LIETUVOS ENERGIJA

L I E T U V O S   E N E R G I J A   A B

30/11/2007 Ref. No SB-8452

STATEMENT OF THE RESPONSIBLE PERSONS

Abiding by the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and by the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of Lithuania, we, the undersigned Rimantas Šukys, Finance Director, and Sigitas Baranauskas, Chief Financier of Lietuvos Energija AB hereby confirm that, to the best of our knowledge, the interim financial statements for the nine month period of 2007, prepared in accordance with the International Financial Reporting Standards effective in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Lietuvos Energija AB for the relevant period.

Enclosures: Lietuvos Energija AB Interim Financial Statements for the nine month period of 2007 ended on 30 September 2007

Rimantas Šukys
Finance Director

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA • LIETUVOS RESPUBLIKA • VILNIUS
LIETUVOS ENERGIJA

Sigitas Baranauskas
Chief Financier

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Register of Legal Entities administered by the State Enterprise Centre of Registers, V. Kudirkos g. 18, LT-03105 Vilnius

LIETUVOS ENERGIJA AB

INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2007

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Finansų direktorius
Rimantas Šukys

Rymantas Juozaitis
General Director

Sigitas Baranauskas
Chief Financier

BALANCE SHEETS
As of September 30, 2007
All amounts are in LTL thousands, unless otherwise stated

	Notes	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
ASSETS					
Non-current assets:					
Intangible assets	4	5,278	5,225	6,822	6,751
Property, plant and equipment	5	2,555,863	2,530,717	2,548,338	2,522,033
Investments in subsidiaries	6	-	34,116	-	31,755
Investments in associates	6	20,948	20,948	21,172	21,172
Accounts receivable	7	2,305	2,305	7,792	7,792
Other financial assets		49	15	344	309
Total non-current assets		**2,584,443**	**2,593,326**	**2,584,468**	**2,589,812**
Current assets:					
Inventories	8	11,962	6,356	12,702	6,393
Prepayments		1,674	1,264	2,613	2,353
Trade receivables	9	176,826	162,738	95,774	88,125
Other receivables	10	8,026	7,952	9,088	8,990
Other assets		416	379	686	678
Term deposits	11	1,150	-	150	-
Cash and cash equivalents	12	21,235	17,735	4,788	1,357
Total current assets		**221,289**	**196,424**	**125,801**	**107,896**
TOTAL ASSETS		**2,805,732**	**2,789,750**	**2,710,269**	**2,697,708**
EQUITY AND LIABILITIES					
Capital and reserves:					
Share capital	13	689,515	689,515	689,515	689,515
Share premium		3	3	3	3
Legal reserve	14	70,732	68,952	70,407	68,952
Other reserves	15	1,404,922	1,402,660	1,394,560	1,392,429
Retained earnings		37,663	40,005	17,651	18,385
Foreign currency translation reserve		(6)	-	(6)	-
Equity attributable to equity holders of the Parent		**2,202,829**	**2,201,135**	**2,172,130**	**2,169,284**
Minority interest		1	-	1	-
Total equity		**2,202,830**	**2,201,135**	**2,172,131**	**2,169,284**
Non-current liabilities:					
Borrowings	16	56,792	56,793	70,440	70,440
Issued bonds	18	25,896	25,896	25,896	25,896
Obligations under finance leases	17	-	-	119	-
Grants	19	32,147	32,089	24,340	24,265
Deferred income tax liabilities	21	211,736	211,369	220,034	219,622
Total non-current liabilities		**326,571**	**326,147**	**340,829**	**340,223**
Current liabilities:					
Borrowings	16	2,022	2,022	20,581	20,581
Obligations under finance leases	17	183	-	263	-
Current income tax liabilities		3,801	3,604	1,334	1,287
Trade and other payables	20	270,325	256,842	175,131	166,333
Total current liabilities		**276,331**	**262,468**	**197,309**	**188,201**
Total liabilities		**602,902**	**588,615**	**538,138**	**528,424**
TOTAL EQUITY AND LIABILITIES		**2,805,732**	**2,789,750**	**2,710,269**	**2,697,708**

The accompanying explanatory notes are an integral part of these financial statements.

INCOME STATEMENTS
As of September 30, 2007
All amounts are in LTL thousands, unless otherwise stated

	Notes	Group 9 month period 2007	Company 9 month period 2007	Group 9 month period 2006	Company 9 month period 2006
Sales	22	879,662	834,841	737,133	708,052
Operating expenses	22	(827,824)	(784,289)	(694,694)	(666,104)
Other operating income	23	17,490	16,590	16,109	15,576
Other operating expenses	24	(17,212)	(16,089)	(16,852)	(16,258)
Other gains (losses), net	25	(389)	(235)	511	(212)
OPERATING PROFIT		**51,727**	**50,818**	**42,207**	**41,054**
Finance income		400	355	507	464
Finance costs		(4,206)	(4,194)	(3,847)	(3,830)
Share of loss of associates		(224)	-	(828)	-
PROFIT BEFORE INCOME TAX		**47,697**	**46,979**	**38,039**	**37,688**
Income tax expense	21	(8,844)	(8,534)	(6,326)	(6,200)
NET PROFIT		**38,853**	**38,445**	**31,713**	**31,488**
ATTRIBUTABLE TO:					
Equity holders of the Parent		38,853	38,445	31,713	31,488
Minority interest		-	-	-	-
		38,853	**38,445**	**31,713**	**31,488**
Basic and diluted earnings per share (LTL)	**27**	**0.06**	**0.06**	**0.05**	**0.05**

The accompanying explanatory notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTH PERIOD ENDED 30 SEPTEMBER, 2007
All amounts are in LTL thousands, unless otherwise stated

Group	Notes	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 31 December 2005		**689,515**	**3**	**69,355**	**102,503**	**1,300,155**	**(5)**	**2,161,526**	**1**	**2,161,527**
Dividends	28	-	-	-	-	(8,100)	-	(8,100)	-	(8,100)
Transfer to reserves	15	-	-	1,052	1,295,669	(1,296,721)	-	-	-	-
Reserves used	15	-	-	-	(3,524)	3,524	-	-	-	-
Net profit for the period		-	-	-	-	31,713	-	31,713	-	31,713
Balance as of 30 September 2006		**689,515**	**3**	**70,407**	**1,394,648**	**30,571**	**(5)**	**2,185,139**	**1**	**2,185,140**
Reserves used	15	-	-	-	(88)	88	-	-	-	-
Net profit for the period		-	-	-	-	(13,008)	-	(13,008)	-	(13,008)
Changes in capital resulting from currency exchange		-	-	-	-	-	(1)	(1)	-	(1)
Balance as of 31 December 2006		**689,515**	**3**	**70,407**	**1,394,560**	**17,651**	**(6)**	**2,172,130**	**1**	**2,172,131**
Dividends	28	-	-	-	-	(8,154)	-	(8,154)	-	(8,154)
Transfer to reserves	15	-	-	325	12,386	(12,711)	-	-	-	-
Reserves used	15	-	-	-	(2,024)	2,024	-	-	-	-
Net profit for the period		-	-	-	-	38,853	-	38,853	-	38,853
Balance as of 30 September 2007		**689,515**	**3**	**70,732**	**1,404,922**	**37,663**	**(6)**	**2,202,829**	**1**	**2,202,830**

(Continued)

STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTH PERIOD ENDED 30 SEPTEMBER, 2007
All amounts are in LTL thousands, unless otherwise stated

Company

	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2005		**689,515**	**3**	**68,952**	**100,384**	**1,300,169**	**2,159,023**
Dividends	28	-	-	-	-	(8,100)	(8,100)
Transfer to reserves	15	-	-	-	1,295,569	(1,295,569)	-
Reserves used	15	-	-	-	(3,524)	3,524	-
Net profit for the period		-	-	-	-	31,488	31,488
Balance as of 30 September 2006		**689,515**	**3**	**68,952**	**1,392,429**	**31,512**	**2,182,411**
Reserves used	15	-	-	-	-	-	-
Net profit for the period		-	-	-	-	(13,127)	(13,127)
Balance as of 31 December 2006		**689,515**	**3**	**68,952**	**1,392,429**	**18,385**	**2,169,284**
Dividends	28	-	-	-	-	(8,154)	(8,154)
Transfer to reserves	15	-	-	-	12,231	(12,231)	-
Reserves used	15	-	-	-	(2,000)	2,000	-
Net profit for the period		-	-	-	-	38,445	38,445
Revaluation result of non-current assets	6	-	-	-	1,560	-	1,560
Disposal of non-current assets	6	-	-	-	(1,560)	1,560	-
Balance as of 30 September 2007		**689,515**	**3**	**68,952**	**1,402,660**	**40,005**	**2,201,135**

The accompanying explanatory notes are an integral part of these financial statements.

