

LIETUVOS ENERGIJA AB

**PROSPECTUS - OPERATIONS REPORT
(REVISED)**

VILNIUS 2007

I. GENERAL PROVISIONS

1. Reported period covered by the Report

The Prospectus covers a reported period of fiscal year 2006.

2. Key data about the Issuer

Name: Lietuvos Energija AB;
Authorized capital: LTL 689 515 435;
Registered address: Žvejų g. 14, LT-09310 Vilnius, Republic of Lithuania;
Phone: + 370 5 278 20 82;
Fax: + 370 5 212 67 36;
E- mail: info@lietuvosenergija.lt
Website: www.lietuvosenergija.lt
Legal – organisational form: a public limited liability company.
The company was registered on December 4, 1995;
The company was reregistered on April 13, 1999, December 31, 2001 and January 14, 2005;
The Register Keeper – State Enterprise *Centre of Registers*;
The company's registration No BĮ 99-74, company code 2205515502.

3. Type of operations of the Issuer

A branch of industry – electric power sector.

Types of core activities – production, trade, provision of services.

Lietuvos Energija AB (hereinafter referred to as the „Company“) operates the electricity transmission grid, telecommunications network, produces, purchases and transmits electric energy (imports and exports), provides electricity transmission services, other system services and telecommunications services. The Company is entitled to undertake any of the licensed activities only after it has obtained a respective license.

4. Information regarding access to the Operations Report and the documents used for its preparation

The Operations Report as well as other documents of the company are available at the head office of the company, Žvejų g. 14, LT-09310 Vilnius, on week-days, 7.30 - 1.30 a.m., and 12.30 - 4.30 p.m.

The company's notices are published in the newspapers *Lietuvos rytas* and *Respublika*.

5. Persons responsible for information provided in the Operations Report

Rimantas Šukys – Finance Director (Žvejų g. 14, LT-09310 Vilnius, phone: + 370 5 278 23 15, fax: + 370 5 212 67 36).

Ona Garnienė – Leading Economist, Finance Department (Žvejų g. 14, LT-09310 Vilnius, phone + 370 5 278 24 57, fax + 370 5 212 67 36).

6. Approval by the Issuer's members of management bodies, employees, Chief Executive Officer and consultants responsible for the preparation of the Report. Venue of signing and preparation of the Report

The undersigned who are held responsible for the preparation of the Operations Report hereby confirm that information contained herein is true, there are no suppressed facts which may have essential impact on the investors' decision to sell or to acquire the Issuer's securities or on their market value and evaluation thereof.

The Operations Report was prepared in May 2007 in the head office of Lietuvos Energija AB, Žvejų g. 14, LT-09310 Vilnius.

Rimantas Šukys

Finance Director

Ona Garnienė

**Leading Economist,
Finance Department**

II. INFORMATION ABOUT THE ISSUER'S SHARE CAPITAL, ISSUED SECURITIES

7. The Issuer's Authorised Capital

7.1 Authorized capital registered in the Companies Register

On February 21, 2002 the authorized capital of Lietuvos Energija AB totaling LTL689 515 435 was registered in the Companies Register. It was divided into 689 515 435 common nominal shares of LTL1 par value.

7.2. Information regarding increase of the authorized capital by conversion or change of issued debt securities or derivatives

Increase of the authorized capital by conversion or change of issued debt securities or derivatives into shares is not expected.

8. Shareholders

Total number of shareholders - 5 125. On the day of the general shareholders meeting (April 26,2007), the shareholders who owned more than 5 per cent of Lietuvos Energija AB authorized capital (689 515 435) were as follows:

Name	Type of shares	Number of shares	Percentage of authorized capital	Percentage of votes granted by authorized capital
The State, represented by the Ministry of Economy of the Republic of Lithuania, company code 188621919, Gedimino pr.38/2, 2600 Vilnius	Common nominal shares	665 609 228	96,53	96,53

9. Basic characteristics of shares issued for public trading

The number of issued common nominal shares with the par value of LTL1, and with total par value of LTL 689 515 435 equals 689 515 435. The shares have been issued for public trading through Vilnius Stock Exchange.

10. Data about private placement of shares

The Company did not issue any shares assigned for private placement.

11. Information about depositary receipts issued on the basis of the shares

The Company did not issue any deposited shares on the basis whereof the depositary receipts would be issued.

12. Characteristics of debenture bonds issued for public trading of shares

Type of Debenture Bonds (DB)	Coupon bonds
Number of issued bonds	75 000
Par value of the issue	7 500 000 EUR
Par value of 1 Debenture Bond	100 EUR
Annual interest rate on Debenture Bonds	4.06 %
Circulation period of the issued bonds	14 – 28 September 2006
Date of coming into effect	29 September 2006
Duration of the issue	1096 days
Maturity date of the issue	29 September 2009
Buyout price of 1 bond	100 EUR
The coupon payment date	1 October 2007, 29 September 2008, 29 September 2009.
Value of the DB coupon	EUR 4.6
Currency of the issue	Euro
Credit risks	Risks of the issues additional hedging
Method of offering of the issue	Public offering
DB secondary turnover	Debenture Bonds are listed in the VVPB debt securities list

13. Data about private placement of the debenture bonds

The Company did not issue any privately placed debenture bonds.

14. Securities (excluding the debenture bonds) which do not certify the participation in the authorized capital, but with the circulation regulated by the Law on Securities Market

The Company did not issue any securities of such type.

III. DATA ABOUT THE SECONDARY TURNOVER OF THE ISSUER'S SECURITIES

15. Listed securities

Lietuvos Energija AB shares are traded at Vilnius Stock Exchange (VVPB). Issued shares of the Company are listed in the VVPB Current Trading List. The Company issued 689 515 435 common nominal shares with total par value of LTL689 515 435 (six hundred eighty nine million five hundred fifteen thousand four hundred thirty five). On September 29, 2006, Lietuvos Energija AB issued 75000 coupon bonds with total par value of EUR 7 500 000 (seven million five hundred thousand) and with annual interest rate of 4.06%. The bonds were listed in the Trading List of Debenture Bonds.

16. Trade in the Issuer's securities at other stock exchanges and organized markets

The company's securities are exclusively traded at Vilnius Stock Exchange. The common nominal shares issued by the Company are included in the Current Trading List; the bonds are listed in the Trading List of Debenture Bonds.

16.1 Trade at Vilnius Stock Exchange

Turnover of Lietuvos Energija AB common nominal shares (in LTL):

Total turnover (quantity and LTL)

Year	Period	Common nominal shares (quantity)	LTL
2005	Quarter I	764 540	2 097 113
	Quarter II	784 737	1 955 979
	Quarter III	869 224	1 961 557
	Quarter IV	673 633	1 539 894
2006	Quarter I	679 112	1 375 383
	Quarter II	1 659 879	3 563 092
	Quarter III	1 073 194	2 492 830
	Quarter IV	985 641	2 948 566

2005

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Price LTL	Turnover LTL	Price LTL	Turnover LTL	Price LTL	Turnover LTL	Price LTL	Turnover LTL
Max	3,31	199 423	2,90	183 800	2,40	490 155	2,50	224 428
Min	2,45	0	2,17	0	1,94	0	2,15	0
Closing	2,73	50 779	2,30	21 382	2,20	68 400	2,34	234

2006

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Price LTL	Turnover LTL	Price LTL	Turnover LTL	Price LTL	Turnover LTL	Price LTL	Turnover LTL
Max	2,39	321 083	2,30	405 230	2,69	1 074 135	4,04	357 700
Min	1,76	0	2,00	0	2,04	0	2,30	0
Closing	2,14	0	2,10	0	2,49	25 031	3,94	34 128

Turnover of Lietuvos Energija AB debenture bonds (LTL):

Total turnover (quantity and EUR)

Year	Period	Coupon bonds (quantity)	EUR
2005	Quarter I	0	0
	Quarter II	0	0
	Quarter III	0	0
	Quarter IV	2 992	300 503
2006	Quarter I	12 390	1 252 881
	Quarter II	0	0
	Quarter III	976	99 936
	Quarter IV	18 872	1 897 193

2005

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Price EUR	Turnover EUR	Price EUR	Turnover EUR	Price EUR	Turnover EUR	Price EUR	Turnover EUR
Max	0	0	0	0	0	0	100,44	300 503
Min	0	0	0	0	0	0	100,44	300 503
Closing	0	0	0	0	0	0	100,44	300 503

2006

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Price EUR	Turnover EUR	Price EUR	Turnover EUR	Price EUR	Turnover EUR	Price EUR	Turnover EUR
Max	101,13	1 192 323	0	0	102,39	99 936	100,81	599 999
Min	100,93	60 558	0	0	102,39	99 936	100,20	751 507
Closing	101,13	1 192 323	0	0	102,39	99 936	100,29	100 293

16.2. Trade at other stock exchanges

The Company's securities are not traded at other stock exchanges.

16.3. Trade at other organized markets

The Company's securities are not traded at other organized markets.

17. Capitalization of securities

Capitalization of securities:

31 March 2006	-	1 475 563 038 LTL;
30 June 2006	-	1 447 982 421 LTL;
29 September 2006	-	1 716 893 442 LTL;
29 December 2006	-	2 716 690 828 LTL.

Capitalization of debenture bonds:

31 March 2006	-	7 584 750 EUR (26 188 625 LTL);
30 June 2006	-	7 584 750 EUR (26 188 625 LTL);
29 September 2006	-	7 679 520 EUR (26 515 847 LTL);
29 December 2006	-	7 521 998 EUR (25 971 953 LTL).

18. Trade in the Issuer's securities outside the stock exchange

Total turnover of common nominal shares

Year	Period	Units	Price Max (LTL)	Price Min (LTL)
2005	Quarter I	73 185	2,11	1,41
	Quarter II	16 902	1,76	1,69
	Quarter III	52 240	1,80	1,40
	Quarter IV	129 663	1,68	0
2006	Quarter I	-	-	-
	Quarter II	-	-	-
	Quarter III	26 677	2,15	2,15
	Quarter IV	362 190	3,81	0

Total turnover of debenture bonds

Year	Period	Units	Price Max (LTL)	Price Min (LTL)
2006	Quarter I	-	-	-
	Quarter II	-	-	-
	Quarter III	-	-	-
	Quarter IV	2 209	345,70	100,05

19. Data about the Issuer's purchases of its own shares

The Company did not purchase its own shares during the reported period.

20. Publication of official offering

During the reported period no official offerings to purchase the Company's securities were published.

21. The Issuer's payment agents

The Company uses the services of a payment agent – AB SEB Vilniaus Bankas, which performs the payment agent's functions related to the coupon bonds issued on 29 September 2006 with an annual interest rate of 4,06% and a three- year maturity period according to the Agreement on trade in bonds (arrangement of the issue) dated August 10, 2006 and concluded between the Company and AB SEB Vilniaus bankas.

22. Contracts with intermediates of public offering

On December 29, 2006, the bank AB Hansabankas (Savanorių pr.19, Vilnius) was awarded a contract for the service of account management of the Issuer's securities and personal securities. The contract is valid till 31 December 2008.

On August 10, 2006, Lietuvos Energija AB and AB SEB Vilniaus Bankas entered into the agreement on distribution of debenture bonds (arrangement of the issue) regarding the company's nominal debenture coupon bonds with buyout after one year and 4.06 % annual interest rate.

IV. INFORMATION ABOUT THE ISSUER'S OPERATIONS

23. Legal background of the Issuer's operations:

- The Law on Public Limited Liability Companies of the Republic of Lithuania;
- The Law on Energy of the Republic of Lithuania;
- The Law on Electricity of the Republic of Lithuania;
- The Law on the Companies' Register of the Republic of Lithuania;
- The Law on Securities of the Republic of Lithuania;
- Other legal acts of the Republic of Lithuania;
- The Company's Articles of Association.

24. Membership in associated organizations

The Company is a member of the Confederation of Industrialists of Lithuania, Vilnius Chamber of Commerce, Industry and Crafts and the National Electricity Association.

The Confederation of Industrialists of Lithuania is a non-political public organization, independent of governmental control. The Confederation was established 77 years ago. The Confederation represents and protects the interests of its members in governmental, social and international organizations. At present, the Confederation unites 37 branch and 8 regional associations, over 2700 various enterprises and members who individually joined the Confederation.

Vilnius Chamber of Commerce, Industry and Crafts is a voluntary association of legal and natural persons involved in economic activities regulated by the Laws of the Republic of Lithuania; it is a non-profit organization in the area of its activities implementing self-governance principles in business. The Chamber was established and has been functioning abiding by the Law on the Chamber of Trade, Industry and Commerce of the Republic of Lithuania, other laws and regulations, the Articles of Association and other internal documents of the Chamber.

The National Electricity Association is an organization promoting co-operation among all power companies in Lithuania, keeping contacts with the Associations of other countries. The Association organizes seminars, meetings on important issues of reorganization of the power industry. The Company transferred to the Association the right of its representation in EURELECTRIC at the end of 2002; regardless of this fact, in the areas of its interests the Company has remained an active participant of EURELECTRIC committees and working groups (EURELECTRIC represents the common interests of the electric power industry in Europe).

In February 2004 the Company became an associated member of the **CIGRE** (Conseil International des Grands Réseaux Électriques – International Council on Large Electric Systems), and since 2001 it has been actively participating in the activities of the CIGRE Nordic Regional Council. The CIGRE is an international, non-governmental, non-profit organization. Its objective is to develop and disseminate technical knowledge and progress in the areas of electricity generation and transmission. The CIGRE was established in 1921; more than 80 countries are the members of this organization.

On May 25, 1998 Lietuvos Energija together with other 18 power companies from 11 countries of the Baltic Sea Region signed the Memorandum on the establishment of the **BALTREL** (the Baltic Ring Electricity Co-operation Committee) and became a member of this Association. The objective of the BALTREL is to create a common electricity market around the Baltic Sea. A rotating chairmanship in the BALTREL Committee is held by a chief executive officer of one of the companies and the same company provides the secretariat services. At the end of 2006, the BALTREL chairmanship has been undertaken by the General Director of Lietuvos Energija AB.

In February 2005 the Company became an associated member in the **ETSO** (European Transmission System Operators), and on November 7 the Assembly granted a status of a full member to the Company. The ETSO membership is exclusively granted to the electricity transmission companies from the EU member-states or from the countries having electric interconnections with the EU member –states and complying with the requirements raised for the transmission system operators. In 2006, 37 companies from 27 countries were the members of the ETSO. This organization coordinates operation of the transmission systems by ensuring functioning of the electricity markets along with the maximum reliability and quality of the electric power systems operation.

In March 2006 the Company together with the transmission system operators from Latvia and Estonia established a co-operation organization **BALTSO** aimed at solving essential issues of parallel operation of the power systems of the Baltic States: to ensure efficient, coordinated and safe operation of the electricity markets in Estonia, Latvia and Lithuania, to develop and coordinate the transmission grid, to formulate the Baltic Grid Code, to coordinate the design works of the 330kV network in the Baltic States, to promote co-operation of the power companies with third parties, to provide assistance in establishing contacts with other organizations and institutions in the Baltic States, Europe, other countries in the world.

To ensure reliable supply of electricity, the electric power systems of the Baltic States must operate in parallel with the power system of Russia and Belarus. In 2001, in order to conciliate the parallel operation of the systems with the market relations, on the initiative of the power companies of the Baltic States five companies (Lietuvos Energija, Latvenergo, Eesti Energia, RAO EES Rossii and Belenergo) signed the Agreement on parallel operation of the power systems which served as a background for establishing the **BRELL** Committee and its working groups which solve the problems related to parallel operation with an aim to reach compliance of their decisions with the European Union requirements.

The Company has been participating in the aforesaid organizations by the membership rights, and has been paying the membership fees. All of them are non-profit organizations, and the Issuer does not take part in their capital, and on that ground these organizations do not participate in the capital of the Issuer.

25. Key historic facts about the Issuer

Lietuvos Energija AB is a public limited liability company, which was registered in the Republic of Lithuania on December 4, 1995. The incorporator of the Issuer is the Ministry of Economy of the Republic of Lithuania. On March 4, 1995 the Company took over the rights of the former Production Energy and Electrification Board established originally in 1940 and reorganized into the Lithuanian State Power System on March 27 1991, after the restoration of Independence of the Republic of Lithuania. The mentioned Board had functioned since 1940 and it had control over all major power plants, boiler houses, electric and district heating networks which had been operated at that time in Lithuania. In the process of restructuring of Lietuvos Energija AB, on July 1, 1997 all district heating utilities, Vilnius and Kaunas power plants were separated from the Company. In 2001 Lietuvos Energija AB was reorganized by unbundling electricity production, transmission and distribution activities. Since January 1, 2002 in addition to Lietuvos Energija AB, which has continued its functions, operations have been started by four new public companies, i.e. distribution companies Rytų Skirstomieji Tinklai, Vakarų Skirstomieji Tinklai, and power plants Lietuvos Elektrinė and Mažeikių Elektrinė.

26. Description of production (services)

In 2006 Lietuvos Energija performed the functions of the transmission system operator, market operator, carried out electricity production and export operations as well as other non-core activities. Since 2005 the electric power system of Lithuania has been functioning with only one Ignalina NPP reactor, and in the second half of 2006, due to delayed repair works at this power plant, till the very end of the year only one turbine of the reactor was operated, thus the focus of attention was given to improvement of reliability and efficiency of electricity supply.

Total scope of production (rendered services) during a recent reported three-year period (LTL million)

	Sales and services	Units	2004	2005	2006
	Total:	LTL million	934	930	939
1.	Including: electricity sales	- “ -	631	607	601
2.	Transmission service to domestic customers	- “ -	299	321	335
3.	Other sales and services	- “ -	3	2	3

Scopes of production by types of products (rendered services), their portion in the total scope of production (services) in per cent during a recent reported three-year period

In 2006, acting as the Transmission System Operator, the Company transmitted 9.4 bn kWh of electricity by high voltage lines to satisfy the domestic demand. Electricity transmission was by 3.6% higher, as compared to 2005: the transmitted quantity of electricity to the distribution company Rytų Skirstomieji Tinklai AB increased by 6.2% and amounted to 4.3 bn kWh, the transmitted quantity to the distribution company VST increased by 6.8% and amounted to 4bn kWh, the quantity transmitted to eligible customers was 1 bn kWh, i.e. 15.3% less than in 2005, which basically was resulted by discontinuance of the operation of Ekranas AB.

The Company purchases electricity from the power plants included into the public service obligations list and sells it to all suppliers. The volumes (quotas) of such electricity for producers are set by the Ministry of Economy, and the prices - by the National Control Commission for Prices and Energy. In 2006 1.51 bn kWh of electricity complying with public service obligations or 14.6% in the total balance of domestic demand was purchased from producers.

If the quantities of contractual electricity under the agreements signed between producers and suppliers and the quantities of electricity complying with the public service obligations are not sufficient, the Company, as the market operator, trades in additional electric energy at the auction. In 2006, due to unscheduled repair works of Ignalina NPP, the sales of contractual energy significantly dropped, and the sales of electricity at the auction increased.

The Company has two branches – Kaunas Hydro Power Plant and Kruonis Pumped Storage Plant, which are operated as the constituent parts of the transmission system, and electricity produced in these power plants is basically used to compensate the Company’s technical losses and to balance electricity production and consumption. Output from these power plants to the grid was 742.5 MkWh, or 6% of the total quantity of electricity produced in the country.

The Company exported 2.1 bn kWh (including 175 MkWh of peak energy, and 324 MkWh of electric energy generated on weekends and days-off). As compared to 2005, electricity export due to unscheduled repair works of Ignalina NPP dropped by 47%.

In performing other, non-core activities, the Company increased available capacities of information technologies and telecommunications, enhanced sales of the ITT services: in 2006, Lietuvos Energija AB together with the telecommunication operators from Latvia, Estonia and Poland installed 2.5 Gbit/s data transmission channels aimed at interconnection of data transmission networks used by outstanding research institutions in Lithuania and other EU member states. This was one of the biggest telecommunication projects not only in Lithuania, but in the Baltic States as well. After the Company had updated data storage technical resources, the reliability and efficiency of the Company's systems improved, and the scope of leased data storage services to external customers increased.

No	Type of rendered services (million kWh)	2004	2005	2006
1.	Electric energy produced in the company	877	750	742
2.	Purchased electric energy (total) :	10 230	9 743	10179
2.1.	including imported quantities	125	1 029	1881
3.	Sold electric energy (total):	9 870	7 662	6272
3.1.	In Lithuania	2 592	3 640	4146
3.2.	exported	7 278	4 027	2126
4.	Rendered electricity transmission services	8 631	8 998	9345
5.	Reactive power, million KVarh	39	30	24

Prices of goods (services) and their dynamics during a recent reported three –year period

The price of electricity transmission service is regulated by the National Control Commission for Prices and Energy (hereinafter – the “Commission”) by setting the price cap for a three-year period. The Board of the Company approves the price of electricity transmission service with regard to the price cap set by the Commission.

In 2006 the price of electricity transmission service did not change, and, including the price of capacity reservation service, equaled 3.47 ct/kWh. This price was by 6.2 per cent lower than the price cap of electricity transmission service set for the year 2006.

