

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Lietuvos Elektrinė AB:

Report on the Financial Statements

We have audited the accompanying financial statements (pages 43 to 71) of Lietuvos Elektrinė AB (hereafter - "the Company"), which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company as of 31 December 2007 were audited by another auditor whose report dated 1 April 2008 expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for the Qualified Opinion

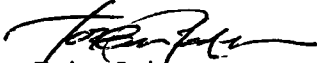
As of 31 December 2008 and 2007 the Company has accounted for property, plant and equipment in the amount of LTL 1,485,759,205 and LTL 1,395,642,451 respectively, based on the estimated useful lives disclosed in Note 3.3 to the accompanying financial statements. The Company is engaged in an industry experiencing rapid technological change, therefore we believe the estimated useful lives has to be reviewed annually. The last review of the estimated useful lives of property, plant and equipment was performed by the Company in 2004. Accordingly, we have not been able to obtain sufficient and appropriate audit evidence in respect of the Company's property, plant and equipment carried at LTL 1,485,759,205 as of 31 December 2008.

Qualified opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

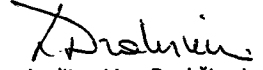
Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2008 (pages 5 - 42) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2008.



Torben Pedersen
Partner
Deloitte Lietuva UAB

Vilnius, Lithuania
21 March 2009



Auditor Lina Drakšienė
Auditor's Certificate Number 000062

Approved on _____ 2009
at the Board's meeting

**PUBLIC LIMITED LIABILITY COMPANY
LIETUVOS ELEKTRINĖ**

Enterprise code 110870933, Elektrinės str. 21, Elektrėnai LT-26108, tel.: 8528 -39533; fax: 8528-39733

ANNUAL REPORT
for the year ended 31 December 2008

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

General information on the public limited liability company *Lietuvos Elektrinė* (hereinafter referred to as the Company)

Name	The public limited liability company <i>Lietuvos Elektrinė</i> , hereinafter referred to as the Company
Legal form	Public limited liability company
Code	110870933
VAT payer's code	LT108709314
Authorised capital	The authorised capital of AB <i>Lietuvos Elektrinė</i> consists of LTL 145,800,689 divided into 145,800,689 ordinary registered shares with a nominal value of LTL 1 each.
Office address	Elektrinės str. 21, LT-26108 Elektrėnai
Telephone	(8~528) 39 066
Fax	(8~528) 39 733
E-mail	info@lelektrine.lt
Web site	http://www.lelektrine.lt
Registration date and place	31 December 2001, Ministry of Economy of the Republic of Lithuania
Register where data about the Company are accumulated and kept	Register of Legal Entities
Type of its main activities	AB <i>Lietuvos Elektrinė</i> operates in the energy sector. The Company produces and sells electricity and heat energy.

The Company is a member of the Lithuanian Electricity Association and actively participates in activities of the association that represents common interests of the European electricity industry (EURELECTRIC).

The general meeting of shareholders elects the Supervisory Board of the Company for the period of four years. The Supervisory Board consists of 5 members.

SUPERVISORY BOARD (ELECTED ON 6/11/2006):

Name, surname	A share of the authorised capital/votes, %
Chairman Artūras Dainius	-
Marija Siniavska	-
Nijolė Bujauskienė	-
Saulius Spėčius	-
Janina Butkevičienė (since 26/4/2007	-
	-

The Supervisory Board elects members of the Board from 5 persons for the period of 4 years. The Board elects the chairman from its members.

THE BOARD (RE-ELECTED ON 6/11/2006):

Name, surname	A share of the authorised capital/votes, %
Chairman Pranas Noreika	0.004
Arvydas Galinis	-
Domininkas Pečiulis	-
Rolandas Jankauskas	-
Vida Dzermeikienė	-

The Company Board elects, withdraws, and dismisses the Company manager – general director, determines his salary, approves his job description, and applies incentives and sanctions.

ADMINISTRATION

Name, surname	A share of the authorised capital/votes, %
General Director Pranas Noreika	0.004
Chief Financier Rolandas Jankauskas	-

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Information about the Chairman of the Board, the Head of the Administration, and the Chief Financier

Pranas Noreika, General Director, Chairman of the Board. Education – higher, profession – an engineer. He has worked as a general director of the Company for the last 10 years.

Rolandas Jankauskas, Chief Financier. Education – higher, profession – an engineer. He worked as an expert at AB SEB Vilniaus bankas, as an engineer, a deputy general accountant, and a chief financier at AB Lietuvos Elektrinė for the last 10 years.

The average number of managers of AB Lietuvos Elektrinė was three in 2008 and 2007. Pays for managers reached LTL 793,174 in 2008 (LTL 610,677 in 2007).

No allocations from the profit for annual bonuses (tantiemes), employee bonuses, and other purposes are planned in 2008.

Members of the Supervisory Board, the Board, and the Administration of AB Lietuvos Elektrinė have not been granted loans, guarantees, and sureties.

AB Lietuvos Elektrinė has signed agreements with AB FMĮ Finasta (Konstitucijos Av. 23, Vilnius) regarding accounting management of the securities issued by the Company, preparation of regular reports and payment of dividends for shareholders for the financial year 2002 to 2005.

1. An Objective Status of the Company, Overview of its Activities and Development, Description of the Main Types of Risks and Uncertainties Encountered by the Company

While Ignalina Nuclear Power Plant (INPP) is still operating, Lithuanian Power Plant fulfils a function of a reserve power plant.

After the planned decommissioning of Unit 2 of INPP in 2010, Lithuanian Power Plant will be the main electricity producer in the country.

The Company has spent around 1 billion Litass for its modernization during the last 10 years. There are plans to use all four 300 MW power units of the power plant and to build a new 400 MW gas-turbine unit, which will consume by 1/3 less gas than old units for production of the same amount of electricity. The main fuel of Lithuanian Power Plant is natural gas. After the construction of the smoke cleaning facility, heavy fuel oil and cheaper emulsions can be used.

The main risks encountered by the Company:

1. Economic risk factors.

After the increase of organic fuel prices, the prices of electricity produced by the Company cannot compete with cheap electricity produced by INPP.

If Lithuanian Power Plant has to produce more electricity, it would have to buy CO₂ ATL for EUR 10-25, which subsequently would increase electricity cost price by 4-8.5 cents per kWh.

2. Political risk factors.

Currently existing electricity transmission lines with Russia are of insufficient capacity and Russia does not intend to increase these capacities. In addition, the European part of Russia now already lacks electricity. Therefore, possibilities of electricity import from Russia are limited.

Meanwhile lines to Poland and Sweden will be constructed later. Scandinavian countries themselves import electricity in the winter season.

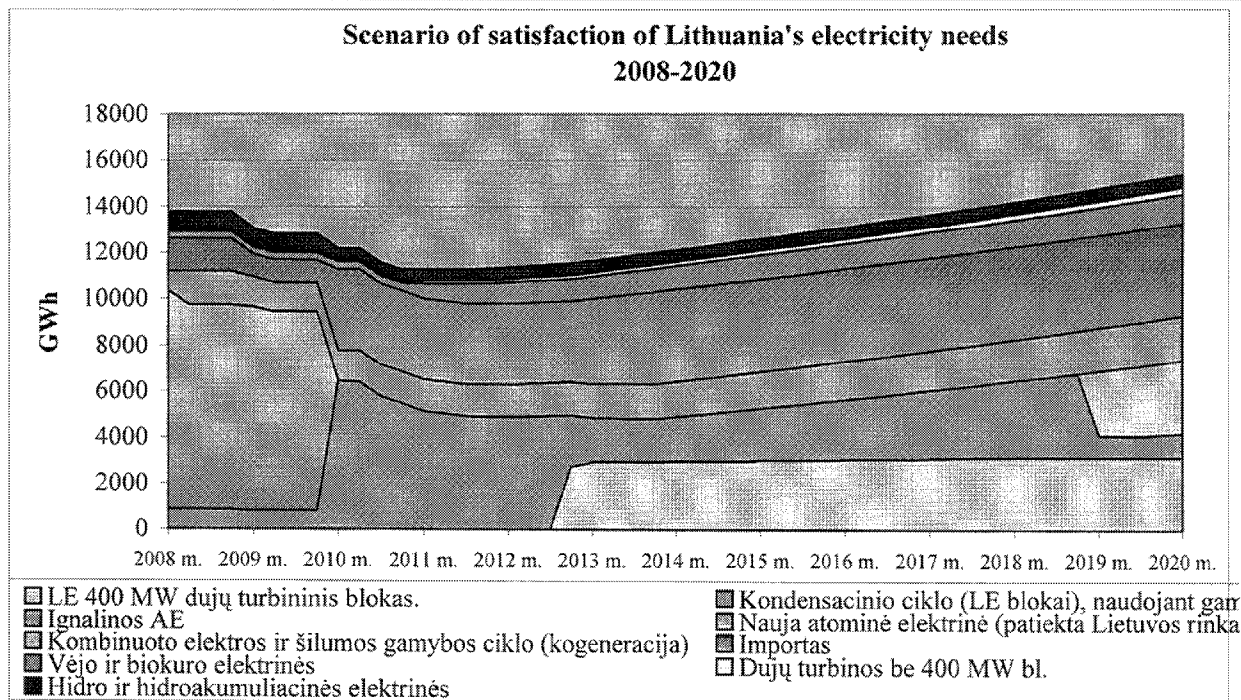
Possibilities of the import from Ukraine are also limited since there is an insufficient transmission capacity of lines via Belarus. Import perspectives from Estonia are also unclear.

With a significant increase in gas prices, the cost price of electricity also went up. Gas supply from one country – Russia – is also risky.

AB Lietuvos Elektrinė seeks alternatives for natural gas and possibilities to reduce gas consumption.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008



LE 400 MW gas-turbine unit.

Ignalina NPP

Combined electricity and heat production cycle (co-generation) market)

Wind and biofuel power plants

Hydro and pumped storage power plants

Condensed cycle (LE units) using natural gas

A new nuclear power plant (supplied to the Lithuanian

market)

Import

Gas turbines, excl. 400 MW units

3. Social risk factors.

Costs of labour force went up in Lithuania during the latter years. It caused the need to increase working efficiency of the Company. The Company pays much attention for the improvement or working conditions, employee training, and qualification advancement.

4. Technical and technological risk factors

Following Article 8, paragraph 8 of Protocol No.4 of the EU Accession Treaty of the Republic of Lithuania and the provisions of the National Energy Strategy Lithuanian Power Plant will be the main producer of electricity in Lithuania after the decommissioning of INPP on 31 December 2009. In order to ensure a reliable electricity supply a manoeuvrable combined cycle gas turbine unit with a capacity of around 400 MW should be installed at Lithuanian Power Plant.

The Donor Assembly has approved the construction of a new unit and adopted respective decisions. The main agreement regarding up to 70 per cent of the project funding has been signed with EBRD. The Lithuanian Power Plant has signed loan agreements with 5 Lithuanian banks.

In 2008 a tender was announced regarding selection of the construction contractor. The construction of this unit will be started in 2009.

Since a gas turbine unit allows reduction of gas consumption by 30%, environmental pollution is reduced respectively.

This very economic unit can operate also after construction of a new nuclear power plant. The Baltic Energy Strategy says that after Ignalina NPP decommissioning in 2010 the major part of electricity will be generated by existing power plants (modernisation of Lithuanian Power Plant, renovation of Estonian power plants), the existing available capacities in the Baltic power system, including currently planned to construct modern thermal power plants and power plants at district heating utilities and industrial enterprises, will be sufficient to meet the regional demand until 2015. However, capacities of a new nuclear power plant will not be sufficient to meet the demand of Lithuania since it will grow significantly within 10 years. The analysis of electricity needs shows that there are no grounds to think that since 2012 a new 400 MW combined cycle gas turbine unit will ensure in full supply of electricity to Lithuania.

5. Ecological risk factors.

Lithuanian Power Plant can avoid fines for environmental pollution. Two out of eight units of the power plant are designed for the use of more pollution causing but easily acquired and transported fuel in any country of the world – heavy fuel oil and emulsions. Due to the installed smoke cleaning facilities hazardous materials will not be emitted to the environment and EU environmental requirements will not be violated.

6. The financial risk management policy is laid out in the financial statements of AB Lietuvos

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Elektrinė for 2008.

2. The Analysis of Results of Financial and Non-financial Activities - Data Related to Environmental and Human Resource Issues

2.1. Indicators of Company's Activities 2005 - 2007

	2008 (LTL)	2007 (LTL)	2006 (LTL)
Turnover, LTL	395 589 875	305 058 255	264 086 686
Total profit, LTL	20 790 473	17 367 686	(26 182 376)
Operational profit, LTL	2 884 833	43 759 548	32 085 749
Profit before taxes, LTL	6 473 655	42 467 779	31 173 600
Net profit, LTL	(34 316 170)	33 916 710	25 007 221
EBITDA, LTL		69 476 407	58 093 421
Assets, LTL	1 685 041 772	1 569 500 120	1 410 906 882
Equity, LTL	944 090 693	980 406 862	946 490 152
Lowest share price	3.01	4.00	2.80
Highest share price	7.15	7.38	4.54
Closing price	3.85	6.10	4.49
Capitalisation (mn LTL)	561,33	889,38	654,65

2.2. Operation

2.2.1. Implementation of the Operation Plan 2008

AB Lietuvos Elektrinė received LTL 6,474,000 profit before taxes in 2008. Only additional production of electricity in August and September 2008, when Ignalina NPP was not operating, was profitable. The Company earned about LTL 40.4 M profit from this production. Both production of supported electricity and heat were unprofitable. AB Lietuvos Elektrinė fulfilled the profit plan (LTL 2,255,000) for the year 2008. Also, the yearly revenue plan was implemented. The Company received LTL 403,732,000 revenue, when the plan was LTL 395,896,000.

