803	171,907
Term deposit	-	21,000,000	(21,000,000)
Net cash flows used in investment activities	(50,900,989)	(27,262,382)	(43,056,086)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Loans received	34,923,304	-	14,657,198
Loans repaid	(37,794)	(14,707,745)	(18,305,761)
Dividends paid	(3,370,602)	(4,703,787)	(7,250,173)
Other financial activities (subsidiaries received)	19,259,387	19,971,000	19,895,000
Net cash flows from financial activities	50,774,295	559,468	8,996,264
EFFECT OF THE CHANGE IN CURRENCY RATES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	-	126,107	
Net increase (decrease) in cash flows	47,291,039	11,809,594	(1,449,545)
Cash at the beginning of the year	14,092,527	2,282,933	3,732,478
Cash at the end of the year	61,383,567	14,092,528	2,282,933

38.4. Statement of Changes in Equity, LTL

	PAID-UP AUTHORISED CAPITAL	REVALUATI ON RESERVE OF NON- CURRENT TANGIBLE ASSETS	LEGAL RESERVE	OTHER RESERVES	REVALUATI ON RESERVE OF UNUSED CO2 EMISSION RIGHTS	ACCRUED EARNINGS	TOTAL
BALANCE AS OF 31 DECEMBER 2003	145,800,689		6,001,094	40,038,948		13,980,979	205,821,710
Increase in the value of non-current tangible assets		721,106,885					721,106,885
Net profit of the reporting period						(4,771,073)	(4,771,073)
Dividend						(7,275,614)	(7,275,614)
Used reserves				(907,253)		907,253	
Formed legal reserve			909,452			(909,452)	
Other reserves formed				10,003,969		(10,003,969)	
Decrease in the revaluation reserve due to depreciation and writing off of the revalued assets		(13,723,604)				13,723,604	
BALANCE AS OF 31 DECEMBER 2004	145,800,689	707,383,281	6,910,546	49,135,664	-	5,651,728	914,881,909
Net profit of the reporting period	-	-	-	-	-	17,229,843	17,229,843
Dividend	-	-	-	-	-	(4,735,674)	(4,735,674)
Used reserves	-	-	-	(1,555,364)	-	1,555,364	-
Formed legal reserve	-	-	591,959	-	-	(591,959)	-
Other reserves formed	-	-	-	6,511,552	-	(6,511,552)	-
Decrease in the revaluation reserve due to sale, depreciation and writing off of the revalued assets	-	(13,850,028)	-	-	-	13,850,028	-
Increase in deferred corporate tax liability related to change in corporate tax rate	-	(909,639)	-	-	-	-	(909,639)
Revaluation of unused CO2 emission rights	-	-	-	-	98,822,418	-	98,822,418
BALANCE AS OF 31 DECEMBER 2005	145,800,689	692,623,615	7,502,505	54,091,852	98,822,418	26,447,779	1,025,288,857
Net profit of the reporting period	-	-	-	-	-	25,007,221	25,007,221
Dividend	-	-	-	-	-	(4,983,508)	(4,983,508)
Used reserves	-	-	-	(2,968,920)	-	2,968,920	-
Formed legal reserve	-	-	861,492	-	-	(861,492)	-
Other reserves formed	-	-	-	6,613,770	-	(6,613,770)	-
Decrease in the revaluation reserve due to sale, depreciation and writing off of the revalued assets	-	(13,627,013)	-	-	-	13,627,013	-
Revaluation reserve of unused CO2 emission permits	-	-	-	-	(98,822,418)	-	(98,822,418)
BALANCE AS OF 31 DECEMBER 2006	145,800,689	678,996,602	8,363,997	57,736,702	-	55,592,163	946,490,152

39. Comments on the financial statements

Explanatory Notes to the financial statements of AB Lietuvos Elektrinė are attached to the Annual Prospectus–Report (Annex 1. Auditor’s report on the financial statements of AB Lietuvos elektrinė for 2006).

40. Activity Report

The Activity Report of AB Lietuvos Elektrinė is attached to the Annual Prospectus–Report as Annex 1 (Auditor’s report on the financial statements of AB “Lietuvos elektrinė” for 2006).

41. Information about the audit

The audit of the financial statements for the year 2006, i.e. the Balance Sheet as of 31 December 2006, the Income Statement of the year then ended, the Statement of Changes in Equity, the Cash Flow Statement and the Explanatory Notes, was performed by the audit firm UAB “Auditas”.

Information about the audit firm, performing the audit

Address	Gedimino St. 24-11, LT-01103 Vilnius
Code	120612714
Telephone	(+370□5) 161 9772
Fax	(+370□5) 212 1672
Internet website	www.audito.lt
E-mail	audito@takas.lt

The audit was completed on 2 April 2007.