Prices of electricity and services supplied by the Company (ct/kWh):

No	Type of services	2004	2005	2006
1.	Domestic sales	-*)	-*)	-*)
2.	Exports	4,07	5,22	5,43
3.	Rendered electricity transmission service	3,46	3,55	3,59
4.	Reactive power, ct/KVarh	2,40	2,55	2,72

*) After the reorganization of the electricity sector in 2002, electricity in the country has been traded by various market players, thus the average price of electricity sold to end-users is not calculated. In 2004 – 2006 the Company traded at the wholesale market in electricity included into the public service obligations list and in additional electricity at the auction.

Highlights and their dynamics during a recent reported three-year period

Highlights	Units	2004	2005	2006
Net profitability	%	3,33	1,06	1,91
Average return on assets	%	1,15	0,37	0,68
Debt to assets ratio		0,22	0,21	0,20
Financial debt to equity ratio		0,29	0,27	0,24
Current ratio		0,67	0,57	0,57
Assets turnover		0,34	0,35	0,35
Book value of a share	Lt	3,13	3,13	3,17
Profit per share	Lt	0,05	0,01	0,03

27. Sales markets

In 2006 in the domestic electricity market there were the following market players: electricity producers (the biggest among them – Ignalina Nuclear Power Plant), public suppliers (Rytų Skirstomieji Tinklai AB, VST AB and Visagino Energija VI), independent suppliers (Mažeikių Elektrinė AB, Ekranas AB, Achema AB, Akmenės cementas AB, state enterprise Ignalinos atominė elektrinė, etc.) as well as eligible customers (there are 28 of them).

Scopes of sales (GWh) during a recent three- year reported period

No	Electricity sales	2004	2005	2006
1.	Total exported quantity, including:	7 279	4 027	2126
1.1.	To Latvia	524	755	900
1.2.	To Estonia	50	180	99
1.3.	To Poland	210	0	0
1.4.	To Belarus	2 627	132	632
1.5.	To Russia	3 867	2 937	495
2.	Domestic sales of electricity	2 592	3 640	4146
3.	Rendered electricity transmission services to:	8 631	8 998	9345
3.1.	Rytų Skirstomieji Tinklai	3 825	3 984	4235
3.2.	Vakarų Skirstomieji Tinklai	3 654	3 765	4021
3.3.	Customers connected to the transmission grid	1 145	1 206	1043
3.4.	Producers	7	43	46
4.	Reactive power, KVarh	39	30	24

In 2006 the long-term cooperation agreements which had been signed with Russian company Inter RAO JES and Estonian company Eesti Energija in 2005, were still in effect and served as a basis for signing long-term agreements on the surplus electricity supply from Ignalina NPP and the supply of deficient electricity to Lithuania in the case of repair works of Ignalina NPP Unit 2 or after the complete closure of this power plant.

Sales of electricity transmission service via high voltage lines to cover the domestic demand were carried out on the basis of direct sales with producers, customers connected to the transmission grid and distribution companies.

In performing the functions of the transmission system operator and market operator, on the basis of yearly contracts, the Company sold to suppliers the electricity included in the public

service obligations list, additional electricity and provided market administration services to the market players.

28. Supply

In the domestic market electricity was purchased from all major electricity producers: VĮ Ignalinos atominė elektrinė, AB Lietuvos elektrinė, AB Vilniaus energija, AB Kauno termofikacinė elektrinė, AB Kauno energija, AB Mažeikių elektrinė, AB Lifosa, as well as from other licensed companies. It was also directly imported from AS Latvenergo and AS Eesti Energia according to supply contracts concluded for one-year period.

The validity of the power purchasing agreement from VĮ Ignalinos atominė elektrinė was extended till the closure of Ignalina NPP Unit 2. The power purchasing agreement with VĮ Ignalinos atominė elektrinė for supplies of surplus electricity, electricity produced on week-ends and days-off for export was extended as well. Capacity reserves were purchased on the basis of direct one-year agreements with producers.

At the end of 2006 operation of the HV undersea cable interconnecting Estonia and Finland was started. Lietuvos Energija AB has control over 25 per cent of shares of Nordic Energy Link AS, the company operating the cable. This interconnection has strategic importance for the power sector of the Baltic States and its integration with the single European Union electricity market. It will enhance reliability of the power system and will create preconditions for trade in electricity and relevant services in the Scandinavian electricity market. By using the line Lietuvos Energija AB intends to export about 500 million kWh of electricity per year. In November 2006 the Company signed the agreement with Estonian company Põhivõrk OOO regarding transit of exported energy through Estonia.

29. Real estate and other facilities

Item No	Location	No of buildings	Total area, square meters	Year of construction	Area of used state-owned land, ha
1.	Lietuvos Energija Head Office	35	40 952	1962	17,41
1.1.	Vilnius Transmission Division	22	6 668	1964	30,36
1.2.	Kaunas Transmission Division	30	7 115	1962	39,06
1.3.	Klaipėda Transmission Division	27	7 437	1964	29,45
1.4.	Šiauliai Transmission Division	16	5 637	1962	24,86
1.5.	Utena Transmission Division	33	7 959	1968	30,18
2.	Lietuvos Energija branches				
2.1.	Kaunas Hydro Power Plant	18	7 795	1959	91,10
2.2.	Kruonis Pumped Storage Plant	29	33 379	1978	668,67

The facilities owned by Lietuvos Energija AB by the proprietary rights are used for the following purposes: administrative, industrial-administrative, electricity distribution units, transformer substations, pump rooms, storage facilities, garages, training centre, recreation, hostel and other. The lease agreements of the state-owned land were concluded for 80 % of the used sites. The procedures for entering into lease agreements of the remaining 20% of state-owned land are in progress. The status of structures and buildings complies with the Construction Technical Regulations.

**Balance value of the Company's non-current tangible assets
(LTL thousand)**

Items	31/12/ 2005	31/12/2006
Buildings and structures	2 123 029	2 081 867
Plant and equipment	234 498	230 779
Vehicles	10 075	9 003
Other equipment, instruments and tools	74 846	68 108
Construction in progress	76 718	96 148
Other tangible assets	17 480	36 128
Total	2 536 646	2 522 033

Investment projects in progress (as of December 31, 2006)

Project	Responsible Division	Commencement/ completion of the project	Project value (LTL thousand)	Value of completed portion (LTL thousand)
330/110/10 kV Vilniaus SS reconstruction	Vilnius TD	2004-2008	85 000	31 146
110/10 kV Centro SS reconstruction	Vilnius TD	2005-2007	10 350	213
110/10 kV Žiežmarių SS reconstruction	Kaunas TD	2004-2007	2 370	115
110/10 Noreikiškių SS reconstruction	Kaunas TD	2006-2008	6 570	169
110/10 kV Nemuno SS construction	Kaunas TD	2005-2009	35 000	7 625
110/10 kV Taikos SS reconstruction	Klaipėda TD	2004-2009	6 800	170
110 /10 kV Migla SS reconstruction	Klaipėda TD	2005-2009	5 000	141
Naujos 330 kV OHL Telšiai-Klaipėda construction	Klaipėda TD	2005-2012	92 000	404
110/35/10 kV N.Akmenės SS reconstruction	Šiauliai TD	2005-2010	13 600	432
330/110/10 kV Šiaulių SS reconstruction	Šiauliai TD	2004-2012	34 700	870
110/35/10 kV Šakių SS reconstruction	Šiauliai TD	2005-2009	5 100	155
110/35/10 kV Ukmergės SS reconstruction	Utena TD	2005-2007	7 620	4 484
Connection of Panevėžys SS to 110 kV network	Utena TD	2006-2007	5 660	4 546
Rehabilitation of a transmission line Kaunas-Jonava-Kėdainiai-Panevėžys and reconstruction of telecommunications lines (135 km)	ITTC, Grid Department	2006-2009	18 500	235
Rehabilitation of a transmission line Jurbarkas-Raseiniai-Kelmė-Šiauliai and reconstruction of telecommunications lines (100 km)	ITTC, Grid Department	2006-2010	10 000	120

30. Risk factors related to the Issuer's operations

These are the risks related to electricity production, sales of services, financial and competitive operations.

The external risks are inflation, economic crisis, adverse laws and resolutions of the government, pricing policy, state regulation of the prices of primary energy resources.

Political risks

The state, represented by the Ministry of Economy, by the right of title holds 96.57 percent of the company's shares, and depending on its voting, the members of the Board are elected. According to the presently valid legal acts, the Ministry of Economy has broad authorizations to regulate the Company's operations. Another factor which likewise impacts the Company – the Company's customers are the electorate of politicians.

Economic risks

In order to minimize currency exchange risks, the Company borrowed in either litas or euros. At the end of 2006, all loans were denominated in EUR. Concluded sale-purchase agreements were also mainly quoted in either LTL or EUR.

In order to minimize the risk of interest rate fluctuation, the Company, in line with the approved principles of financial risk management, set a goal of taking no less than 50 percent of all loans at a fixed interest rate, with the remaining portion at a floating interest rate. In 2003, for risk hedging purposes, the Company concluded the interest swap agreement by changing the floating interest rate into a fixed one and by hedging the loan of EUR 15m. Moreover, at the end of 2005 and in July 2006 the Company concluded the interest swap agreements by hedging the EUR 5m loan and EUR 7.5m coupon bonds. Taking into consideration previously concluded interest rate swap agreements, at the end of 2006, 62 per cent of the company's loans were at a fixed interest rate, while 38 per cent were at a floating interest rate.

Due to declining exports, the risks of decreasing revenue and profit in the Company remains. With only one unit operating in Ignalina Nuclear Power Plant and growing domestic demand for electricity, volumes of export and revenue may be impacted by the number of outages of the mentioned unit and the duration of repair works in the case of its faulty operation, as well as by the decisions of the Ignalina NPP management regarding prices and quantities of electricity to be sold to the Company for export purposes.

The Company also faces credit risks, despite the fact that the customers of electricity transmission service are the biggest, profitable operating and timely paying companies of Lithuania. According to the terms of the concluded contracts, the number of due payment days can not exceed 30-40. In addition to that, the number of such customers is not big.

Technical – technological risks

The Lithuanian power system has a number of interconnection lines with the neighboring power systems. The available means of control of capacities and power balances are rather limited, thus the capacity and energy balance control in Lithuanian power system is more complicated than in other power systems. All power plants participating in the technological process of the power system are separate and independent companies, and this makes regulation of frequency, capacity balances and voltage even more complicated. Power plants and electric networks owned by Lietuvos Energija AB are not new, a major part of the electric networks was constructed some 25-30 years ago, and they approached or even surpassed their designed life time.

To improve reliability and efficiency of the system operation and to reduce probability of accidents, the Company allocated more than 50 % of all investments for rehabilitation of the transmission grid and transformer substations (on the average, the rehabilitation of 7-10 substations is commenced per year). In 2005 Lietuvos Energija got support from the EU structural fund which was assigned to partially finance the rehabilitation of Kaunas Hydro Power Plant. This power plant was commissioned in 1960, its turbines are obsolete, and the control equipment does not satisfy the requirements set forth by the EU interconnected electric power systems.

Social risks

Although in providing its services the Company has no direct contacts with residential customers, operations undertaken by Lietuvos Energija AB are important to every member of the society. Residential and other customers are serviced by the distribution companies, but historically the name of Lietuvos Energija is more known to residential customers than that of the distribution companies and quite often Lietuvos Energija is wrongly identified by the public. Negative opinion of the residential customers could result from lack of attention to the customers, wrong or insufficient information.

Labor market can not provide technical specialists needed by the Company, preparation of specialists is a time consuming process, the universities are stagnant and can not quickly adapt themselves to changing situation, and they feel shortage of training facilities and funds.

Lietuvos Energija AB trade union unites 166 employees.

The Issuer's liquidity risks

These are the risks when the Company may fail to timely perform its financial liabilities as well as the risk to bear losses due to rapidly decreasing financial resources and the price growth of new funds to be allocated to cover the shortage of financial resources.

According to the principles of financial risk management, the sum of the Company's liquid assets (cash in bank and in hand, termed deposits) and undisbursed credit lines according to the agreements with banks and credits in bank accounts must cover current financial liabilities of the company and current portion of long-term loans. At the end of 2006, short term financial debts and current portion of long-term loans equaled LTL 20.6m. At the end of 2006, this debt was fully covered by undisbursed loans and credit lines, which totaled LTL 84.9m (including LTL 30.3m of credits in bank accounts). Besides, the company had LTL 1.4m of liquid assets.

Ecological risks

The quantity of emissions is regulated by the permits for the use of natural resources issued by the Regional Environmental Protection Departments. There is a very low probability that the Issuer's activity could be limited or terminated due to damage to the environment.

The basic issues related to the environmental protection solved at Lietuvos Energija AB are safe storage of ecologically hazardous materials, matching of electric equipment and facilities with landscape, ensuring fluctuation of water levels in the Kaunas Lagoon and Nemunas river within the permitted limits. At present the Company abides by all applicable requirements of the environmental protection. The risk of pollution of the environment will be significantly reduced after the completion of Kaunas HPP rehabilitation.

Liabilities to credit institutions

From total amount of long-term loans, the amount of LTL 20 580 922 is to be reimbursed in 2007.

Long-term loans (as of 31 12 2006)

Credit institution	Contractual amount of the loan in foreign currency	Currency	Disbursed but not repaid amount of the loan in foreign currency	Disbursed but not repaid amount of the loan in LTL
Zurcher Kantonalbank	8 012 768	EUR	4 099 528	14 154 851
AB SEB Vilniaus bankas	15 000 000	EUR	3 887 000	13 421 033
AB bankas Hansabankas	11 584 800	EUR	0	0
Nordea Bank Finland Plc Lithuanian branch	15 000 000	EUR	5 375 000	18 558 800
Bayerische Hypo-und Vereinsbank AG Vilnius branch	15 000 000	EUR	13 000 000	44 886 400

Long-term loans, total:

91 021 084

Short-term loans and other current liabilities (as of 31 12 2006)

Credit institution	Contractual amount of the loan in foreign currency	Currency	Disbursed but not repaid amount of the loan in foreign currency	Disbursed but not repaid amount of the loan in LTL
AB bankas Hansabankas (overdraft)	3 185 000	EUR	0	0
AB bankas Hansabankas (overdraft)	9 000 000	LTL	0	0
AB SEB Vilniaus bankas (overdraft)	10 358 000	LTL	0	0

Short term financial liabilities, total:

0

In September 2006 the Company issued bonds with a notional value of EUR 7.5m, with the annual interest rate of 4.06 per cent and maturity term falling on September 29, 2009.

In 2005 under the guarantee agreements the Company guaranteed 25% of Nordic Energy Link AS liabilities to Nordic Investment Bank (LTL'000 50,325) and to SEB Eesti Uhispank AB (LTL'000 29,435). The guarantees expire after the full repayment of the borrowings by the associate to respective banks, i.e. 15 March 2014 and 15 June 2014 respectively.

As of 31 December 2006, upon request of the Company, bank Hansabankas AB issued the following guarantees:

- 1) Beneficiary - Kaunas University of Technology, amount – LTL 5000, type - payment guarantee, maturity - 1 February 2007;

-
-
- 2) Beneficiary - Vilnius Municipality, amount – LTL 16000 type - performance security, maturity- 2 December 2009;
 - 3) Beneficiary - Vilnius University, amount LTL 12000, type - tender security, maturity - 1 March 2007.

31. Decrease or termination of production which has caused or is causing significant impact on the Issuer's results of operations during a recent two-year reported period

During a recent two-year period Lietuvos Energija has not terminated the activity of electricity supply which would have made an essential impact on the results of operations of the Issuer.

32. Patents, licenses, contracts

The Company may perform any of the licensed activities or activities for which permits are required only upon having obtained respective licenses or permits. On March 22, 2002 the Company got a license for electricity transmission activities with an unlimited period of validity (unless the license is terminated or its validity revoked). Apart of this license, the Company has got permits to perform the activities of electricity production, import and export with an unlimited period of validity.

33. Legal and arbitration procedures

At present there are no legal or arbitration processes which could make impact on the Company's financial status.

34. Personnel

Changes in the average number of employees listed in the staff list during a recent three-year reported period

At the end of the period of 2004-2006, the number of Lietuvos Energija AB employees was:

	31/12/2004	31/12/2004	31/12/2004
Total	1 141	1 134	1 142
Including:			
– power plants	297	292	295
– head office and transmission divisions	844	842	847

As of 31/12/2006, the composition of employees according to the character of their job activities was as follows:

Officers – 63 %

Workers – 37 %

Average number of employees and average salaries in Lietuvos Energija AB

	2004		2005		2006	
	Average number of employees	Average labor payment LTL	Average number of employees	Average labor payment LTL	Average number of employees	Average labor payment LTL
Workers	462	1 492	432	1 723	418	1 974
Officers	652	2 560	674	2 905	694	3 144
Executive officers	6	13 699	6	15 094	6	16 367
TOTAL	1 120	2 180	1 112	2 446	1 139	2 776

Education of Lietuvos Energija AB employees by groups at the end of the period

	2004	2005	2006
Number of employees	1 141	1 134	1 142
By educational background:			
University degree	523	541	569
College degree	278	274	267
Secondary school	328	306	293
Unfinished secondary school	13	13	13

The Collective Agreement of Lietuvos Energija AB was signed on April 14, 2005. The Agreement provides for additional social guarantees: the Employer has undertaken to pay an allowance of an established amount in the case of death of an employee or his/her next-of-kin. Family allowances are also paid when a child is born, on the occasion of anniversary, for employees who have got three and more children and in other similar cases provided for in the Collective Agreement.

35. Investment policy

The companies in the authorized capital whereof the Issuer holds more than 20 per cent of shares are as follows:

LTL thousand

Name	%	As of 31/12/2005	As of 31/12/2006
Nordic Energy Link AS	25,00	18 978	18 978
Baltijas Energosistemu Dispečeru Centrs SIA	33,33	2 740	2 740
Geoterma UAB	23,44	4 373	4 373
TOTAL		26 091	26 091
Kauno Energetikos Remontas UAB	100	31 341	31 341
Energetikos Pajėgos UAB	100	430	430
TOTAL		31 771	31 771

Lietuvos Energija AB is an incorporator of Respublikinis Energetikų Mokymo Centras VŠĮ.

Nordic Energy Link AS (Company Code 11071658)

On April 29, 2005 Lietuvos Energija AB acquired 8 600 000 (25 per cent) of Nordic Energy Link, located in Tallinn, Estonia, established for construction and operation of the interconnection line between Estonia and Finland, by paying EUR 5 496 401.78 (EEK 86 000 000 EEK). Other shareholders of this company are: Eesti Energija AS (Estonia), which holds 39.9% of shares, Latvenergo VAS - 25% of shares, Finestlink Oy (Finland) - 10.1% of shares. The authorized capital of Nordic Energy Link AS totals 344 000 000 EEK. It is distributed into 34 400 000 common nominal shares with face value of 10 EEK.

Baltijas Energosistemu Dispečeru Centrs BO SIA (Company Code 000306313)

Baltijas Energosistemu Dispečeru Centrs BO SIA (DC Baltija) was established in line with the Agreement among Estonia, Latvia and Lithuania on parallel operation of their power systems. The Incorporation Agreement was signed on 06/02/1992; the Articles of Association were approved on 21/02/1992. The company's headquarters are in Riga, Latvia. Each of the aforementioned parties holds 33.33 per cent of the authorized capital. The registered authorized capital totals LVL 1 349 640. The supreme management body of DC Baltija – the Council of the Baltic Power Systems. Representatives of Lithuania to the mentioned Council are appointed by the order of the Minister of Economy. DC Baltija is a non-profit organization.

Baltijas Energosistemu Dispečeru Centrs BO SIA is a company under liquidation. The plan for the liquidation of this company was approved by the Minutes of the DC Baltija Board. The main reason for liquidation of the Company - the parallelly operating power systems of Latvia, Estonia and Lithuania decided not to delegate the dispatch control functions to DC Baltija, and they will perform these functions independently or by some other means.

Geoterma UAB (Company Code 123540818)

Private limited liability company Geoterma UAB is registered at the address Lypkių g. 53, Klaipėda. It was established by the state, which is the owner of 76 per cent of its shares, and Lietuvos Energija AB, which has control over 23.44 per cent of the company's shares. Geoterma UAB was established with an aim to implement a pilot project – to construct a geothermal power plant in Klaipėda and to supply heat energy to Klaipėda District Heating Utility. In 2006 the company incurred the loss of LTL 4 789 thousand. The company's ratio of current assets to current liabilities is 2.74. A total asset to liability ratio is 3.22.

Kauno Energetikos Remontas UAB' (Company Code 3561779)

Private limited liability company Kauno Energetikos Remontas is registered at the address Chemijos g. 17, Kaunas. Its core activities consist of diagnostics of power equipment, installation, repairs and production of spare parts. The authorized capital registered in the Companies' Register equals LTL 31 340 763, it is divided into 31 340 763 common nominal shares with par value of

LTL1. The company's incorporator Lietuvos Energija AB has control over 100 per cent of Kauno Energetikos Remontas UAB shares. All shares are fully paid. Indirectly, via Kauno Energetikos Remontas UAB, the Company has the majority of votes in Gotlitas UAB, Rygas Energetikas Remonts SIA, and Kaliningradskij Energoremont ZAO. As of December 31, 2006, the company's profit was LTL 583 164. The current assets to current liability ratio was 1.83. Total assets to liability ratio was 2.33.

Energetikos Pajėgos UAB (Company Code 3604643)

The company is registered at the address T.Masiulio g. 16 D, Kaunas. The core activities of the company are technical scientific and research works, architecture and engineering. At the end of 2003, the registered capital of the company in the Companies' Register equaled LTL 339 500, it was divided into 339 500 common nominal shares with par value of LTL1. In 2004 the company's authorized capital was increased up to LTL 430 400, divided into 430 400 common nominal shares of LTL1 par value. The company's incorporator Lietuvos Energija AB has control over 100 per cent of its shares. All shares are fully paid. The current assets to current liability ratio was 6.34. Total assets to liability ratio was 9.54.

Lietuvos Energija AB, having a majority of votes in all subsidiaries, used its decisive power and elected their management bodies. The company does not get any essential benefits from having decisive powers in its subsidiaries. In 2006 Lietuvos Energija AB got LTL 158 000 Lt in dividends from Kauno Energetikos Remontas UAB and LTL 50 000 in dividends from Energetikos Pajėgos UAB for their profit earned in 2005. In 2007, LTL 233 200 were received in dividends from Kauno Energetikos Remontas UAB and LTL 180 000 in dividends from Energetikos Pajėgos UAB for the profits earned by the companies in the previous periods.

Investments in non-current tangible and intangible assets

To facilitate the implementation of the technically and economically sound investment policy, the Company prepares programs aimed at increasing the power system's efficiency and its development. These programs are basically implemented on the account of investments allocated for the construction, development or modernization of energy facilities. One of the main goals is the refurbishment of energy facilities by replacement of the existing equipment with new and modern ones and by implementing up-to-date relay protection, system automation, control, and information collection and transmission systems.

Lietuvos Energija AB has drawn the perspective plans of new construction and reconstruction works, which have been prepared in compliance with the approved National Energy Strategy, completed studies and other research. Yearly investment plans are made on the basis of long-term plans.

The investment trends in 2006 remained the same as in the previous years: rehabilitation and development of the transmission grid, implementation of technologies (reactive power equipment, commercial metering, upgrade and development of dispatch control system, upgrade of the IT systems and telecommunications, rehabilitation and modernization of power plants, construction and reconstruction of industrial buildings and other facilities, acquisition of equipment and intangible assets. During the reported year, the investments in non-current tangible and intangible assets totaled LTL156.22m.

In the autumn of 2006, rehabilitation the 330/110/10kV Vilnius substation, one of the most important in the transmission grid, was started. The objective of the rehabilitation project is to modernize the substation by replacing all 330/110/10 kV equipment and power transformers. The total price of the project is approx. LTL 85m.

The rehabilitation works at Kaunas Hydro Power Plant have been further continued in line with the Contract Agreement conclude with ALSTOM Power Sweden AB. The completion of the rehabilitation project is scheduled for 2008; total value of the project can be as high as LTL 136m. By the Order of the Minister of Economy No 4-238 dated June 20, 2005, LTL30m were assigned to finance the project from the EU structural funds.

Investments by project groups:

LTL million

Investment projects by groups	2006		% as compared to yearly plan
	Planned	Implemented	
Construction and reconstruction of transformer substations in the transmission grid	76,42	72,43	94,8
Rehabilitation of electricity transmission lines, reconstruction, construction of communications lines	1,25	4,97	397,8
Implementation of technologies (reactive power, commercial metering, upgrade and development of dispatch control system, etc.)	11,88	15,27	128,5
Kruonis PSP rehabilitation and development	8,52	6,70	78,7
Kaunas HPP rehabilitation and development	38,42	20,60	53,6
Construction, reconstruction and rehabilitation of administration, industrial, other buildings and structures	3,95	9,37	237,1
Upgrade and development of IT systems and telecommunications	2,46	3,41	138,6
Repairs increasing the value of non-current tangible assets	8,80	13,83	157,2
Purchases of equipment which does not require installation	3,50	5,42	154,9
Commercial projects	1,60	1,44	90,2
Purchases of intangible assets	1,75	2,78	158,7
TOTAL	158,55	156,22	96,7
Reserve for unplanned projects	3,00		0,0
TOTAL	161,55	156,22	96,7

In 2006 the company completed the following investment projects : reconstruction of unit I in Dubingiai Conference and Seminar Centre – LTL 7 162 thousand., cable installation in the route of 110 kV OHL Taika1-Taika2 – LTL 7 054 thousand, reconstruction of the 110 kV Vilkaviškio SS – LTL 6 907 thousand, rehabilitation of electric lines and reconstruction of communication lines in the route Jurbarkas-Šakiai-Kybartai - LTL 4 671 thousand, reconstruction of the 110/10 kV Kino studijos SS – LTL 4 290 thousand, etc.

In 2007 it is projected to invest LTL 162,64 m.

The investments planned for 2007 by project groups are as follows:

	Group	LTL million	%
1.	Construction and reconstruction of transformer substations in the transmission grid	65,00	3,97
2.	Rehabilitation of electricity transmission lines, reconstruction, construction of communication lines	5,25	3,23
3.	Implementation of and upgrade of technologies	6,40	3,94
4.	Kruonis PSP reconstruction and development	3,75	2,31
5.	Kaunas HPP rehabilitation and development	50,42	31,00
6.	Construction, reconstruction and rehabilitation of administration, industrial, other buildings and structures	9,45	5,81
7.	Upgrade and development of IT systems and telecommunications	4,97	3,06
8.	Repairs increasing the value of non-current tangible assets	5,50	3,38
9.	Purchases of equipment which do not require installation	3,50	2,15
10.	Purchases of intangible assets	3,40	2,09
11.	Reserve for unplanned projects	5,00	3,07
	TOTAL:	162,64	100

36. Competitors

The Company, in performing its core activities, has no competitors in Lithuania. Among its competitors in foreign countries are power supply companies from Russia, Latvia, Estonia, Belarus, Poland and some other suppliers.

37. Paid dividends

Year	Amount (LTL)	Amount per share (LTL)
2001	39 942 004	0,0547185
2002	38 118 234	0,0552826
2003	33 950 578	0,0492383
2004	12 088 796	0,0175323
2005	8 100 000	0,0117474
2006	8 154 000	0,0118257

V. FINANCIAL STATUS

38. Financial statements

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union. The Company has compiled not only its own financial statements as a patronizing company, but the consolidated financial statements of the Group as well. Lietuvos Energija has no possibility to recalculate the comparative financial data for the year 2004, thus the financial statements for this particular year are presented separately.

Balance sheets (LTL thousand)

	Group 2006	Company 2006	Group 2005	Company 2005
ASSETS				
Non-current assets:				
Intangible assets	6,822	6,751	6,058	5,968
Property, plant and equipment	2,548,338	2,522,033	2,562,739	2,536,646
Investments in subsidiaries	-	31,755	-	31,755
Investments in associates	21,172	21,172	24,117	24,117
Other receivables	7,792	7,792	8,932	8,932
Other financial assets	344	309	380	346
Total non-current assets	2,584,468	2,589,812	2,602,226	2,607,764
Current assets:				
Inventories	12,702	6,393	14,050	5,880
Prepayments	2,613	2,353	1,195	1,112
Trade receivables	95,774	88,125	109,434	103,879
Other receivables	9,088	8,990	11,505	11,021
Other assets	836	678	250	238
Cash and cash equivalents	4,788	1,357	5,738	2,949
Total current assets	125,801	107,896	142,172	125,079
TOTAL ASSETS	2,710,269	2,697,708	2,744,398	2,732,843
EQUITY AND LIABILITIES				
Capital and reserves:				
Share capital	689,515	689,515	689,515	689,515
Share premium	3	3	3	3
Legal reserve	70,407	68,952	69,355	68,952
Other reserves	1,394,560	1,392,429	102,503	100,384
Retained earnings	17,651	18,385	1,300,155	1,300,169
Foreign currency translation reserve	(6)	-	(5)	-
Equity attributable to equity holders of the Parent	2,172,130	2,169,284	2,161,526	2,159,023
Minority interest	1	-	1	-
Total equity	2,172,131	2,169,284	2,161,527	2,159,023
Non-current liabilities:				
Borrowings	70,440	70,440	101,637	101,637
Issued bonds	25,896	25,896	-	-
Obligations under finance leases	119	-	107	-
Provisions	-	-	2,209	2,209
Grants	24,340	24,265	16,642	16,544
Deferred income tax liabilities	220,034	219,622	235,623	235,158
Total non-current liabilities	340,829	340,223	356,218	355,548
Current liabilities:				
Borrowings	20,581	20,581	23,079	23,079
Issued bonds	-	-	25,896	25,896
Obligations under finance leases	263	-	466	-
Derivative financial instruments	-	-	89	89
Current income tax liabilities	1,334	1,287	483	396
Trade and other payables	175,131	166,333	176,640	168,812
Total current liabilities	197,309	188,201	226,653	218,272
TOTAL EQUITY AND LIABILITIES	2,710,269	2,697,708	2,744,398	2,732,843

Balance sheets (LTL thousand)

ASSETS	Group 2004	Company 2004
<i>NON- CURRENT ASSETS</i>		
INTANGIBLE ASSETS		
Patents and licenses	514	487
Software	3.277	3.246
Other intangible assets	71	71
	3.862	3.804
PROPERTY, PLANT AND EQUIPMENT		
Land	39	-
Buildings and structures	2.160.843	2.143.228
Machinery and equipment	226.856	219.704
Vehicles	11.278	10.081
Other equipment, tools and devices	70.403	70.244
Construction in progress	109.385	109.972
Other property, plant and equipment	17.291	16.569
	2.596.095	2.569.798
FINANCIAL ASSETS		
Available-for-sale investments	-	31.755
Non-current accounts receivable	5.888	5.887
Other financial assets	1.659	1.625
	7.547	39.267
TOTAL NON-CURRENT ASSETS	2.607.504	2.612.869
<i>CURRENT ASSETS</i>		
INVENTORIES, PREPAYMENTS		
Inventories	12.357	6.682
Construction in progress	190	-
Finished goods	905	-
Raw materials and spare parts	10.999	6.575
Goods for resale	263	107
Prepayments	1.047	1.005
	13.404	7.687
ACCOUNTS RECEIVABLE WITHIN ONE YEAR		
Trade accounts receivable	142.114	138.323
Accounts receivable from related companies	46	80
Other accounts receivable	18.437	18.138
	160.597	156.541
OTHER CURRENT ASSETS		
Current investments	46	46
Other current assets	-	-
	46	46
CASH AND CASH EQUIVALENTS	3.227	91
TOTAL CURRENT ASSETS	177.274	164.365
TOTAL ASSETS	2.784.778	2.777.234

<i>EQUITY</i>		
<i>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</i>		
CAPITAL		
Share capital	689.515	689.515
Share premium	3	3
	689.518	689.518
RESERVES		
Legal reserve	69.276	68.952
Other reserves	36.554	34.634
	105.830	103.586
RETAINED EARNINGS		
Net profit for the current year	31.563	31.874
Net profit of the previous year	1.336.729	1.336.001
	1.368.292	1.367.875
FOREIGN CURRENCY TRANSLATION		
	(5)	-
	2.163.635	2.160.979
MINORITY INTEREST		
	-	-
TOTAL EQUITY	2.163.635	2.160.979
<i>AMOUNTS PAYABLE AND LIABILITIES</i>		
AMOUNTS PAYABLE AFTER ONE YEAR AND LONG TERM LIABILITIES		
Borrowings	106.283	105.914
Provisions	3.606	3.606
Grants (deferred revenue)	16.054	15.933
Deferred taxes	245.391	244.856
	371.334	370.309
AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT-TERM LIABILITIES		
Current portion of non-current borrowings	16.799	16.432
Current borrowings	22.644	22.644
From credit institutions	22.251	22.251
Other borrowings	393	393
Trade payables	183.011	185.598
Advances received	2.511	2.191
Income tax liability	6.190	6.109
Labour related liabilities	1.746	923
Other amounts payable and current liabilities	16.908	12.049
	249.809	245.946
TOTAL LIABILITIES	621.143	616.255
<i>TOTAL EQUITY AND LIABILITIES</i>	<i>2.784.778</i>	<i>2.777.234</i>

Income statements (LTL thousand)

	Group 2006	Company 2006	Group 2005	Company 2005
Revenue	980,266	938,906	971,884	930,033
Operating expenses	(946,251)	(906,003)	(949,770)	(908,402)
Other income	21,805	21,333	23,109	21,843
Other expenses	(26,932)	(26,132)	(23,372)	(21,690)
Other gains (losses), net	106	(1,739)	805	70
OPERATING PROFIT	28,994	26,365	22,656	21,854
Finance income	683	618	260	260
Finance costs	(5,256)	(5,234)	(5,336)	(5,314)
Share of loss of associates	(1,960)	-	(748)	-
PROFIT BEFORE INCOME TAX	22,461	21,749	16,832	16,800
Income tax expense	(3,756)	(3,388)	(6,852)	(6,668)
NET PROFIT	18,705	18,361	9,980	10,132
ATTRIBUTABLE TO:				
Equity holders of the Company	18,705	18,361	9,980	10,132
Minority interest	-	-	-	-
	18,705	18,361	9,980	10,132
Basic and diluted earnings per share (LTL)	0.03	0.03	0.01	0.01

Income statements (LTL thousand)

	Group 2004	Company 2004
SALES	963.946	934.187
COST OF OPERATIONS	941.299	911.929
PROFIT FROM OPERATIONS	22.647	22.258
OTHER INCOME AND EXPENSES		
Income	22.493	21.825
Expenses	23.171	22.124
	(678)	(299)
FINANCIAL AND INVESTMENT ACTIVITIES		
Income	524	503
Expenses	5.911	6.356
	(5.387)	(5.853)
Share of profit (loss) of associates	(540)	-
PROFIT BEFORE TAX	16.042	16.106
PROFIT TAX	(15.521)	(15.768)
NET PROFIT	31.563	31.874
ATTRIBUTABLE TO:		
EQUITY HOLDERS OF THE PARENT	31.563	31.874
MINORITY	-	-
	31.563	31.874
Basic and diluted earnings per share	0,05	

Cash flows statements (LTL thousand)

	Group 2006	Company 2006	Group 2005	Company 2005
Cash flows from / (to) operating activities				
Net profit	18,705	18,361	9,980	10,132
Adjustments for non-cash expenses (income) items and other adjustments				
Depreciation and amortization	161,558	159,614	157,635	155,717
Change in deferred income tax liabilities	(15,589)	(15,536)	(9,769)	(9,698)
Impairment of assets	6,029	7,897	5,305	6,039
Share of loss of associates	1,960	-	748	-
Reversal of provisions	(1,521)	(1,521)	-	-
Income and social tax expense	19,345	18,924	16,621	16,366
Income from grants	(999)	(976)	(2,308)	(2,285)
(Profit) loss from disposal of non-current assets (excluding financial assets)	3,348	3,400	(604)	(604)
Elimination of financial and investment activity results:				
- Dividends	-	(208)	-	(321)
- Foreign currency exchange loss (gain), net	92	83	(442)	(434)
- Finance costs	5,256	5,234	5,336	5,314
- Finance income	(683)	(618)	(260)	(260)
- Income from other financial activities	(602)	(592)	(821)	(304)
Changes in working capital				
(Increase) decrease in inventories	1,097	(673)	(1,742)	767
Increase in prepayments	(1,406)	(1,229)	(147)	(107)
Decrease in trade receivables	11,022	11,426	30,279	29,460
Decrease in other receivables	2,012	1,629	7,294	7,490
Increase in other current assets	(11)	(14)	(12)	-
Income tax paid	(18,494)	(18,033)	(22,564)	(22,216)
Decrease in provisions	(688)	(688)	(1,397)	(1,397)
Decrease in current trade payables and advances received	(6,319)	(4,230)	(28,324)	(32,438)
Increase in payroll related liabilities	620	338	229	161
Increase (decrease) in other accounts payable	2,388	1,299	(2,248)	110
Net cash flows from operating activities	187,120	183,887	162,789	161,492
Cash flows from / (to) investing activities				
Purchases of non-current assets (excluding financial investments)	(144,036)	(142,274)	(136,323)	(135,523)
Proceeds on disposal of non-current assets (excluding financial investments)	670	588	14,320	14,312
Loans granted	-	-	(8,842)	(8,842)
Loan repayments received	1,489	1,489	1,047	1,047
Proceeds on disposal of investments	51	51	46	46
Acquisition of investments	-	-	(19,028)	(19,028)
Term deposit	(150)	-	-	-
Dividends received	-	208	-	321
Interest received	665	601	260	260
Other cash flows to investing activities	-	-	(24)	-
Net cash flows to investing activities	(141,311)	(139,337)	(148,544)	(147,407)
Cash flows from / (to) financial activities				
Proceeds from borrowings	166,275	166,275	235,058	235,056
Proceeds from issuance of bonds	25,896	25,896	25,896	25,896
Bonds redeemed	(25,896)	(25,896)	-	-
Repayments of borrowings	(199,970)	(199,970)	(254,937)	(254,937)
Repayments of obligations under finance leases	(594)	-	(487)	-
Dividends paid	(8,084)	(8,084)	(12,021)	(12,021)
Interest paid	(5,018)	(4,995)	(5,243)	(5,221)
Realized derivative financial instruments	395	395	-	-
Other cash flows from financing activities	237	237	-	-
Net cash flows to financing activities	(46,759)	(46,142)	(11,734)	(11,227)
Net (decrease) increase in cash and cash equivalents	(950)	(1,592)	2,511	2,858
Cash and cash equivalents at the beginning of the period	5,738	2,949	3,227	91
Cash and cash equivalents at the end of the period	4,788	1,357	5,738	2,949

Cash flows statements (LTL thousand)

	Group 2004	Company 2004
Cash flows from operating activities		
Net profit	31.563	31.874
Adjustments for non-cash items and other adjustments:		
Depreciation and amortization	159.236	157.495
Change in deferred tax liabilities	(30.328)	(30.272)
(Decrease) in provisions	(2.537)	(2.537)
Increase (decrease) in impairment of assets	(1.172)	(1.172)
Income tax, social insurance tax expenses	14.807	14.504
Income from grants and subsidies	(207)	(207)
(Profit) loss from disposal of non-current assets (except financial assets)	396	396
Elimination of financial and investment activity results:		
-Dividend (income)	-	(124)
-(Positive) negative effect of foreign currency exchange, net	125	67
-Interest expenses	4.895	4.861
-Interest (income)	(233)	(233)
-Other (income) expenses from financial activity	217	(140)
Changes in working capital		
(Increase) decrease in inventories	2.363	2.863
(Increase) decrease in prepayments	(273)	(279)
(Increase) decrease in trade receivables	2.573	1.553
Decrease (increase) in other receivables	(3.279)	(3.959)
(Increase) decrease in other current assets	1.373	1.373
Income tax paid	(19.322)	(19.101)
(Decrease) increase in trade payables and advances received	48.683	47.721
Increase (decrease) in labor related liabilities	(115)	84
(Decrease) in other accounts payable	(5.436)	(4.515)
Net cash flows from operating activities	203.328	200.253
Cash flows (to) investing activities		
(Acquisition) of non-current assets (except financial investments)	(137.835)	(137.198)
Proceeds from sales of non-current assets (except financial investments)	1.533	1.493
Repaid loans	21	21
Long-term loans (granted)	(605)	(605)
Proceeds from sales of investments	46	46
(Acquisition) of investments	(275)	(275)
Dividends received	-	124
Interest received	233	233
Other cash flows from investment activities	(26)	-
Net cash flows (to) investing activities	(136.908)	(136.161)
Cash flows (to) financing activities		
Proceeds from loans	96.101	96.101
(Repayment) of loans	(123.152)	(122.754)
Dividends (paid)	(33.811)	(33.811)
951 Interest (paid)	(4.910)	(4.876)
Net cash flows (to) financing activities	(65.772)	(65.340)
Net increase (decrease) in cash and cash equivalents	648	(1.248)
Cash and cash equivalents at the beginning of the year	2.580	1.338
Cash and cash equivalents at the end of the year	3.227	91

Changes in equity (LTL thousand)

Group	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the Parent	Minority interest	Total
Balance as of 1 January 2004									
Dividends	-	-	-	-	(33,951)	-	(33,951)	-	(33,951)
Changes in equity	-	-	-	-	-	(1)	(1)	-	(1)
Transfer to reserves	-	-	93	51,019	(51,112)	-	-	-	-
Reserves used	-	-	-	(2,021)	2,021	-	-	-	-
Net profit for the period	-	-	-	-	31,563	-	31,563	-	31,563
Balance as of 31 December 2004	689,515	3	69,276	36,554	1,368,292	(5)	2,163,635	1	2,163,636
Dividends	-	-	-	-	(12,089)	-	(12,089)	-	(12,089)
Transfer to reserves	-	-	79	68,940	(69,019)	-	-	-	-
Reserves used	-	-	-	(2,991)	2,991	-	-	-	-
Net profit for the period	-	-	-	-	9,980	-	9,980	-	9,980
Balance as of 31 December 2005	689,515	3	69,355	102,503	1,300,155	(5)	2,161,526	1	2,161,527
Dividends	-	-	-	-	(8,100)	-	(8,100)	-	(8,100)
Changes in equity arising on foreign currency exchange rate change	-	-	-	-	-	(1)	(1)	-	(1)
Transfer to reserves	-	-	1,052	1,295,670	(1,296,722)	-	-	-	-
Reserves used	-	-	-	(3,613)	3,613	-	-	-	-
Net profit for the period	-	-	-	-	18,705	-	18,705	-	18,705
Balance as of 31 December 2006	689,515	3	70,407	1,394,560	17,651	(6)	2,172,130	1	2,172,131

Company	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2004	689,515	3	68,952	34,634	1,367,876	2,160,980
Dividends	-	-	-	-	(12,089)	(12,089)
Transfer to reserves	-	-	-	68,503	(68,503)	-
Reserves used	-	-	-	(2,753)	2,753	-
Net profit for the period	-	-	-	-	10,132	10,132
Balance as of 31 December 2005	689,515	3	68,952	100,384	1,300,169	2,159,023
Dividends	-	-	-	-	(8,100)	(8,100)
Transfer to reserves	-	-	-	1,295,569	(1,295,569)	-
Reserves used	-	-	-	(3,524)	3,524	-
Net profit for the period	-	-	-	-	18,361	18,361
Balance as of 31 December 2006	689,515	3	68,952	1,392,429	18,385	2,169,284

The Balance Sheets, Income Statements, Changes in Equity and Cash Flow Statements as well as the Explanatory Note for the reported year 2006 are attached hereto.

39. Presentation of notes to financial statements

Notes to financial statements are provided in explanatory notes to financial statements of 2006.

40. Report, prepared by the Board of the Issuer or another respective management body

Attached are: consolidated annual report of 2006 issued by Lietuvos Energija AB and its subsidiaries and an announcement regarding adherence to code of management of companies, whose shares are listed by Vilnius Stock Exchange.

41. Information about audit

The independent audit of financial statements of Lietuvos Energija AB 2006 was performed by Deloitte Lietuva UAB. Audit was completed on March 16, 2007.

Address of office: Jogailos g. 4, LT-01116 Vilnius, Lietuva, tel. +370 5 255 3000,
fax: +370 5 212 6844

Legal form of business: limited liability company

Date of registration: April 28, 1995

Registered address: Jogailos g. 4, LT-01116 Vilnius

Registration No. UĮ 95-95

Company code: 111525235

Audit company license No.001275

Names, certificate No. of independent auditors who audited Company's annual financial statements for three most recent financial years:

2004 Jonas Akelis No.000003

2005 Jonas Akelis No.000003

2006 Lina Drakšienė No.000062

Enclosed are the report of independent auditor and financial statements for the period January 1, 2006 – December 31, 2006. The audit has been performed in accordance with International Audit Standards.

VI. INFORMATION ABOUT THE ISSUER'S MANAGEMENT BODIES

42. Members of management bodies

On May 31, 2005, the Board of Supervisors, after the expiry of Board membership, appointed former Board members to the positions of new Board members: Jurgis Vilemas, Rymantas Juozaitis, Marijus Franckevičius, Dominikas Pečiulis, Vida Dzermeikienė and Algimantas Zaremba.

Board of Supervisors of the company:

Chairman of the Board of Supervisors – Anicetas Ignotas

Workplace and position – Secretary of Ministry of Economy

Education – college education in Economics. Graduated from Kaunas Polytechnics Institute.

Workplace and positions:

1997 02 - 2001 11 06 Advisor to Minister of Economy;

2001 11 06- 2001 12 20 Director of Energy Department, Ministry of Economy.

2001 12 20- 2002 05 03 Viceminister of Economy

2002 05 03 Secretary of Ministry of Economy

Non-shareholder of the company. Chairman of the Board of Supervisors of Rytų Skirstomieji Tinklai AB. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.

Member of the Board of Supervisors from January 30, 2002 to April 29, 2008.

Member – Saulius Spėčius

Workplace and position – Advisor to the Prime Minister.

Non-shareholder of the company. Board Member of Klaipėdos Nafta AB, Rytų Skirstomieji Tinklai AB, Lietuvos Elektrinė AB, Member of the Board of Supervisors of Mažeikių Nafta AB. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.

Member of the Board of Supervisors from January 01, 2001 to April 29, 2008.

Member - Nijolė Bujauskienė

Workplace and position – Senior Officer of State Property Privatization and Administration Division, Ministry of Economy.

Non-shareholder of the company. Member of the Boards of Supervisors of Rytų Skirstomieji Tinklai AB, Lietuvos Elektrinė AB. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.

Member of the Board of Supervisors from April 29, 2004 to April 29, 2008.

Member - Genovaitė Geleževičienė

Workplace and position – Head of Analysis and Forecast Division of Strategy Department, Ministry of Economy.

Non-shareholder of the company. Chairman of the Board of Supervisors of Alytaus Tekstilė AB, Member of the Board of Supervisors of Mažeikių Nafta AB, Toksika UAB, Board Member of Ignalinos Atominė Elektrinė VI, Council Member of Lietuvos Smulkaus ir Vidutinio Verslo

Plėtros Agentūra VŠĮ. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.
Member of the Board of Supervisors from April 29, 2004 to April 29, 2008.

Member – Petras Urbonas

Workplace and position – Chief Officer of Electricity and Heat Division of Energy Department, Ministry of Economy.
Non-shareholder of the company. Has no part in capital of other companies. Has not been charged with property, economy or finance-related crimes.
Member of the Board of Supervisors from April 29, 2004 to April 29, 2008.

Company Board:

Chairman of the Board - Jurgis Vilemas

Workplace and position – Chief scholar of Lithuanian Energy Institute, Professor, Doctor Habilitus.
Education - university. Graduate of Moscow Energy Institute.
Work in various power companies and organizations:
Since 1966 has held various positions at Lithuanian Energy Institute.
1981 – May 11, 2004 - Director.
May 11, 2004 – Chief scholar.
Non-shareholder of the company. Has no part in capital of other companies. Has not been charged with property, economy or finance-related crimes.
Board Member from February 14, 2000 to May 31, 2009.

Member – Rymantas Juozaitis

Workplace and position – General Director, Lietuvos Energija AB.
Holder of 216 964 (0,0315 %) ordinary nominal shares of Lietuvos Energija AB. Board member of Kauno Energija AB. Has not been charged with property, economy or finance-related crimes.
Holder of 45 674 ordinary nominal shares of Kauno Energija AB.
Board member from February 7, 2002 to May 31, 2009.

Member – Algimantas Zaremba

Workplace and position – Director of Energy Department, Ministry of Economy.
Non-shareholder of the company. Board member of Rytų Skirstomieji Tinklai AB. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.
Board member from October 9, 2001 to May 31, 2009.

Member – Vida Dzermeikienė

Workplace and position – Head of Electricity and Head Division of Energy Department, Ministry of Economy.
Non-shareholder of the company. Board member of Lietuvos Elektrinė AB. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.
Board member from August 6, 2002 to May 31, 2009.

Member – Dominikas Pečiulis

Workplace and position – Head of State Property Privatization Division, Ministry of Economy.
Non-shareholder of the company. Chairman of the Board of Supervisors of Klaipėdos Nafta AB, Board Member of Lietuvos Elektrinė AB, Ignalinos Atominė Elektrinė VĮ, Alytaus Tekstilė AB, Member of the Board of Supervisors of Lietuvos Parodų Centras LITEXPO UAB. Has not been

charged with property, economy or finance-related crimes. Has no part in capital of other companies.

Board member from November 8, 2004 to May 31, 2009.

Member – Marijus Franckevičius

Workplace and position – Director of state enterprise Energetikos Agentūra

Non-shareholder of the company. Has not been charged with property, economy or finance-related crimes. Has no part in capital of other companies.

Board member from November 8, 2004 to May 31, 2009.

Administration:

General Director of the company – Rymantas Juozaitis

Education – college degree. Graduated from Kaunas Polytechnic Institute.

Workplace and position:

1996 08 01 - 1997 08 15 Deputy Director of Kaunas District Heating Utilities – Director for heat supply;

1997 08 15 - 1998 06 22 Deputy General Director of Kauno Energija SPAB – Director of subsidiary Kauno Šilumos Tinklai;

1998 06 22 - 1998 11 09 Deputy General Director – Services Director of subsidiary Kauno Energija SPAB;

1998 11 09 - 2000 01 07 Deputy General Director – Director of subsidiary Kauno Elektrinė;

2000 01 07- 2002 01 30 General Director Kauno Energija AB.

2002 02 08 General Director of Lietuvos Energija AB.

Shareholder of 216 964 (0,0315 %) ordinary nominal shares of the company. Board member of Kauno Energija AB. Has not been charged with property, economy or finance-related crimes.

Holder of 45 674 ordinary nominal shares of Kauno Energija AB.

Board member from February 7, 2002 to May 31, 2009.

Chief Financier – Sigitas Baranauskas

Education - university. Master's degree in Business and Management.

Graduated from:

1. In 1985 - Kaunas Polytechnic institute, economics and organization of machine production industry;

2. In 1992 Vytautas Magnus University.

Workplace and position:

1992 11 – 1997 06 Chief Accountant of Kauno m. 3-osios Statybos ir Remonto AB.

1997 06 – 1998 02 Chief Accountant of Voluktė UAB.

1998 03 – 1998 07 Auditor of BAFA TŪB of L.Budrys.

1998 07 Chief Financier of Lietuvos Energija SPAB.

Non-shareholder of the company. Has no part in capital or activities of other companies.

Has not been charged with property, economy or finance-related crimes.

43. Information about remuneration and loans to members of management bodies

During the reporting period members of management bodies were paid bonuses totaling LTL 50 000. The bonuses were paid only to members of the Board. Three board members received an average of LTL 14 167 each, while the part of bonus for three other members (LTL 7 500) was transferred to state budget since a.m. individuals were state servants.

Salaries to members of the Board of Supervisors and Board Members are not paid.

Members of management bodies do not receive loans, securities and vouchers.

Members of management bodies did not receive remuneration from companies, where issuer's part in authorized capital accounts for more than 20 per cent.

Annual labor-related amounts paid to administration members accounted for LTL 1 158 802. Average number of top managers during the year – 6.

44. Transactions with interested individuals

During the reporting period there were no transactions non-related to company's core activities.

VII. LATEST AND ESSENTIAL EVENTS IN ISSUER'S OPERATIONS AND ITS PERSPECTIVES

45. Latest essential events in the Issuer's operations

During the period from end of the reporting year until the day of preparation of this prospectus-operations report, there were no essential events which could be of influence to financial situation of the Company.

46. Essential events in the Issuer's operations during 2006

[Lietuvos Energija AB: other information](#)

Dates of announcement of preliminary operations report of Lietuvos Energija in 2006.
2006-01-04 10:11 Symbol: LEN

[Lietuvos Energija AB: The result of activity for the year of 2005](#)

The preliminary result unconsolidated of Lietuvos Energija AB activity for the year of 2005 – pre-audited profit before tax is LTL16.8m.
2006-02-06 09:00 Symbol: LEN

[Lietuvos Energija AB: Notice of the General Meeting](#)

Board of Lietuvos Energija AB reached a decision to call a general shareholders meeting on April 20, 2006.
2006-03-14 13:22 Symbol: LEN

[Lietuvos Energija AB: other information](#)

Updating of preliminary announcement dates of results of Lietuvos Energija AB operations in 2006.
2006-03-30 11:26 Symbol: LEN

[Lietuvos Energija AB: Audited results of Lietuvos Energija AB for the year 2005](#)

According to audited consolidated and company's financial statements of Lietuvos Energija AB for the year 2005 net profit of the Company accounted for LTL 10 132 thous., net profit of the Group – LTL 9 980 thous.
2006-04-06 08:15 Symbol: LEN

[Lietuvos Energija AB: Draft resolutions for ordinary general shareholders meeting, scheduled for April 20, 2006](#)

It will be proposed for shareholders of Lietuvos Energija to approve the following draft resolutions: To approve the Report on the activities of Lietuvos Energija AB in the year 2005, the Balance Sheet, Profit (Loss) appropriation, to select Deloitte Lietuva UAB for checking and performance of audit of financial statements for the years 2006 and 2007.
2006-04-07 15:36 Symbol: LEN

[Lietuvos Energija AB: The Ordinary General Meeting was held on 20 April 2006](#)

On April 20, 2006, the following resolutions of the Ordinary General Meeting of Lietuvos Energija AB were made: To approve the Report on the activities of Lietuvos Energija AB in the year 2005, the Balance

Sheet, Profit (Loss) appropriation, to select Deloitte Lietuva UAB for checking and performance of audit of financial statements for the years 2006 and 2007.

2006-04-20 14:35 Symbol: LEN

[Lietuvos Energija AB: Performance for Q1 2006](#)

The preliminary result of operation of Lietuvos Energija AB for the first quarter of 2006 is a pre-audited pre-tax profit of LTL 23.1 million.

2006-04-25 09:31 Symbol: LEN

[Lietuvos Energija AB: other information](#)

Information about prospectus-operations report of Lietuvos Energija AB.

2006-05-23 08:30 Symbol: LEN

[Lietuvos Energija AB: Performance for H1 2006](#)

The preliminary result of operations of Lietuvos Energija AB for the first half of 2006 is a profit before taxes (pre-audited) of LTL 32.1 million.

2006-07-28 08:10 Symbol: LEN

[Lietuvos Energija AB: regarding approval of prospectus of the bonds emission](#)

On August 31, 2006 VPK approved prospectus of nominal bonds emission (1096 days maturity, 75 000 units, EUR 100 face value each).

2006-08-31 11:11 Symbol: LEN

[Lietuvos Energija AB: other information](#)

Information about semi-annual report of Lietuvos Energija AB.

2006-08-31 15:39 Symbol: LEN

[Lietuvos Energija AB: Lietuvos Energija AB Bonds Emission and Redemption of Bonds Issued on 27 09 2005](#)

On September 28, 2006 the distribution of EUR7.5m face value bonds emission with 1096 days maturity (75 000 units, EUR100 face value each) entitling to 4.06 per cent interest rate was completed. On September 29, 2006 EUR7.5m value bonds emission with 367 days maturity, which was issued on September 27, 2005 was redeemed.

2006-09-29 13:46 Symbol: LEN

[Lietuvos Energija AB: An application for a bond issue listing submitted](#)

On October 11, 2006 Lietuvos Energija AB submitted an application to Vilnius Stock Exchange regarding the enrolment of the bonds into the Debt Securities List of Stock Exchange.

2006-10-16 09:39 Symbol: LEN

[Lietuvos Energija AB: The result of activity for the nine months of 2006](#)

The result of operations of Lietuvos Energija AB for nine months of 2006 is a profit before taxes (pre-audited) of LTL 37.7 million.

2006-10-27 10:13 Symbol: LEN

[Lietuvos Energija AB: Regarding decision to establish a daughter company](#)

The Board of Lietuvos Energija AB on December 6, 2006 reached a decision to establish a daughter company of Lietuvos Energija AB, responsible for cleaning and developing the territory of temporary construction site of Kruonis Pump Storage Plant.

2006-12-07 15:03 Symbol: LEN

[Lietuvos Energija AB: Regarding reorganization of the company](#)

The Board of Lietuvos Energija AB on December 6, 2006 held a meeting and approved the restructuring of the company. It is planned to establish a subsidiary of Lietuvos Energija AB, responsible for transmission system operation business, while the patronizing company will pursue businesses of electricity generation and supply, provision of general services to companies of the group.

2006-12-07 15:04 Symbol: LEN

[Lietuvos Energija AB: other information](#)

Dates of announcement of preliminary operations report of Lietuvos Energija in 2007.

2007-01-17 08:35 Symbol: LEN

[Lietuvos Energija AB: Preliminary pre-audited results of operations in 2006](#)

The preliminary result unconsolidated of Lietuvos Energija AB activity for the year of 2006 – pre-audited pre-tax profit of LTL21.8 m, net profit – LTL18.1 m.

2007-02-15 08:13 Symbol: LEN

[Lietuvos Energija AB: Convocation notice for the General Shareholders meeting](#)

On March 22, 2007, the Board of Lietuvos Energija AB resolved to convene an ordinary General Meeting of shareholders on 26 April 2007.

2007-03-23 09:50 Symbol: LEN

[Lietuvos Energija AB: Proposal of the Board to the shareholders meeting concerning payment of dividends](#)

The Board of Directors of Lietuvos Energija AB proposes to the General Meeting of Shareholders to pay dividends to the shareholders of the company in the amount of LTL 8,15 million for the year 2006.

2007-03-26 08:51 Symbol: LEN

[Lietuvos Energija AB: Audited results of operations of Lietuvos Energija AB for the year 2006](#)

In accordance with the audited Financial Statements of Lietuvos Energija AB and the Consolidated Financial Statements for the year 2006 sales were LTL 938 906 thousand, sales of the Group LTL - 980 266 thousand, net profit - LTL 18 705 thousand.

2007-04-06 08:23 Symbol: LEN

[Lietuvos Energija AB: Audited Financial Statements for 2006](#)

Presentation of independent auditor's report, consolidated annual report, financial statements for the reported year, ended December 31, 2006.

2007-04-16 14:28 Symbol: LEN

[Lietuvos Energija AB: Draft Resolutions of Ordinary General Shareholders Meeting Scheduled for April 26](#)

The following draft resolutions will be presented for the approval of shareholders of Lietuvos Energija AB: assess annual report, auditor's report, approve financial statements, appropriation of profit (loss).

2007-04-16 15:06 Symbol: LEN

[Lietuvos Energija AB: The Ordinary General Shareholders Meeting was held on April 26, 2007](#)

The General Shareholders Meeting assessed Annual Report, auditor's report, approved financial statements, appropriation of profit (loss).

2007-04-26 13:44 Symbol: LEN

[Lietuvos Energija AB: Performance for Q1 2007](#)

The preliminary result of operation of Lietuvos Energija AB for the first quarter of 2007 is a pre-audited net profit of LTL 15.3 million.

2007-04-27 08:58 Symbol: LEN

The company publishes its announcements in the dailies Lietuvos Rytas and Respublika

47. Business strategy and projected changes in the nearest financial years.

On December 7, 2006 Board of Lietuvos Energija AB approved structural and legal reorganization of the company pursuant to EU and Lithuanian legal acts, taking into account its strategic goals, its commitment to implement projects of strategic importance, its role in future Lithuanian power system, although the final company reorganization model has not been selected. In the current year Lietuvos Energija AB is to continue operations, done in 2006: it will perform

activities of transmission system operation and market operator, generate and export electricity, provide IT and telecommunications services.

One of the essential goals of Lietuvos Energija AB – integration of Lithuanian power system into West European electricity market and develop regional cooperation. In the near future the company intends to develop the power transmission grid through interconnection with Polish power grid. Through employment of joint possibilities of the Baltic power systems the company aims to create a common Baltic power market and successfully integrate the Baltic States into West European and Scandinavian electricity markets.

The company intends to take active participation in projects of state importance – construction of new power interconnections with Poland and Sweden and a new nuclear power plant in Lithuania.

In Q1 2006 Baltic energy companies Lietuvos Energija AB, Eesti Energija and Latvenego, pursuant to communiqué signed by three Governments on February 27, 2006, signed a memorandum of understanding regarding preparation for construction of a new nuclear reactor at the site of the existing Ignalina Nuclear Power Plant. Based on this document a feasibility study for construction of a new nuclear power plant in Lithuania was prepared.

On December 8, 2006, Lietuvos Energija AB and Polskie Sieci Elektroenergetyczne (Poland) signed a preliminary agreement on establishment of a joint venture aimed at implementation of the project of interconnection between Lithuanian and Polish power systems. During a half-year the working group, made from representatives of both countries, had to prepare a legal, financial and technical analysis and draft documents, necessary to establish a joint-venture. After the construction of a missing chain the Baltic Ring will be completed, interconnecting Lithuanian, Latvian, Estonian, Finnish, Swedish and Polish power systems, which will help ensure security and reliability of Baltic power grids. The first stage of the project includes construction of over 100 km of high-voltage power lines in both countries and installation of a 1000 MW back-to-back station in Lithuania.

On February 6, 2007 in Stockholm Lietuvos Energija AB and Swedish transmission system operator Svenska Kraftnat signed a contract with a winner of a public tender, a Swedish company SWECO International regarding feasibility study for construction of an interconnection between transmission grids. The study will evaluate a possibility of interconnection between Lithuanian and Swedish transmission grids by constructing a 350 km, roughly 700-1000 MW submarine cable across the Baltic Sea. This interconnection is important in order to improve the security and reliability of power supply in the Baltic region and integrate into electricity market of the European Union. The study is to be completed by September 2007.