Implementation Results of the Operation Plan for the Year 2008

No.	Indicators	Units	Plan for 2008	Reached result
I. TECHNICAL INDICATORS				
1.	Supplied electricity	t.kWh	950.000	781.469
1.1.	AB Lietuvos Energija	"-	-	779.970
1.1.1.	Out of which under the quota of services of public interests	"-	-	596.318
1.2.	To other consumers	"-	-	1.499
2.	Sold capacity:	MW*h		
2.1.	Operating reserve	"-	-	413.623
2.2.	Standby reserve	"-	-	6.291.363
3.	Sold heat energy	Gcal	-	146.788
4.	Expenditure of contractual fuel for electricity production	g/kWh	-	409,6
5.	Expenditure of contractual fuel for heat production	kg/Gcal	-	143,9
II. REVENUE - total:		Th. LTL	395.895	403.732
1.	From electricity	"-	286.760	279.188
2.	From standby power reserve	"-	87.225	87.225

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

3.	From operating reserve	-"-	9.399	9.399
4.	From heat energy	-"-	12.511	11.924
5.	Revenue from other activities	-"-	0	4.909
6	From financial investment activities	-"-	0	11.087
	III. EXPENDITURE – total:	Th. LTL	395.501	397.329
1.	Variable	-"-	308.070	302.681
1.1.	For electricity	-"-	292.450	282.867
1.2.	For heat energy	-"-	15.620	19.814
2.	Relatively constant	-"-	87.431	83.134
2.1.	Amortization	-"-	27.619	26.853
2.2.	Wages	-"-	26.218	26.236
2.3.	Social insurance	-"-	8.390	8.535
2.4.	Taxes	-"-	2.900	2.257
2.5.	Material expenditure	-"-	20.904	18.120
2.6.	Interests	-"-	1.400	1.062
3.	Other activities	-"-	0	9.779
4	Financial investment activities	-"-	0	1.736
	IV. PROFIT – total:	Th. LTL	394	6.474
1 .	From the main activity	-"-	394	1.921
2.	From other activities	-"-	0	-4.869
3.	From financial investment activities	-"-	0	9.351

2.2.2. Environmental pollution of AB Lietuvos Elektrinė in 2008

Pollutants	Pollutant amounts, t
1. Pollutants emitted to the atmosphere with boiler smokes, t:	
SO2	143,563
NOx	770,698
CO	123,161
Heavy fuel oil and orimulsion ashes	3,634
Out of which V2O5	0,687
2. Evaporated carbon hydroxides, t:	0,000
3. Pollutants emitted to the atmosphere from small pollution sources, t:	
NOx	0,023
CO	0,065
K.d.	0,034
Iron compounds	0,048
Manganese compounds	0,007
Sulphuric anhydride	0,026
VOC	0,016
Sulphuric acid	0,003
4. Pollutants discharged with water into the Strėva river:	
BDS7, t	1,08
Suspended solids, t	1,56
Oil products, kg	0,02

2.2.3. Staff

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

2.2.3.1. The average number of employees and the average salary in AB Lietuvos Elektrinė in 2008:

	Facts for	
	2007	2008
Total number of employees:	673	606
Out of which:		
- employees	218	207
- workers	455	366
Average monthly salary, LTL	3179	3997,3
Out of which:		
- employees	3863	4892,7
- workers	2836	3515,8

2.2.3.2. Education of AB Lietuvos Elektrinė's employees in 2008:

- Higher – 174 people;
- High – 140 people;
- Secondary – 292 people.

There is no information on significant agreements among eminent, eminent's managers, employees, and other persons.

3. References and additional explanation about the data provided in the annual financial statement.

The annual financial statement and its explanatory note provide sufficient and comprehensive data with no additional explanation.

4. The amount of all acquired and own shares of the company, their nominal value, and their share in the authorised capital. The number of own shares acquired or disposed of, their nominal value, and their share in the authorised capital. Information about payment for own shares if they are acquired or disposed of for monetary remuneration. Reasons for acquisition of own shares during the reporting period.

4.1. DATA ABOUT THE ISSUER'S SECONDARY MARKET OF SECURITIES

4.1.1. Listed securities.

All ordinary registered shares of AB Lietuvos Elektrinė are listed on I-list of AB Vilniaus Vertybinių Popierių Birža (Baltic stock exchange in Vilnius), hereinafter referred to as NASDAQ OMX Vilnius (listed on 1 February 2002).

Table 4.1. Key characteristics of the shares of AB Lietuvos Elektrinė

Types of shares	ISIN code	Abbreviation	Number of shares	Nominal value, LTL	Total nominal value, LTL
Registered ordinary shares	LT0000126351	LEL1L	145,800,689	1	145,800,689

4.2. Trading of the issuer's securities on the stock exchange and other organised markets.

4.2.1. Securities trading at NASDAQ OMX Vilnius.

Table 4.2. Trading of the company's securities between 2005 and 2008

History of securities trading

Index	2005	2006	2007	2008
Opening	-	4.02	4.49	6.41
High	5.35	4.54	7.38	7.15
Low	3.56	2.80	4.00	3.01
Last	4.02	4.49	6.10	3.85
Turnover, units	731,316	817,722	466,291	189,440

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Index	2005	2006	2007	2008
Turnover, million	3.09	3.13	2.57	1.16
Capitalisation, million	586.12	654.65	889.38	561.33

Currency: LTL

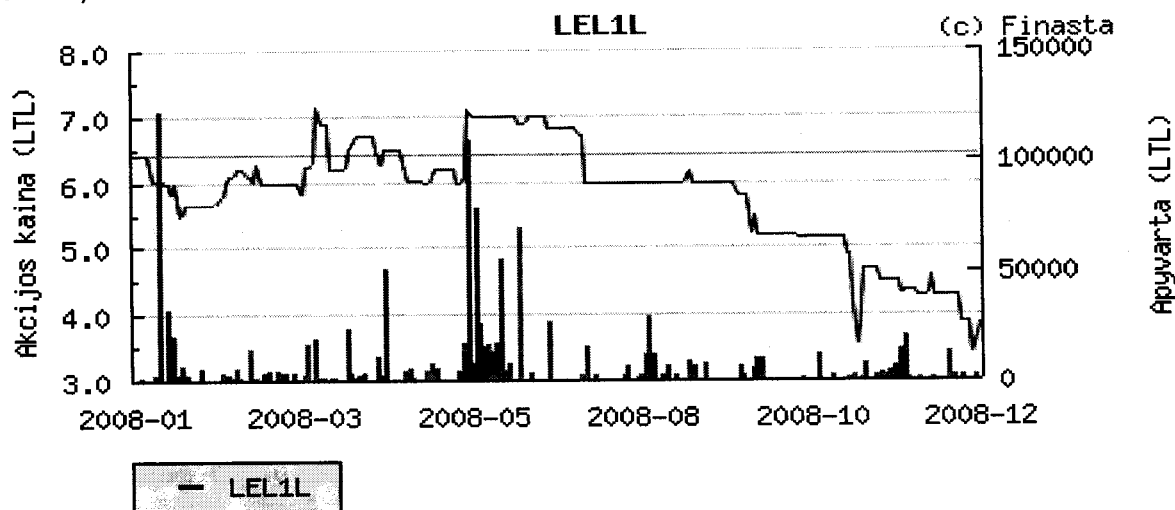


Figure 4.1. Trading of the company's shares

4.2.2. Trading at other stock exchanges

AB Lietuvos Elektrinė trades no shares at other stock exchanges.

4.2.3. Trading at other organized markets

AB Lietuvos Elektrinė trades no shares at other organized markets.

4.3. OTC trading of the issue's securities

Since the shares of AB Lietuvos Elektrinė are listed on I-list of NASDAQ OMX Vilnius, share purchase-sale transactions between 2004 and 2006 could be concluded only at NASDAQ OMX Vilnius.

Any off-exchange trading could only include exchange, deed of gift, succession, debt payment, and repurchase transactions. On 8 February 2007, the Law on the Markets in Financial Instruments of the Republic of Lithuania came into effect which established that secondary market purchase-sale transactions of listed securities could be concluded both at NASDAQ OMX Vilnius and over-the-counter.

Information about OTC transactions (LT0000126351 AB LIETUVOS ELEKTRINĖ PVA, Baltic secondary list):

Quantity	Cash payments		Non-cash payments		Total amount (units)
	Amount (LTL)	Number of transactions	Quantity	Number of transactions	
98.524	310,162.33	21	96.021	107	194.545

4.4. Shares of the company are issued in a non-material form. All shares of the Company are of a single class—ordinary registered shares and provide shareholders with equal rights.

4.4.1. Shareholders:

General Meeting of the shareholders of AB Lietuvos Elektrinė was held on 21 April 2008. The record date of the meeting was 14 April 2008. The total number of shareholders is 4,567.

Key characteristics of the shares issued for public circulation:

On 22 December 2001, the Securities Commission of the Republic of Lithuania registered the emission of 150,743,012 ordinary registered shares at the par value of LTL 1 of AB Lietuvos Elektrinė (registration of securities deed No. AB-5018, securities registration No. A01011524). The shares were

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

issued during the incorporation of the company (as a result of reorganisation of SP AB Lietuvos Energija by way of division) to form its authorised capital. The company was incorporated on 31 December 2001. In 2003, the authorised capital of AB Lietuvos Elektrinė was reduced by LTL 4,942,323 (to the amount of assets transferred to Elektrėnai municipal government to reduce the state interest in the company). Changes to the articles of association were registered on 9 May 2003. After the reduction of the authorised capital, it amounts to LTL 145,800,689. The authorised capital is divided into 145,800,689 ordinary registered shares at the par value of LTL 1.

The shareholders of the company exercise the following rights:

1) to receive a part of the company's profit (dividend). The dividend is a share of profit allocated to the shareholder in proportion to the nominal value of shares owned by him. If a share is not fully paid-up, the dividend of the shareholder shall be reduced in proportion to the unpaid amount of the share price and if the time limit for the payment has expired, the dividend is not paid. Dividends allocated by the decision of the General Meeting shall be the liability of the company to its shareholders. The company must pay the allocated dividends within 1 month after the day of adoption of the decision on profit appropriation. The shareholder shall have the right to claim the payment of dividend as the creditor of the company;

2) to receive a part of assets of the company in liquidation;

3) to receive shares without payment if the authorised capital is increased out of the company funds, except in cases specified in paragraph 3 of Article 42 of the Law on Companies;

4) to have the pre-emption right in acquiring shares issued by the company, except in cases when, pursuant to the procedure established in paragraphs 5-7 of Article 57 of the Law on Companies, the General Meeting, decides to withdraw the pre-emption right in acquiring the company's newly issued shares for all the shareholders;

5) sell or in any other way divest of all or part of the shares to other persons pursuant to the procedure established in the Law on Companies or the Civil Code;

6) require from other shareholders to sell or purchase their shares pursuant to and following the procedure established in the Law on Securities Market;

7) to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders shall be prohibited from negotiating a higher interest rate.

The shareholders have the following non-property rights:

1) to attend the General Meetings;

2) to vote at General Meetings according to voting rights carried by their shares;

3) to receive information on the company specified in paragraph 1 of Article 18 of the Law on Companies and the procedure specified in Clause 7.1 herein;

4) to file a claim with the court for reparation of damage resulting from nonfeasance or malfeasance by the company manager and Board members of their obligations prescribed by Articles of Association of the company and the law as well as in other cases laid down by laws;

5) In the cases specified in paragraph 4 of Article 2.82 of the Civil Code, to bring an action for declaring the decisions of the company bodies invalid may within 30 days from the day when the plaintiff became aware or should have become aware of the contested decision;

6) to authorise another person to vote for the shareholder at the General Meeting or perform any other legal actions.

4.4.2. All shares of the Company are of a single class—ordinary registered shares and provide shareholders with equal rights. A shareholder shall not be entitled to transfer his partly-paid shares to other persons if changes to the articles of association due to the increase of the authorised capital have not been registered in accordance with the procedure established in the Law on Companies and the articles of association. The shareholder shall inform the manager of the Company in writing about his intention to transfer all or part of the company's shares and specify the number of such shares, the type of transfer, and in case of sale—the price of the shares.

Table 4.3. Shareholders of the company as on 14 April 2008:

Shareholders	Interest	
	(LTL)	Percent
State represented by the Ministry of Economy of the Republic of Lithuania	140,552,224	96.40

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Others	5,248,465	3.60
Total	145,800,689	100.0

Table 4.4. Shareholders who on the record date of the meeting (14/04/2008) owned or held more than 5 % of the issuer's authorised capital

Name of the shareholder, registered address, code	Number of shares owned	Share of the authorised capital, %	Share of votes on the shares, %	Share of votes available to each shareholder and persons acting in concert, %
State represented by the Ministry of Economy of the Republic of Lithuania Gedimino pr. 38/2, Vilnius 188621919	140,552,224	96.40	96.40	----

4.4.3. There are no shareholders exercising special rights.

4.4.4. The right to vote at the General Meeting may be withdrawn or restricted in the cases established in the Law on Companies and other laws, also in case share ownership is contested. The right to vote at other General Meetings shall be granted only by fully paid shares. All voting shares of the company are of equal nominal value and each share gives its holder one vote at the General Meeting. A shareholder shall not be entitled to vote on the decision to withdraw the right of pre-emption in acquiring the shares or convertible debentures issued by a company if according to the agenda of the General Meeting it is intended to grant the right to acquire the above securities to the shareholder, the shareholder's close relatives, the shareholder's spouse or partner, where the partnership has been registered in accordance with the procedure established by law, and a close relative of the spouse, if the shareholder is a natural person, also to the shareholder's parent company or subsidiary, if the shareholder is a legal person, unless the shareholder has acquired all the shares in the company.

4.4.5. There are no shareholders' agreements that the issuer is aware of and which could restrict the transfer of securities and/or voting right.

5. Information about the company's subsidiaries and representations

The company has neither subsidiaries nor representations. In 2008, AB Lietuvos Elektrinė did not participate in the activities of other companies.

6. Significant events since the end of the previous financial year

February:

- On 12 February 2008, unaudited results of operations of AB Lietuvos Elektrinė for the year 2007 were announced. According to preliminary data, in 2007, AB Lietuvos Elektrinė earned LTL 42.47 million of unaudited gross profit (EUR 12.30 million) (in 2006—LTL 31.17 million (EUR 9.03 million)). Revenue in 2007 amounted to LTL 305.06 million (EUR 88.35 million) (in 2006—LTL 264.09 million (EUR 76.48 million)). Due to unused CO2 allowances, gross sales profit in 2007 was 52% higher than planned and amounted to LTL 22.10 million (EUR 6,40 million).

