

**AKCINĖ BENDROVĖ  
LIETUVOS ELEKTRINĖ**

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**INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS OF 2007**

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## **CONFIRMATION OF THE MANAGEMENT**

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

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier

28 February 2008

## BALANCE SHEET, Q4 2007

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

Pranas Noreika  
Director General

Rolandas Jankauskas  
Chief Financier

### INCOME STATEMENT, Q4 2007

	Notes	31-12-2007 (LTL)	31-12-2006 (LTL)
Income from sales	9.	262 227 573	190 762 359
Costs of sales	10.	(244 859 888)	(216 944 735)
<b>Gross profit (loss)</b>		<b>17 367 686</b>	<b>(26 182 376)</b>
Operating costs	11.	(16 984 736)	(13 215 580)
Other operating income	12.	42 830 681	73 324 327
Other operating costs	12.	(1 364 484)	(2 382 353)
Interest income		1 910 401	541 731
<b>Operating profit (loss)</b>		<b>43 759 548</b>	<b>32 085 749</b>
Financing costs	13.	(196 133)	(461 719)
Effect of change in the currency exchange rate		(1 095 636)	(450 430)
<b>Profit (loss) before taxes</b>		<b>42 467 779</b>	<b>31 173 600</b>
Profit tax expenses		(8 551 069)	(6 166 379)
<b>NET PROFIT (LOSS)</b>		<b>33 916 710</b>	<b>25 007 221</b>
Profit (loss) per share		0.23	0.17

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier

## CASH FLOWS STATEMENT, Q4 2007

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

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier

**STATEMENT OF CHANGES IN EQUITY, Q4 2007**

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

Pranas Noreika  
Director General

Rolandas Jankauskas  
Chief Financier

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

### 1. General information

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

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

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

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

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

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

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

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

### 2. Accounting policy

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), approved by the International Accounting Standards Board (IASB) and the and the International Reporting interpretations Committee of the International Accounting Standards Board (IFRIC) that are related to the operations of the Company and are effective starting from the accounting period that commenced on 1 January 2005.

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

Accounting policy was not changed during the interim accounting period. Interim financial accountability is prepared in accordance the same accounting policy as annual financial accountability. Accounting policy is more described in the notes to the financial statements for the year ended 31 December 2006.



### 3. Tangible assets

	Buildings and constructions (LTL)	Machinery and equipment (LTL)	Vehicles (LTL)	Other property, plant and equipment (LTL)	Construction in progress (LTL)	Total (LTL)
<b>Deemed cost</b>						
31 December 2006	217 407 887	1 132 675 525	2 669 394	191 052 938	3 159 458	1 546 965 203
Change of the financial year:						
- acquisitions	-	237 150 946	25 860	621 496	-	237 798 302
- disposals and write-offs (-)	-	(192 705)	-	(118 145)	-	(310 850)
- transfers	-	(49 411 406)	-	(49 441 406)	-	-
<b>31 December 2007</b>	<b>217 407 887</b>	<b>1 320 192 360</b>	<b>2 695 254</b>	<b>240 997 695</b>	<b>3 159 458</b>	<b>1 784 452 655</b>
<b>Depreciation</b>						
31 December 2006	50 440 219	263 043 147	1 636 221	47 903 532	-	363 023 119
Change of the financial year:						
- depreciation in the financial year	3 034 617	18 526 314	158 006	4 366 327	-	26 085 262
- depreciation of transferred and written-off assets (-)	-	(192 612)	-	(105 565)	-	(298 177)
- transfers	-	(52 593)	-	52 593	-	-
<b>31 December 2007</b>	<b>53 474 836</b>	<b>281 324 255</b>	<b>1 794 227</b>	<b>52 216 886</b>	<b>-</b>	<b>388 810 204</b>
<b>Residual value</b>						
<b>31 December 2006</b>	<b>166 967 668</b>	<b>869 632 378</b>	<b>1 033 172</b>	<b>143 149 406</b>	<b>3 159 458</b>	<b>1 183 942 084</b>
<b>Residual value</b>						
<b>31 December 2007</b>	<b>163 933 052</b>	<b>1 038 868 105</b>	<b>901 027</b>	<b>188 780 809</b>	<b>3 159 458</b>	<b>1 395 642 451</b>

All non-current assets of the Company are held for own use. The depreciation costs adjusted for the used part of the grant are accounted as cost and other operating costs (Notes 6, 11, 12).

