

AB LIETUVOS ELEKTRINĖ

Company Reg. No. 110870933, Elektrinės St. 21, Elektrėnai LT-26108, Lithuania, tel. 8528-39533, fax 8528-39733

INTERIM 3RD QUARTER 2008 FINANCIAL STATEMENTS

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BALANCE SHEET

	<i>Comments</i>	Sept 30, 2008 (LTL)	Dec 31, 2007 (LTL)
ASSETS			
Long-term assets:			
Long-term tangible assets	3	1 450 581 100	1 395 642 451
Intangible assets	4	55 069 142	8 317 388
Long-term receivables		991 471	1 095 762
Deferred profit tax assets		243 736	243 736
Total long-term assets		1 506 885 449	1 405 299 337
Current assets:			
Inventories		27 354 341	21 749 315
Receivables and advance payments		71 512 116	26 998 989
Cash and cash equivalents		110 571 438	115 452 479
Total current assets		209 437 895	164 200 783
TOTAL ASSETS		1 716 323 343	1 569 500 120
OWNERS' EQUITY AND LIABILITIES			
Owners' equity:			
Share capital		145 800 689	145 800 689
Revaluation reserve		653 599 926	664 668 688
Statutory reserve		13 709 665	9 615 437
Other reserves		151 613.625	78 437 483
Unused CO2 emission rights revaluation reserve	5	-	-
Accrued profit		37 131 097	81 884 565
Total owners' equity		1 001 855 002	980 406 862
Grants and subsidies	6	350 507 634	270 244 320
Long-term liabilities:			
Bank loans	7	135 543 987	113 106 432
Deferred profit tax liabilities		117 202 125	119 248 168
Total long-term liabilities		252 746 112	232 354 601
Short-term liabilities:			
Trade and other amounts payable	8	107 346 803	80 032 810
Work relations related liabilities		3 867 791	2 477 506
Current year profit tax		-	3 702 598
Environmental pollution limit liabilities	5	-	274 726
Financial leasing liabilities		-	6 696
Total short-term liabilities		111 214 595	86 494 337
TOTAL OWNERS' EQUITY AND LIABILITIES		1 716 323 343	1 569 500 120

Pranas Noreika
General Manager

Rolandas Jankauskas
Chief Financier

PROFIT (LOSS) ACCOUNT

	<i>Comments</i>	9-month period ended on September 30, 2008 (LTL)	9-month period ended on September 30, 2007 (LTL)
Sales revenue	9, 11	308 662 775	195 394 297
Sales costs	10, 11	(277 814 567)	(167 634 796)
Gross profit (loss)		30 848 208	27 759 501
Activity costs	12	(11 383 789)	(12 825 871)
Other activity revenue	13	2 380 030	42 230 961
Other activity costs	13	(1 407 034)	(1 008 800)
Interest revenue		966 666	689 839
Activity profit (loss)		(21 404 081)	56 845 630
Financing costs	14	(593 894)	(12 458)
Currency exchange rate fluctuation influence		649 469	(575 025)
Profit (loss) before tax		21 459 656	56 258 147
Profit tax costs		5 730 620	(7 916 991)
NET PROFIT (LOSS)		15 729 036	48 341 156
Profit (loss) per share		0,11	0,33

Pranas Noreika
General Manager

Rolandas Jankauskas
Chief Financier

CASH FLOW REPORT

	Sept 30, 2008 (LTL)	Sept 30, 2007 (LTL)
MAIN ACTIVITY		
Cash revenue from clients	266 128 907	238 180 001
Other revenue	583 794	19 325 496
Cash payments to suppliers and employees	(223 511 563)	(181 351 083)
Other payments	(1 698 315)	(9 618 943)
Cash received from main activity	64 515 485	66 535 472
Paid profit tax	(3 381 619)	(8 108 911)
Paid interest	(593 894)	(2 911)
Cash received from main activity	41 502 823	58 423 651
INVESTMENT ACTIVITY		
Long-term asset acquisition	(78 677 741)	(53 496 631)
Long-term asset sales	777	
Loan collection	104 292	86 659
Received interest	966 666	689 839
Fixed-term deposits	-	(37 098 482)
Cash used in investment activity	(77 606 006)	(89 818 614)
FINANCIAL ACTIVITY		
Received loans	22 276 431	44 849 804
Repaid loans	(6 696)	(29 320)
Paid-out dividends	(1 992 080)	(3 604)
Other financial activity (received subsidies)	14 920 000	-
Cash (used) received from financial activity	35 197 655	44 816 880
Currency exchange rate fluctuation impact on cash and cash equivalents balance	-	-
Cash increase (decrease)	(4 881 041)	13 421 917
CASH AT THE BEGINNING OF THE REPORTING PERIOD	115 452 479	61 383 567
CASH AT THE END OF THE REPORTING PERIOD	110 571 438	74 805 484

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General Manager

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CHANGES IN EQUITY CAPITAL REPORT

	Paid authorised capital (LTL)	Long-term tangible assets revaluation reserve (LTL)	Statutory reserve (LTL)	Other reserves (LTL)	Unused CO ₂ emission rights revaluation reserve	Accrued profit (LTL)	TOTAL (LTL)
Balance as of December 31, 2006	145 800 689	678 996 602	8 363 997	57 736 702	-	55 592 163	946 490 152
Net profit (loss) for the reporting period (June 30, 2007)	-	-	-	-	-	48 341 156	48 341 156
Used reserves	-	-	-	(3 046 598)	-	3 046 598	-
Statutory reserve formation	-	-	1 251 440	-	-	(1 251 440)	-
Other reserves formed	-	-	-	23 755 781	-	(23 755 781)	-
Decrease of the revaluation reserve due to devaluation and writing-off of the revaluated assets	-	(10 716 974)	-	-	-	10 716 974	-
Balance as of September 30, 2007	145 800 689	671 873 628	9 615 437	78 445 885	-	92 689 670	994 831 308
Net profit (loss) for the reporting period (December 31, 2007)	-	-	-	-	-	(14 424 446)	(14 424 446)
Used reserves	-	-	-	(8 402)	-	8 402	-
Decrease of the revaluation reserve due to devaluation and writing-off of the revaluated assets	-	(3 610 940)	-	-	-	3 610 940	-
Balance as of December 31, 2007	145 800 689	664 668 688	9 615 437	78 437 483	-	81 884 565	980 406 862
Net profit (loss) for the reporting period (September 30, 2008)	-	-	-	-	-	23 448 141	23 448 141
Dividends	-	-	-	-	-	(2 000 000)	(2 000 000)
Used reserves	-	-	-	(2 614 195)	-	2 614 195	-
Statutory reserve formation	-	-	4 094 228	-	-	(4 094 228)	-
Other reserves formed	-	-	-	75 790 337	-	(75 790 337)	-
Unused environmental pollution permit revaluation	-	-	-	-	-	-	-
Decrease of the revaluation reserve due to devaluation and writing-off of the revaluated assets	-	(11 068 761)	-	-	-	11 068 761	-
Balance as of September 30, 2008	145 800 689	653 599 926	13 709 665	151 613 625	-	37 131 097	1 001 855 002

Pranas Noreika
General Manager

Rolandas Jankauskas
Chief Financier

COMMENTS TO THE FINANCIAL STATEMENTS

1. General information

Pursuant to the Republic of Lithuania May 18, 2000 Law No. VIII-1693 on the Reorganisation of the Special Purpose Joint Stock Company Lietuvos Energija, the Special Purpose Joint Stock Company Lietuvos Energija was reorganised by the method of separation – that is, by separating from the Special Purpose Joint Stock Company Lietuvos Energija, which after the reorganisation continues its activity without the “special purpose” status, the assets, rights and liabilities portions and incorporating the following new companies based on the aforementioned portions of assets, rights, and liabilities: Joint Stock Company Lietuvos Elektrinė, Joint Stock Company Mažeikių Elektrinė, Joint Stock Company Rytų Skirstomieji Tinklai, and Joint Stock Company Vakarų Skirstomieji Tinklai.

Pursuant to the Republic of Lithuania Law on the Companies’ Register, AB Lietuvos Elektrinė (hereinafter referred to as the Company) was registered with the Ministry of the Economy on December 31, 2001:

- Company registration No.: BĮ 01-249;
- Company code: 110870933;
- VAT registration No.: 108709314;
- Social Insurance Fund insured registration No. 853488;
- Headquarters: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- Authorised capital of the company: LTL 145,800,689;
- The objective of the activity of the company is a reliable, high-quality, and efficient production of electrical and thermal power.

The prices of the electrical power sold by the Company are regulated by the State Commission for Prices and Energy Control. The Commission has set a price for purchase of electrical power produced by the Company, at which electrical power production is necessary in order to ensure the energy system reserves, in the amount of 34.04 ct/kWh (VAT exclusive).

The Company’s financial year is one calendar year. The planned term of the Company’s commercial and economic activity is unlimited.

The Company is a member of the Lithuanian Electricity Association, and takes an active part in the activities of the Association, which represents the common European interests with regard to electricity (EUROELECTRIC).

As of September 30, 2008, the Company employed 646 employees (as of December 31, 2007, the number of employees equalled 673).

The figures contained in the financial reports are expressed in the national currency of Lithuania the litas (LTL).

2. Accounting policy

The financial reports were drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Boards (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), which are related to its activity and valid from the reporting period started on January 1, 2005.

The present financial reports were drawn up in accordance with the modified acquisition value principle (due to long-term assets revaluation and environmental pollution permits, deferrals for used environmental pollution permits and the related State subsidies, and evaluation of certain financial instruments at their actual value). As of January 1, 2004 (date of passing to the IFRS), the actual value of long-term assets is deemed as the supposed cost price.

During the interim reporting period, the accounting policy wasn't amended. The interim financial statements were drawn up in accordance with the same accounting policy as the annual financial statements. A comprehensive description of the accounting policy is given in the explanatory note to the financial statements for the year ended December 31, 2007.

3. Tangible assets

	Buildings and structures (LTL)	Machinery and equipment (LTL)	Vehicles (LTL)	Other equipment, devices, tools, and installations (LTL)	Construction in progress (LTL)	Total (LTL)
Supposed cost price						
December 31, 2007	217 407 887	1 320 192 360	2 695 254	240 997 695	3 159 458	1 784 452 655
Financial year changes:						
- assets acquisition	-	73 117 528	34 184	2 188 608	-	75 340 320
- transferred and written-off assets (-)	(14 412)	-	(1 741)	(23 002)	-	(39 155)
September 30, 2008	217 39 475	1 393 309 888	2 727 697	243 163 301	3 159 458	1 859 753 820
Depreciation						
December 31, 2007	53 474 836	281 324 255	1 794 227	52 216 886	-	388 810 204
Financial year changes:						
- depreciation in the financial year	2 262 279	13 877 542	110 951	4 133 400	-	20 384 172
- depreciation of the transferred and written-off assets (-)	-	-	(1 740)	(19 916)	-	(21 656)
September 30, 2008	55 737 115	295 201 797	1 903 438	56 330 369	-	409 172 720
Residual value as of December 31, 2007	163 933 052	1 038 868 105	901 027	188 780 809	3 159 458	1 395 642 451
Residual value as of September 30, 2008	161 656 360	1 098 108 091	824 259	186 832 932	3 159 458	1 450 581 100

All long-term assets of the Company are used in its activity. The depreciation costs reduced by the used subsidy portion are reflected at the cost price (comments 6 and 10).

4. Intangible assets

	Software (LTL)	Environmental pollution permits (comment 5) (LTL)	Other intangible assets (LTL)	Total (LTL)
Acquisition cost price				
December 31, 2007	411 797	327 715	7 927 178	8 666 689
Financial year changes:				
- assets acquisition	33 767	45 287 422	3 670 524	48 991 713
- transferred and written-off assets (-)	-	(327 715)	-	(327 715)
- increase in the value of unused environmental pollution permits	-	(1 886 976)	-	(1 886 976)
September 30, 2008	445 564	43 400 446	11 597 702	55 443 711
Amortisation				
December 31, 2007	349 301	-	-	349 301
Financial year changes:				
- amortisation in the financial year	25 268	-	-	25 268
- amortisation of the transferred and written-off assets (-)	-	-	-	-
September 30, 2008	374 569	-	-	374 569
Residual value as of December 31, 2007	62 495	327 715	7 927 178	8 317 388
Residual value as of September 30, 2008	70 994	43 400 446	11 597 702	55 069 142

Amortisation costs are reflected at the cost price.

5. Environmental pollution limits

As of September 30, 2008, the environmental pollution limits were reflected as follows:

	Environmental pollution limits (comment 4) (LTL)	Environmental pollution limits revaluation reserve (LTL)	State grants (comment 6) (LTL)	Deferrals for the used environmental pollution limits (LTL)
December 31, 2007	327 715	-	52 988	274 726
Confirmed quantity of produced pollution	(327 715)	-	(52 988)	(274 726)
Received state grant at the actual value	45 287 422	-	45 287 422	-
Increase in the value of environmental pollution limits	(1 886 976)	-	(1 886 976)	-
September 30, 2008	43 400 446	-	43 400 446	-

6. Grants

Grant balance as of September 30, 2008, and the use thereof during the reporting period:

	Grants related to assets (fuel burning equipment and other assets) (LTL)	Grants related to assets (the project of upgrading and improvement of environmental and safety norms) (LTL)	Environmental pollution limits grants (LTL)	Total (LTL)
Grant balance as of December 31, 2006	2 505 181	148 062 951	56 385 464	206 953 596
Long-term assets depreciation (comment 3)	(374 100)	-	-	(374 100)
Received grants	-	119 997 299	49 634 105	169 631 405
Decrease in the value of the environmental pollution limits	-	-	(105 747 364)	(105 747 364)
Used environmental pollution limits	-	-	(219 217)	(219 217)
Grant balance as of December 31, 2007	2 131 081	268 060 251	52 988	270 244 320
Long-term assets depreciation (comment 3)	(280 575)	-	-	(280 575)
Confirmed quantity of produced pollution	-	-	(52 988)	(52 988)
Received grants	-	37 196 431	43 400 446	80 596 877
Grant balance as of September 30, 2008	1 850 506	305 256 682	43 400 446	350 507 634

In the first nine months of 2008, the grants related to assets (fuel burning equipment and other assets) decreased by LTL 280,575, i.e. by the amount of long-term assets depreciation (in 2007 – LTL 374,100). This amount reduced the long-term assets depreciation costs in the profit (loss) account.

In the first nine months of 2008, the Company received LTL 14,920,000 from the State Enterprise Ignalina Nuclear Power Plant Decommissioning Fund, whereas no grants were received in 2007. The said funds were allocated for the general financing of the project of the power plant upgrading and improvement of environmental norms. As of September 30, 2008, one half of the said funds was used.

In the first nine months of 2008, the Company received LTL 22,276,431 (in 2007 – LTL 119,997,299) from the International Ignalina Nuclear Power Plant Decommissioning Support Fund. The said funds were

allocated for co-financing the project of construction of equipment for removal of the sulphur oxides from smoke and blocking solid particles. As of June 30, 2008, the entire amount of the said funds was used.

7. Bank loans

As of September 30, 2008, bank loans comprised the following:

	Sept 30, 2008 (LTL)	Dec 31, 2007 (LTL)
AB bankas DnB Nord, EUR, repayable by May 1, 2013	12 999 792	12 999 792
Syndicated loan (AB bankas Hansabankas, AB SEB bankas, Nordea Bank Finland Plc Lithuania Branch, AB bankas DnB Nord), Lt, repayable by November 9, 2020	<u>122 544 195</u>	<u>100 106 640</u>
	<u>135 543 987</u>	<u>113 106 432</u>

8. Trade and other payable amounts

As of September 30, 2008, trade and other payable amounts comprised the following:

	Sept 30, 2008 (LTL)	Dec 31, 2007 (LTL)
Debts to suppliers for construction works and investments	74 764 218	63 829 474
Debts to suppliers for fuel	26 027 703	13 036 968
Debts to suppliers for inventories	3 813 264	248 710
Other debts for services	694 820	662 409
Payable taxes (except profit tax)	996 352	684 838
Unpaid dividends	994 460	986 541
Debts to suppliers for repair works	24 641	547 216
Other	<u>31 345</u>	<u>36 655</u>
Total:	<u>107.346.803</u>	<u>80 032 810</u>

9. Sales

Sales in the first nine months of 2008 ended September 30 comprised the following:

	Sept 30, 2008 (LTL)	Sept 30, 2007 (LTL)
Electrical power production	226 937 223	125 127 973
Cold power reserve	65 418 840	55 454 085
Thermal power	9 257 552	8 833 539
Operational reserve	<u>7 049 160</u>	<u>5 978 700</u>
Total:	<u>308 662 775</u>	<u>195 394 297</u>

10. Cost price

Sales prices in the first nine months of 2008 ended September 30 comprised the following:

	Sept 30, 2008 (LTL)	Sept 30, 2007 (LTL)
Gas	198 992 022	107 588 247
Salaries and social insurance	22 461 506	18 403 159
Depreciation and amortisation costs	20 144 515	19 205 239
Materials	3 504 359	3 744 707
Balance electrical power	2 393 081	1 598 230
Repairs	1 671 925	5 012 604
Fuel oil	11 837 249	1 023 031
MSAR emulsion	15 655 021	-
Orimulsion	317 132	9 831 299
Other	837 757	1 228 282
Total:	277 814 567	167 634 796

11. Business segments

The Electrical Power Production segment and Thermal Power Production segment are distinguished at the Company. Information on the aforementioned segments as of September 30, 2008 and for the half year ended September 30, 2008 is provided below.

September 30, 2008	Production of electrical power (LTL)	Production of thermal power (LTL)	Other (LTL)	Total (LTL)
Sales	299 405 223	9 257 552	-	308 662 775
Cost price	(262 320 298)	(15 494 269)	-	(277 814 567)
Segment's gross profit	37 084 925	(6 236 717)	-	30 848 208
Activity costs				(11 383 789)
Other activity revenue				2 380 030
Other activity costs				(1 407 034)
Interest revenue				966 666
Financing costs				(593 894)
Currency exchange rate fluctuation impact				649 469
Profit tax costs				5 730 620
Net profit				15 729 036
Other information				
Assets	1 075 194 191	8 842 498	632 286 654	1 716 323 343
Liabilities	-	-	363.960.707	363 960 707
Acquisition of tangible and intangible assets	-	-	79 044 611	79 044 611
Depreciation and amortisation	19 980 115	164 400	-	20 144 515

12. Activity costs

Activity costs in the first nine months of 2008 ended September 30 comprised the following:

	Sept 30, 2008 (LTL)	Sept 30, 2007 (LTL)
Salaries and social insurance	5 978 742	3 005 773
Payments under the collective agreements	794 337	3 852 300
Insurance costs	615 753	338 162
Land lease fee	571 500	567 000
Asset protection costs	545 014	455 522
Real estate tax	400 373	375 948
Pollution tax	513 792	1 051 763
Business trips	233 118	374 117
Other payments/taxes	220 701	507 836
Transport costs	227 362	172 210
Communications and postal services	173 459	174 459
Checks and servicing	88 530	149 038
Public utility services	57 820	262 472
Consultation and translation services	37 114	157 724
Charity, aid	48 662	716 378
Deferrals for receivables	(183 022)	(183 565)
Other	1 060 534	265 347
Total:	11 383 789	12 825 871

13. Other activity revenue and costs

Other activity revenue and costs in the first nine months of 2008 ended September 30 comprised the following:

	Sept 30, 2008 (LTL)	Sept 30, 2007 (LTL)
Other activity revenue		
Financial resource protection revenue	1 275 351	1 018 337
Distribution points servicing revenue	246 222	126 166
Lease revenue	95 505	98 720
Environmental pollution limits transfer profit	-	21 191 560
Other revenue	179 158	470 681
Received fines and penalties	583 794	19 325 496
	2 380 030	42 230 961
Other activity costs		
Financial resource protection costs	1 199 678	892 776
Distribution points servicing costs	181 466	71 220
Environmental pollution limits sales costs	-	19 390
Other costs	25 890	25 414
	1 407 034	1 008 800

14. Financing costs

Financing costs in the first nine months of 2008 ended September 30 comprised the following:

	Sept 30, 2008 (LTL)	Sept 30, 2007 (LTL)
	<u> </u>	<u> </u>
Interest costs	5 438 419	2 764 688
Other financing costs	33 946	9 547
	<u>5 472 365</u>	<u>2 774 236</u>
To deduct: capitalised interest costs	<u>(4 878 471)</u>	<u>(2 761 778)</u>
Total:	<u>593 894</u>	<u>12 458</u>

Pranas Noreika
General Manager

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Chief Financier