April:

- 21 April 2008
Decisions of the General Meeting of joint stock company AB Lietuvos Elektrinė held on 21 April 2008.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

1. Confirmation of the company's Financial Statements of 2007.
Decision: To confirm the company's Financial Statement of 2007.
2. Appropriation of profit (loss) in 2007.
Decision: To appropriate the company's profit (loss) of 2007 as follows:
 - I. Retained earnings (losses) of the previous financial years at the end of the reporting year—LTL 0 (EUR 0).
 - II. Net profit (loss)—LTL 33,916,710 (EUR 9,822,958).
 - III. Profit (loss) not recognised in the income statement for the reporting year—LTL 0 (EUR 0).
 - IV. Transfers from reserves—LTL 47,967,855 (EUR 13,892,451).
 - V. Shareholders contributions to cover the losses—0 LTL (0 EUR).
 - VI. Profit to be appropriated—LTL 81,884,565 (EUR 23,715,409).
 - VII. Appropriation of the profit:
 - VII.1. profit appropriated to legal reserve—LTL 4,094,228 (1185770 EUR);
 - VII.2. profit appropriated to reserve for acquisition of own shares—LTL 0 (EUR 0);
 - VII.3. profit appropriated to other reserves—LTL 72,735,337 (EUR 21,065,610);
 - VII.4. profit appropriated for payment of dividends—LTL 2,000,000 (EUR 579,240) (LTL 0.014 LTL (EUR 0.004) per share);
 - VII.5. profit allocated to annual payments, bonuses, etc.—LTL 3,055,000 (EUR 884,789), including:
 - VII.5.1. support—LTL 500,000 (EUR 144,810);
 - VII.5.2. employee bonuses—LTL 2,500,000 (EUR 724,050);
 - VII.5.3. royalties for board members—LTL 55,000 (EUR 15,929).
 - VIII. Retained profit (loss) at the end of the reporting year—LTL 0 (EUR 0).
3. Pledge of the company assets to the bank.
Decision: to guarantee repayment of the loan amounting to EUR 81,400,000 (eighty one million four hundred thousand) and fulfilment of other obligations pursuant to the Loan Agreement No. 07-133971-IN of 12 December 2007 (hereinafter—the Contract), the company pledged the assets (the plot of land, buildings, other structures, plant, and equipment as well as all the rest of assets) of the project (construction of a combined cycle 400 MW gas turbine unit) financed according to the agreement to AB Hansabankas, AB SEB Bank, Nordea Bank Finland Plc, AB DnB NORD Bank, and Sampo Bank (hereinafter—the Banks) and all the current and future deposits in all the accounts, available or to be opened in the future by AB Lietuvos Elektrinė.
4. Election of the audit company.
Decision: To elect UAB Deloitte Lietuva the auditor of joint stock company Lietuvos Elektrinė for the year 2008-2009 and to set the price for the audit amounting to LTL 66,000 (excluding VAT) for 2008 and LTL 70,000 (excluding VAT) for 2009.

May:

- 23 May 2008
It was announced that shareholders of AB Lietuvos Elektrinė are entitled within 90 days from this announcement to require from the state of Lithuania represented by the Ministry of Economy of the Republic of Lithuania, a shareholder of AB Lietuvos Elektrinė with at least 95% of the capital that gives at least 95% of votes, to redeem their shares at the General Meeting of the issuer for LTL 7.39 (seven litas and thirty-nine cents) per single ordinary registered share of AB Lietuvos Elektrinė at the par value of LTL 1 (notes of redemption must be submitted to the issuer) or to contest the price for the shares specified in this announcement (at Vilnius District Court). Shareholders of AB Lietuvos Elektrinė could familiarise themselves with the documents that justify the price of the shares at the head office of the company.

September:

- AB Lietuvos Elektrinė successfully completed a trial of emulsified fuel, a new product of Mažeikių Nafta, which created this emulsified fuel jointly with the British Company Quadrise Fuels International. The company finished using 20,000 metric tons of emulsified fuel. The main components of the emulsified fuel are water and a residual product, which results from visbreaking. The emulsion produced this way could be fuel oil. Its viscosity and other quality characteristics are similar to orimulsion used by Lietuvos Elektrinė, which came from Venezuela.
- Lithuanian public and EU representatives were presented the project for modernisation of the utility "Elimination of sulphur oxide from smoke and trapping of solid particles".

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Starting from 2010, AB Lietuvos Elektrinė may become the main source of electricity supply in the country and the company has been intensively preparing for it since 2005—the plant has undergone modernisation, its environmental qualities and efficiency have been enhanced, and a possibility to use a variety of fuel sources (i.e., gas and lower cost sulphur fuel oil) is being ensured. Modernisation of the plant involves installation of equipment for elimination of sulphur oxide from smoke and trapping of solid particles in the boilers, modernisation of seals for regenerating air heaters in power units, installation of computerised management and control of the units, etc.

November:

- Operational plan for 2009 of AB Lietuvos Elektrinė was confirmed.
- Investment plan for 2009 was confirmed.

December:

- Purchase and sale of natural gas and electricity as well as power reserve transmission contracts for 2009 were signed.
- At the meeting of 18 December 2008, the National Control Commission for Prices and Energy clarified the price forecast for the production of electricity in 2009. AB Lietuvos Elektrinė (company code 110870933) confirmed the price of electricity production at the rate of 37.35 ct/kWh.

More information is available at:
<http://www.baltic.omxnordicexchange.com>

7. Information about research and development activity of the company

7.1. Investment in 2008

Seq. No.	Project name	2008 (LTL)
1	2	4
	I. Works continued	
1.1.	Equipment for elimination of sulphur oxide from smoke and trapping of solid particles	62,021,043
1.2.	Burners with low nitric oxide emissions and equipment for treating heating surfaces of boilers	25,101,712
1.3.	Modernisation of control systems of units No. 5, 7, and 8	21,381,709
1.4.	Modernisation of regenerating air heaters	8,976,462
1.5.	Management of environmental and modernisation projects	5,022,416
1.6.	Equipment that does not require installation	2,369,720
	II. New projects	
2.1.	Replacement of the ejector pump 5A	0
2.2.	Modernisation of higher pressure heaters	0
2.3.	Replacement of the electric feed pumps	0
2.4.	Construction of a combined cycle 400 MW gas turbine unit	0
2.5.	Replacement of a 300MW generator	0
2.6.	Nitrogen storage area	18,078
	Total I and II:	124,891,140

8. Plans and forecasts of the company

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

8.1. Plans for 2009

On 13 November 2008, the board of AB Lietuvos Elektrinė confirmed the operational plan of 2009 of AB Lietuvos Elektrinė (Minutes of the Board Meeting No. 12). Following decision No. O3-206 of the National Control Commission for Prices and Energy, the supported price for electricity was reduced from 42.95 ct/kWh to 37.35 ct/kWh which caused reduction of the planned revenue of the company.

OPERATIONAL PLAN FOR 2009

Indexes		Units	Plan for 2009
Total sale of electricity		t/kWh	800,000
Average price		ct/kWh	37.35
Total revenue from electricity		t/LTL	298,800
Including	Internal market	t/kWh	800,000
	Average price	ct/kWh	37.35
	Income	t/LTL	298,800
	Export	t/kWh	0
	Average price	ct/kWh	0
	Income	t/LTL	0
Income from other main operations (power reserves, heat)		t/LTL	129,901
Total income from the main operations		t/LTL	428,701
Total cost of the main operations		t/LTL	423,606
Estimated profit (loss) of the main operations		t/LTL	5,095
Profit (loss) of other than the main operations		t/LTL	0
Total profit (loss):		t/LTL	5,095

Planned emissions into the ambient air in 2009 (tonnes):

Pollutants	2009
1. Smoke gas emissions into the ambient air:	
SO ₂	401.920
NO _x	1,548.33
CO	249.21
Fuel oil and orimulsion ash	6.83
Including V ₂ O ₅	3.284
2. Volatile organic compounds (VOC):	
	0.308
3. Emissions into the ambient air from minor pollution sources:	
NO _x	0.023
CO	0.065
Solid particles	0.034
Iron compounds	0.048
Manganese compounds	0.007
Sulphur anhydride	0.026
Sulphuric acid	0.003
VOC	0.160

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Fly ash of the power units will be caught in the electrostatic filter, granulated, packaged in the sealed plastic bags, and sent for processing abroad.

8.2. Description of the measures of investment plan for 2009

Works continued:

1. Construction of equipment for elimination of sulphur oxide from smoke gas and trapping of solid particles.

On 31/12/2002, LAND 43-2001 (issued in accordance with the requirements of EU directive 88/609/EEC) came into effect, whereby starting from 1 January 2008 maximum SO₂ smoke emissions from large combustion plants was reduced to 200 mg/Nm³. Smoke cleaning equipment will allow to burn low cost liquid sulphuric fuel. Construction of flue gas desulphurisation equipment and filters for solid particles for the boiler of unit 7 and the body of the of the boiler of unit 8 started in 2005 after signing the contract between AB Lietuvos Elektrinė and Alstom Power Sweden AB. In 2008, the installation stage was over and the trial stage of K-7 equipment started. In Q1 2009, the trial stage will be over and decommissioning will take place. In Q1 2009, the trial and completion of K-8A will take place. The project that will help to reduce annual payments for SO₂ and solid particle emissions into the ambient air is funded from the International Ignalina Nuclear Power Plant Decommissioning Fund.

2. Installation of burners with low nitric oxide emissions and equipment for treating heating surfaces of boilers.

Following requirements of directive 2001/80/EC, as of 01/01/2008 maximum concentration of NO_x emissions were reduced as follows: for burning gas—to 200 mg/Nm³ and for burning oil fuel—to 300 mg/Nm³. The work on the reduction of these emissions started after signing the contract between AB Lietuvos Elektrinė and Alstom Power, Derby. In 2006, modernisation of burners of unit 5, in 2007—units 1 and 6, and in 2008—of units 2, 7, and 8 was carried out. In Q1 2009, adjustment work on burners No. 7 and 8 will be carried out. As a result, annual payments for NO_x emissions will be reduced.

3. Modernisation of control systems of units 5, 7, and 8.

The work started in 2005, after signing the contract between AB Lietuvos Elektrinė and Emerson Process Management AG. Since then the work has been carried out all through the years 2006, 2007, 2008, and 2009. In 2006, modernisation of control unit 5 was carried out; in 2008—modernisation of units 7 and 8, and in Q1 2009—adjustment of units 7 and 8 will be completed. Modernisation of control systems of the units will increase reliability and efficiency of equipment.

4. Modernisation of regenerating air heaters.

The work started in 2005, after signing the contract with Fabryka Kotlow RAFAKO SA and continued all through the years 2006, 2007, and 2008. Modernisation of air heaters of units 5, 6, and 7 has been completed. Modernisation of regenerating air heaters unit 8 carried out in 2008 will increase efficiency of the units.

5. Management of environmental and modernisation projects

Consultancy services were used for the implementation of the investment projects specified above. A contract was signed with Enprima and Ernst and Young consortium in 2006. Services were provided in the period between 2007 and 2009.

6. Construction of a combined cycle 400 MW gas turbine unit.

Following provisions of Article 2 paragraph 8 of the Treaty of Accession to the European Union (Protocol No.4) and the National Energy Strategy, after the shut down of Ignalina Nuclear Power Plant on 31 December 2009, Lietuvos Elektrinė will be the main producer of electricity in Lithuania. In order to ensure supply of electricity, a combined cycle 400 MW gas turbine unit must be installed in the power plant of AB Lietuvos Elektrinė.

Investment in 2009

Seq. No.	Project	2009	Source of funding			TOTAL
			Funds of AB Lietuvos Elektrinė	National Ignalina Nuclear Power Plant Decommissioning Fund	International Ignalina Nuclear Power Plant Decommissioning Fund.	
1	2	5	6	7	8	9
	I. Works continued					

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

1.1.	Equipment for elimination of sulphur oxide from smoke and trapping of solid particles	51,654,176	0	0	51,654,176	51,654,176
1.2.	Burners with low nitric oxide emissions and equipment for treating heating surfaces of boilers	8,538,682	8,538,682	0	0	8,538,682
1.3.	Modernisation of control systems of units No. 5, 7, and 8	14,204,189	14,204,189	0	0	14,204,189
1.4.	Modernisation of regenerating air heaters	0	0	0	0	0
1.5.	Management of environmental and modernisation projects	2,463,525	1,856,322	0	607,203	2,463,525
1.6.	Equipment that does not require installation	2,500,000	2,500,000	0	0	2,500,000
	II. New projects					
2.1.	Construction of a combined cycle 400 MW gas turbine unit	310,752,000	93,225,600	0	217,526,400	310,752,000
2.2.	Replacement of a 300MW generator	36,000,000	36,000,000			36,000,000
	Total I and II:	426,112,572	124,891,140		269,787,779	426,112,572

9. When the company uses financial instruments and it is important to assess the company's assets, equity, liabilities, financial status, and operational results, the company discloses its financial risk management aims, means of hedging for future transactions for which hedge accounting applies, and the scope of the company's price risk, credit risk, liquidity risk, and cash flow risk.

The company did not use any financial instruments which would be important for assessing the company's assets, liabilities, financial status, and operational results.

10. PROCEDURE FOR CHANGING THE COMPANY'S ARTICLES OF ASSOCIATION

10.1. Shareholders must be notified about the changes in the Company's Articles of Association by placing a notice thereof in the daily "Lietuvos rytas" or in accordance with the ways and procedure provided for in these Articles of Association.

10.2. The Company's Articles of Association may be changed by an ordinary or extraordinary general meeting of shareholders by a qualified majority vote, which cannot be less than 2/3 of all votes granted by the shares held by the shareholders participating in the meeting.

10.3. The general shareholders' meeting may adopt the decision regarding any changes in the Articles of Association and the general shareholders' meeting shall be deemed to have taken place if it were attended by the number of shareholders who's shares grant more than 1/2 of all votes. After the quorum is determined it shall be deemed that it persists during the entire meeting. In case there is no quorum, the general meeting of shareholders shall be deemed not to have taken place and a repeated general meeting of shareholders will have to be convened, which will be entitled to adopt a decision only according to the agenda of the general meeting that previously did not take place and the quorum requirement shall not be applied to the repeated general meeting of shareholders.

10.4. The decision of the general meeting of shareholders regarding changes in the Articles of Association shall be adopted in accordance with the procedure established in articles 27 or 30 of the Law on Companies.

10.5. The Company's Articles of Association shall be changed in the following cases:

- 1) the Company's authorized capital is being increased or reduced;
- 2) the possibility to convert the Company's privileged shares to ordinary shares is being modified;
- 3) the decision has been reached to issue an emission of ordinary shares with the status of employee

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

shares and this had not been provided for in the Articles of Association;

4) the rights granted by the shares of different classes are being changed;

5) the report on the Company's operations provides for more requirements than stipulated in article 36(1) of the Law on Companies;

6) the number of the members of the Board of Directors is being increased or reduced;

7) the number of the members of the Supervisory Board is being changed;

8) a decision has been made to issue the Company's bonds. Articles of Association.

Chairman of the Board
Pranas Noreika



AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Annex 1 to the Annual Report of AB Lietuvos elektrinė for 2008

Form for disclosure of information concerning the compliance of companies, listed on the regulated market, with the code of governance

Following article 21(3) of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of Joint Stock Company Vilnius Stock Exchange (VSE), Joint Stock Company Lietuvos elektrinė discloses its compliance with the Governance Code, approved by VSE for the companies listed on the regulated market, and its specific provisions. Should this Code or certain provision thereof be not complied with, it shall be stated which specific provisions are not complied with and the reasons for that:

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT RELEVANT	COMMENTARY
Principle I: Basic provisions		
The main objective of a company should be fulfillment of common interests of all the shareholders while ensuring continuous increase in the value of shareholders' equity.		
1.1. The company should adopt and make public the company's development strategy and objectives by clearly declaring how it intends to act on the interests of its shareholders and increase the shareholders' equity.	Yes	Each year in its annual report the company discloses information about its planned operations.
1.2. Activities of all management bodies of the company should be focused on the achievement of declared strategic objectives in view of the need to increase the shareholders' equity.	Yes	Management and supervision bodies of the company strive to achieve the main goals and objectives.
1.3. The company's supervisory and management bodies should work in close cooperation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board, the Board of Directors and the Chief Executive Officer (CEO) of the company act in the interests of the company and its shareholders.
1.4. Supervisory and management bodies of the company should ensure that the rights and interests of the company's shareholders as well as other persons participating in or related to the company's activity (e.g. employees, creditors, suppliers, customers, local community) are duly respected	Yes	The company seeks to ensure the rights of all stakeholders (shareholders, employees, creditors, suppliers, customers, etc.).
Principle II: The corporate governance framework		
The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, appropriate balance and distribution of functions between the company's bodies as well as the protection of the shareholders' interests.		