(Concluded)

LIETUVOS ENERGIJA AB
Company code 220551550, Žvejų g. 14, LT-09310 Vilnius

STATEMENTS OF CASH FLOWS
For nine month period ended 30 September, 2007
All amounts are in LTL thousands, unless otherwise stated

	Group 9 months, 2007	Company 9 months, 2007	Group 9 months, 2006	Company 9 months, 2006
Net profit	38,853	38,445	31,713	31,488
Adjustments for non-cash expenses (income) items and other adjustments				
Depreciation and amortization	110,396	108,956	120,991	119,526
Change in deferred income tax liabilities	(8,297)	(8,253)	(11,537)	(11,504)
Increase (decrease) in deferrals		-	(330)	(330)
Decrease in asset value (reversal of decrease)	216	216	5,726	5,726
Income tax expense	17,142	16,786	17,862	17,705
Income from grants	(950)	(932)	(682)	(665)
(Profit) loss from disposal of non-current assets (excluding financial assets)	375	416	780	827
Elimination of financial and investment activity results:				
- Dividends	-	(413)	-	(208)
- Foreign currency exchange loss, net	274	270	76	71
- Finance costs	4,206	4,194	3,847	3,830
- Finance income	(400)	(355)	(507)	(464)
- Loss from realized financial instruments				
- Loss (gain) from other financial activities	91	95	(51)	(45)
Changes in working capital				
(Increase) in inventories	755	52	1,937	(398)
Decrease (increase) in prepayments	939	1,090	(523)	(505)
(Increase) decrease in trade receivables	(80,755)	(74,896)	(17,669)	(16,491)
Decrease in other receivables	478	469	3,941	3,779
Decrease (increase) in other current assets	(113)	(84)	(844)	(814)
(Decrease) in current trade payables and advances received	79,611	81,569	(14,756)	(13,177)
Increase in payroll related liabilities	2,607	1,784	2,104	1,799
Increase (decrease) in other accounts payable	11,753	6,499	5,662	4,524
Income tax paid	(15,053)	(14,847)	(14,227)	(14,140)
Net cash flows from operating activities	***162,128***	***161,061***	***133,513***	***130,534***
Cash flows from / (to) investing activities				
Purchases of property, plant and equipment and intangible assets	(108,761)	(108,555)	(81,898)	(80,862)
Proceeds on disposal of property, plant and equipment and intangible assets	796	810	285	211
Loan repayments received	6,037	6,037	26	26
Acquisition of investments	-	(802)		-
Proceeds on disposal of investments	886	886		-
Dividends received	-	413	-	208
Interest received	379	335	309	266
Net cash flows to investing activities	***(100,663)***	***(100,876)***	***(81,278)***	***(80,151)***
Cash flows from / (to) financial activities				
Loans received	245,460	245,460	118,188	118,188
Loans repaid	(277,667)	(277,667)	(159,340)	(159,340)
Repayments of obligations under finance leases	(199)		(410)	
Dividends paid	(8,080)	(8,080)	(8,074)	(8,074)
Interest paid	(3,437)	(3,425)	(4,034)	(4,017)
Loss from realized financial instruments	(63)	(63)	-	-
Other cash flows (to) from financing activities	(32)	(32)	237	237
Net cash flows to financing activities	***(44,018)***	***(43,807)***	***(53,433)***	***(53,006)***
Net cash increase (decrease)	**17,447**	**16,378**	**(1,198)**	**(2,623)**
Cash and cash equivalents at the beginning of the period	**4,938**	**1,357**	**5,738**	**2,949**
Cash and cash equivalents at the end of the period	**22,385**	**17,735**	**4,540**	**326**

The accompanying explanatory notes are an integral part of these financial statements.

1. *General information*

Lietuvos Energija AB is a public limited liability company registered in the Republic of Lithuania. Its head office is located in Žvejų g. 14, LT-09310, Vilnius, Lithuania. Lietuvos Energija AB ("the Company") is a limited liability profit-seeking entity, registered at the Register of Legal Persons managed by Registrų Centras VĮ. Company registration No. BĮ 99-74, Company code 220551550, VAT payer's code LT205515515. The Company is established for an unlimited period.

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 Energy System on March 27, 1991, after the restoration of independence of the Republic of Lithuania. The Company was re-registered on April 13, 1999 at the Ministry of Economy.

The share capital of the Company did not change either in 2006 or during the nine month period of 2007 and as of September 30, 2007 amounted to LTL 689,515,435 and was divided into 689,515,435 ordinary registered shares with the nominal value of one Litas each. All the shares are fully paid. The shares of the Company are traded on Vilnius Stock Exchange in the current trading list. During the nine month period of 2007 and in 2006 the Company did not purchase its own shares. As of September 30, 2007 the main shareholder of Lietuvos Energija AB was the state of Lithuania holding 96.5% of the Company's shares. The key manager of the state-owned shares is the Ministry of Economy of the Republic of Lithuania. The remaining 3.5 of the Company's shares are held by other shareholders.

Main activities of the Company in 2007 were as follows: transmission system operator, market operator, producer of electricity and exporter of electricity. Along with these key activities, the Company is entitled to carry out any other lawful commercial-economic activities indicated in the bylaws of the Company.

Licensed activities or activities that require permits can be carried out only after obtaining the appropriate licenses or permits. Since March 22, 2002 the Company has a license for energy transmission, which is valid for an unlimited period (unless it is suspended or cancelled). The Company has permits of unlimited validity to engage in production, import and export of electricity.

As of September 30, 2007 the Company had 2 branches: Kaunas Hydro Power Plant (HPP) and Kruonis Pumped Storage Plant (PSP). The branches are operating according to the regulations approved by the Board of the Company for every branch individually.

At the date of these interim financial statements the Company directly participated (controlled or had significant influence) in the management of these companies: Nordic Energy Link AS, Energetikos Pajėgos UAB, Geoterma UAB, Kruonio Investicijos UAB, Kauno Energetikos Remontas UAB. Indirectly, through Kauno Energetikos Remontas UAB, the Company had majority of votes in Gotlitas UAB, Rygas Energetikas Remonts SIA and Kaliningradskij Energoremont OOO.

These interim financial statements for the nine-month period of 2007 include the consolidated Lietuvos Energija AB and its subsidiaries' interim financial statements and separate interim financial statements of the patronizing company Lietuvos Energija AB. The Group consists of Lietuvos Energija AB and the following subsidiaries directly and indirectly controlled by the Company:

Company	Registered address	Shares held by the Group	Share capital of subsidiary (LTL)	Profit (loss) for reporting period (LTL)	Equity as of September 30, 2007 (LTL)	Main activity
Energetikos Pajėgos UAB	**T.Masiulio g. 16d, Kaunas, Lithuania**	100%	430,400	267,605	829,069	**Design of energy projects**
Kauno Energetikos Remontas UAB	**Chemijos g. 17, Kaunas, Lithuania**	100%	31,340,763	1,114,829	36,409,897	**Repair of energy equipment, manufacture of metal constructions**
Kruonio Investicijos UAB	**Kruonio II k., Kaišiadorių raj., Lithuania**	100%	2,361,000	(12,627)	2,348,373	**Development of public, recreational objects**
Gotlitas UAB	**R.Kalantos g. 119, Kaunas, Lithuania**	100%	1,450,000	33,078	1,469,224	**Accommodation services, trading activities**
Rygas Energetikas Remonts SIA	**Riga district. p.n. Acone Salaspils, Latvia**	100%	14,546 (LVL 2,000)	(919)	8,353	**Repair of energy equipment**
Kaliningradskij energoremont OOO	**Jaltinskaya str. 66, Kaliningrad, Russia**	99%	1,349 (RUB 9,900)	23,320	57,186	**Repair of energy equipment**

(continued on the following page)

1. General information (continued)

As of September 30, 2007 the number of employees of the Group was 1,767 (1,797 as of December 31, 2006). 856 employees were employed at the head office and transmission divisions (847 as of December 31, 2006), 278 – in the branches (295 as of December 31, 2006), Energetikos Pajėgos UAB - 21 (19 as of December 31, 2006), Kauno Energetikos Remontas UAB - 570 (597 as of December 31, 2006), Kruonio investicijos UAB -1, Gotlitas UAB - 21 (20 as of December, 2006), Rigas Energetikos Remontas SIA - 1 (1 as of December 31, 2006), Kaliningradskij energoremont OOO - 19 (18 as of December 31, 2006).