### 4. Intangible assets

	Software (LTL)	Greenhouse gas emissions permits (Note 5) (LTL)	Other intangible assets (LTL)	Total (LTL)
<b>Acquisition cost</b>				
31 December 2006	365 619	99 813 766	2 968 844	103 148 229
Change in the financial year:				
- acquisition of assets	46 178	49 634 105	4 958 334	54 638 616
- transferred and written-off (-)	-	(43 372 793)	-	(43 372 793)
- impairment of the unused greenhouse gas emissions permits	-	(105 747 364)	-	(105 747 364)
<b>31 December 2007</b>	<b>411 797</b>	<b>327 715</b>	<b>7 927 178</b>	<b>8 666 689</b>
<b>Amortization</b>				
31 December 2006	328 605	-	-	328 605
Change in the financial year:				
- amortization in the financial year	20 696	-	-	20 696
- amortization of transferred and written-off assets (-)	-	-	-	-
<b>31 December 2007</b>	<b>349 301</b>	<b>-</b>	<b>-</b>	<b>349 301</b>
<b>Residual value</b>				
<b>31 December 2006</b>	<b>37 014</b>	<b>99 813 766</b>	<b>2 968 844</b>	<b>102 819 624</b>
<b>Residual value</b>				
<b>31 December 2007</b>	<b>62 495</b>	<b>327 715</b>	<b>7 927 178</b>	<b>8 317 388</b>

Amortization costs are accounted as cost.

## 5. Greenhouse gas emission permits

On 31 December 2007 the greenhouse gas emission allowances were accounted as follows:

	<b>Greenhouse gas emission allowances (Note 4) (LTL)</b>	<b>State grants (Note 6) (LTL)</b>	<b>Provisions for unused gas emission allowances (LTL)</b>
<b>31 December 2006</b>	<b>99 813 766</b>	<b>56 385 464</b>	<b>43 428 302</b>
State grant received at fair value	49 634 105	49 634 105	-
Approved emissions	(43 372 793)	55 509	(43 428 302)
Impairment of greenhouse gas emission permits	(105 747 364)	(105 747 364)	-
Provisions for used gas emission allowances	-	(274 726)	274 726
<b>31 December 2007</b>	<b>327 715</b>	<b>52 988</b>	<b>274 726</b>

## 6. Grants and subsidies

Balance of grants as of 31 December 2007 and the use during the year:

	<b>Assets-related grants (fuel incineration plant and other property) (LTL)</b>	<b>Assets-related grants (Renovation, environmental and safety standards enhancement project) (Lt)</b>	<b>Grants for greenhouse gas emission allowances (LTL)</b>	<b>Total (LTL)</b>
<b>Balance of grants as of 31 December 2005</b>	<b>2 864 402</b>	<b>39 866 000</b>	<b>64 978 063</b>	<b>107 708 465</b>
Depreciation of non-current assets (Note 3)	(373 698)	-	-	(373 698)
Grants received	14 477	108 196 951	162 000 205	270 211 633
Impairment of greenhouse gas emission allowances	-	-	(127 156 709)	(127 156 709)
Greenhouse gas emission allowances used	-	-	(43 436 095)	(43 436 095)
<b>Balance of grants as of 31 December 2006</b>	<b>2 505 181</b>	<b>148 062 951</b>	<b>56 385 464</b>	<b>206 953 596</b>
Depreciation of non-current assets (Note 3)	(374 100)	-	-	(374 100)
Grants received	-	119 997 299	49 634 105	169 631 405
Impairment of greenhouse gas emission allowances	-	-	(105 747 364)	(105 747 364)
Greenhouse gas emission allowances used	-	-	(219 217)	(219 217)
<b>Balance of grants as of 31 December 2007</b>	<b>2 131 081</b>	<b>268 060 251</b>	<b>52 988</b>	<b>270 244 320</b>

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

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

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

## 7. Bank loans

As of 31 December 2007 the loans from banks were as follows:

	<b>31-12-2007</b> <b>(LTL)</b>	<b>31-12-2006</b> <b>(LTL)</b>
AB DnB NORD bankas, EUR, repayable by 01-05-2013	12 999 792	12 999 792
Syndicated loan (AB bankas "Hansabankas", AB SEB bankas, Nordea Bank Finland Plc Lithuanian branch, AB DnB NORD bankas), Lt, repayable by 09-11-2020	100 106 640	34 923 304
<b>Total:</b>	<b>113 106 432</b>	<b>47 923 096</b>

## 8. Trade and other payables

As of 31 December 2007, trade and other amounts payable were as follows:

	<b>31-12-2007</b> <b>(LTL)</b>	<b>31-12-2006</b> <b>(LTL)</b>
Debts to suppliers for construction works and investment	63 829 474	20 192 722
Debts to suppliers for fuel	13 036 968	8 820 749
Outstanding dividends	986 541	886 655
Tax payable (except corporate income tax)	684 838	1 166 321
Other debts for services	662 409	1 473 461
Debts to suppliers for inventories	547 216	1 314 254
Debts to suppliers for repair works	248 710	2 609 076
Advance payments received	-	1 107 281
Other	36 655	70 758
<b>Total:</b>	<b>80 032 810</b>	<b>37 641 277</b>

## 9. Sales

Sales for the twelve months ended on 31 December were:

	<b>31-12-2007</b> <b>(LTL)</b>	<b>31-12-2006</b> <b>(LTL)</b>
Production of electricity	169 873 385	119 632 890
Cold capacity reserve	73 938 780	53 938 780
Heat energy	10 128 476	9 056 004
Warm reserve	7 971 600	7 971 600
Other	315 332	163 085
<b>Total:</b>	<b>262 227 573</b>	<b>190 762 359</b>

## 10. Costs

Costs for the twelve months ended on 31 December were:

	<b>31-12-2007</b> <b>(LTL)</b>	<b>31-12-2006</b> <b>(LTL)</b>
Gas	161 398 103	126 799 141
Depreciation and amortization costs	25 716 859	25 618 974
Wages and social insurance	25 099 648	21 536 914
Orimulsion	11 816 565	9 212 068
Materials	9 480 596	14 609 004
Repair	6 537 694	13 789 597
Balancing electric energy	2 108 010	3 097 356
Boiler fuel	1 023 031	1 243 389
Other	1 679 383	1 038 293
<b>Total:</b>	<b>244 859 888</b>	<b>216 944 735</b>

## 11. Operating costs

Operating costs for the twelve months ended on 31 December were:

	<b>31-12-2007</b> <b>(LTL)</b>	<b>31-12-2006</b> <b>(LTL)</b>
Salaries and social insurance	6 528 933	5 120 385
Pollution tax	1 430 462	966 771
Payouts according to collective agreement	1 203 673	988 801
Support	1 006 534	413 593
Land lease charge	759 784	755 783
Property security costs	618 066	755 017
Other taxes	572 007	320 386
Immovable property tax	498 245	544 147
Insurance costs	489 776	484 022
Business trips	481 782	326 668
Repairs	396 496	374 276
Public utilities	330 007	102 833
Vacation reserve	284 975	251 406
Communications and postal services	244 592	267 997
Carriage costs	239 831	295 920
Check-ups and servicing	200 800	164 942
Consulting and translative services	177 780	83 131
Training	109 193	152 270
Provisions for amounts receivable	(271 856)	(244 849)
Other	1 683 657	1 092 079
<b>Total:</b>	<b>16 984 736</b>	<b>13 215 580</b>

## 12. Other operating income and costs

Other operating income and costs for the twelve months ended on 31 December were:

	<b>31-12-2007</b>	<b>31-12-2006</b>
	<b>(LTL)</b>	<b>(LTL)</b>
<b>Other operating income</b>		
Profit from transfer of gas emissions permits	21 191 560	71 173 430
Income from custody of material resources	1 372 462	1 358 943
Dispenser servicing income	161 345	332 635
Lease income	131 626	124 224
Other income	601 052	127 809
Forfeit	19 300 485	-
Gain on disposal of inventories	14 803	158 723
Fines and late interest	57 123	46 496
Gain on disposal of property, plant and equipment	225	2 068
	<b>42 830 681</b>	<b>73 324 327</b>
<b>Other operating costs</b>		
Costs of sale of greenhouse gas emissions allowances	-	(653 130)
Costs of custody of material resources	(1 180 890)	(1 367 219)
Deprecation related on storage	(15 000)	(15 000)
Dispenser servicing costs	(127 765)	(324 026)
Other costs	(40 830)	(22 978)
	<b>(1 364 484)</b>	<b>(2 382 353)</b>

## 13. Financing costs

Financing costs for the twelve months ended on 31 December were:

	<b>31-12-2007</b>	<b>31-12-2006</b>
	<b>(LTL)</b>	<b>(LTL)</b>
Interest costs	3 592 465	583 379
Other financing costs	14 608	359 538
	<b>3 607 072</b>	<b>942 917</b>
Less: capitalized interest costs	(3 410 940)	(481 198)
<b>Total:</b>	<b>196 133</b>	<b>461 719</b>

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier