

**AKCINĖ BENDROVĖ  
LIETUVOS ELEKTRINĖ**

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**INTERIM FINANCIAL STATEMENTS FOR THE 1<sup>ST</sup> Q 2008**

## **CONTENTS**

CONFIRMATION OF THE MANAGEMENT .....	3
BALANCE SHEET, 1 <sup>ST</sup> Q 2008.....	4
INCOME STATEMENT, 1 <sup>ST</sup> Q 2008.....	5
CASH FLOWS STATEMENT, 1 <sup>ST</sup> Q 2008 .....	6
STATEMENT OF CHANGES IN EQUITY, 1 <sup>ST</sup> Q 2008.....	7
NOTES TO THE FINANCIAL STATEMENTS .....	8

## **CONFIRMATION OF THE MANAGEMENT**

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

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier

14 May 2008

## BALANCE SHEET, 1<sup>ST</sup> Q 2008

	Notes	31-03-2008 (LTL)	31-12-2007 (LTL)
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Non-current tangible assets	3	1 411 169 428	1 395 642 451
Intangible assets	4	9 514 339	8 317 388
Non-current accounts receivable		1 060 693	1 095 762
Deferred taxes		243 736	243 736
<b>Total non-current assets</b>		<b>1 421 988 196</b>	<b>1 405 299 337</b>
<b>Current assets:</b>			
Inventories		23 760 335	21 749 315
Accounts receivable and prepayments		38 201 674	26 998 989
Cash and cash equivalents		106 387 895	115 452 479
<b>Total current assets</b>		<b>168 349 904</b>	<b>164 200 783</b>
<b>TOTAL ASSETS</b>		<b>1 590 338 100</b>	<b>1 569 500 120</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Share capital		145 800 689	145 800 689
Revaluation reserve		660 980 331	664 668 688
Legal reserve		9 615 437	9 615 437
Other reserves		78 437 483	78 437 483
Retained earnings		82 530 215	81 844 565
<b>Total equity</b>		<b>977 364 155</b>	<b>980 406 862</b>
<b>Grants and subsidies</b>	6	<b>283 476 384</b>	<b>270 244 320</b>
<b>Non-current liabilities:</b>			
Bank loans	7	123 170 433	113 106 432
Deferred profit tax		118 568 660	119 248 168
<b>Total non-current liabilities</b>		<b>241 739 093</b>	<b>232 354 601</b>
<b>Current liabilities:</b>			
Trade and other debts payable	8	82 010 331	80 032 810
Labour related liabilities		3 681 722	2 477 506
Current year profit tax		1 791 689	3 702 598
Pollution quota liabilities	5	274 726	274 726
Financial lease liabilities		0	6 696
<b>Total current assets</b>		<b>87 758 468</b>	<b>86 494 337</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<b>1 590 338 100</b>	<b>1 569 500 120</b>

Pranas Noreika  
Director General

Rolandas Jankauskas  
Chief Financier

## INCOME STATEMENT, 1<sup>ST</sup> Q 2008

	Notes	31-03-2008 (LTL)	31-03-2007 (LTL)
Income from sales	<b>9, 11</b>	81 159 890	69 390 787
Costs of sales	<b>10, 11</b>	(82 106 939)	(58 876 571)
<b>Gross profit (loss)</b>		<b>(947 049)</b>	<b>10 514 217</b>
Operating costs	<b>12</b>	(2 735 578)	(3 190 494)
Other operating income	<b>13</b>	581 016	21 648 582
Other operating costs	<b>13</b>	(462 957)	(322 468)
Interest income		341 750	183 316
<b>Operating profit (loss)</b>		<b>(3 222 817)</b>	<b>28 833 152</b>
Financing costs	<b>14</b>	(182 575)	(3 703)
Effect of change in the currency exchange rate		(316 823)	(32 447)
<b>Profit (loss) before taxes</b>		<b>(3 722 215)</b>	<b>28 797 002</b>
Profit tax expenses		679 508	(4 578 046)
<b>NET PROFIT (LOSS)</b>		<b>(3 042 707)</b>	<b>24 218 957</b>
Profit (loss) per share		(0.02)	0.17

Pranas Noreika  
Director General

Rolandas Jankauskas  
Chief Financier

## CASH FLOWS STATEMENT, 1<sup>ST</sup> Q 2008

	31-03-2008 (LTL)	31-03-2007 (LTL)
<b>OPERATING ACTIVITIES</b>		
Cash receipt from customers	87 200 825	99 198 876
Other income	6 534	12 171
Cash paid to supplier and employees	(91 324 376)	(69 908 601)
Other payments	(3 081 409)	(4 088 002)
<b>Cash generated from operations</b>	<b>(7 198 426)</b>	<b>25 214 443</b>
Income tax paid	(1 910 909)	-
Interest paid	(182 575)	(3 703)
<b>Net cash from operating activities</b>	<b>(9 291 910)</b>	<b>25 210 741</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant, property and equipment	(10 206 798)	(14 397 803)
Repayment of loans granted	35 069	27 182
Interest received	341 750	183 316
<b>Net cash used in investing activities</b>	<b>(9 829 978)</b>	<b>(14 187 305)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	10 064 000	18 380 829
Grants received	(6 696)	(9 679)
<b>Net cash from financial activities</b>	<b>10 057 304</b>	<b>18 371 150</b>
Effect of foreign exchange rate changes	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9 064 584)</b>	<b>29 394 585</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>115 452 479</b>	<b>61 383 567</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>106 387 895</b>	<b>90 778 152</b>

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier

**STATEMENT OF CHANGES IN EQUITY, 1<sup>ST</sup> Q 2008**

	<b>Paid up authorised capital (LTL)</b>	<b>Revaluation reserve of non- current tangible assets (LTL)</b>	<b>Legal reserve (LTL)</b>	<b>Other reserves (LTL)</b>	<b>Retained earnings (LTL)</b>	<b>TOTAL (LTL)</b>
<b>Balance of 31 December 2006</b>	<b>145 800 689</b>	<b>678 996 602</b>	<b>8 363 997</b>	<b>57 736 702</b>	<b>55 592 163</b>	<b>946 490 152</b>
Net profit (loss) of the period (31 March 2007)	-	-	-	-	24 218 957	24 218 957
Decrease in the revaluation reserve due to depreciation or writing off of the revaluated assets	-	(3 536 827)	-	-	3 536 827	-
<b>Balance of 31 March 2007</b>	<b>145 800 689</b>	<b>675 459 774</b>	<b>8 363 997</b>	<b>57 736 702</b>	<b>83 347 946</b>	<b>970 709 109</b>
Net profit (loss) of the reporting period (31 December 2007)	-	-	-	-	9 697 754	9 697 754
Formed reserve	-	-	1 251 440	23 755 781	(25 007 221)	-
Used reserve	-	-	-	(3 055 000)	3 055 000	-
Decrease in the revaluation reserve due to depreciation and writing off of the revaluated assets	-	(10 791 086)	-	-	10 791 086	-
<b>Balance as of 31 December 2007</b>	<b>145 800 689</b>	<b>664 668 688</b>	<b>9 615 437</b>	<b>78 437 483</b>	<b>81 884 565</b>	<b>980 406 862</b>
Net profit (loss) of the reporting period (31 March 2008)	-	-	-	-	(3 042 707)	(3 042 707)
Decrease in the revaluation reserve due to depreciation or writing off of the revaluated assets	-	(3 688 358)	-	-	3 688 358	-
<b>Balance as of 31 March 2008</b>	<b>145 800 689</b>	<b>660 980 331</b>	<b>9 615 437</b>	<b>78 437 483</b>	<b>82 530 215</b>	<b>977 364 155</b>

Pranas Noreika  
Director General

Rolandas Jankauskas  
Chief Financier

## **NOTES TO THE FINANCIAL STATEMENTS**

31 March 2008

### **1. General information**

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

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

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

The prices of the power energy supplied by the Company are regulated by the State Price and Energy Control Commission. For 2007 the Commission established the purchase price for the electric energy generated by the Company in which the production of electric energy is required to ensure the reserves of the energy system at 22.93 ct/kWh (excl. VAT).

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

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

As of 31 March 2008 the Company had 653 employees (on 31 December 2007 – 673 employees).

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



## **2. Accounting policy**

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

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

Accounting policy was not changed during the interim accounting period. Interim financial accountability is prepared in accordance the same accounting policy as annual financial accountability. Accounting policy is more described in the notes to the financial statements for the year ended 31 December 2007.

### 3. Tangible assets

	Buildings and constructions (LTL)	Machinery and equipment (LTL)	Vehicles (LTL)	Other property, plant and equipment (LTL)	Construction in progress (LTL)	Total (LTL)
<b>Deemed cost</b>						
31 December 2007	217 407 887	1 320 192 360	2 695 254	240 997 695	3 159 458	1 784 452 655
Change of the financial year:						
- acquisitions	-	22 259 687	34 184	33 649	-	23 327 521
- disposals and write-offs (-)	-	-	-	(19 646)	-	(19 646)
<b>31 March 2008</b>	<b>217 407 887</b>	<b>1 342 452 048</b>	<b>2 729 438</b>	<b>241 011 698</b>	<b>3 159 458</b>	<b>1 806 760 530</b>
<b>Depreciation</b>						
31 December 2007	53 474 836	281 324 255	1794 227	52 216 886	-	388 810 204
Change of the financial year:						
- depreciation in the financial year	758 654	4 627 145	39 753	1 374 392	-	6 799 973
- depreciation of transferred and written—off assets (-)	-	-	-	(19 046)	-	(19 046)
<b>30 March 2008</b>	<b>54 233 490</b>	<b>285 951 400</b>	<b>1 833 980</b>	<b>53 572 232</b>	<b>-</b>	<b>395 591 101</b>
<b>Residual value</b>						
<b>31 December 2007</b>	<b>163 933 052</b>	<b>1 038 868 105</b>	<b>901 105</b>	<b>188 780 809</b>	<b>3 159 458</b>	<b>1 395 642 451</b>
<b>Residual value</b>						
<b>30 March 2008</b>	<b>163 174 398</b>	<b>1 056 500 648</b>	<b>895 458</b>	<b>187 439 467</b>	<b>3 159 458</b>	<b>1 411 169 428</b>

All non-current assets of the Company are held for own use. The depreciation costs adjusted for the used part of the grant are accounted as cost and other operating costs (Notes 6, 10).

### 4. Intangible assets

	Software (LTL)	Greenhouse gas emissions permits (Note 5) (LTL)	Other intangible assets (LTL)	Total (LTL)
<b>Acquisition cost</b>				
31 December 2007	411 797	327 715	7 927 178	8 666 689
Change in the financial year:				
- acquisition of assets	-	37 764	1 167 102	1 204 865
- transferred and written-off (-)	-	-	-	-
<b>31 March 2008</b>	<b>411 797</b>	<b>365 478</b>	<b>9 094 280</b>	<b>9 871 554</b>
<b>Amortization</b>				
31 December 2007	349 301	-	-	349 301
Change in the financial year:				
- amortization in the financial year	7 914	-	-	7 914
- amortization of transferred and written-off assets (-)	-	-	-	-
<b>31 March 2008</b>	<b>357 216</b>	<b>-</b>	<b>-</b>	<b>357 216</b>
<b>Residual value</b>				
<b>31 December 2007</b>	<b>62 495</b>	<b>327 715</b>	<b>7 927 178</b>	<b>8 317 388</b>
<b>Residual value</b>				
<b>31 March 2008</b>	<b>54 581</b>	<b>365 478</b>	<b>9 094 280</b>	<b>9 514 339</b>

Amortization costs are accounted as cost.

## 5. Greenhouse gas emission permits

On 31 March 2008 the greenhouse gas emission allowances were accounted as follows:

	<b>Greenhouse gas emission allowances (Note 4) (LTL)</b>	<b>State grants (Note 6) (LTL)</b>	<b>Provisions for unused gas emission allowances (LTL)</b>
<b>31 December 2007</b>	<b>327 715</b>	<b>52 988</b>	<b>274 726</b>
State grant received at fair value	37 764	37 764	-
<b>31 March 2008</b>	<b>365 478</b>	<b>90 752</b>	<b>274 726</b>

## 6. Grants and subsidies

Balance of grants as of 31 March 2008 and the use during the period:

	<b>Assets-related grants (fuel incineration plant and other property) (LTL)</b>	<b>Assets-related grants (Renovation, environmental and safety standards enhancement project) (Lt)</b>	<b>Grants for greenhouse gas emission allowances (LTL)</b>	<b>Total (LTL)</b>
<b>Balance of grants as of 31 December 2006</b>	<b>2 505 181</b>	<b>148 062 951</b>	<b>56 385 464</b>	<b>206 953 596</b>
Depreciation of non-current assets (Note 3)	(374 100)			<b>(374 100)</b>
Grants received	-	119 997 299	49 634 105	<b>169 631 405</b>
Impairment of greenhouse gas emission allowances	-	-	(105 747 364)	<b>(105 747 364)</b>
Greenhouse gas emission allowances used	-	-	(219 217)	<b>(219 217)</b>
<b>Balance of grants as of 31 December 2007</b>	<b>2 131 081</b>	<b>268 060 251</b>	<b>52 988</b>	<b>270 244 320</b>
Depreciation of non-current assets (Note 3)	(93 525)	-	-	<b>(93 525)</b>
Grants received	-	13 287 825	37 764	<b>13 325 588</b>
<b>Balance of grants as of 31 March 2008</b>	<b>2 037 556</b>	<b>281 348 076</b>	<b>90 752</b>	<b>283 476 384</b>

During first three months 2008, the assets-related grants (fuel incineration plant and other assets) decreased by LTL 93 525, for the amount of the depreciation of non-current assets (2007 – LTL 374 100). This amount decreased the cost of depreciation of non-current assets in the income statement.

Per first three months 2008 from the International Ignalina Decommissioning Support Fund received LTL 13 287 825 (2007 – LTL 119 997 299). The funds will be used for co-financing of the project of the removal of sulphuric oxides from smoke and the solid particles collection plant. As of 31 March 2008, all funds were used.

## 7. Bank loans

As of 31 March 2008 the loans from banks were as follows:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-12-2007</b> <b>(LTL)</b>
AB bankas "DnB Nord", EUR, repayable by 01-05-2013	12 999 792	12 999 792
Syndicated loan (AB bankas "Hansabankas", AB "SEB Vilniaus bankas", Nordea Bank Finland Plc Lithuanian branch, AB bankas "DnB Nord"), Lt, repayable by 09-11-2020	110 170 641	100 106 640
<b>Total:</b>	<b>123 170 433</b>	<b>113 106 432</b>

## 8. Trade and other payables

As of 31 March 2008, trade and other amounts payable were as follows:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-12-2007</b> <b>(LTL)</b>
Debts to suppliers for construction works and investment	62 334 175	63 829 474
Debts to suppliers for fuel	16 570 311	13 036 968
Outstanding dividends	986 541	986 541
Tax payable (except corporate income tax)	914 040	684 838
Other debts for services	510 360	662 409
Debts to suppliers for repair works	334 082	547 216
Debts to suppliers for inventories	318 521	248 710
Other	42 302	36 655
<b>Total:</b>	<b>82 010 331</b>	<b>80 032 810</b>

## 9. Sales

Sales for the three months that ended on 31 March were:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-03-2007</b> <b>(LTL)</b>
Production of electricity	51 496 808	42 815 306
Cold capacity reserve	21 806 280	18 484 695
Heat energy	5 507 082	6 097 886
Warm reserve	2 349 720	1 992 900
<b>Total:</b>	<b>81 159 890</b>	<b>69 390 787</b>

## 10. Costs

Costs for the three months that ended on 31 March were:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-03-2007</b> <b>(LTL)</b>
Gas	65 950 590	39 950 700
Depreciation and amortization costs	6 714 333	6 399 858
Wages and social insurance	7 483 955	5 755 650
Materials	822 819	1 224 171
Repair	431 996	2 609 080
Balancing electric energy	364 153	1 295 260
Orimulsion	-	1 277 619
Other	339 094	364 232
<b>Total:</b>	<b>82 106 939</b>	<b>58 876 571</b>

## 11. Business segments

The Company distinguishes the electric energy production and the heat energy production business segments. Information for the two business segments as of 31 March 2008 and for the period then ended is provided below:

	<b>Electricity production (LTL)</b>	<b>Thermal energy production (LTL)</b>	<b>Other (LTL)</b>	<b>Total (LTL)</b>
<b>31 March 2008</b>				
<b>Sales</b>	<b>75 652 808</b>	<b>5 507 082</b>	-	<b>81 159 890</b>
Costs	(73 341 639)	(8 765 300)	-	(82 106 939)
<b>Segment gross profit</b>	<b>2 311 169</b>	<b>(3 258 218)</b>	-	<b>(947 049)</b>
Operating costs				(2 735 578)
Other operating income				581 016
Other operating costs				(462 957)
Interest income				341 750
Financing costs				(182 575)
Effect of changes in the currency exchange rate				(316 823)
Profit tax expenses				679 508
<b>Net profit</b>				<b>(3 042 707)</b>
<b>Other information</b>				
Assets	946 839 831	7 784 194	467 364 171	1411 169 428
Liabilities	-	-	168 349 904	168 349 904
Acquisitions of tangible and intangible assets	-	-	23 532 386	23 532 386
Depreciation and amortization	6 659 583	54 750	-	6 714 333

## 12. Operating costs

Operating costs for the three months that ended on 31 March were:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-03-2007</b> <b>(LTL)</b>
Salaries and social insurance	1 109 581	860 923
Pollution tax	130 338	280 115
Payouts according to collective agreement	304 666	205 094
Support	-	463 307
Land lease charge	190 500	189 000
Property security costs	181 078	151 299
Oter taxes	60 144	68 386
Immovable property tax	131 055	125 316
Insurance costs	204 523	108 340
Business trips	21 422	127 251
Repairs	33 082	5 901
Public utilities	24 911	41 192
Communications and postal services	58 090	64 382
Carriage costs	68 503	53 743
Check-ups and servicing	35 852	67 710
Consulting and translative services	-	124 210
Training	37 127	19 280
Provisions for amounts receivable	(61 141)	(61 168)
Other	205 847	296 215
<b>Total:</b>	<b>2 735 578</b>	<b>3 190 494</b>

## 13. Other operating income and costs

Other operating income and costs for the three months that ended on 31 March were:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-03-2007</b> <b>(LTL)</b>
<b>Other operating income</b>		
Profit from transfer of gas emissions permits	-	21 191 560
Income from custody of material resources	429 802	339 446
Dispenser servicing income	51 303	35 586
Lease income	31 947	32 907
Other income	61 430	36 912
Fines and late interest	6 534	12 171
	<b>581 016</b>	<b>21 648 582</b>
<b>Other operating costs</b>		
Costs of sale of greenhouse gas emissions allowances	-	18 140
Costs of custody of material resources	424 841	295 889
Dispenser servicing costs	29 006	252
Other costs	9 110	8 186
	<b>462 957</b>	<b>322 468</b>

#### **14. Financing costs**

Financing costs for the three months that ended on 31 March were:

	<b>31-03-2008</b> <b>(LTL)</b>	<b>31-03-2007</b> <b>(LTL)</b>
Interest costs	1 705 745	696 167
Other financing costs	6 060	3 140
	<u>1 711 806</u>	<u>699 307</u>
Less: capitalized interest costs	<u>(1 529 231)</u>	<u>(695 604)</u>
<b>Total:</b>	<b><u>182 575</u></b>	<b><u>3 703</u></b>

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Pranas Noreika  
Director General

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Rolandas Jankauskas  
Chief Financier