The Auditor’s Report is attached to the Annual Prospectus – Report (Annex 1. Auditor’s report on the financial statements of AB Lietuvos elektrinė for 2006).

VI. INFORMATION ABOUT THE ISSUER'S MANAGING BODIES

42. Members of the managing bodies

The Company is managed through the general shareholders' meeting; it has a single person managing body, Director General, a collegial supervisory body, the Supervisory Board, and a collegial managing body, the Board.

The Company's General Meeting elects the Supervisory Board of 5 members for a term of four years. The Supervisory Board elects and removes from office members of the Board. The Company's Board consists of 5 members. The Board elects and removes from office the Company's Director General, sets its salary and other terms of the Employment Contract, approves job descriptions, gives incentives and imposes penalties.

More detailed information about the order of composing the Supervisory Board and the Board, the obligations, responsibility and work regulations is provided in the Activity Report of AB "Lietuvos Elektrinė" in the notice about compliance with the Corporate Governance Code of the companies listed on the Vilnius Stock Exchange (Annex 1. Auditor's report on the financial statements for 2006).

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

Table 42.1.1. Members of the Company's Supervisory Board, the Board and the Administration

Name, surname	Share of the capital/ votes held, %
THE SUPERVISORY BOARD (BEFORE 06.11.2006)	
Artūras Dainius, Chairman	-
Laima Sidarkevičienė	-
Marija Siniavska	-
Nijolė Bujauskienė	-
Saulius Spėčius	-
THE SUPERVISORY BOARD (ELECTED ON 06.11. 2006)	
Artūras Dainius, Chairman	-
Marija Siniavska	-
Nijolė Bujauskienė	-
Saulius Spėčius	-
Janina Butkevičienė (from 26.04.2007)	
Audrius Bilys (before 26.04.2007)	
THE BOARD (ELECTED ON 06.11.2006)	
Pranas Noreika, Chairman	0.004
Arvydas Galinis	-
Domininkas Pečiulis	-
Rolandas Jankauskas	-
Vida Dzermeikienė	-
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 has worked as Director General of AB Lietuvos Elektrinė.

Rolandas Jankauskas – Chief Financier of AB Lietuvos Elektrinė

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

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 % 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 the capital and of votes over 5 %, held in other enterprises
Artūras Dainius	Secretary of the Ministry of Economy of the Republic of Lithuania	-
	Chairman of the Board of Ignalina nuclear power plant	-
Marija Siniavska	Senior specialist of Analysis and Forecast Department, Ministry of Economy of the Republic of Lithuania	-
Nijolė Bujauskienė	Specialist of State Property Privatisation and Management Department, Ministry of Economy of the Republic of Lithuania	-
	Member of the Supervisory Board of AB “Lietuvos Energija”	-
	Member of the Supervisory Board of AB “Rytų Skirstomieji Tinklai”	-
Saulius Spėčius	Advisor to the Prime Minister of the Republic of Lithuania	-
	Member of the Board of AB “Klaipėdos Nafta”	-
	Member of the Supervisory Board of AB “Lietuvos Energija”	-
	Member of the Supervisory Board of AB “Rytų Skirstomieji Tinklai”	-
Janina Butkevičienė	Chief specialist of the Electricity and Heat Division of the Energy Department, Ministry of Economy of the Republic of Lithuania	-
Arvydas Galinis	Senior research specialist of the Lithuanian 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 AB “Naftos Terminalas”	-
Vida Dzermeikienė	Head of Electricity and Heat Division, Ministry of Economy of the Republic of Lithuania	-
	Member of the Board of AB “Lietuvos Energija”	-
Laima Sidarkevičienė	Chief specialist of State Property Privatisation and Management Department of the Ministry of Economy of the Republic of Lithuania	-
Audrius Bilys	-	-
Rolandas Jankauskas	-	-
Pranas Noreika	-	-

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

Members of the 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 end of the term of office of each member of the managing bodies

Table 42.5.2. Data about the beginning and end of the term of office of the Company's Supervisory Board and the Board

Name, surname	Beginning of the term of office	End of the term of office
Artūras Dainius	06.11.2006	2010
Marija Siniavska	06.11.2006	2010
Nijolė Bujauskienė	06.11.2006	2010
Saulius Spėčius	06.11.2006	2010
Janina Butkevičienė	26.04.2007	2010
Pranas Noreika	06.11.2006	2010
Arvydas Galinis	06.11.2006	2010
Domininkas Pečiulis	06.11.2006	2010
Rolandas Jankauskas	06.11.2006	2010
Vida Dzermeikienė	06.11.2006	2010
Audrius Bilys	06.11.2006	26.04.007

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

	Salaries, LTL	Tantiemes (for the year 2006), LTL	Other payments from profit, LTL
Members of the Supervisory Board	-	-	-
Members of the Board	-	30,000	-
Administration (3 persons)	517,678	-	-
Each member of the Administration (average)	172,559	-	-

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

In 2006, AB Lietuvos Elektrinė did not participate in the activities of other companies.