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management ensures explicit separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in turn, result in a more efficient and transparent management process of the company.</p>	No	The company has set up a collegial supervisory body – the Supervisory Board, and the collegial management body – the Board of Directors. Control of the Board of Directors is also carried out by the general meeting of shareholders, to which the Board is reporting.
<p>2.2. The collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. The collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	Yes	The company sets up a collegial management body – the Board of Directors. The Board of Directors is responsible for the strategic management of the company as well as other key functions of corporate governance.
<p>2.3. Should the company decide to form only one collegial body, it is recommended that this should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective supervision of the functions performed by the company’s chief executive officer.</p>	Not relevant	The company has set up both the Supervisory Board and the Board of Directors.
<p>2.4. The collegial supervisory body to be elected by the general meeting of shareholders should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board inasmuch as that does not contradict the essence and purpose of this body.</p>	Yes	Assessment of setting up and activities of the Supervisory Board (also, as much as possible, of the Board of Directors) complies with the provisions set forth in Principles III and IV.
<p>2.5. The company’s management and supervisory bodies should have such a number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals could dominate in the process of decision-making on the part of these bodies.</p>	Yes	The Supervisory Board of the company has 5 members. The Board of Directors also has 5 members. Such a number of members of collegial bodies is optimal subject to the field and specifics of the company’s activities.
<p>2.6. Consulting directors or members of the supervisory board should be appointed for a specified term subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation in order to ensure the necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated; however, this procedure should not be easier than the removal procedure set for an executive director or a member of the board of directors.</p>	Yes	The Supervisory Board of the company is elected for the period of 4 years. The company’s Articles of Association do not provide for any restrictions for the re-election of members. In line with the Law on Companies of the Republic of Lithuania, the general meeting of shareholders may dismiss the entire Supervisory Board or its individual members prior to the expiry of their term.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Should the company decide not to set up a supervisory board but rather the board of directors, it is recommended that the chairman of the board of directors and chief executive officer of the company should not be the same person. Former chief executive officer of the company should not be immediately nominated as the chairman of the collegial body elected by the general meeting of shareholders. When a company decides to depart from these recommendations, it should furnish information on the measures taken to ensure impartiality of the supervision.</p>	Yes	<p>Since the company sets up the Supervisory Board, the Chief Executive Officer of the company shall be the Chairman of the Board of Directors. There are no obstacles for independent and impartial supervision, because the Chairman of the company's Supervisory Board is the representative of the main shareholder of the company. He is not a former CEO of the company (nor employee), and his current position does not constitute any obstacles for independent and impartial supervision either.</p>
---	-----	--

Principle III: The procedure for setting up a collegial body to be elected by the general meeting of shareholders.

The procedure for setting up of a collegial body to be elected by a general meeting of shareholders should ensure representation of interests of minority shareholders of the company, accountability of this body to the shareholders and objective supervision of the company's operation and its management bodies.

<p>3.1. The mechanism of setting-up a collegial body to be elected by a general meeting of shareholders (hereinafter in this Principle referred to as the "collegial body") should ensure objective and impartial supervision of the company's management bodies as well as proper representation of the interests of minority shareholders.</p>	<p>Yes</p>	<p>The company's Supervisory Board is elected in accordance with the procedure, established in the Law on Companies of the Republic of Lithuania. The mechanism for setting it up allows ensuring objective and impartial supervision of the company's management bodies.</p> <p>Only duly qualified individuals can become members of the Supervisory Board. None of the 5 members of the Supervisor Board work for the company. They are representatives of the major shareholder of the company – the State, represented by the Ministry of Economy of the Republic of Lithuania, holding 96.42 per cent of all shares of the company. This ensures a more efficient shareholder interest protection system.</p> <p>Since minority shareholders comprise 3.58 per cent of all shares only, they cannot have their own representative in the Supervisory Board. However, the interests of the minority shareholders are protected by the main shareholder of the Company – the State.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, current positions and potential conflicts of interest should be disclosed before the general meeting of shareholders, so that the shareholders would have sufficient time to make an informed voting decision. All circumstances affecting the candidate's independence (the sample list of which is set out in Recommendation 3.7) should be also disclosed. The collegial body should also be informed about any subsequent changes in the provided information. The collegial body should, on an annual basis, collect the data on its members stipulated in this item and disclose it in the company's annual report.</p>	<p>Yes</p>	<p>Information about the members of the company's Supervisory Board (their qualification, positions taken in other companies or institutions) is presented in the company's periodical reports as well as in the material of the general meeting of shareholders.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>3.3. When a person is nominated to be a member of a collegial body, such nomination should be followed by the disclosure of information on the candidate's particular competences directly pertaining to his/her service on the collegial body. In order for the shareholders and investors to be able to assess whether a member's competence continues to be relevant, the collegial body should, in each of the company's annual reports, publish the information on its composition and particular competences of individual members, which directly pertain to their service on the collegial body.</p>	<p>Yes</p>	<p>In the general meetings of shareholders of the company, prior to electing a new member of the Supervisory Board, the shareholders are provided information about his/her qualification, position taken in other companies or institutions. Information about the composition of the Supervisory Board and its members is also disclosed in the company's periodic reports.</p>
<p>3.4. In order to preserve a proper balance in terms of current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have it periodically reviewed. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, opinions and experience to perform their tasks properly. The members of the audit committee, collectively, should possess recent knowledge and relevant experience in the fields of finance, accounting and/or audit of the companies listed on the stock exchange.</p>	<p>Yes</p>	<p>The Supervisory Board of the company is formed with regard to the company's structure and nature of activities. Members of the company's Supervisory Board possess diverse knowledge and experience in order to carry out their functions properly.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program, intended to familiarize a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>Members of the current Supervisory Board of the company possess sufficient experience in management of companies. After electing new members to the Supervisory Board, they would be familiarized with the company, its activities and peculiarities of management.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of a collegial body are resolved properly, the collegial body should have a sufficient number of independent members.</p>	<p>No</p>	<p>The company's Supervisory Board does not have any independent members; all members are representatives of the main shareholder of the company. Regardless of that, any possible conflicts of interest pertaining to individual members of the Supervisory Board of the company would be dealt with properly. Members of the Supervisory Board are not employees of the company.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>3.7. A member of the collegial body should be considered to be independent only if he/she has no business, kinship or other relationships with the company, its controlling shareholder or their administration, that create or might create a conflict of interests and that might affect the member's judgment. Since it is impossible to list all cases when a member of the collegial body might become dependant and, besides that, relationships or circumstances associated with the determination of independence may vary from one company to another and the best practices of solving this problem are yet to evolve in the course of time, the assessment of the independence of the member of the collegial body should be based on the nature of the relationships and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent should be the following:</p> <ul style="list-style-type: none">-he/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not held such positions during the recent five years;	No	The company follows the criteria stipulated in this recommendation, when assessing independence of the members of the Supervisory Board. Subject to the criteria set forth in the recommendation, no member of the Supervisory Board can be defined as independent, because they are representatives of the main shareholder of the company.
---	----	--

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>-he/she is not an employee of the company or any associated company and has not been such during the recent three years, except for cases when a member of the collegial body does not belong to senior management and was elected to the collegial body as a representative of the employees;</p> <p>-he/she is not receiving or has not been receiving significant additional remuneration from the company or associated company other than remuneration for the position in the collegial body. Such additional remuneration includes participation in share options or some other performance-based payment systems; it does not include compensation payments for the previous office in the company (provided that such payment is in no way related with subsequent position) as per pension plans (including deferred compensations);</p> <p>-he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1)</p> <p>- he/she does not and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the undertaking which is part of such a relationship. An undertaking is considered to have business relations when it is a major supplier or service provider (including financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>- he/she is not and has not been, during the recent three years, partner or employee of the current or former external auditor of the company or an associated company;</p> <p>-he/she is not an executive director or member of the board in another company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is a consulting director or member of the supervisory board; he/she may not have any other significant relationships with executive directors of the company that arise from their participation in activities of other companies or bodies, either;</p> <p>-he/she has not been in the position of a member of the collegial body for more than 12 years;</p> <p>-he/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in items 1 to 8 above. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
---	--	--

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body to determine at its own discretion. The collegial body may decide that, despite a particular member meeting all the criteria of independence laid down in this Code, he/she cannot be considered independent due to special personal or company-related circumstances.</p>	<p>No</p>	<p>Subject to the criteria set forth in the recommendation, no member of the company's Supervisory Board can be considered as independent, because they are representatives of the company's main shareholder.</p>
<p>3.9. Relevant information on the conclusions that the collegial body has reached after establishing whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should announce in its annual reports, which members of the collegial body it considers to be independent.</p>	<p>No</p>	<p>So far, the company has not applied the practice of assessing and publishing the information on the independence of its members of the Supervisory Board.</p>
<p>3.10. When one or more criteria of independence assessment set out in this Code have not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>So far, the company has not applied the practice of assessing and publishing the information on the independence of its members of the Supervisory Board.</p>
<p>3.11. The members of a collegial body can be remunerated for their work and participation in the meetings of the collegial body from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not relevant</p>	<p>Members of the company's Supervisory Board are not paid any remuneration for their work or participation in the meetings of the Board from the company's funds.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>Principle IV: The duties and liabilities of a collegial body elected by the general meeting of shareholders The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general meeting of shareholders, and the powers granted to the collegial body should ensure effective supervision of the company's management bodies and protection of the interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general meeting of shareholders (hereinafter in this Principle referred to as the "collegial body") should ensure integrity and transparency of the company's financial accountability and control system. The collegial body should issue recommendations to the company's management bodies and monitor and control their performance when managing the company.</p>	<p>Yes</p>	<p>The Supervisory Board of the company provides recommendations, supervises the performance of the Board of Directors and the CEO of the company as well as carries out other functions within its competence.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of its employees and public welfare. The independent members of the collegial body should: a) under all circumstances maintain independence of their analysis, decision-making and actions b) not seek nor accept any unjustified privileges that might compromise their independence, and c) clearly express their objections, should a member consider that the decision of the collegial body could do harm to the company. Should a collegial body have adopted any decisions that any independent member has serious doubts about, the member should draw respective conclusions. Should an independent member resign, he/she should explain the reasons in a letter addressed to the collegial body or the audit committee and, if necessary, respective body (institution), which is not part of the company.</p>	<p>Yes</p>	<p>As per information in the company's possession, all members of the Supervisory Board act in good faith towards the company. They observe the interests of the company, rather than their own or those of third persons, while striving to maintain their independence when taking decisions.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his/her duties as a member of the collegial body. Each member of the collegial body should commit to limiting other professional obligations of his (in particular any directorships held in other companies) in such a manner that they do not interfere with proper performance of duties of a member of the collegial body. Should a member of the collegial body be present in less than half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified thereof.</p>	<p>Yes</p>	<p>Members of the company's Supervisory Board fulfill their duties properly: they actively participate in the meetings and devote sufficient time to the fulfillment of their duties. All members take part in the meetings of the Supervisory Board.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders in a fair and impartial manner. It should ensure that shareholders are properly informed on the company's affairs, strategy, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to the shareholders.</p>	<p>Yes</p>	<p>The company observes the set recommendations. The Supervisory Board of the company treats all shareholders in a fair and impartial manner.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or those concluded when carrying out routine operations in the company under standard terms and conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>Transactions between the company and its shareholders, members of supervisory or managing bodies, or other natural or legal entities that exert or might exert influence on the management of the company are concluded and approved in line with the laws of the Republic of Lithuania.</p>
<p>4.6. The collegial body should be independent in making decisions that are significant for the company's operations and strategy. Inter alia, the collegial body should be independent from the company's management bodies. Members of the collegial body should act and pass decisions without an influence from the persons who have elected it. The company should ensure that the collegial body and its committees are provided with sufficient resources (including financial) to perform their duties, including the right to obtain, in particular from the employees of the company, all the necessary information and to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	<p>The Supervisory Board is provided all information necessary for carrying out their duties. When making decisions, relevant to the company's operations and strategy, it acts independently from the company's management bodies.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>4.7. Activities of the collegial body should be organized in such a manner that independent members of the collegial body could have major influence in areas of particular significance where chances of occurrence of conflicts of interest are particularly high. Such areas to be considered as particularly significant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out; however, they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail the reasons for the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. In companies, where the collegial body has a small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets the composition requirements set for the committees and that relevant information is disclosed in this respect. In such a case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, if relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>So far the company has not formed any nomination, remuneration and audit committees. Nevertheless, members of the Supervisory Board have big influence over the most important aspects of the company's operations, control the Board of Directors and the CEO as well as make proposals regarding decisions adopted by them.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are being made after having them dully considered, and to help organize its work so that the decisions it takes are not affected by material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body, however, the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to narrow down the competence of the collegial body or to remove certain matters from the purview of the collegial body. The collegial body remains fully responsible for the decisions taken within its field of competence.</p>	<p>No</p>	<p>Committees are not being set up in the company.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be comprised entirely of consulting directors.</p>	<p>No</p>	<p>Committees are not being set up in the company.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating its role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Moreover, companies should make public annually the statements made by existing committees on their composition, number of meetings and attendance over the year, as well as their main directions of activities. The audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>No</p>	<p>Committees are not being set up in the company.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body who are not members of the committee should generally have the right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular employees or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>No</p>	<p>Committees are not being set up in the company.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>4.12. Nomination committee. 4.12.1. The main functions of the nomination committee should be the following: 1) identify and recommend, for the approval of the collegial body, candidates to fill the vacancies of the management bodies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and functions required to assume a particular office, and assess the time commitment expected. Nomination committee may also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on a regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving the necessary changes; 3) assess on a regular basis the skills, knowledge and experience of individual directors and report this to the collegial body; 4) pay sufficient attention to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management.</p> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted and entitled to submit proposals to the nomination committee.</p>	<p>No</p>	<p>Committees are not being set up in the company.</p>
<p>4.13. Remuneration committee. 4.13.1. The main functions of the remuneration committee should be the following: 1) make proposals, for the consideration of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should include all forms of compensation, including fixed salaries, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals regarding performance-based remuneration schemes should be submitted in conjunction with recommendations on the related objectives and evaluation criteria, aimed at properly aligning the pay of executive directors and members of the management bodies with the long-term interests and objectives of the shareholders set by the collegial body;</p>	<p>No</p>	<p>Committees are not being set up in the company.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

2) make proposals to the collegial body on individual remuneration for executive directors and members of management bodies so that their remunerations were consistent with company's remuneration policy and the evaluation of the performance of persons concerned. In doing so, the committee should be well informed on the total compensation received by executive directors and members of the management bodies from other related companies;

3) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

4) help the collegial body in overseeing how the company complies with valid provisions regarding the disclosure of remuneration-related information (in particular the remuneration policy applied and individual remuneration of directors);

5) make general recommendations to the executive directors and members of the management bodies on the amount and structure of remuneration for senior management (as defined by the collegial body) as well as monitor the amounts and structure of remuneration for senior management based on the corresponding information provided by the executive directors and members of the management bodies.

4.13.2. When the issue of incentives pertaining to stock options and other share-based incentives which may be granted to directors or other employees needs to be dealt with, the committee should:

1) consider general policy regarding the application of the above-mentioned schemes, in particular stock options, and make the related proposals to the collegial body;

2) examine the information that is given on the subject in the company's annual report and documents intended for the shareholders' meeting;

3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences.

4.13.3. When solving the issues within the purview of the remuneration committee, it should at least find out the opinion of the chairman of the collegial body and (or) the chief executive officer of the company on the remuneration of other executive directors or members of the management bodies.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>4.14. Audit committee.</p> <p>4.14.1. Main functions of the audit committee should be the following:</p> <p>1) monitor the integrity of the financial information provided by the company, in particular the suitability and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) at least once per year review the systems of internal control and risk management to ensure that the key risks (including the risks related with compliance with the existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) ensure the efficiency of the internal audit functions, inter alia, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the company's management to its findings and recommendations. Should there be no internal audit function in the company, the need for one should be reviewed by the committee at least once per year;</p> <p>4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external audit company (to be carried out by the general meeting of shareholders) and with the terms and conditions of the contract with it. The committee should investigate situations that lead to the resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) monitor independence and impartiality of the external audit company; in particular it is important to check the audit company's compliance with the requirements relating to the rotation of audit partners as well as the level of fees paid by the company to the audit company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, basing, inter alia, on the information disclosed by the external audit company on all remunerations paid by the company to the audit company and its network, should at all times monitor the nature and extent of non-audit services. Having regard to the principals and guidelines established in the Commission Recommendation 2002/590/EC of 16 May 2002, the committee should determine and apply a formal policy defining the types of non-audit services the procurement of which is: a) excluded, b) permissible only after review by the committee, and c) permissible without referral to the committee;</p>	No	The audit committee is not being formed, since the controlling block of shares of the company is held by the State (Ministry of Economy of the Republic of Lithuania).
---	----	--

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

6) review the efficiency of the external audit process and responsiveness of administration to recommendations presented in the letter of the audit company to the management.

4.14.2. All members of the committee should be furnished with comprehensive information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee about the methods used to account significant and unusual transactions where the accounting may be carried out pursuant to different approaches. In such a case, special consideration should be given to company's operations in offshore centers and (or) activities carried out through ventures (organisations) of special purpose and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be enabled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be guaranteed effective working relationships with management as well as free access to the collegial body. For this purpose the audit committee should act as the principal liaison person with the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditors' work program, and furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditors and should be furnished with report disclosing all relationships between the independent audit company and the company and its group. The committee should be furnished timely information on all issues pertaining to the audit.

4.14.6. The audit committee should check whether the company is following valid provisions regulating the possibility for employees to file a complaint or anonymously report alleged significant violations in the company (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>4.15. Every year the collegial body should conduct an assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency as well as assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organisation and working procedures, and specify what material changes were made as a result of the assessment by the collegial body of its own activities.</p>	<p>No</p>	<p>Such practice has not so far been applied in the company.</p>
<p>Principle V: The working procedure of the company's collegial bodies The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making as well as encourage active co-operation between the company's bodies.</p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the term "collegial bodies" covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by the chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body's meetings. The chairperson should ensure that information about the meeting being convened and its agenda are properly communicated to all members of the body. The chairperson should also ensure proper conducting of the meetings of the collegial body as well as proper order and working environment during the meeting.</p>	<p>Yes</p>	<p>The company fully complies with these recommendations.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene the meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee continuous resolution of the essential issues of corporate governance. Meetings of the company's supervisory board should be convened at least once per quarter, and the company's board should meet at least once a month.</p>	<p>Yes</p>	<p>Meetings of the company's Supervisory Board and the Board of Directors are convened at such periodic intervals as to ensure continuous resolution of the essential issues of corporate governance. Meetings of the company's Supervisory Board are organized at least once per quarter, whereas the meetings of the Board of Directors are convened at least once per month in accordance with the schedule approved by the Board of Directors.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions afterwards. Together with the notice about the convocation of the meeting, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>The company fully complies with these recommendations. Ordinary meetings of the Supervisory Board and the Board of Directors take place according to the schedules approved in advance. Members are notified about the meetings in advance. Together with the notification about the meeting, members of collegial bodies are presented all the information pertaining to the agenda of the meeting.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Yes</p>	<p>Chairpersons of the Company's Supervisory Board and the Board actively co-operate dealing with the issues related to corporate management.</p>
<p>Principle VI: Equitable treatment of shareholders and shareholder rights The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>The authorised capital of the Company consists of LTL 145,800,689, which are divided into 145,800,689 ordinary registered LTL 1 nominal value shares. All shares of the Company grant equal property and non-property rights to their holders.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>The Company will fully comply with the provisions laid down in this recommendation.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>Yes</p>	<p>The Company abides by the requirements of its Articles of Association (Chapter 4).</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>Yes</p>	<p>The Company is in full compliance with this recommendation. The procedures for convening and conducting General Shareholders Meetings create equal opportunities for all shareholders of the Company to take part in meetings and do not prejudice their rights and interests. Shareholders of the Company are informed about General Shareholders Meetings being convened in the daily "Lietuvos Rytas", as well by announcing information through the information disclosure system of the Vilnius Securities Exchange.</p>
<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>Not later than 10 days before the General Shareholders' Meeting, the Company places all suggested draft resolutions on the information disclosure system of the Vilnius Security Exchange. All shareholders of the Company are given access to the information related to the agenda of the General Shareholders' Meeting in advance. Resolutions passed by the General Shareholders' Meeting are also disclosed through the information disclosure system of the Vilnius Security Exchange. The Company discloses its information in Lithuanian and English.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and <i>in absentia</i>. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>Shareholders of the Company can exercise their right to take part in General Shareholders' Meetings in person or through their proxies, if the person has a relevant authorisation. The Company also makes it possible for its shareholders to vote by completing the general voting ballot.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunication. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>N/A</p>	<p>There has been no need to implement this recommendation in the Company so far.</p>

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Principle VII: Avoidance of conflicts of interest and their disclosure

The corporate management framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The Company is in full compliance with these recommendations. Most of the members of collegial management bodies are civil servants.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	<p>Transactions between the Company and its shareholders or members of its management bodies, or other natural or legal persons that influence or can influence the corporate governance are approved in accordance with the Articles of Association of the Company (Sections 4 and 5).</p>
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>Yes</p>	
<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>Yes</p>	<p>Members of the Company's supervisory and management bodies are briefed on these provisions and have to abide by these recommendations.</p>

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual report. Remuneration statement should also be posted on the company's website.</p>	No	The Company does not draw up any remuneration statement. The remuneration policy in the Company is regulated by the Ministry of Economy of the Republic of Lithuania.
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent financial years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	No	See paragraph 8.1
<p>8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors; however, remuneration statement should not contain any information that should not be disclosed from a commercial perspective.</p>	No	See paragraph 8.1
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	See paragraph 8.1
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	See paragraph 8.1
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in paragraphs 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p>	No	See paragraph 8.1

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>8.7.1. The following remuneration and/or emoluments related information should be disclosed:</p> <ol style="list-style-type: none">1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;2) The remuneration and advantages received from any undertaking belonging to the same group;3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points 1-5. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none">1) The number of share options offered or shares granted by the company during the previous financial year and their conditions of application;2) The number of shares options exercised during the previous financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;4) All changes in the terms and conditions of existing share options occurring during the next financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none">1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;2) When the pension scheme is defined contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.		
---	--	--

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>N/A</p>	<p>The Company does not apply any schemes whereunder managers would be remunerated in shares, share options or any other rights to acquire shares or be remunerated on the basis of share price movements.</p>
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	<p>No</p>	<p>The Company abides by the requirements of its Articles of Association.</p>
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>N/A</p>	
<p>8.11. Paragraphs 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>N/A</p>	

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>8.12. Prior to the annual general meeting that is intended to consider the decision stipulated in paragraph 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. All information given in this article must be posted on the company's website.</p>	<p>N/A</p>	
<p>Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company abides by all statutory requirements ensuring the rights of its stakeholders. Employees of the Company influence corporate governance through trade unions under the collective agreement. Relationships with creditors, suppliers, and clients are defined in relevant contracts.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Principle X: Information disclosure and transparency The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
<p>10.1. The company should disclose information on:</p> <p>The financial and operating results of the company; Company objectives; Persons holding by the right of ownership or in control of a block of shares in the company; Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; Material foreseeable risk factors; Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; Material issues regarding employees and other stakeholders; Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in paragraph 1 of Recommendation 10.1 is under disclosure.</p>	Yes	The Company is in compliance with these recommendations.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in paragraph 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in paragraph 7 of Recommendation 10.1 is under disclosure.</p>		
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	Yes	Information through the information disclosure system of the Vilnius Security Exchange is disclosed in Lithuanian and English simultaneously. The Exchange posts the information received on its website and trading system, thereby ensuring that information is available to all at the same time. The Company does not disclose information that can influence the price of its shares in commentaries, interview or in any other manner until such information is publicly disclosed through the information system of the Exchange.
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	Yes	The Company makes effort to disclose information through the information disclosure system of the Vilnius Security Exchange in Lithuanian and English simultaneously.
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	No	So far the Company has no technical capacities to announce information on its website. It is planned in the future.

AB LIETUVOS ELEKTRINĖ

ANNUAL REPORT OF THE COMPANY FOR THE YEAR 2008

Principle XI: The selection of the company's auditor The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent firm of auditors carries out an annual audit of the Annual Financial Statements and Annual Report of the Company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	A candidate to the firm of auditors is selected in a public tender.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	N/A	The firm of auditors of the Company has not provided any non-audit services to the Company and has not received any remuneration therefor from the Company.

Chairman of the Board
Pranas Noreika



**JOINT STOCK COMPANY
LIETUVOS ELEKTRINĖ**

company code 110870933, Elektrinės g. 21, Elektrėnai LT-26108, tel. 8528-39533, fax 8528-39733

***Financial Statement
for the year ended 31 December 2008***

AB LIETUVOS ELEKTRINĖ

CONTENTS

	PAGE
ENDORSEMENT BY THE AUTHORISED REPRESENTATIVES	3
FINANCIAL STATEMENTS:	
BALANCE SHEET	4
INCOME STATEMENT	5
STATEMENT OF CHANGES IN EQUITY	6
CASH FLOW STATEMENT	7
NOTES	8

AB LIETUVOS ELEKTRINĖ

ENDORSEMENT BY THE AUTHORISED REPRESENTATIVES

Following the rules of the Securities Commission of the Republic of Lithuania for the preparation and submission of regular and supplementary information, and Article 22 of the Law on Securities of the Republic of Lithuania, we, Pranas Noreika, chief executive officer of AB Lietuvos Elektrinė and Rolandas Jankauskas, chief financial officer, confirm that to the best of our knowledge, the financial statement of AB Lietuvos Elektrinė for the year 2008, was prepared according to International Financial Reporting Standards and gives a true and fair view of the assets, liabilities, financial position, and profit of the company.



Pranas Noreika
Chief Executive Officer



Rolandas Jankauskas
Chief Financial Officer

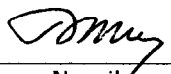
27 March 2009

AB LIETUVOS ELEKTRINĖ

BALANCE SHEET

For the year ended 31 December 2008

	Notes	31/12/2008 (LTL)	31/12/2007 (LTL)
ASSETS			
Non-current assets:			
Non-current tangible assets	5	1,485,759,205	1,395,642,451
Intangible assets	6	29,039,519	8,317,388
Long-term receivables	7	948,812	1,095,762
Deferred tax asset	28	427,192	243,736
Assets due to future EU emission allowance trading	29	1,655,959	-
Total non-current assets		1,517,830,687	1,405,299,337
Current assets:			
Inventories	8	72,098,950	21,749,315
Receivables and prepayments	9	35,557,830	26,998,989
Cash and cash equivalents	11	59,554,305	115,452,479
Total current assets		167,221,084	164,200,783
TOTAL ASSETS		1,685,041,772	1,569,500,120
EQUITY AND LIABILITIES			
Equity:			
Issued capital	12	145,800,689	145,800,689
Revaluation reserve	13	-	664,668,688
Legal reserve	13	13,709,665	9,615,437
Other reserves	13	800,645,102	78,437,483
Accumulated income	15	(16,064,763)	81,884,565
Total equity		944,090,693	980,406,862
Government grants and subsidies	16	333,310,340	270,244,320
Non-current liabilities:			
Bank loans	17	144,206,192	113,106,432
Financial leasing	18	-	-
Deferred income tax	28	155,359,371	119,248,168
Total non-current liabilities		299,565,563	232,354,601
Current liabilities:			
Trade and other payables	19	75,945,284	80,032,810
Payables related to salaries and social security	20	3,617,690	2,477,506
Current year income tax		-	3,702,598
Emission limit liabilities	14	28,512,202	274,726
Financial leasing	18	-	6,696
Total current liabilities		108,075,176	86,494,337
TOTAL EQUITY AND LIABILITIES		1,685,041,772	1,569,500,120


Pranas Noreika
Chief Executive Officer


Rolandas Jankauskas
Chief Financial Officer

AB LIETUVOS ELEKTRINĖ

INCOME STATEMENT

For the year ended 31 December 2008

	Notes	31/12/2008 (LTL)	31/12/2007 (LTL)	3-month period ended 31 December 2008 (LTL)	3-month period ended 31 December 2007 (LTL)
Sales	21, 23	387,735,876	262,227,573	79,073,101	66,833,276
Cost of sales	22, 23	(366,945,402)	(244,859,888)	(89,130,836)	(77,225,092)
Total profit/(loss)		20,790,473	17,367,686	(10,057,735)	(10,391,816)
Operating expenses	24	(25,120,392)	(16,984,736)	(13,736,603)	(4,158,865)
Other operating income	25	7,853,999	42,830,681	5,473,969	599,720
Other expenses	25	(1,779,164)	(1,364,484)	(372,130)	(355,684)
Interest income		1,139,917	1,910,401	173,251	1,220,562
Operating profit/ (loss)		2,884,833	43,759,548	(18,519,248)	(13,086,083)
Finance cost	26	(1,109,977)	(196,133)	(516,083)	(183,675)
Impact of currency exchange fluctuations		4,698,799	(1,095,636)	4,049,330	(520,611)
Profit/(loss) before tax		6,473,655	42,467,779	(14,986,001)	(13,790,369)
Income tax expense	27	(40,789,825)	(8,551,069)	(35,059,205)	(634,078)
NET PROFIT/(LOSS)		(34,316,170)	33,916,710	(50,045,206)	(14,424,447)
Profit/(loss) per share	29	(0.24)	0.23	(0.34)	(0.10)


Pranas Noreika
Chief Executive Officer


Rolandas Jankauskas
Chief Financial Officer

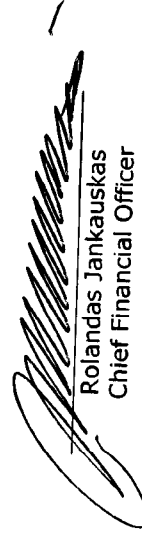
AB LIETUVOS ELEKTRINĖ

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2008

	Paid share capital (LTL)	Revaluation reserve (LTL)	Legal reserve (LTL)	Other reserves (LTL)	Revaluation reserve of unused CO ₂ emission rights (LTL)	Accumulated income (LTL)	TOTAL (LTL)
At 31 December 2006	145,800,689	678,996,602	8,363,997	57,736,702	-	55,592,163	946,490,153
Net profit/(loss) for the year (at 31 December 2007)	-	-	-	-	-	33,916,710	33,916,710
Formation of legal reserve	-	-	1,251,440	-	-	(1,251,440)	-
Reserves made	-	-	-	23,755,781	-	(23,755,781)	-
Reserves used	-	-	-	(3,055,000)	-	3,055,000	-
Decrease in the revaluation reserve due to depreciation or write off of revalued assets	-	(14,327,913)	-	-	-	-	-
At 31 December 2007	145,800,689	664,668,689	9,615,437	78,437,483	-	81,884,565	980,406,863
Net profit/(loss) for the year (at 31 December 2008)	-	-	-	-	-	(34,316,170)	(34,316,170)
Reserves made	-	-	4,094,228	75,790,337	-	(79,884,565)	-
Reserves used	-	-	-	(3,052,662)	-	3,052,662	-
Dividends	-	-	-	-	-	(2,000,000)	(2,000,000)
Decrease in the revaluation reserve due to depreciation or write off of revalued assets	-	(664,668,689)	-	649,469,944	-	15,198,745	-
At 31 December 2008	145,800,689	0	13,709,665	800,645,102	-	(16,064,763)	944,090,693



Pranas Norvilka
Chief Executive Officer



Rolandas Jankauskas
Chief Financial Officer

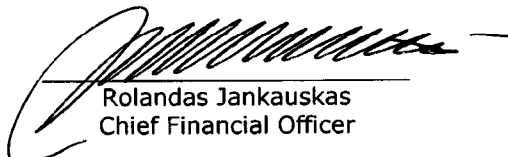
AB LIETUVOS ELEKTRINĖ

CASH FLOW STATEMENT

For the year ended 31 December 2008

	31/12/2008 (LTL)	31/12/2007 (LTL)
MAIN OPERATING ACTIVITIES		
Trade income	392,465,025	353,631,071
Other income	3,575,500	57,123
Amounts payable to suppliers and employees	(412,911,372)	(297,154,940)
Other payments	(14,343,413)	(12,933,099)
Cash received from the main operating activities	(31,214,260)	43,600,155
Income tax paid	(6,119,238)	(8,108,911)
Interest paid	(7,887,260)	(181,525)
Net cash flows from the main operating activities	(45,220,758)	35,309,719
INVESTING ACTIVITIES		
Purchase of non-current assets	(55,969,960)	(48,444,999)
Sale of non-current assets	777	1,055
Repayment of loans	146,950	152,696
Interest received	1,139,917	1,910,401
Net cash flows used in investment activities	(54,682,316)	(46,380,847)
FINANCIAL ACTIVITIES		
Proceeds from loans	31,099,760	65,183,336
Repayment of loans	(6,696)	(39,283)
Dividends paid	(2,008,164)	(4,014)
Other cash flows in financial activities (received subsidies)	14,920,000	-
Net cash flows (used) received from financial activities	44,004,900	65,140,039
Impact of currency exchange fluctuations on the balance of cash and cash equivalents	-	-
Cash and cash equivalents, change	(55,898,174)	54,068,912
CASH AT 1 JANUARY	115,452,479	61,383,567
CASH AT 31 DECEMBER	59,554,305	115,452,479


Pranas Noreika
Chief Executive Officer


Rolandas Jankauskas
Chief Financial Officer

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

1. General

Following Law No. VIII-1693 of 18 May 2000 on Reorganisation of the Special Purpose Company Lietuvos Energija of the Republic of Lithuania, the special purpose joint stock company Lietuvos Energija was reorganised by way of division of companies, i.e. by separating a part of assets, rights and obligations from the special purpose joint stock company Lietuvos Energija, which after reorganisation continued its activities without its special purpose status, and dividing them among the following newly incorporated companies: joint stock company Lietuvos Elektrinė, joint stock company Mažeikių Elektrinė, joint stock company Rytų Skirstomieji Tinklai, and joint stock company Vakarų Skirstomieji Tinklai.

Following the Law on the Register of Enterprises of the Republic of Lithuania, AB Lietuvos Elektrinė (hereinafter—the Company) was registered with the Ministry of Economics on 31 December 2001:

- Company registration No. BĮ 01-249;
- Company identification code 110870933;
- VAT registration number 108709314;
- Insurer's registration number at the social insurance fund – 853488;
- Registered address: Elektrinės g. 21, Elektrėnai, Republic of Lithuania;
- Authorised capital of the company: LTL 145,800,689;
- The aim of the company is reliable, high quality, and efficient production of electrical and thermal energy.

Prices of electricity sold by the Company are subject to regulation by the National Control Commission for Prices and Energy. For the year 2008, the Commission set the price for electricity produced by the Company (and required to ensure the reserves of the overall electrical system) at the rate of 34.04 ct/kWh excluding VAT.

The financial year of the Company is the calendar year. The Company has been incorporated for an unlimited period of commercial-economic activities.

The Company is a member of the Lithuanian Electricity Association and actively participates in the activities of the association which, subsequently, represents common Euroelectric interests.

On 31 December 2008, the Company employed 636 employees (on 31 December 2007, the Company employed 673 employees).

Financial statements are prepared in the national currency—the Lithuanian litas (LTL).

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

2. Application of new and reviewed IFRS

During the reporting period, the company applied all new and reviewed standards and interpretations adopted by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), which were relevant to the activities of the Company and valid for the reporting period starting from 1 January 2008. Application of the new and reviewed standards and interpretations did not have any impact on changes to the Company's accounting policy.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

3. Accounting policy

Basis of preparation

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), approved by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) relevant to the activities of the Company and valid for the reporting period starting from 1 January 2008.

Financial reporting is prepared on the basis of the modified (due to revaluation of non-current assets, emission allowances, provisions for the used emission allowances, related government grants, and accounting of certain financial measures at fair value) acquisition cost principle. As of 1 January 2004 (the date of the adoption of IFRSs by the Company), fair value of non-current assets is considered to be acquisition value.

Non-current intangible assets

Intangible assets are accounted for under the following conditions: if the assets are reasonably expected to provide future economic benefit; acquisition (production) cost of assets can be reliably assessed and separated from the value of other assets; and the Company can use, control or encumber the rights of others to use assets.

Non-current intangible assets are carried at their acquisition value, less amortisation and any impairment losses.

Amortisation is computed using the straight-line method. No residual value is estimated. Amortisation cost in the income statement is allocated to the depreciation, amortisation, and impairment costs.

The groups of intangible assets and their amortisation time are as follows:

Software	3
Other intangible assets	4

Non-current tangible assets

Non-current tangible assets are accounted for at acquisition cost, less impairment. After adoption of IFRS by the Company, real property, plant, and equipment have been carried at their fair value which on the day of adoption of IFRS was considered to be acquisition cost. The fair value was established on the basis of a revaluation carried out by UAB Korporacija Matininkai property appraisers. The revaluation was carried out on 31 December 2002. The revaluation results were recorded in the accounts on 1 January 2004.

Non-current tangible assets acquired or produced after adoption of IFRS by the Company (1 January 2004) are accounted for at their acquisition value, less accumulated depreciation and any accumulated impairment losses.

Construction in progress includes non-current tangible assets the construction whereof is in progress. Such assets are carried at their acquisition value less any impairment losses. Acquisition costs cover design, construction work, plants and equipment being assembled, and other direct costs.

Depreciation is calculated in equal parts each month during the entire period of use, except for the month of placing such assets in service, by applying the following average useful life span (years):

Buildings	30-75
Structures	10-70
Installations (pipelines, lines)	10-50
Heating equipment	10-60
Electrical equipment	10-50
Measuring equipment and devices	5-30
Hardware, control and communications devices	5-20
Other equipment	5-40
Vehicles	6-50
Tools	5-15
Inventory and other assets	4-15

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

Assets are allocated to non-current assets if their useful lifespan of is longer than one year and the acquisition value is at least LTL 2,000.

Profit or loss derived from the disposal of non-current assets is recognised in the income statement for that year.

Impairment

The Company revises the residual value of its non-current tangible and intangible assets when preparing its financial statements in order to identify whether there are any indications that the value of the assets has decreased. If any such indication exists, the Company estimates the recoverable amount of the assets in order to determine the extent of the impairment loss (if any). When it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the real value of the cash-generating asset unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating asset group) is estimated to be less than its carrying amount, then the carrying amount of the asset (cash-generating asset group) is reduced to its recoverable amount. An impairment loss is recognised immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating asset group) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating asset group) in prior years. The reversal of the impairment loss is recognised immediately.

EU emission allowances

Following European Union Directive 2003/07/EC, a greenhouse gas emission trading scheme was established and came into force on 1 January 2005. The first three-year period for the operation of this system started in 2005 and ended in 2007 and the second five-year period (between 2008 and 2012) will coincide with the timeframe established by the Kyoto Protocol. The system operates on the "cap and trade" basis. Governments of member states are required to set emission limits (caps) for individual emitters for the implementation period. This limit is set in the National Allocation Plan (NAP) prepared by the regulatory body of each member state (in Lithuania—the Ministry of the Environment). The NAP establishes the annual emission limit (tons of carbon dioxide) per emitter and per period, and allocates annual emission allowances.

On the basis of the NAP a member state must allocate emission allowances each year by 28 February (part of the allowances is reserved for new emitters).

Each member state must ensure that by 30 April of the following year, the operator of each emitting unit submits data of the amount of pollutant emissions over the calendar year. By 30 April 2009, each emitting unit must submit a report on the use of allowances during 2008.

Intangible assets

EU emission allowances constitute intangible assets provided by the state as a non-monetary grant recognised at fair value at the time of issue or transfer.

After the initial recognition, non-tangible assets are revalued at fair value on the basis of prices in the active market. The revaluation reserve related to unused allowances is directly recognised under the asset heading. The revaluation reserve related to liabilities with respect to used allowances (both used and sold) is recognised in the income statement.

Government grant

EU emission allowances provided free of charge to the Company by the government are considered a non-monetary grant recognised at fair value at the time of issue or transfer. Later, the government grant (by using emission allowances during the respective period or selling them) is recognised as income.

Provisions for the use of EU emission allowances

When the Company emits pollutants, an obligation is established to account for the allowances granted by the government, the nominal value of which should correspond to the amount of pollutants emitted. This obligation is a deferral estimated at fair value which should relate to costs incurred by the Company in order to settle the obligation on the balance sheet day. The obligation may be covered by using intangible assets when the amount of pollutants is confirmed by a regulatory body. Any changes in fair value of the obligation are recognised in the income statement.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

Recognition of revenue

Sales

Income for electricity, thermal energy, and electricity reserve is recognised each month on the basis of meter readings (accrual basis).

Sales of services

Income is recognised when the transaction is completed or the level of completion can be reliably estimated prior to the balance sheet date.

Sales of goods

Income from the sales of goods is recognised when the significant risk and reward related to ownership of the goods passes to the buyer and the income can be reliably estimated.

Interest

Income from interest is recognised on an accrual basis, by reference to the principal outstanding and at the applicable interest rate.

Recognition of expenditure

Expenditure is recognised on accrual basis.

Borrowing costs

Borrowing costs directly related with the acquisition, construction or production (or preparation for use/sale) of assets that take a long time to produce or prepare for use/sale are added to the acquisition value of these assets until the assets are finally prepared for use/sale. Interest income related with temporary investment of borrowings prior to their use for the acquisition of assets is deducted from acquisition value of the assets.

Borrowing costs are recognised as costs in the income statement of the period when they are incurred.

The Company has applied such accounting policy since 1 January 2005. Prior to this date the Company recognised borrowing costs in the income statement for the period when they were incurred.

Financial measures

Financial assets and liabilities are recognised in the balance sheet of the Company when, pursuant to a financial instrument contract, the Company acquires the right or obligation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits, and other short-term highly liquid investments that can be readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are recognised in the books at fair value and are subsequently measured at amortized cost using the effective interest rate method. Impairment of receivables is formed and recognised in the income statement when there is objective evidence of the impairment. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original interest rate.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortized cost using the effective interest rate method.

Any change in recoverable values of financial instruments is recognised as investment profit/(loss).

Lease

Lease is classified as finance lease whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

The Company as lessor

When assets are leased, current value of lease is recognised as receivables. The difference between total receivables and their current value is accounted for as unearned financial revenue. Rental income over the rental period is accounted for by using a net investment method and fixed interest rate.

Assets leased under operating leases are recorded in the balance sheet as non-current tangible assets. These assets are depreciated over the useful life of the asset. Rental income is recognised on a straight-line basis over the term of the relevant leases.

The Company as lessee

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease obligation to achieve a fixed rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Inventories

Inventories are measured at acquisition (production) cost in the balance sheet or their net realisable value, whichever is lower.

The cost of inventories comprises the direct cost of acquisition and related taxes (except for those recovered later), transportation, preparation for use, and other expenses.

The First In First Out method is used as the basis for calculating cost and the average price methods (for fuel oil).

Net realisable value is the estimated on the basis of spoilage, aging, and other factors.

Taxes

Income tax expense represents the change of costs of the current year tax payable and deferred income tax.