At 8 March 2006 the heads of three Baltic energy companies – Lietuvos Energija, Eesti Energia and Latvenergo signed a memorandum of understanding regarding the preparation for construction of a new nuclear reactor in Lithuania. The basis for signing this Memorandum was laid on February 27, 2006, when Lithuanian, Latvian and Estonian Prime Ministers signed a Declaration on security of electricity supply in the Baltic States and the common European energy policy along with the Communiqué regarding common Baltic energy strategy and initiative to construct a new nuclear power plant in Lithuania. By signing this Memorandum the first preparation phase – a Feasibility Study was launched. On October 25, 2006 the project's Steering Committee approved the results of the Feasibility Study on the construction of a new nuclear reactor in Lithuania. During the Study a feasibility to construct a new nuclear facility in Lithuania was assessed with regard to economic, technical, financial and legal aspects in the Baltic States and the European Union and it was established that the project of construction of a new nuclear power plant is feasible. Further implementation of the project is regulated by the Law No X-1231 of the Republic of Lithuania dated June 28, 2007 and other legal acts. The mentioned Law grants a status of the national investor for Lietuvos Energija AB which has expressed a private initiative to invest in the project for construction of a new nuclear power plant. As prescribed by the Law, the Government of the Republic of Lithuania and the shareholder having control over the shares of the public company VST are given a right to invest, respectively, the shares of Rytų Skirstomieji Tinklai AB and VST AB, representing more than ½ of the shares of each of these companies and granting the same portion of votes at the general shareholders meeting, in the authorized capital of the national investor - Lietuvos Energija AB. For further information about preparatory works undertaken by the Company for the construction of a new nuclear power plant see Note 31 *Subsequent Events.*

The Company actively searches for opportunities to join the alternative electricity grids of West Europe. Starting from April 2005 the Company is participating in an international investment project ESTLINK (laying of underwater 350 MW power cable, connecting the Baltic and Scandinavian countries) by acquiring 25% of the shares of the company Nordic Energy Link AS and investing MEUR 5.5. On January 4, 2007 a trade of electricity by a new undersea cable was started.

At 31 July 2007 a working group, composed of representatives of Lietuvos Energija AB and Polskie Sieci Elektroenergetyczne (Poland), signed a final document of a feasibility study of interconnection of Lithuanian and Polish power systems, confirming that the project is technically, legally and economically feasible, provided that not less than 75 per cent of its implementation costs are covered by funds of the European Union. The implementation of the project will ensure the reliability of power supply in Lithuania and the Baltic States, their integration into the common European power market and creation of conditions for a more efficient use of energy sources. The interconnection between power systems includes the construction of 154 km high-voltage (400 kV) double-circuit power transmission line from Alytus to Elk (Poland). The preliminary completion of the project is foreseen in 2012. Its implementation will require Eur237 million of investments – Eur71 million for works in Polish territory and Eur166 million – in Lithuanian territory. In order to ensure transmission capacity and cross-border flows between both countries, it is necessary to develop both – Lithuanian and Polish domestic power grids. This will require additional investments – Eur371 million in Poland and Eur95 million in Lithuania. The investments for the development of domestic power grids must be provided by the project parties themselves. The construction of the missing chain will complete the Baltic Power Ring, interconnecting Lithuanian, Latvian, Estonian, Finnish, Swedish and Polish power systems, which will help ensure security and reliability of operation of Baltic power grids. The project has been enlisted among the priority projects of the European Union. The working group, which has performed a legal, financial and technical analysis, has also prepared the documents for the establishment of a joint venture, responsible for the implementation of the power bridge project. It is projected that the joint venture will be established in Lithuania

The Company is a member of Lithuanian Electricity Association, Lithuanian Confederation of Industrialists, Vilnius Chamber of Trade, Industry and Crafts. Since 1998 the Company has been participating in the activities of BALTREL (Baltic Ring Electricity Co-operation Committee). From February 2004 the Company is a member of CIGRE (International Council on Large Electric systems). In February 2005 the Company became a full member of ETSO (European Transmission System Operators). In March 2006 the Company together with the transmission system operators of Estonia and Latvia established the cooperation organization BALTSO, aimed to solve basic issues related to parallel operation of the power systems of the Baltic States. The specialists of the Company take active participation in the activities of the association representing common interests of the European electricity sector - EURELECTRIC and in the national committee of the World Energy Council. The Company is also a member of a joint committee of the Baltic States, Russia and Belarus (BRELL), established for coordination of parallel operation of the power systems of these countries.

At 8 November 2006 an international rating agency Standard & Poor's confirmed a corporate long-term credit rating A- for borrowings in foreign currency and established a stable rating outlook. The rating was revised on September 18, 2007 (for more detailed information see Note 31 *Subsequent Events).*

2. *Significant accounting policies*

The main accounting policies adopted in preparing the Company's interim financial statements and the Group's consolidated interim financial statements for the nine-month period of 2007 are as follows:

2.1 Basis of representation

These interim financial statements have been prepared in accordance with the International Financial Reporting Standards (the "IFRS") and the International Financial Reporting Standards as adopted by the European Union (the "EU"). The IFRSs as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements, except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU. The Company and the Group has determined that the unendorsed hedge accounting requirements under IAS 39 would not impact the Company's and the Group's financial statements had they been endorsed by the EU at the balance sheet date. Therefore, as a matter of reference, the term "IFRS" is hereafter used and referring to both IFRS and IFRS as adopted by the EU.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for Property, plant and equipment, acquired before 1 January 2004, which are stated at deemed cost less any subsequent accumulated depreciation and accumulated impairment loss (see item 2.7 below) and revaluation of derivative financial instruments to fair value.

In the reported period the Company and the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. Adoption of these new and revised standards and interpretations made no impact on the changes in the accounting policy of the Company and the Group.

a) *a) Standards, amendments and interpretations that became effective during the nine month period of 2007, but made no impact on the accounting policy of the Company and the Group:*

The applied standards and their interpretations listed hereunder did not change the accounting policy of the Company and the Group.

- IAS 1 (Amendment), Capital disclosures (effective for annual periods beginning on or after 1 January 2007);
- IFRS 7, Financial Instruments: Disclosure (supersedes IAS 30) (effective for annual periods beginning on or after 1 January 2007);
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006, but not adopted by the EU yet);

b) Standards, amendments and interpretations that were issued, but not effective during the nine-month period of 2007 and have not been early adopted by the Company and the Group:

On the date of authorization of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009);
- IAS 1, Comprehensive Revision (amendment) (effective for annual periods beginning on or after 1 January 2009);
- IAS 23, Borrowing Costs (amendment) regarding capitalization of borrowing costs (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 11, IFRS 2, Group Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) – not yet endorsed by the EU;
- IRFIC 13, Customer Loyalty Programmes (effective for annual period beginning on or after July 1, 2008) - not yet endorsed by the EU;
- IRFIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual period beginning on or after January 1, 2008) - not yet endorsed by the EU;

The Company and Group's management is of the opinion that adoption of these standards in the future will not significantly impact the financial statements of the Company and the Group.
The financial year of the Company and other companies of the Group coincides with the calendar year.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Lietuvos Energija AB and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2.4 Business Combinations

Acquisitions of subsidiaries are accounted by using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportional part of the net fair value of the assets, liabilities and contingent liabilities recognized.

2.5 Investments in subsidiaries

A subsidiary is a company over which the parent has control. Investments in subsidiaries are stated at cost less impairment losses recognized, where the investment's carrying amount in the parent only financial statements exceeds its estimated recoverable amount.

2.6 Investments in associates

An associate is an entity over which the Company and the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates in the parent only financial statements are stated at cost less impairment losses recognized, where the investment's carrying amount exceeds its estimated recoverable amount.

The results and assets and liabilities of associates are incorporated in the Company's and the Group's consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where the Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2.7 Property, plant and equipment

Property, plant and equipment, acquired before January 1, 2004, are carried at a deemed cost less any subsequent accumulated depreciation and accumulated impairment losses. The Property, plant and equipment at the date of transition to IFRS were stated at their fair value and the fair value was considered to be their deemed cost at the date of transition.

Property, plant and equipment acquired or constructed by the Company and the Group subsequent to the date of transition to IFRS (January 1, 2004) are stated at acquisition cost less any subsequent accumulated depreciation and accumulated impairment losses.

Construction-in-progress represents Property, plant and equipment under construction. Such assets are carried at acquisition cost, less any recognized impairment losses. Cost includes design, construction works, plant and equipment being mounted and other directly attributable costs.

Intangible assets are stated at historical cost, less any subsequent accumulated amortization and accumulated impairment losses.

All assets, except for real estate, with the acquisition value in excess of LTL 2,000 are capitalized. Real estate is capitalized, with no regards to its acquisition cost.

Depreciation (amortization) of Property, plant and equipment and intangible assets, other than construction-in-progress, is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Estimated useful lives of Property, plant and equipment and intangible assets are as follows:

Groups of non-current assets	Useful lives (years)
Buildings and structures	7 - 75
Machinery and equipment	4 - 40
Vehicles	4 - 10
Other equipment, tools and devices	3 - 15
Other PPE	4 - 80
Intangible assets	3 - 4

Average useful lives of the core business Property, plant and equipment asset items are as follows:

	Average useful lives (years)
Constructions of transformer substations	30
330, 110, 35 kV electricity transmission lines	40-55
330, 110, 35, 6-10 kV electricity distribution equipment	30-35
330, 110, 35, 6-10 kV power transformers	35
Relay security and automation equipment	15-35
Technological and dispatcher control equipment	8

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an item of Property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

2.8 Impairment of PPE and intangible assets

At each balance sheet date, the Company and the Group reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each balance sheet date, and whenever there is an indication that the asset may be impaired.

(Continued)

2.8 Value impairment of plant, property and equipment and non-current intangible assets (continued)

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Financial assets

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, by adding direct transaction costs.
Financial assets are classified into the following specified categories: "held to maturity investments" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Held-to-maturity financial assets
Financial assets with fixed or determinable payments and fixed maturity dates that the Company and the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Held-to-maturity financial assets are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts.

Income on held-to-maturity financial assets is recognized in profit or loss on an effective interest rate basis.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method less impairment loss recognized to reflect irrecoverable amounts.

Interest income is recognized in profit or loss by applying the effective interest rate, except for short-term receivables when the recognition of interest would be insignificant.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been effected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is transferred to the account of doubtful receivables. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.10 Inventories

Inventories are initially measured at cost and are subsequently measured at the acquisition cost and net realizable value, depending on which of them is lower. Costs comprise direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined by the first-in, first-out method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Financial liabilities and equity instruments issued by the Company and the Group

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company or Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis (see item 2.8 in above)

2.13 Foreign currency translation

Transactions denominated in a foreign currency other than Litas (LTL) are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

The applicable rates used for principal currencies were as follows:

September 30, 2007			December 31, 2006		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 LVL	=	4.8903 LTL	1 LVL	=	4.9537 LTL
100 RUB	=	9.7741 LTL	100 RUR	=	9.9708 LTL
10 SEK	=	3.7372 LTL	10 SEK	=	3.8251 LTL
1 USD	=	2.4390 LTL	1 USD	=	2.6304 LTL
10 EEK	=	2.2067 LTL	10 EEK	=	2.2067 LTL

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Litas (LTL), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Litas using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in the income statement in the period in which the foreign operation is disposed of.

2.14 Grants

Grants are accounted for on an accrual basis of accounting, i.e. grants are credited to income statement in the periods when related expenses, which they are intended to compensate, incur.

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

2.15 Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company and the Group as the lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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

Rentals payable under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

2.16 Business and geographical segments

A business segment means a constituent part of the business participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

Expenses of the Company and the Group's structural units, which may be directly allocated to a specific segment, are allocated to this segment. Expenses of the structural units of the Company and the Group, which take part in more than one segment, are allocated pro rata to the established distribution of expenses.

A geographical segment means a constituent part of the business participating in production of individual products or provision of services within certain economic environment, and the risk and returns whereof are different from other constituent parts operating in other economic environments.

2.17 Revenues and expenses recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax, estimated rebates, discounts and other similar allowances.

The Company and the Group recognizes revenue on an accrual basis. Revenues are recognized in the financial statements irrespective of cash inflows, i.e. when they are earned.

Revenue from the electricity-related services and sales is recognized when substantially all risks and rewards related to the object of sale have been passed to the buyer.

Interest income is recognized on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Received interest is recorded in the cash flow statement as cash flows from investing activities.

Dividend income is recognized when the right to receive payment is established. Received dividends are recorded in the cash flow statement as cash flows from investing activities. Dividends of the subsidiaries allocated to the patronizing company, are eliminated in the consolidated financial statements.

Expenses are recognized in profit or loss when incurred.

Income and expenses related to the IT services provided by the Company and the Group, rent of summer houses owned by the Company and the Group and sale and lease of the non-current assets are accounted under other activities.

2.18 Finance costs

All finance costs are recognized in profit or loss when incurred.

2.19 Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's and the Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. In 2006 the income tax rate in Lithuania was 15%. From 1 January 2006 the Provisional Social Tax Law has come into effect in the Republic of Lithuania. A 4% social tax rate was effective for 2006 and a 3% rate is effective for 2007. The basis for social tax calculation is the same as for income tax

Deferred income tax
Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax for the period
Current and deferred income tax is charged or credited to profit or loss, except when they relate to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

2.20 Earnings per share

The weighted average number of shares, based on which earnings per share are calculated, for the respective nine month periods of 2007 and 2006 was 689,515,435. As of September 30, 2007 and December 31, 2006 and in the respective nine month periods of 2007 and 2006, the Company had no dilutive options outstanding.

2.21 Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

2.22 Subsequent events

Post balance sheet events that provide additional information about the Company's and the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

2.23 Related parties

Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group and the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

3. Critical judgments and uncertainty

3.1 Critical judgments in applying the entity's accounting policies

Depreciation rates of Property, plant and equipment
In making its judgment for the remaining useful life of Property, plant and equipment, management considers the conclusions from the employees responsible for technical maintenance of assets.

In the year 2004 the Company and the Group has changed the estimated useful lives of Property, plant and equipment. The effect of a change in an accounting estimate was recognized prospectively in the period of change, as it is required by *IAS 8 Accounting policies, Change in Accounting Estimates and Errors.*

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of Property, plant and equipment
The Company and the Group makes an assessment, at least annually, whether there are any indications that Property, plant and equipment have suffered any impairment. If that is the case, the Company and the Group makes an impairment test in accordance with the accounting policy set out in Note 2. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As of September 30, 2007 and December 31, 2006 there were no indications that property, plant and equipment was impaired.

4. *Intangible assets*

As of 30 September 2007 and 31 December 2006 the Group's non-current intangible assets consisted of the following:

Group	Patents and licenses	Software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2005	**1,405**	**14,304**	**46**	**15,755**
- additions	945	562	13	1,520
- disposals (-)	(13)	(17)	(16)	(46)
As of 30 September 2006	**2,337**	**14,849**	**43**	**17,229**
- additions	6	1,926	-	1,932
- disposals (-)	(14)	(77)	-	(91)
As of 31 December 2006	**2,329**	**16,698**	**43**	**19,070**
- additions	5	530	5	540
- disposals (-)	-	(12)	-	(12)
As of 30 September 2007	**2,334**	**17,216**	**48**	**19,598**
Amortization				
As of 31 December 2005	**518**	**9,172**	**7**	**9,697**
- amortization	390	1,561	6	1,957
- disposals (-)	(14)	(17)	-	(31)
As of 30 September 2006	**894**	**10,716**	**13**	**11,623**
- amortization	170	544	1	715
- disposals (-)	(13)	(77)	-	(90)
As of 31 December 2006	**1,051**	**11,183**	**14**	**12,248**
- amortization	505	1,573	6	2,084
- disposals (-)	-	(12)	-	(12)
As of 30 September 2007	**1,556**	**12,744**	**20**	**14,320**
Carrying amount				
As of 31 December 2006	**1,278**	**5,515**	**29**	**6,822**
As of 30 September 2007	**778**	**4,472**	**28**	**5,278**

As of 30 September 2007 and 31 December 2006 the Company's non-current intangible assets consisted of the following:

Company	Patents and licenses	Software	Other intangible assets	Total
Acquisition cost				
As of 31 December 2005	**1,348**	**14,250**	**7**	**15,605**
- additions	943	557	-	1,500
- disposals (-)	(14)	(17)	-	(31)
As of 30 September 2006	**2,277**	**14,790**	**7**	**17,074**
- additions	-	1,912	-	1,912
- disposals (-)	-	(77)	-	(77)
As of 31 December 2006	**2,277**	**16,625**	**7**	**18,909**
- additions	-	529	-	529
- disposals (-)	-	(12)	-	(12)
As of 30 September 2007	**2,277**	**17,142**	**7**	**19,426**
Amortization				
As of 31 December 2005	**490**	**9,140**	**7**	**9,637**
- amortization	378	1,546	-	1,924
- disposals	(14)	(17)	-	(31)
As of 30 September 2006	**854**	**10,669**	**7**	**11,530**
- amortization	165	540	-	705
- disposals (-)	-	(77)	-	(77)
As of 31 December 2006	**1,019**	**11,132**	**7**	**12,158**
- amortization	494	1,561	-	2,055
- disposals (-)	-	(12)	-	(12)
As of 30 September 2007	**1,513**	**12,681**	**7**	**14,201**
Carrying amount				
As of 31 December 2006	**1,258**	**5,493**	-	**6,751**
As of 30 September 2007	**764**	**4,461**	-	**5,225**

As of 30 September 2007 and as of 31 December 2006 the acquisition cost of fully amortized non-current intangible assets that are still in use consisted of the following:

Group of non-current intangible assets	**Group as of 30 September 2007**	**Company as of 30 September 2007**	**Group as of 31 December 2006**	**Company as of 31 December 2006**
Patents and licenses	296	296	296	296
Software	9,335	9,293	7,294	7,294
Other intangible assets	7	7	7	7
Total	**9,638**	**9,596**	**7,597**	**7,597**

5. *Property, plant and equipment*

As of 30 September, 2007 and 31 December, 2006 the Group's plant, property and equipment was as follows:

Group	Land	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, tools and devices	Construction in progress	Other PPE	Total
Acquisition (deemed) cost								
As of 31 December 2005	-	**2,362,156**	**280,363**	**20,238**	**111,865**	**76,064**	**18,350**	**2,869,036**
- additions	-	3,100	1,965	2,231	2,925	56,669	17,886	84,776
- disposals (-)	-	(1,444)	(824)	(239)	(296)	-	-	(2,803)
- reclassifications +/(-)	-	48,508	7,543	-	2,633	(38,545)	(20,139)	-
As of 30 September 2006	-	**2,412,320**	**289,047**	**22,230**	**117,127**	**94,188**	**16,097**	**2,951,009**
- additions	-	312	1,104	971	3,206	36,011	23,234	64,838
- disposals (-)	-	(3,842)	(2,219)	(452)	(43)	-	(36)	(6,592)
- reclassifications +/(-)	-	23,970	9,500	-	3,325	(34,601)	(2,194)	-
As of 31 December 2006	-	**2,432,760**	**297,432**	**22,749**	**123,615**	**95,598**	**37,101**	**3,009,255**
- additions	84	4,760	2,002	1,843	1,879	95,338	11,525	117,431
- disposals (-)	-	(1,923)	(1,876)	(152)	(750)	(9)	-	(4,710)
- reclassifications +/(-)	-	42,403	7,700	-	4,283	(26,978)	(27,408)	-
As of 30 September 2007	**84**	**2,478,000**	**305,258**	**24,440**	**129,027**	**163,949**	**21,218**	**3,121,976**
Depreciation	-							
As of 31 December 2005	-	**221,641**	**38,944**	**8,578**	**36,850**	-	**181**	**306,194**
- depreciation	-	85,157	16,574	3,167	14,068	-	68	119,034
- disposals (-)	-	(895)	(420)	(163)	(262)	-	-	(1,740)
As of 30 September 2006	-	**305,903**	**55,098**	**11,582**	**50,656**	-	**249**	**423,488**
- depreciation	-	28,496	5,587	985	4,771	-	13	39,852
- disposals (-)	-	(1,945)	(1,244)	(406)	(43)	-	(3)	(3,641)
- reclassifications +/(-)	-	(10)	15	-	-	-	(5)	-
As of 31 December 2006	-	**332,444**	**59,456**	**12,161**	**55,384**	-	**254**	**459,699**
- depreciation	-	75,636	15,157	2,386	15,133	-	61	108,373
- disposals (-)	-	(573)	(1,784)	(146)	(644)	-	-	(3,147)
As of 30 December 2007		**407,507**	**72,829**	**14,401**	**69,873**	-	**315**	**564,925**
Impairment								
As of 31 December 2005		**11**	-	**58**	-	-	**34**	**103**
- reversals (-)		-	-	(56)	-	-	-	(56)
As of 30 September 2006		**11**	-	**2**	-	-	**34**	**47**
- impairment		1,207	-	-	-	-	-	1,207
- reversals (-)		-	-	(2)	-	-	(34)	(36)
As of 31 December 2006		**1,218**	-	-	-	-	-	**1,218**
- disposals (-)		(30)	-	-	-	-	-	(30)
As of 30 September 2007		**1,188**	-	-	-	-	-	**1,188**
Carrying amount								
As of 31 December 2006		2,099,098	237,976	10,588	68,231	95,598	36,847	2,548,338
As of September 30, 2007	84	2,069,305	232,429	10,039	59,154	163,949	20,903	2,555,863

(Continued)

5. Property, plant and equipment (continued)

As of 30 September 2007 and 31 December 2006 the Company's property, plant and equipment consisted of the following:

Company	Land	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, tools and devices	Construction in progress	Other PPE	Total
Acquisition (deemed) cost								
As of 31 December 2005	-	**2,343,845**	**271,740**	**18,272**	**111,597**	**76,718**	**17,590**	**2,839,762**
- additions	-	2,824	1,064	2,006	2,898	56,810	17,811	83,413
- disposals (-)	-	(1,444)	(666)	(159)	(296)	-	-	(2,565)
- reclassifications +/(-)	-	48,509	7,543	-	2,633	(38,545)	(20,140)	-
As of 30 September 2006	-	**2,393,734**	**279,681**	**20,119**	**116,832**	**94,983**	**15,261**	**2,920,610**
- additions	-	4	865	760	3,202	36,030	23,166	64,027
- disposals (-)	-	(3,842)	(2,163)	(397)	(43)	-	-	(6,445)
- reclassifications +/(-)	-	24,407	9,326	-	3,325	(34,865)	(2,193)	-
As of 31 December 2006	-	**2,414,303**	**287,709**	**20,482**	**123,316**	**96,148**	**36,234**	**2,978,192**
- additions	84	4,255	1,705	1,729	1,868	95,620	11,520	116,781
- disposals (-)	-	(1,590)	(1,754)	(138)	(751)	(9)	-	(4,242)
- reclassifications +/(-)	-	42,405	7,699	-	4,283	(26,978)	(27,409)	-
As of 30 September 2007	**84**	**2,459,373**	**295,359**	**22,073**	**128,716**	**164,781**	**20,345**	**3,090,731**
Depreciation								
As of 31 December 2005	-	**220,816**	**37,242**	**8,139**	**36,751**	-	**76**	**303,024**
- depreciation	-	84,870	15,808	2,884	14,011	-	29	117,602
- disposals (-)	-	(895)	(275)	(95)	(262)	-	-	(1,527)
As of 30 September 2006	-	**304,791**	**52,775**	**10,928**	**50,500**	-	**105**	**419,099**
- depreciation	-	28,393	5,329	904	4,749	-	7	39,382
- disposals (-)	-	(1,944)	(1,190)	(353)	(41)	-	(1)	(3,529)
- reclassifications +/(-)	-	(11)	16	-	-	-	(5)	-
As of 31 December 2006	-	**331,229**	**56,930**	**11,479**	**55,208**	-	**106**	**454,952**
- depreciation	-	75,278	14,352	2,160	15,084	-	26	106,900
- disposals (-)	-	(566)	(1,672)	(133)	(644)	-	-	(3,015)
As of 30 September 2007	-	**405,941**	**69,610**	**13,506**	**69,648**	-	**132**	**558,837**
Impairment								
As of 31 December 2005	-	-	-	**58**	-	-	**34**	**92**
- reversals (-)	-	-	-	(56)	-	-		(56)
As of 30 September 2006	-	-	-	**2**	-	-	**34**	**36**
- impairment	-	1,207	-	-	-	-	-	1,207
- reversals (-)	-	-	-	(2)	-	-	(34)	(36)
As of 31 December 2006	-	**1,207**	-	-	-	-	-	**1,207**
- disposals (-)	-	(30)	-	-	-	-	-	(30)
As of 30 September 2007	-	**1,177**	-	-	-	-	-	**1,177**
Carrying amount								
As of 31 December 2006	-	2,081,867	230,779	9,003	68,108	96,148	36,128	2,522,033
As of 30 September 2007	84	2,052,255	225,749	8,567	59,068	164,781	20,213	2,530,717

During the nine month period of 2007 the Company completed the following major investment projects:

Project	Value, LTL'000
Partial replacement of 110 kV OL section Šiaurinė and Šeškinė I-II-Baltupis-Kino studija with cable	9,228
Reconstruction of Joniškis 110/35/10 kV SS	7,093
Reconstruction of the 110/10 kV Šilutė SS	5,642
Reconstruction of the 110/35/10 kV Molėtai SS	5,060
Construction of the 110/20kV Benaičiai VE SS	4,373
Replacement of 110 kV OL TE2-TE3 section with cable between poles No.6-9.	2,024

(Continued)

5. Property, plant and equipment (continued)

As of 30 September 2007 and 31 December 2006 the carrying amount of the Group's property, plant and equipment, acquired under finance leases, consisted of the following:

Group of property, plant and equipment	30 September 2007	31 December 2006
Machinery and equipment	1,231	1,334
Vehicles	109	130
Total	**1,340**	**1,464**

As of 30 September 2007 and 31 December 2006 the acquisition cost of Group and Company's fully depreciated property, plant and equipment that are still in use consisted of the following:

Group of property, plant and equipment	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Buildings and structures	42,284	42,283	1,530	1,530
Machinery and equipment	8,270	8,157	2,159	2,042
Vehicles	7,797	7,797	6,562	6,560
Other equipment, tools and devices	18,702	18,624	12,412	12,412
Total	**77,053**	**76,861**	**22,663**	**22,544**

The Group has significant contractual capital commitments to acquire property, plant and equipment, which will have to be met in subsequent years. The Company has started the implementation of Kaunas HPP rehabilitation investment project, amounting to LTL'000 45,263 and EUR'000 23,109 (total amount LTL'000 125,054) of which MLTL 30 will be financed from European Union structural funds, national budget and other state monetary funds. The contractor of the project – Alstom Power Sweden AS. The project is scheduled to be finished in 2008.

6. Investments

As of 30 September 2007 the Company had direct control over three subsidiaries: Energetikos Pajėgos UAB (acquisition cost of LTL'000 414) and Kauno Energetikos Remontas UAB (acquisition cost of LTL'000 31,341) and Kruonio Investicijos UAB (acquisition cost LTL'000 2,361). The Company owns 100% of shares in these companies. The remaining three subsidiaries (Note 1) the Company controls indirectly, i.e. through Kauno Energetikos Remontas UAB.

Kruonio Investicijos UAB was established at 18 January 2007. The Company owns 100% of shares in the subsidiary. The share capital of the newly established subsidiary amounts to LTL'000 2,361 and is divided into 23,610 ordinary shares at par value of LTL 100 each. The objective of Kruonio Investicijos UAB operations - the development of social and recreation facilities.

The share capital of Kruonio Investicijos UAB was paid in cash in the amount of LTL'000 410 and in kind by contributing the real estate which at the moment of the contribution was evaluated by independent appraisers at its fair value. The carrying amount of the real estate made as a contribution to the subsidiary amounted to LTL'000 391. The appraisal was performed by the independent property appraisal company Latmas UAB using depreciated replacement cost method. The value of the real estate contributed to the subsidiary increased by LTL'000 1,560.

In addition to the aforesaid subsidiaries, the Group and the Company had the following associates: Nordic Energy Link AS (acquisition cost of LTL'000 18,978); Geoterma UAB (acquisition cost of LTL'000 4,373).

At 20 March 2007 the liquidation procedure of Baltijas Energosistemu Dispečeru Centrs BO SIA was completed. After its liquidation, the Company lost 33.33% of Baltijas Energosistemu Dispečeru Centrs BO SIA shares.

As of 30 September 2007 and 31 December 2006 investments in associates consisted of the following:

Company 30 September 2007	Acquisition cost	Ownership of shares (per cent)	Impairment	Carrying amount
Geoterma UAB	4,373	23.44	(2,403)	1,970
Nordic Energy Link AS	18,978	25	-	18,978
Total	**23,351**		**(2,403)**	**20,948**

(Continued)

6. *Investments (continued)*

Company 31 December 2006	Acquisition cost	Ownership of shares (per cent)	Impairment	Carrying amount
Baltijas Energosistemu Dispečeru Centrs BO SIA (DC Baltija)*	2,740	33.33	(2,171)	569
Geoterma UAB	4,373	23.44	(1,905)	2,468
Nordic Energy Link AS	18,978	25	(274)	18,704
Total	**26,091**		**(4,350)**	**21,741**

*- Investment into associated company DC Baltija was accounted in the balance sheet under other current assets in the financial statements for the year 2006.

Financial position as of 30 September 2007 and operating results for the nine month period ended 30 September 2007 of the associates consisted of the following:

Company 30 September 2007	Assets	Liabilities	Revenue	Net earnings (loss)
Geoterma UAB	54,059	45,653	2,202	(2,123)
Nordic Energy Link AS* (as of June 30, 2007)	342,921	260,326	30,663	6,258

* - financial statements of this associated company for the reporting period were not provided at the date of signing of the financial statements. Management of the Company is of the opinion that the net results of this associated company, attributable to the Company and the Group, for the nine month period ended 30 September 2007 would not significantly impact the net results of the Company and Group for the respective period.

Financial position as of 31 December 2006 and operating results for the year ended 31 December 2006 of the associates consisted of the following:

Company 31 December 2006	Assets	Liabilities	Revenue	Net loss
Baltijas Energosistemu Dispečeru Centrs BO SIA (DC Baltija)	2,977	26	4,459	(2,011)
Geoterma UAB	56,184	45,655	5,858	(4,789)
Nordic Energy Link AS	319,442	244,625	2,713	(661)

For the periods ended 30 September 2007 and 31 December 2006, the movement of investments in associates consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Carrying amount as of 1 January	**21,741**	**21,741**	**24,117**	**24,117**
Impairment of investment in associates	(59)	(283)	-	(815)
Share of loss of associates	(224)	-	(815)	-
Liquidation of Baltijas Energosistemu Dispečeru Centrs BO SIA (DC Baltija)	(510)	(510)	-	-
Carrying amount as of 30 September	**20,948**	**20,948**	**23,302**	**23,302**
Impairment of investment in associates			(416)	(1,561)
Share of loss of associates			(1,145)	-
Carrying amount as of 31 December			**21,741**	**21,741**

7. Non-current accounts receivable

The Group and Company's non-current accounts receivable as of 30 September 2007 and 31 December 2006 consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Accounts receivable from VST AB*	1,792	1,792	7,810	7,810
Other receivables	805	805	955	955
Total	**2,597**	**2,597**	**8,765**	**8,765**
Less: current receivables (note 10)	(292)	(292)	(973)	(973)
Carrying amount	**2,305**	**2,305**	**7,792**	**7,792**

* In 2005 Lietuvos Energija AB decided to dispose 10 kV transmission equipment to VST AB, i.e.10 kV switchgears of 330 kV transformer substations in various transmission divisions. As of 30 September 2007 receivable under such transaction, amounting to LTL'000 1,792 (as of 31 December 2006 – LTL'000 7,810), is accounted under non-current accounts receivable. The amount will be repaid in equal installments up to the year 2013. Its current portion, amounting to LTL'000 270, and accrued interest of LTL'000 22 are accounted under other current receivables (see Note 10). The interest rate of this transaction approximates the market interest rate.

The fair value of the non-current accounts receivable approximates their carrying amount.

8. Inventories

As of 30 September 2007 and 31 December 2006 the Company and Group's inventories consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Materials and spare parts, production in progress and finished goods at acquisition (production) cost	11,610	6,070	12,298	6,011
Goods for resale at acquisition cost	634	568	782	733
Less: write-down to net realizable value	(282)	(282)	(378)	(351)
Carrying amount	**11,962**	**6,356**	**12,702**	**6,393**

While preparing the financial statements, the Company and the Group estimated net realizable value allowance for inventories.

For the periods ended 30 September 2007 and 31 December 2006, the movement of allowances for inventories consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Carrying amount as of 1 January	**378**	**351**	**192**	**189**
Allowances for inventory per reporting period	-	-	378	378
Reversal of allowances for inventory	(96)	(69)	(3)	-
Carrying amount as of 30 September	**282**	**282**	**567**	**567**
Allowances for inventory per reporting period			27	-
Reversal of allowances for inventory			(216)	(216)
Carrying amount as of 31 December			**378**	**351**

9. Trade receivables

The Company's and the Group's trade receivables as of 30 September 2007 and 31 December 2006 consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Receivables from electricity market players	143,210	143,210	78,163	78,163
Receivables from other Lithuanian companies	42,398	27,977	25,418	17,427
Receivables for exported electricity	722	722	2,098	2,098
Receivables for electricity transit	441	441	49	49
Total	**186,771**	**172,350**	**105,728**	**97,737**
Less: allowance for doubtful receivables	(9,945)	(9,612)	(9,954)	(9,612)
Carrying amount	**176,826**	**162,738**	**95,774**	**88,125**

The fair value of trade receivables approximates their carrying amount.

The movement of allowances for doubtful receivables for the periods ended 30 September 2007 and 31 December 2006 consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Carrying amount as of 1 January	**9,954**	**9,612**	**7,943**	**7,557**
Allowances for doubtful receivables per reporting period	-	-	4,306	4,306
Reversal of allowances for doubtful receivables	(9)	-	(107)	-
Write-off of allowances for doubtful receivables	-	-	(2,251)	(2,251)
Carrying amount as of 30 September	**9,945**	**9,612**	**9,891**	**9,612**
Allowances for doubtful receivables per reporting period			63	-
Carrying amount as of 31 December			**9,954**	**9,612**

10. Other current receivables

As of 30 September 2007 and 31 December 2006 the Group's and Company's other current receivables consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Deferred VAT receivable	1,148	1,148	836	836
Receivables for IT and telecommunication services	2,976	2,987	2,551	2,551
Current portion of non-current receivables (note 7)	292	292	973	973
VAT receivable	3,243	3,243	2,983	2,970
Receivables for connection of wind power stations	-	-	958	958
Other receivables	367	282	787	702
Carrying amount	**8,026**	**7,952**	**9,088**	**8,990**

As of 30 September 2007 and 31 December 2006 the ageing analysis of the Group's and Company's other receivables that were past due but not impaired consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2007	Company 31 December 2007
Not overdue	7,952	7874	7,827	7,725
Overdue up to 30 days	47	51	1,210	1,214
Overdue from 30 to 60 days	27	27	51	51
Carrying amount	**8,026**	**7,952**	**9,088**	**8,990**

The fair value of other current receivables approximates their carrying amount.

11. Term deposits

As of 30 September 2007 and 31 December 2006 the Group's and Company's term deposits consisted of:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Term deposit at Bank Snoras AB (LTL), annual interest rate – 4.20%, maturity – 5 December 2007.	500	-	-	-
Term deposit at „Nordea Bank Finland" Plc Lithuanian branch (LTL), annual interest rate – 4.31%, maturity – 5 October 2007.	500	-	-	-
Term deposit at Bank Snoras AB (LTL), annual interest rate – 4.1%, maturity – 12 July 2008	150	-	150	-
Carrying amount	**1,150**	**-**	**150**	**-**

The fair value of term deposits approximates their carrying amounts.

12. Cash and cash equivalents

As of 30 September 2007 and 31 December 2006 the Group's and Company's cash and cash equivalents consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Cash at banks and on hand	20,375	17,735	3,839	908
Term deposit at bank Nordea Bank Finland Plc Lithuania's branch (LTL), annual interest rate – 4.3%, maturity – 5 October 2007.	500	-	-	-
Term deposit at bank Nordea Bank Finland Plc Lithuania's branch (LTL), annual interest rate – 4.68%, maturity – 19 December 2007.	360	-	-	-
Term deposit at bank Snoras AB (LTL), annual interest rate - 3.425%, maturity – 4 March 2007	-	-	500	-
Overnight deposit at bank Hansabankas AB (LTL), annual interest rate – 0.45%.	-	-	449	449
Carrying amount	**21,235**	**17,735**	**4,788**	**1,357**

13. Share capital

As of 30 September 2007 and 31 December 2006 the share capital of the Company amounted to LTL 689,515,435 and it was divided into ordinary 689,515,435 registered shares with the par value of one Litas each. All shares were fully paid. During the nine month period in 2007 the highest share price at the Stock Exchange session was LTL 5.95 per share, lowest – LTL 3.20 per share. The number of shareholders as of 30 September 2007 was 5.356.

Company shareholders were:

Shareholders	**Shares as of 30 September 2007 (Lt)**	**%**	**Shares as of 31 December 2006 (Lt)**	**%**
Lithuanian State, represented by Ministry of Economy of the Republic of Lithuania	665,400,833	96.5	665,891,508	96.57
Other	24,114,602	3.5	23,623,927	3.43
Total:	**689,515,435**	**100.00**	**689,515,435**	**100.00**

14. Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net distributable profit are required until the legal reserve reaches 10% of the registered share capital. The appropriation is restricted to reduction of the accumulated deficit.

As of 30 September 2007, two companies of the Group, Lietuvos Energija AB and Energetikos Pajėgos UAB had fully formed a legal reserve, which accounted for 10% of the share capital and amounted to LTL'000 68,952 and LTL'000 43 respectively.

15. Other reserves

As of 30 September 2007 and 31 December 2006 the Group and Company's other reserves consisted of the following:

Group	Capital reduction reserve (related to transfer of heavy fuel storage reservoirs)	Reserve for property, plant and equipment acquisitions	Revaluation reserve	Reserve for management and employee bonuses and sponsorship	Reserve related with fixed assets	Other reserves	Total
Balance as of 31 December 2005	**(63,777)**	**162,744**	**24**	**3,512**	**-**	**-**	**102,503**
Transfers to reserve	-	-	-	2,100	1,293,569	-	1,295,669
Reserves used	-	-	(24)	(3,500)	-	-	(3,524)
Balance as of 30 September 2006	**(63,777)**	**162,744**	**-**	**2,112**	**1,293,569**	**-**	**1,394,648**
Reserves used	-	-	-	(88)	-	-	(88)
Balance as of 31 December 2006	**(63,777)**	**162,744**	**-**	**2,024**	**1,293,569**	**-**	**1,394,560**
Transfers to reserve	-	-	-	1,855	-	10,531	12,386
Reserves used	-	-	-	(2,024)	-		(2,024)
Balance as of 30 September 2007	**(63,777)**	**162,744**	**-**	**1,855**	**1,293,569**	**10,531**	**1,404,922**

Company	Capital reduction reserve (related to transfer of heavy fuel storage reservoirs)	Reserve for property, plant and equipment acquisitions	Revaluation reserve	Reserve for management and employee bonuses and sponsorship	Reserve related with fixed assets	Other reserves	Total
Balance as of 31 December 2005	**(63,777)**	**160,637**	**24**	**3,500**	**-**	**-**	**100,384**
Transfers to reserve	-	-	-	2,000	1,293,569	-	1,295,569
Reserves used	-	-	(24)	(3,500)	-	-	(3,524)
Balance as of 30 September 2006	**(63,777)**	**160,637**	**-**	**2,000**	**1,293,569**	**-**	**1,392,429**
Balance as of 31 December 2006	**(63,777)**	**160,637**	**-**	**2,000**	**1,293,569**	**-**	**1,392,429**
Transfers to reserve	-	-	-	1,700	-	10,531	12,231
Reserves used	-	-	-	(2,000)	-	-	(2,000)
Result of revaluation of property, plant and equipment	-	-	1,560	-	-	-	1,560
Transfer of property, plant and equipment	-	-	(1,560)	-	-	-	(1,560)
Balance as of 30 September 2007	**(63,777)**	**160,637**	**-**	**1,700**	**1,293,569**	**10,531**	**1,402,660**

The reserve for reducing the share capital due to the transfer of heavy fuel storage reservoirs is the negative reserve of reducing the share capital that resulted from the transfer of fuel oil storage reservoirs to Vilniaus Mazuto Saugykla VĮ (although expected, the share capital has not been reduced by this amount until now).

After the first time adoption of IFRS at 1 January 2004 the retained earnings of the Company increased by LTL'000 1,369,457. On purpose to restrict the distribution of such profit, during the shareholders' meeting held at 20 April 2006 it was agreed to form a reserve related to fixed assets.

16. Borrowings

As of 30 September 2007 and 31 December 2006 the Group's and Company's borrowings according to the repayment schedules are as follows:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006.
Within first year	2,022	2,022	20,581	20,581
Within second year	3,818	3,818	5,085	5,085
Within third year	12,381	12,381	12,381	12,381
Within fourth year	19,286	19,286	15,833	15,833
Within fifth year	19,286	19,286	15,833	15,833
After five years	2,022	2,022	21,308	21,308
Total	**58,815**	**58,815**	**91,021**	**91,021**

As of 30 September 2007 and 31 December 2006 the Group's and Company's long-term borrowings consisted of the following:

Credit institution	Contractual amount (EUR'000)	Carrying amount as of 30 September 2007 (EUR'000)	Maturity	Current portion as of 30 September 2007	Carrying amount as of 30 September 2007	Current portion as of 31 December 2006	Carrying amount as of 31 December 2006
Zurcher Kantonalbank	8,013	3,514	2013	2,022	12,133	2,022	14,155
SEB Vilniaus Bankas AB	15,000	520	2009	-	1,796	-	13,421
UniCredit Bank AS Lithuanian Branch	15,000	13,000	2012	-	44,886	-	44,886
Nordea Bank Finland Plc Lithuanian Branch	15,000	-	2007	-	-	18,559	18,559
Bank Hansabankas AB	11,585	-	2009	-	-	-	-
Total long-term borrowings:	**64,598**	**17,034**		**2,022**	**58,815**	**20,581**	**91,021**

The fair value of the borrowings approximates their carrying amount.

