
LIETUVOS ELEKTRINĖ AB

**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31
MARCH 2011, PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)**

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The financial statements were approved by the acting General Director and Chief Financier on 25 May 2011.



Vidas Jocys
Acting General Director



Rolandas Jankauskas
Chief Financier

**AKCINĖ BENDROVĖ
LIETUVOS ELEKTRINĖ**

Business ID 110870933, Elektrinės g. 21, Elektrėnai LT-26108, Lietuva, tel. 8528-39533, fax. 8528-39733

2011 05 25 Nr *SDL-806*

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, the undersigned Vidas Jocys, Acting General Director of AB Lietuvos Elektrinė and Rolandas Jankauskas, Chief Financier of AB Lietuvos Elektrinė, hereby confirm that, to the best of our knowledge, the interim financial statements for the period ended 31 March 2011 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the AB Lietuvos Elektrinė assets, liabilities, financial position and profit for the relevant period.

Acting General Director

Vidas Jocys

Chief Financier

Rolandas Jankauskas



AB „LIETUVOS ELEKTRINĖ“

Company code 110870933, Elektrinės g. 21, LT-26108 Elektrėnai

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

ASSETS	Note	At 31 March 2011	At 31 December 2010
Non-current assets			
Intangible assets	3	53,774	56,984
Property, plant and equipment	4	2,473,935	2,345,456
Prepayments for property, plant, equipment		29,554	43,562
Accounts receivable		730	756
Other financial assets		-	875
Total non-current assets		2,557,993	2,447,633
Current assets			
Inventories		124,467	125,470
Prepayments		555	751
Trade and other receivables	5	55,666	71,223
Cash and cash equivalents	6	55,621	13,868
Total current assets		236,309	211,312
TOTAL ASSETS		2,794,302	2,658,945
Capital and reserves			
Share capital		145,801	145,801
Legal reserve		14,580	14,580
Other reserves		778,048	781,552
Retained earnings (deficit)		99,666	88,092
Total equity		1,038,095	1,030,025
Non-current liabilities			
Grants	7	866,478	845,435
Borrowings	8	616,662	503,164
Other non-current accounts payable and liabilities		1,142	23
Deferred income tax liabilities		109,954	109,336
Total non-current liabilities		1,594,236	1,457,958
Current liabilities			
Borrowings	8	21,740	31,828
Trade payables	9	55,534	75,001
Advance amounts received		582	3,358
Income tax payable		1,059	490
Provisions for emission rights		70,992	54,212
Other accounts payable and liabilities		12,064	6,073
Total current liabilities		161,971	170,962
Total liabilities		1,756,207	1,628,920
TOTAL EQUITY AND LIABILITIES		2,794,302	2,658,945

The accompanying notes form an integral part of the financial statements

AB „LIETUVOS ELEKTRINĖ“

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

	Note	At 31 March 2011	At 31 March 2010
Revenue			
Sales revenue		95,074	224,165
Other operating income		248	247
	10	95,322	224,412
Operating expenses			
Purchase of fuel		(59,375)	(200,153)
Purchase of electricity and related services		(9,365)	(6,792)
Wages and related expenses		(5,834)	(8,245)
Expenses related to provisions for emissions		(1,651)	(1,754)
Depreciation and amortisation		(1,612)	-
Loss arising on revaluation of emission rights		(996)	-
Repair and maintenance expenses		(875)	(1,606)
Write-down of inventories to net realisable value		(288)	(2,272)
Other expenses	11	(1,800)	(2,343)
Total operating expenses		(81,796)	(223,165)
OPERATING PROFIT		13,526	1,247
Finance income		173	101
Finance costs		(1,829)	(3,606)
		11,870	(2,258)
PROFIT BEFORE INCOME TAX			
Current year income tax expense		(3,182)	1,231
Deferred tax income (expense)		(618)	679
PROFIT FOR THE PERIOD		8,070	(348)
Other comprehensive income:			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,070	(348)
Earnings per share (LTL)		0.08	0.02

The accompanying notes form an integral part of the financial statements

**STATEMENT FOR CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

	Note	Share capital	Legal reserve	Other reserves	Retained earnings (deficit)	Total
Balance at 31 December 2009		145,801	13,710	781,528	93,721	1,034,760
Total comprehensive income		-	-	-	(348)	(348)
Utilisation of reserves		-	-	(3,621)	3,621	-
Balance at 31 March 2010		145,801	13,710	777,907	96,994	1,034,412
Balance at 31 December 2010		145,801	14,580	781,552	88,092	1,030,025
Total comprehensive income		-	-	-	8,070	8,070
Utilisation of reserves		-	-	(3,504)	3,504	-
Balance at 31 March 2011		145,801	13,710	778,048	99,666	1,038,095

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2011
 (All amounts in LTL thousand unless otherwise stated)

	Note	At 31 March 2011	At 31 March 2010
Profit (loss) for the period		8,070	(348)
Reversal of non-cash expenses (income) and other adjustments:			
Depreciation and amortization expense		11,865	6,886
Loss on disposal/write-off of non-current assets		(8,057)	829
Income tax expense		3,182	1,231
Change in deferred income tax liability		618	(391)
(Income) from grants		(2,500)	(93)
Increase in provisions		16,780	-
Elimination of results of financing and investing activities		1,656	3,505
Changes in working capital:			
(Increase) decrease in trade receivables and other amounts receivable		16,457	(49,079)
(Increase) decrease in inventories and prepayments		14,212	(80,308)
Increase (decrease) in accounts payable and advance amounts received		(56,351)	27,916
Income tax (paid)		-	-
Net cash generated from operating activities		(2,138)	(89,504)
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets		(103,032)	(48,494)
Disposal of non-current assets		38,948	40,579
Interest received		21	25
Net cash (used in) investing activities		(64,063)	(7,890)
Cash flows from financing activities			
Proceeds from borrowings		117,061	1,256
Repayments of borrowings		(16,550)	(3,563)
Interest (paid)		(627)	(638)
Net cash received from/ (used in) financing activities		99,884	(2,945)
Net increase (decrease) in cash flows		41,753	(100,687)
Cash and cash equivalents at the beginning of the year (including excess of account)		13,868	142,203
Cash and cash equivalents at end of the year		55,621	41,516

The accompanying notes form an integral part of the financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

1 General information

Pursuant to Lithuanian Law No. VIII-1693 of 18 May 2000 on Reorganisation of the Special Purpose Public Company Lietuvos Energija, the special purpose public company Lietuvos Energija was reorganised through the spin-off as a result of which parts of assets, rights and obligations were separated from the special purpose public company Lietuvos Energija, which continued its activities after the reorganisation without the status of a special purpose company, and on the basis the separated parts of assets, rights and obligations the following new companies were established: Lietuvos Elektrinė AB, Mažeikių Elektrinė AB, Rytų Skirstomieji Tinklai AB and Vakarų Skirstomieji Tinklai AB.

Pursuant to the Lithuanian Law on the Register of Companies, Lietuvos Elektrinė AB (hereafter "the Company") was registered on 31 December 2001 with the Ministry of Economy. In 2009, the Company was placed under the authority of the Ministry of Energy. As at 31 March 2011 and 31 December 2010, 95.54 per cent of the share capital of the Company was owned by Lietuvos Energija AB which is controlled by the Lithuanian Ministry of Energy through Visagino atominė elektrinė UAB.

- Registration number: BĮ 01-249
- Company code: 110870933
- VAT payer's code: LT108709314
- Policy holder social security number: 853488
- Registered office: Elektrinės g. 21, Elektrėnai, Lithuania
- Authorised share capital: LTL 145,800,689

The Company's main objectives are credible and efficient production of electricity and heating energy.

Prices of electricity generated by the Company are regulated by the State Commission for Prices and Energy. The purchase price for electricity produced by the Company, which is required to be purchased under the public service obligations (PSO) scheme, for 2011 was fixed by the Commission at 30.75 ct/kWh (excl. VAT) (2010: 29.31 ct/kWh (excl. VAT)).

The Company's financial year coincides with the calendar year. The period of economic, commercial activity is unlimited.

The shares of the Company are traded on the current trading list of Vilnius Stock Exchange.

On 5 August 2003, the Company was issued the license of an independent energy supplier of unlimited validity (unless it is withdrawn or cancelled). The Company has the right to supply electricity.

The Company has long-term contracts on the sale of heating energy concluded with Kietaviškių Gausa AB and Elektrėnų Komunalinis Ūkis UAB.

Each year the Company enters into agreements for the supply of gas with suppliers. Gas prices are not fixed and denominated in the euros and the litas.

As at 31 March 2011, the Company had 406 (31 December 2010: 442) employees.

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

2 Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable for interim financial statements (34 IFRS Interim financial statements).

These financial statements were prepared on a historical cost basis, except for property, plant and equipment acquired until 1 January 2004 which is recorded at deemed cost, less accumulated depreciation and estimated impairment loss, emission rights and financial instruments carried at fair value.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010.

All amounts in these financial statements are presented in a local currency, the litas (LTL).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

3 Intangible assets

The structure of the Company's intangible assets as at 31 March 2011 and 31 December 2010 is as follows:

	Computer software	Emission rights	Total
At 31 March 2010	63	27,198	27,261
Additions	-	22,946	22,946
Disposals	-	(40,579)	(40,579)
Amortization	(11)	-	(11)
Revaluation	-	(830)	(830)
Net book amount at 31 March 2010	52	8,735	8,787
At 31 March 2010			
Cost or revaluated amount	413	8,735	9,148
Accumulated amortisation	(361)	-	(361)
Net book amount at 31 March 2010	52	8,735	8,787
At 31 December 2010			
Cost or revaluated amount	462	56,864	57,326
Accumulated amortisation	(342)	-	(342)
Net book amount at 31 December 2010	120	56,864	56,984
At 31 March 2011			
Opening net book amount	120	56,864	56,984
Additions - grant received	-	26,701	26,701
Disposals	-	(38,948)	(38,948)
Amortization	(16)	-	(16)
Revaluation	-	9,053	9,053
Net book amount at 31 March 2011	104	53,670	53,774
At 31 March 2011			
Cost or revaluated amount	462	53,670	54,132
Accumulated amortisation	(358)	-	(358)
Net book amount at 31 March 2011	104	53,670	53,774

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 31 MARCH 2011**
(All amounts in LTL thousand unless otherwise stated)

3 Property, plant, and equipment

The structure of the Company's property, plant and equipment as at 31 December 2010 and 31 March 2011 is as follows:

	Buildings and structures	Machinery and equipment	Motor vehicles	Other PP&E	Construct- ion in progress	Total
At 31 March 2010	157,711	582,436	952	212,044	919,836	1,872,979
Cost		1,222	32	237	53,071	54,562
Accumulated amortization	(762)	(4,560)	(31)	(1,521)	-	(6,874)
Net book amount at 31 March 2010	156,949	579,098	953	210,760	972,907	1,920,667
At 31 March 2010.						
Cost	216,918	892,211	2,996	272,942	972,907	2,357,974
Accumulated amortization	(59,969)	(313,113)	(2,043)	(62,182)	-	(437,307)
Net book amount at 31 March 2010	156,949	579,098	953	210,760	972,907	1,920,667
At 31 December 2010.						
Cost	244,310	909,380	3,045	763,467	899,547	2,819,749
Accumulated amortization	(62,626)	(336,805)	(2,186)	(72,676)	-	(474,293)
Net book amount at 31 December 2010	181,684	572,575	859	690,791	899,547	2,345,456
At 31 March 2011						
Opening net book amount	181,684	572,575	859	690,791	899,547	2,345,456
Cost	-	-	-	568	139,760	140,328
Amortization	(865)	(6,858)	(30)	(4,096)	-	(11,849)
Net book amount at 31 March 2011	180,819	565,717	829	687,263	1,039,307	2,473,935
At 31 March 2011						
Cost	244,310	909,380	3,045	764,035	1,039,307	2,960,077
Accumulated amortization	(63,491)	(343,663)	(2,216)	(76,772)	-	(486,142)
Net book amount at 31 March 2011	180,819	565,717	829	687,263	1,039,307	2,473,935

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

5 Trade and other receivables

The Company's trade and other receivables as at 31 December 2010 and 31 March 2011 were as follows:

	At 31 March 2011	At 31 December 2010
Trade receivables	37,132	56,428
VAT receivable	14,796	11,997
Other receivables	3,872	2,930
Total	55,799	71,355
Less: provision for impaired receivables	(133)	(132)
Carrying amount	55,666	71,223

The fair value of trade and other receivables approximates their carrying amounts.

6 Cash and cash equivalents

Cash and cash equivalents comprise as follows:

	At 31 March 2011	At 31 December 2010
Cash at bank and in hand	39,462	2,117
Overnight deposit at Swedbank AB	16,160	-
Term deposit in LTL at Swedbank AB	-	11,751
Carrying amount	55,621	13,868

The fair value of the Company's cash and short-term deposits approximates their carrying amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

7 Grants

Balances of grants as at 31 March 2011 and their use during the reporting period are as follows:

	Grants relating to assets (fuel combustion facilities and other assets)	Grants relating to assets (projects on restoration and improvement of environmental and safety norms)	Grants relating to emission rights	Total
Balance at 31 December 2009	1,383	717,322	-	718,705
Depreciation of property, plant and equipment	(982)	(1,074)	-	(2,056)
Grants received	-	128,786	22,946	151,732
Emission rights utilised	-	-	(22,946)	(22,946)
Balance at 31 December 2010	401	845,034	-	845,435
Balance at 31 December 2010	401	845,034	-	845,435
Depreciation of property, plant and equipment	(93)	(2,407)	-	(2,500)
Grants received	-	1,309	26,701	28,010
Emission rights utilised	-	-	(4,467)	(4,467)
Balance at 31 March 2011	308	843,936	22,234	866,478

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

8 Borrowings

As at 31 March 2011, bank borrowings comprised as follows:

	At 31 March 2011	At 31 December 2010
Non-current borrowings		
Syndicated loan (Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD AB and Danske Bank A/S) in EUR, to be repaid by 3 June 2016.	281,058	217,625
Loan from the European Bank for Reconstruction and Development in EUR, to be repaid by 18 February 2025	245,149	191,521
Syndicated loan (Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB) in EUR, to be repaid by 9 November 2020	84,884	88,447
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	5,571	5,571
Total non-current borrowings	616,662	503,164
Current borrowings		
Syndicated loan (Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD and AB Danske Bank A/S) in EUR, to be repaid by 9 November 2020	14,253	14,253
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	3,714	3,714
Loan from the European Bank for Reconstruction and Development, accrued interest	3,772	874
Overdraft from Swedbank AB, the expiry date is 1 March 2011	-	12,987
Total current borrowings	21,740	31,828

The Company's non-current and current borrowings comprised:

On 1 July 2003, a loan agreement was concluded with the bank DnB NORD AB for the amount of EUR 3,765 thousand (LTL 13,000 thousand) and the repayment date of 1 May 2013.

On 30 June 2004, a loan agreement and related amendments were concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB for the amount of EUR 49,000 thousand (LTL 169,187 thousand) and the repayment date of 9 November 2020.

On 31 March 2010, a loan agreement was concluded with Swedbank AB, SEB AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD AB and Danske Bank A/S for the amount of EUR 81,400 thousand (LTL 281,058 thousand) and the repayment date of 3 June 2016.

On 18 February 2010, an agreement was concluded with the European Bank for Reconstruction and Development for the loan of EUR 71,000 thousand (LTL 245,149 thousand) and the repayment date of 18 February 2025.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 31 MARCH 2011**

(All amounts in LTL thousand unless otherwise stated)

9 Trade payables

The Company's trade payables comprise as follows:

	At 31 March 2011	At 31 December 2010
Amounts due for investments in property, plant and equipment	43,742	42,513
Amounts due for gas and fuel oil	10,259	29,338
Amounts due for contractual works, other services	1,242	270
Amounts due for materials	291	2,880
Total	55,534	75,001

The fair value of trade payables approximates their carrying amounts.

10 Sales revenue and other income

The Company's sales revenue for the period 31 March 2011 consisted of revenue from sale of electricity, heating energy and other services:

	At 31 March 2011	At 31 December 2010
Electricity generation	80,165	211,266
Cold capacity reserve	8,443	7,798
Heating energy generation	6,466	5,101
Other income	248	247
Total	95,322	224,412

In 2010, the Company had one operating segment.

All the Company's assets are located in Lithuania. All sale transactions are conducted in Lithuania.

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in LTL thousand unless otherwise stated)

11 Other expenses

The Company's other expenses for the period 31 March 2011 consisted of:

	<u>At 31 March 2011</u>	<u>At 31 December 2010</u>
Tax expenses	641	579
Security expenses	354	204
Water treatment expenses	121	178
Transportation expenses	119	233
Payments according to collective agreement	54	269
Other expenses	511	880
Total	<u>1,800</u>	<u>2,343</u>

12 Post-balance-sheet events

On 11 May 2011, the Board of the Company considered and approved of the Draft of the Reorganisation Conditions of the Company and joint stock company LIETUVOS ENERGIJA. The Board produced the Draft of the Reorganisation Conditions in compliance with the resolution of the extraordinary general shareholders' meeting as of 19 January 2011.

On the basis of this Draft of the Reorganisation Conditions of the Company and joint stock company LIETUVOS ENERGIJA, the Company and joint stock company LIETUVOS ENERGIJA (hereinafter referred to as the Companies) are reorganised by way of merger prescribed in Paragraph 4 of Article 2.97 of the Civil Code of the Republic of Lithuania, by consolidating the Companies under reorganisation (which, after the reorganisation, will terminate their activities as legal entities) into Lietuvos energija, AB. The latter company will start its activities after the reorganisation and will take over all property, rights and obligations of the Companies under reorganisation, i.e. a new legal entity will emerge and continue the activities of the Companies, which will cease to exist. This new legal entity will be Lietuvos energija, AB (the legal entity code will be awarded after the company is registered with the Register of Legal Entities in compliance with the procedure established by the legal acts of the Republic of Lithuania, the company's legal form will be a public limited liability company, the future head office address of the company – Elektrinės g. 21, Elektrėnai, Republic of Lithuania, the international securities identification number (ISIN) will be awarded after the registration of the share issue of Lietuvos energija, AB in the Central Securities Depository of Lithuania) (hereinafter referred to as Lietuvos energija, AB).