43.3. Loans granted to members of the managing bodies over the reporting 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 AB Lietuvos Elektrinė during 2006.

44. Transactions with connected persons

Transactions with the state-controlled enterprises were concluded in 2006 under the same terms as with other unconnected parties.

Table 44.1. Transactions concluded with the state-owned enterprises and balances as of 31 December 2006, LTL

State-controlled enterprises	Accounts payable	Accounts receivable	Revenue	Costs
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 reabilitacinė ligoninė"	-	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

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

45. Most recent developments in the issuer's activities

The following resolutions were passed at the General Shareholders Meeting of Lietuvos Elektrinė AB held on April 26, 2007:

1. To assess the Annual Report of the Company.
2. To assess the Auditor's Report by approving the Company's Financial Statements.
3. To approve Company's annual financial statement for the year 2006.
4. To approve profit distribution of the year 2006.

I. Retained earnings at the beginning of the year	LTL 0
II. Net profit of the year	LTL 25,007,221
III. Retained earnings available for distribution at the end of the year	LTL 25,007,221
IV. Shareholders' contributions to cover losses	none
V. Transfers from the reserves	none
VI. Profit to be appropriated	LTL 25,007,221
VII. Profit appropriation:	
VII.1. to legal reserve	LTL 1,251,440
VII.2. to other reserves	LTL 20,700,781
VII.3. dividends	LTL 0
VII.4. other:	
VII.4.1. support	LTL 500,000
VII.4.2. bonuses to employees	LTL 2,500,000
VII.5. tantiemes to the Board members	LTL 55,000
VIII. Retained earnings at the end of the year	LTL 0
5. To recall Audrius Bilys from the position of a member of The Company's Supervisory Board.
6. To elect Janina Butkevičienė - chief specialist of the Electricity and Heat Devision of the Energy Department of the Ministry of Economy - to the position of a member of the Company's Supervisory Board.

46. Material events in the issuer's activities

On 25 April 2006, the AGM of shareholders approved the Company's Annual Report for the year 2005, the financial statements for the year 2005 and the profit appropriation (profit to be appropriated amounted to LTL 12 458 770) to be carried out as follows:

- to legal reserve: LTL 861,492
- other reserves: LTL 3,883,770
- dividend: LTL 4,983,508 (LTL 0.0342 per share)
- charity, sponsorship: LTL 1,200,000
- bonuses to employees for the year 2005: LTL 1,500,000
- tantiemes to the Board members: LTL 30,000.

On 6 November 2006, an Extraordinary General Meeting of AB Lietuvos elektrinė shareholders resolved to:

1. elect the audit firm UAB “Auditas” auditor of the financial statements for the years 2006-2007 of the AB Lietuvos elektrinė and fix the remuneration threshold of LTL 71,000 (excl. VAT);

2. elect the Supervisory Board comprising:

Artūras Dainius, Secretary of the Ministry of Economy of the Republic of Lithuania;

Saulius Spėčius, Advisor to the Prime Minister of the Republic of Lithuania;

Audrius Bilis, Senior Specialist of Energy Development Division of Energy Department of the Republic of Lithuania;

Nijolė Bujauskienė, Senior Specialist of State Property Privatisation and Management; Department, Ministry of Economy of the Republic of Lithuania;

Marija Siniavska, Senior specialist of Analysis and Forecast Department, Ministry of Economy of the Republic of Lithuania.

The meeting of the Supervisory Board held on 9 November 2006 resolved to:

1. elect Artūras Dainius Chairman of the Supervisory Board:

2. elect the following persons as members of the Board: Pranas Noreika, Director General, and Rolandas Jankauskas, Chief Financier of the Company, Arvydas Galinis, Senior research specialist of the Lithuanian Energy Institute, Dominikas 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, Vida Dzermeikienė, Head of Electricity and Heat Division, Ministry of Economy of the Republic of Lithuania.

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

The Company’s plans for the year 2007 are incorporated into the Company’s Activity Report (Annex 1 – Independent auditor’s report and opinion on the financial statements of AB Lietuvos elektrinė for the year 2006.