The income tax expenses of the current year are calculated based on the current year profit adjusted by certain expenditures/income that does not decrease or increase the taxable profit. Income tax is calculated using the tax rates valid on the financial statement date

Deferred income tax is accounted for using the balance sheet liability method. Deferred tax assets are recognised for the purposes of future taxes by specifying differences between the carrying amounts of assets and liabilities in financial statements and the corresponding tax bases. Deferred tax liabilities are recognised for all taxable temporary differences that will later increase taxable profit, and deferred tax assets are recognised to the extent they are likely to decrease taxable profit in the future. Such assets and liabilities are not recognised if temporary differences arising from goodwill (or negative goodwill) or if the recognised assets and liabilities not related a business combination transaction do not affect either the taxable profit or the financial profit

Deferred income tax liabilities are recognised as temporary tax differences related with investment in subsidiaries or associates, except if the company controls settlement of temporary differences and it is likely that these temporary differences will not be realised in the near future.

The amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to the Company to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are estimated using the effective interest rate applied to calculate taxable profit for the year when the temporary differences are expected to be offset or paid. Deferred income tax expenses or gains are charged or credited to profit or loss, except when they relate to items charged or credited to shareholders' equity. In this case, the deferred income tax is also dealt with in the shareholders' equity.

Deferred income tax assets and liabilities are offset when they relate to the taxes levied by the same authorities and when the Company intends to settle its current tax assets and liabilities on a net basis.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

Foreign currencies

Transactions denominated in a foreign currency are accounted for in LTL at the exchange rate of LTL and the foreign currency by the Bank of Lithuania on the date of the transaction. Monetary items and liabilities are translated into LTL at the exchange rate of the balance sheet date. The rates used for the principal currencies in 2008 and 2007 were as follows:

2008		2007	
1 USD	= 2.4507 LTL	1 USD	= 2.3572 LTL
1 EUR	= 3.4528 LTL	1 EUR	= 3.4528 LTL
1 GBP	= 3.5517 LTL	1 GBP	= 4.7088 LTL
10 SEK	= 3.1505 LTL	10 SEK	= 3.6437 LTL

Gains and losses arising due to changes in exchange rates when converting monetary items or liabilities into LTL are included in profit or loss for the reporting period.

Business segment

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and is subject to risks and returns that are different from those of other business parts of the Company.

The Company has the following main business segments: production of electricity and thermal energy.

Financial risk management policy

Credit risk

Exposure to credit risk related to receivables of the Company is small as AB Lietuvos Energija, the main customer of the Company, is very reliable.

Exposure to credit risk related to the money in the banks is small as the Company deals with the banks highly rated by rating institutions.

Interest rate risk

The Company's variable rate loans are tied to LIBOR and VILIBOR. The Company has had no financial instruments to control interest rate risk exposure.

Currency risk

In order to manage currency risk exposure, the Company uses hedge derivatives for managing foreign currency risk.

Liquidity risk

In order to maintain the required amount of cash, liquidity risk is managed by forecasting monthly and annual cash flows.

Grants

Grants are accounted for on an accrual basis of accounting, i.e. grants are recognised as used in the periods when related expenses incur.

Grants related to assets

Grants related to assets include grants in the form of non-current assets or asset acquisition financing grants. Such grants are initially recorded at the fair value of the corresponding assets and subsequently credited to the income statement over the useful lives of related non-current assets offset with the depreciation expenses of the corresponding assets.

Dividends

Dividends received are recognised when shareholders confirm them.

Related parties

Parties associated with the Company include shareholders, employees, members of the board of directors, their close relatives, and companies that directly, or indirectly through intermediaries, control, are controlled by, or are under common control with the reporting entity, provided such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

4. Key estimations and uncertainties

Key estimations by applying the Company's accounting policy

Depreciation rate of non-current tangible assets

The management takes into account the opinion of employees in charge of the maintenance of assets when estimating the remaining useful life of non-current tangible assets.

Key estimation uncertainties

Key estimate uncertainties and assumptions on the balance sheet date which may involve considerable risk and have an impact on the carrying amounts of assets and obligations in the upcoming periods are provided below.

Fair value of non-current tangible assets

Each year, using the accounting policy on impairment specified in Note 3, the Company estimates whether there are any indications that the value of non-current tangible assets has decreased. The recoverable value of any revenue-generating unit is determined on the basis of the usage value. As of 31 December 2008, there were no indications of impairment of non-current tangible assets.

AB LIETUVOS ELEKTRINĖ

NOTES For the year ended 31 December 2008

5. Tangible assets

	Buildings and structures (LTL)	Plant and equipment (LTL)	Vehicles (LTL)	Other equipment, devices, and tools (LTL)	Construction in progress (LTL)	Total (LTL)
Acquisition cost						
At 31 December 2007	217,407,887	1,1320,192,360	2,695,254	240,997,695	3,159,458	1,784,452,655
Changes during the financial year:						
- acquisitions	-	-	34,184	12,052,722	92,299,884	104,386,790
- transferred from intangible assets	-	-	-	-	12,949,593	12,949,593
- assets transferred and written off (-)	(14,412)	-	(1,741)	(38,225)	-	(54,378)
- transfers between headings +/-	-	(431,126,258)	-	-	431,126,258	-
At 31 December 2008	217,393,475	889,066,102	2,727,697	253,012,192	539,535,193	1,901,734,660
Depreciation						
At 31 December 2007	53,474,836	281,324,255	1,794,227	52,216,886	-	388,810,204
Changes during the financial year:						
- depreciation during the financial year	3,034,536	18,492,790	142,274	5,519,964	-	27,189,564
- depreciation of assets transferred and written off (-)	(13,651)	-	(1,740)	(36,862)	-	(52,253)
- transfers between headings +/-	-	27,935	-	5	-	27,940
At 31 December 2008	56,495,721	299,844,980	1,934,761	57,699,993		415,975,455
Current value						
at 31 December 2007	163,933,052	1,038,868,105	901,027	188,780,809	3,159,458	1,395,642,451
at 31 December 2008	160,897,755	589,221,122	792,936	195,312,199	539,535,193	1,485,759,205

All non-current assets of the Company are used for the operation of the Company. Depreciation costs are reduced by the amount of the government grant used and accounted for as cost and as expenditure related to other activities (Notes 16, 22, and 24).

Current value of assets under lease as at 31 December 2008 was zero litas (at 31 December 2007—LTL 6,696).

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

6. Intangible assets

	Software (LTL)	EU emission allowances (Note 14) (LTL)	Emission reduction units (Note 14) (LTL)	Other intangible assets (LTL)	Total (LTL)
Acquisition cost					
At 31 December 2007	411,797	327,715	-	7,927,178	8,666,690
Changes during the financial year:					
- acquisitions	88,470	23,590,447	5,008,030	5,022,415	33,709,362
- transfers to construction in progress				(12,949,593)	(12,949,593)
- assets transferred and written off (-)	-	-	-	-	-
- impairment of unused emission allowances	-	-	-	-	-
At 31 December 2008	500,267	23,918,162	5,008,030	-	29,426,459
Amortisation					
At 31 December 2007	349,301	-	-	-	349,301
Changes during the financial year:					
- amortisation during the financial year	37,639	-	-	-	37,639
- amortisation of assets transferred and written off (-)	-	-	-	-	-
At 31 December 2008	386,940	-	-	-	386,940
Current value at 31 December 2007	62,495	327,715	-	7,927,178	8,317,388
Current value at 31 December 2008	113,327	23,918,162	5,008,030	-	29,039,519

Amortisation is accounted as expense.

7. Long-term receivables

At 31 December, the following amounts were due after on year:

	2008 (LTL)	2007 (LTL)
Amounts receivable (loans) for the apartments sold to employees	948,812	1,095,762
Total:	948,812	1,095,762

Annual interest for the loans on the apartments sold to employees is 0.1-1%, payment term—25 years. Each year interest is calculated additionally.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

8. Inventories

At 31 December, inventories included:

	<u>2008</u> <u>(LTL)</u>	<u>2007</u> <u>(LTL)</u>
Fuel	54,907,968	14,045,594
Spare parts	13,738,784	4,696,674
Materials	3,260,540	2,832,835
Other	191,658	174,212
Total:	<u>72,098,950</u>	<u>21,749,315</u>

Pursuant to the Loan Agreement signed between the Company and AB DnB NORD Bank, at 31 December 2008 the Company had parts of its fuel stock pledged to the bank (Note 17).

9. Receivables and prepayments

At 31 December, the following amounts were due within one year:

	<u>2008</u> <u>(LTL)</u>	<u>2007</u> <u>(LTL)</u>
Trade debts	30,730,256	24,653,653
Doubtful debts provisions (-)	(6,926,537)	(644,129)
VAT	7,881,402	1,435,741
Future expenditure	398,059	806,919
Prepayments	3,437,123	702,904
Other debts	37,527	46,301
Total:	<u>35,557,830</u>	<u>26,998,989</u>

10. Doubtful debts provisions during the year, change

	<u>2008</u> <u>(LTL)</u>	<u>2007</u> <u>(LTL)</u>
At 1 January	644,129	898,439
Value adjustments (Note 24)	(244,849)	(254,310)
Provisions for bad debts	6,527,257	-
At 31 December	<u>6,926,537</u>	<u>644,129</u>

The Company is preparing documents for court procedure against AB Lietuvos Energija regarding the dispute in the amount of LTL 6,525,304.

11. Cash and cash equivalents

At 31 December, cash amounted to:

	<u>2008</u> <u>(LTL)</u>	<u>2007</u> <u>(LTL)</u>
Cash at banks	50,572,458	52,713,456
Overnight deposits	8,981,847	62,739,023
Total :	<u>59,554,305</u>	<u>115,452,479</u>

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

Pursuant to the Loan Agreement between the Company and AB DnB NORD Bank, the Company has pledged its current and future deposits in this bank. At 31 December 2008, the balance in AB DnB NORD bank amounted to LTL 9,580,096 (at 31 December 2007—LTL 2,474,305).

Pursuant to the Syndicated Loan Agreement between the Company and AB Hansabankas, AB SEB Bank, Nordea Bank Finland Plc Lithuanian branch, and AB DnB NORD Bank, the Company had its current and future deposits in these banks pledged.

12. Authorised capital

At 31 December 2008, the share capital of the Company amounted to 145,800,689 ordinary registered shares at a par value of 1 litas per share. All shares are fully paid.

At 31 December 2008, the shareholders of the company were as follows:

Shareholders	Interest in the authorised capital	
	(LTL)	%
State represented by the Ministry of Economy of the Republic of Lithuania	140,576,934	96.42
Other	5,223,755	3.58
Total:	145,800,689	100.00

During 2008, the authorised capital did not change.

13. Reserves

The increase in value of non-current tangible assets because of revaluation of assets is credited to revaluation reserve. On 31 December 2002, independent property appraisers, UAB Korporacija Matininkai, performed a valuation of non-current tangible assets. The revaluation results were recorded in the accounts of 1 January 2004. On 31 December 2008, the revaluation reserve was reclassified to other reserves.

Legal reserve is established according to the legal acts of the Republic of Lithuania. Annual transfers into the reserve include at least 5% of the net profit until the reserve amounts to 10% of the authorised capital. This reserve can be used only to reduce the accumulated loss.

At 31 December 2008, other reserves of the Company amounted to LTL 800,645,102.

14. Emission limits

At 31 December 2008, emission limits were accounted as follows:

	Emission limits (Note 6) (LTL)	Emission reduction units (Note 6) (LTL)	Government grants (Note 15) (LTL)	Provisions for used emission limits (LTL)
At 31 December 2006	99,813,766		(56,385,464)	43,428,302
Government grant at fair value	49,634,105		(49,634,105)	
Confirmed emissions amount	(43,372,793)		(55,509)	(43,428,302)
Increase/decrease in value of EU emission allowances and emission reduction units	(105,747,363)		105,747,363	
Provisions for used emission allowances			274,727	(274,727)
At 31 December 2007	327,715	-	(52,988)	(274,726)
Government grant at fair value	45,287,422	-	(45,287,422)	-
Confirmed emissions amount	(327,715)		52,988	274,726
Increase/decrease in value of EU emission allowances and emission reduction units	(21,369,260)	5,008,030	16,775,220	-
Provisions for used emission allowances	-		28,512,202	(28,512,202)
At 31 December 2008	23,918,162	5,008,030	0	(28,512,202)

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

Following agreement of 4 July 2008 with GAZPROM Marketing & Trading, 88,056 emission credits were exchanged to 109,301 emission reduction units. As a result of this exchange, the Company raised LTL 413,990.

15. Profit appropriation project

The profit appropriation project at 31 December 2008 intended for the approval of shareholders is provided in **Annex 1**.

Loss in 2008 was incurred due to recalculation of deferred profit tax, because pursuant to the decision of the Government of Lithuania as of 1 January 2009, profit tax rate increased to 20%.

16. Government grants

The balance of government grants at 31 December and their use during the year is as follows:

	Grants related to assets (fuel burning equipment and other assets) (LTL)	Grants related to assets (renewal, environmental, and security standard improvement project) (LTL)	Grants related to emission limits (LTL)	Total (LTL)
At 31 December 2006	2,505,181	148,062,951	56,385,464	206,953,596
Depreciation of non-current assets	(374,100)	-	-	(374,100)
Grants received	-	119,997,299	49,634,105	169,631,405
Impairment of emission limits	-	-	(105,747,364)	(105,747,364)
Used emission limits	-	-	(219,217)	(219,217)
At 31 December 2007	2,131,081	268,060,251	52,988	270,244,320
Depreciation of non-current assets (Note 5)	(374,222)	-	-	(374,222)
Grants received	-	63,493,230	45,287,422	108,780,652
Impairment of emission limits	-	-	(16,775,220)	(16,775,220)
Used emission limits	-	-	(28,565,190)	(28,565,190)
At 31 December 2008	1,756,859	331,553,481	-	333,310,340

During 2008, reduction of grants related to assets (fuel burning equipment and other assets) was to the amount of LTL 374,222, i.e. to depreciation amount of non-current assets (in 2007—LTL 374,100). This amount reduced depreciation amount of non-current assets charged to profit or loss.

During 2008, the Company received LTL 14,920,000 from the Ignalina Nuclear Power Plant Decommissioning Fund. In 2007, such grants were absent. The grant was used for the renewal of the the power plant and general financing of the project for improvement of environmental safety standards. The amount received was used by 31 December 2008.

During 2008, the Company received LTL 48,573,397 from the International Ignalina Nuclear Power Plant Decommissioning Fund (in 2007—LTL 119,997,299). The money was allocated for general financing of the project for elimination of sulphur oxide from smoke and trapping of solid particles. The amount received was used by 31 December 2008.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

17. Bank loans

At 31 December 2008, bank loans included:

	<u>2008</u> <u>(LTL)</u>	<u>2007</u> <u>(LTL)</u>
AB DnB NORD Bank, EUR, repayment term 01/05/2013	12,999,792	12,999,792
Syndicated loan (AB Hansabankas, AB SEB Bank, Nordea Bank Finland Plc Lithuanian branch, and AB DnB NORD Bank), LTL, repayment term 09/11/2020	<u>131,206,400</u>	<u>100,106,640</u>
	<u>144,206,192</u>	<u>113,106,432</u>
Bank loan repayment:		
First year	14,253,158	-
Second year	17,967,384	8,433,474
Third year	17,967,384	12,147,699
Fourth year	17,967,384	12,147,699
Fifth year	16,110,275	12,147,699
After five years	<u>59,940,607</u>	<u>68,229,861</u>
	<u>144,206,192</u>	<u>113,106,432</u>
Short-term	14,253,158	-
Long-term	<u>129,953,034</u>	<u>113,106,432</u>
	<u>144,206,192</u>	<u>113,106,432</u>

Pursuant to the loan agreement with AB DnB NORD Bank, the Company received a credit in the amount of EUR 3,765,000. Repayment term of the credit is between 2010 and 2013. According to this agreement, at 31 December 2008, the Company had its current and future deposits in the bank and part of its fuel stocks pledged. In 2007 and at 31 December 2006, the entire amount of credit was used.

On 9 November 2005, the Company signed a loan agreement with AB Hansabankas, AB SEB Bank, Nordea Bank Finland Plc Lithuanian branch, and AB DnB NORD Bank and received a loan in the amount of EUR 49,000,000. Repayment term of the loan is 9 November 2020. Pursuant to this agreement, on 28 March 2006, the Company pledged a part of its equipment and undertook to pledge its current and future deposits in these banks. According to this agreement, at 31 December 2008, the amount of EUR 38,000,000 EUR was used (at 31 December 2007—EUR 28,992,887). The purpose of the loan is to finance the first investment programme.

On 12 December 2007, the Company signed a loan agreement with AB Hansabankas, AB SEB Bankas, AB DnB Nord Bankas, AB Sampo Bankas (currently Danske Bank A/S), and Nordea Bank Finland Plc Lithuanian branch for financing of the construction of a 400 MW gas turbine unit. Pursuant to this agreement, the Company received a loan in the amount of EUR 81,400,000. At 31 December 2008, the loan was not used.

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

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

18. Financial lease liabilities

At 31 December 2008, the Company completely fulfilled its financial lease liabilities:

	Min lease payments (LTL) 2008	Min lease payments (LTL) 2007
Amounts payable according to leasing agreements	6,696	39,283
Minimal lease payments	6,750	34,167-
Less interest	(54)	(1,580)-
Balance of lease payments	0	6,696

Leasing liabilities have been completely fulfilled on time and the assets passed to the Company's ownership.

The leasing contract was linked to the 6-month EURIBOR rate and a margin of 1.67%.

19. Trade and other payables

At 31 December 2008, trade and other payables included:

	2008 (LTL)	2007 (LTL)
Debts to suppliers for construction work and investment	64,663,961	63,829,474
Debts to suppliers for fuel	9,008,527	13,036,968
Unpaid dividends	978,377	986,541
Taxes payable (except for profit tax)	487,137	684,838
Other debts for services	372,449	662,409
Debts to suppliers for stock	343,454	547,216
Debts to suppliers for repair work	-	248,710
Other	91,379	36,655
Total:	75,945,284	80,032,810

20. Liabilities related to salaries and social security

At 31 December 2008, liabilities related to salaries and social security included:

	2008 (LTL)	2007 (LTL)
Vacation reserve	2,135,961	1,624,907
Taxes payable	1,481,729	852,599
Total:	3,617,690	2,477,506

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

21. Sales

Sales for the year ended 31 December include:

	2008 (LTL)	2007 (LTL)
Production of electricity	279,187,652	170,188,717
Cold reserve	87,225,120	73,938,780
Thermal power	11,924,224	10,128,476
Hot reserve	9,398,880	7,971,600
Total:	387,735,876	262,227,573

22. Costs

Costs for the year ended 31 December include:

	2008 (LTL)	2007 (LTL)
Gas	266,975,564	161,398,103
Depreciation and amortisation costs	26,881,042	25,716,859
Salaries and social security	29,982,483	25,099,648
Oriemulsion	317,132	11,816,565
Materials	4,472,455	9,480,596
Repairs	1,756,949	6,537,694
Balancing electricity	2,988,720	2,108,010
Fuel oil	16,744,267	1,023,031
Emulsion MSAR	15,655,021	-
Other	1,171,769	1,679,383
Total:	366,945,402	244,859,888

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

23. Business segments

The Company distinguishes electricity production and thermal power production segments. Data as of the year ended 31 December 2008 about these two segments is presented below.

2008	Production of electricity (LTL)	Production of thermal power (LTL)	Other (LTL)	Total (LTL)
Sales	375,811,652	11,924,224	-	387,735,876
Costs	(346,485,906)	(20,459,496)	-	(366,945,402)
Total profit per segment	29,325,745	(8,535,272)	-	20,790,473
Operating expenses				(25,120,392)
Other operating income				7,853,999
Other operating expenses				(1,779,164)
Interest income				1,139,917
Financing costs				(1,109,977)
Impact of currency exchange fluctuations				4,698,799
Income tax expense				(40,789,825)
Net profit				(34,316,170)
Other information				
Assets	1,055,510,166	8,762,217	620,769,389	1 685,041,772
Liabilities	-	-	407,640,739	407,640,739
Acquisitions of tangible and intangible assets	-	-	138,096,152	138,096,152
Depreciation and amortisation	26,661,842	219,200	-	26,881,042

Data as of the year ended 31 December 2007 about these two segments is presented below.

2007	Production of electricity (LTL)	Production of thermal power (LTL)	Other (LTL)	Total (LTL)
Sales	252,099,097	10,128,476	-	262,227,573
Costs	(234,238,888)	(10,621,000)	-	(244,859,888)
Total profit per segment	17,860,210	(492,524)	-	17,367,686
Operating expenses				(16,984,736)
Other operating income				42,830,681
Other operating expenses				(1,364,484)
Interest income				1,910,401
Financing costs				(196,133)
Impact of currency exchange fluctuations				(1,095,636)
Income tax expense				(8,551,069)
Net profit				33,916,710
Other information				
Assets	955,450,323	5,906,412	443,942,602	1,405,299,337
Liabilities	-	-	318,848,937	318,848,937
Acquisitions of tangible and intangible assets	-	-	292,436,918	292,436,918
Depreciation and amortisation	25,927,262	158,000	20,696	26,105,958

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

24. Operating expenses

Operating expenses for the year ended 31 December 2008 include:

	2008 (LTL)	2007 (LTL)
Salaries and social insurance	7,288,675	6,528,933
Environmental pollution tax	661,856	1,430,462
Payments according to collective bargaining agreements	4,072,272	1,203,673
Charity, support	497,662	1,006,534
Land rent tax	759,783	759,784
Expenses for protection of assets	725,050	618,066
Other taxes	309,659	572,007
Immovable property tax	524,300	498,245
Insurance	860,944	489,776
Business trips	332,144	481,782
Repairs	73,110	396,496
Utility services	79,024	330,007
Unused vacations	511,054	284,975
Communications and postal services	218,099	244,592
Transportation expenses	289,736	239,831
Maintenance and servicing	131,802	200,800
Consultancy and translations services	89,244	177,780
Employee training	195,045	109,193
Provisions for receivables (Note 9)	(244,849)	(271,856)
Provisions for bad debts (Note 10)	6,540,752	-
Other	1,205,029	1,683,657
Total:	25,120,392	16,984,736

25. Other operating income and expenses

Other operating income and expenses for the year ended 31 December 2008 include:

	2008 (LTL)	2007 (LTL)
Other operating income		
Transfer of emission limits	-	21,191,560
Storage of material resources	1,518,056	1,372,462
Switch-yard services	259,045	161,345
Rent	124,742	131,626
Income from exchange of emission allowances	413,990	-
Income from future exchange of emission allowances	1,655,959	-
Other income	306,707	601,052
Forfeit	3,562,558	19,300,485
Sale of current assets	-	14,803
Penalties and delay fees received	12,942	57,123
Transfer of non-current assets	-	225
	7,853,999	42,830,681
Other operating expenses		
Sales of emission limits	-	-
Storage of material resources	(1,465,173)	(1,180,890)
Depreciation related with storage of material resources	-	(15,000)
Switch-yard services	(250,191)	(127,765)
Other expenses	(63,800)	(40,830)
	(1,779,164)	(1,364,484)

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

26. Finance expenses

Financing expenses for the year ended 31 December 2008 include:

	<u>2008</u> <u>(LTL)</u>	<u>2007</u> <u>(LTL)</u>
Interest	7,839,671	3,592,465
Other financing expenses	47,589	14,608
	7,887,260	3,607,072
Less capitalised interest	(6,777,283)	(3,410,940)
Total:	<u>1,109,977</u>	<u>196,133</u>

27. Profit tax expenses

The following is the calculation of profit tax expenses based on the valid profit tax rate (in 2008—15% and in 2007—18%):

	<u>2008</u> <u>(LTL)</u>	<u>%</u>	<u>2007</u> <u>(LTL)</u>	<u>%</u>
Profit/(loss) before tax	6,473,655		42,467,779	-
Profit tax, at income tax rate of 15% (2007—18%)	971,048	15%	7,644,200	18%
Non-taxable income	(723,218)	(11%)	(421,568)	(1%)
Tax effect of expenses not deductible for tax purposes	4,541,657	70%	4,299,993	10%
Last year's profit tax adjustments	72,591	1%	78,443	(0%)
Deferred income tax liability (decrease/increase)	35,927,747	555%	(3,049,998)	(7%)
Profit tax expenses	<u>40,789,825</u>	<u>630%</u>	<u>8,551,069</u>	<u>20%</u>
Profit tax expenses included:				
Current year profit tax expenses	4,789,487	74%	11,522,625	27%
Lasts year's profit tax adjustments	72,591	1%	78,443	0%
Deferred income tax gain/loss	35,927,747	555%	(3,049,998)	(7%)
Profit tax expenses	<u>40,789,825</u>	<u>(630%)</u>	<u>8,551,069</u>	<u>(20%)</u>

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

28. Deferred income tax

Changes in deferred income tax for the year ended 31 December 2008 were:

Deferred income tax assets	Vacation reserve (LTL)
At 31 December 2006	(241,188)
Recognised (gain) in the income statement	(2,548)
At 31 December 2007	(243,736)
Recognised (gain) in the income statement	(183,456)
At 31 December 2008	(427,192)

Deferred income tax liabilities	Accelerated depreciation (LTL)	Revalued assets (LTL)	Total (LTL)
At 31 December 2006	3,677,589	118,618,029	122,295,619
Recognised (gain) in the income statement	(169,511)	(2,877,939)	(3,047,450)
At 31 December 2007	3,508,078	115,740,090	119,248,168
Recognised (gain) in the income statement	947,136	35,164,067	36,111,203
At 31 December 2008	4,455,214	150,904,157	155,359,371

29. Assets at 31 December 2008 due to future exchange of emission allowances to emission reduction units:

	Emission allowances (LTL)	Emission reduction units (LTL)
2009	(4,594,040)	5,008,030
2010	(4,594,040)	5,008,030
2011	(4,594,040)	5,008,030
2012	(4,594,040)	5,008,030
Total:	(18,376,160)	20,032,119
Change at 31 December 2008		1,655,959

An agreement of 4 July 2008 with GAZPROM Marketing & Trading was signed regarding exchange of emission credits to emission reduction units until 2012.

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

30. Earnings per share

Basic earnings per share are calculated using the weighted average of ordinary shares for the year ended 31 December 2007 and 2008, which amounted to 145,800,689 shares.

During the year ended 31 December 2007 and 2008, the Company had no options that would reduce earnings per share.

31. Transactions of related parties

During the year ended 31 December 2008, transactions with state or municipal government controlled companies and balances were:

State controlled companies	Amounts payable (LTL)	Amounts receivable (LTL)	Amounts received (LTL)	Expenses (LTL)
AB Lietuvos Energija	145,654	22,413,422	375,807,125	3,066,122
VĮ Lietuvos Naftos Produktų Agentūra		-	1,348,136	
UAB Elektrėnų Komunalinis Ūkis	78,655	1,031,850	4,888,235	940,149
AB Lietuvos Geležinkeliai	1,264	-	-	520,894
VŠĮ Abromiškių Reabilitacinė Ligoninė	12,588	40,338	227,397	137,728
AB Rytų Skirstomieji Tinklai, Vilnius branch	8,056	-	-	83,567
Fire and Rescue Service for the protection of Elektrėnai and Lietuvos Elektrinė	-	-	-	710,100
VŠĮ Elektrėnų Sporto, Turizmo ir Pramogų Centras	450	19,765	140,985	3,824
VŠĮ Technikos Priežiūros Tarnyba	-	-	-	71,171
Total:	246,667	23,505,375	382,411,878	5,533,555

The management is of the opinion that all transactions with state controlled companies have been concluded under the same conditions as those with independent parties.

On average, there were three managers in the Company during 2008 and 2007. Payments to managers in 2008 amounted to LTL 793,174 (in 2007—LTL 610,677).

AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

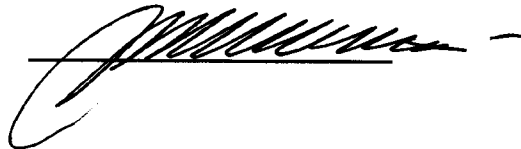
32. Events after the balance sheet date

In 2009, construction of a combined cycle 400 MW gas turbine unit was started. The total project value planned is EUR 329 million. Part of the funding required for the construction of the new unit will be received from the International Ignalina Nuclear Power Plant Decommissioning Fund (around EUR 170 million). At the end of 2007, a loan agreement for the amount of EUR 81 million was signed with five Lithuanian commercial banks which will enable financing of the part of the project. The remaining amount will be covered by the Company. It is expected that the new combined cycle gas turbine unit will be placed in service in 2012.

Pranas Noreika
Chief Executive Officer



Rolandas Jankauskas
Chief Financial Officer



AB LIETUVOS ELEKTRINĖ

NOTES

For the year ended 31 December 2008

ANNEX 1

PROFIT/(LOSS) APPROPRIATION PROJECT

Seq. No.	Headings	2008 (LTL)	2007 (LTL)
I.	Retained earnings/(losses) at 1 January 2008	-	-
II.	Net profit/(loss)	(34,316,170)	33,916,710
III.	Appropriated earnings/(losses) at 31 December 2008	(34,316,170)	33,916,710
IV.	Shareholders contributions to cover losses	0	0
V.	Transfers from reserves	34 316 170	47,967,855
VI.	Appropriated profit	0	81,884,565
VII.	Appropriation of profit:	0	81,884,565
VII.1.	to legal reserves	0	4,094,228
VII.2.	to other reserves	0	72,735,337
VII.3.	Dividends	0	2,000,000
VII.4.	Other:	0	3,055,000
VII.4.1	<i>charity, support</i>	0	500,000
VII.4.2.	<i>employee bonuses</i>	0	2,500,000
VII.5.	Royalties to board members	0	55 000
VIII.	Retained earnings/(losses) at 31 December 2008	0	0

Pranas Noreika
Chief Executive Officer



Rolandas Jankauskas
Chief Financial Officer