As of 30 September 2007 the Group and the Company had borrowings amounting to LTL'000 31,192 with a floating interest rate (weighted average – 4.2%) and borrowings amounting to LTL'000 27,622 with a fixed interest rate (weighted average - 4.3%).

As of 31 December 2006 the Group and the Company had borrowings amounting to LTL'000 63,399 with a floating interest rate (weighted average – 3.4%) and borrowings amounting to LTL'000 27,622 with a fixed interest rate (weighted average - 4.3%).

The Group and the Company does not have any borrowings secured by the State guarantee or their own assets.

The Group and the Company is subject to meeting certain covenants under credit agreements:

- Under 24 January 2003 agreement with Zurcher Kantonal bank (contractual amount – EUR'000 8,013) the Company is prohibited to pledge any assets or revenues to any third parties;

- Under 17 May 2002 agreement with bank Hansabankas AB (contractual amounts - LTL'000 9,000, EUR'000 3,185 and EUR'000 11,585) the Company obligated to carry monthly turnover of over MLTL 15 through the Company's accounts at this bank, not to close accounts without prior notice, shall not establish joint ventures, shall not assume liabilities under credit, loan or guarantee agreements, lease, financial lease or factoring agreements concluded with credit institutions or other entities, shall not assume liabilities with regard to third parties under guarantee, surety, pledge agreements if the liabilities under any of such agreements would exceed MLTL 10. Without written approval shall not: dispose non-current assets (exceeding MLTL 10), rent part of business, pledge current and future funds in bank, and take decisions related to reorganization.

(Continued)

16. Borrowings (continued)

- Under 28 August 2002 agreement with SEB Vilniaus Bankas AB (contractual amounts - EUR'000 15,000 and LTL'000 10,358) the Company obligated to carry monthly turnover of over MLTL 15 through the Company's accounts at this bank, to comply with credit coverage ratio of above 1.1 and liabilities to assets ratio of less than 40%. Without prior bank approval the Company shall not: take decisions on reorganization and closing the accounts at this bank, transfer rights and obligations under this agreement to third parties, allow subsidiaries to borrow from other credit institutions (over MLTL 1), secure present and future liabilities under credit agreements by pledging assets or guarantees of third parties.

- Under 3 March 2002 agreement with Nordea Bank Finland Plc Lithuania branch (contractual amount -EUR'000 15,000) the Company obligated to carry monthly turnover of over MLTL 10 through the Company's accounts at this bank, to comply with debt service ratio of above 1.05; financial liabilities and EBITDA ratio of less than 5. Without prior written bank approval the Company shall not: pledge assets for liabilities under other loan agreements, rent and dispose assets (exceeding MLTL 60), grant loans and guarantees (over MLTL 20), reorganize the Company.

- Under 22 May 2002 agreement with Bayerishe Hypo-und Wereinsbank AG Vilnius branch (contractual amount - EUR'000 15,000) the Company obligated to carry monthly turnover of over MLTL 10 through the Company's accounts at this bank. Without prior written bank approval the Company shall not: guarantee the obligations to its future creditors or expand guarantee implements to present creditors. In case of substantial breach of the agreement, the Company is obliged without written agreement shall not declare and pay dividends, perform the distribution of share capital, and purchase shares. On 1 September 2007 under a contract UniCredit Bank from HVB-BAnk overtook all rights and obligations acquired through Bayerische Hypo und Vereinsbank AB Vilnius Branch.

During the nine month period of 2007 and during the year 2006 the Group and the Company complied with all covenants under the credit agreements.

17. Obligations under finance leases

As of 30 September 2007 and 31 December 2006 the Group's minimum lease payments consisted of the following:

Group	30 September 2007		31 December 2006	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable under finance leases:				
Within one year	187	183	275	263
Within the second to fifth year inclusive	-	-	120	119
Minimum lease payments	**187**	**183**	**395**	**382**
Less: future finance charges	(4)	-	(13)	-
Present value of minimum lease payments	**183**	**183**	**382**	**382**

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 5).

The fair value of the obligations under finance leases approximates their carrying amount.

18. Issued bonds

In September 2006 the Company issued bonds with a three-year maturity. The nominal value of the emission is EUR'000 7,500 (LTL'000 25,896). Annual interest rate - 4.06%. The maturity - 29 September 2009.

The fair value of the issued bonds as of 30 September 2007 was EUR'000 7,417 (LTL'000 25,608) (as of 31 December 2006 - EUR'000 7,544 (LTL'000 26,048).

19. Grants

For the periods ended 30 September 2007 and 31 December 2006 the movement of grants consisted of the following:

Group	Grants related to assets		
	Grants related to connection fee	Grants related to financing of assets acquisition	Total
Carrying amount			
As of 31 December 2005	**1,383**	**15,259**	**16,642**
- grants received	-	4,051	4,051
- grants used	(90)	(592)	(682)
Carrying amount			
As of 30 September 2006	**1,293**	**18,718**	**20,011**
- grants received	2,698	1,948	4,646
- grants used	(66)	(251)	(317)
Carrying amount			
As of 31 December 2006	**3,925**	**20,415**	**24,340**
- grants received	4,373	4,383	8,756
- grants used	(265)	(684)	(949)
Carrying amount			
As of 30 September 2007	**8,033**	**24,114**	**32,147**

Company	Grants related to assets		
	Grants related to connection fee	Grants related to financing of assets acquisition	Total
Carrying amount			
As of 31 December 2005	**1,383**	**15,161**	**16,544**
- grants received	-	4,051	4,051
- grants used	(90)	(575)	(665)
Carrying amount			
As of 30 September 2006	**1,293**	**18,637**	**19,930**
- grants received	2,698	1,948	4,646
- grants used	(66)	(245)	(311)
Carrying amount			
As of 31 December 2006	**3,925**	**20,340**	**24,265**
- grants received	4,373	4,383	8,756
- grants used	(265)	(667)	(932)
Carrying amount			
As of 30 September 2007	**8,033**	**24,056**	**32,089**

The Group has received advance payments, which, upon meeting the contractual obligations by the Group, will be recognized as grants. These advance payments are accounted under trade and other payables (note 20). As of 30 September 2007 these advance payments amounted to LTL'000 25,695 (as of 31 December 2006 – LTL'000 14,366).

20. Trade and other payables

As of 30 September 2007 and 31 December 2006 the Group's and Company's trade and other payables consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Trade payables	212,407	204,358	140,551	135,258
Advances received	31,030	28,526	18,279	16,057
Deferred VAT payable	15,192	15,192	7,763	7,763
Payroll related liabilities	5,190	3,206	2,595	1,422
Vacation reserve	962	926	2,537	2,512
Property tax payable	2,162	2,162	2,087	2,087
VAT payable	533	-	-	-
Dividends payable	627	627	553	553
Other payables and current liabilities	2,222	1,845	766	681
Carrying amount	**270,325**	**256,842**	**175,131**	**166,333**

Fair value of trade and other payables approximates their carrying amount.

21. Income tax expense

For the nine month period ended 30 September 2007 and 2006 the income tax expense consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Components of the income tax expense				
Income tax (including social tax)	17,142	16,787	17,863	17,705
Deferred income tax benefit	(8,298)	(8,253)	(11,537)	(11,505)
Income tax expenses for the reporting period	**8,844**	**8,534**	**6,326**	**6,200**

(Continued)

21.Income tax expense (continued)

As of 30 September 2007 and 31 December 2006 the Group and Company's deferred income tax consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Deferred income tax assets				
Impairment of Property, plant and equipment (deemed cost)	(191,447)	(191,447)	(198,167)	(198,167)
Allowances for doubtful receivables (Baltic Shem and Liberty)	(5,062)	(5,062)	(8,565)	(8,565)
Allowances for doubtful receivables (Ekranas AB)	(1,442)	(1,442)	(1,442)	(1,442)
Vacation reserve	(192)	(187)	(389)	(389)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(331)	(331)	(326)	(326)
Recognition for tax purposes of capitalized finance costs previously written-off	(110)	(110)	(237)	(237)
Allowances for inventories to net realizable value	(42)	(42)	(53)	(53)
Total deferred income tax assets	**(198,626)**	**(198,621)**	**(209,179)**	**(209,179)**
Deferred income tax liabilities				
Increase in value of Property, plant and equipment (deemed cost)	382,427	382,303	399,582	399,440
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	26,275	26,027	28,003	27,733
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	1,327	1,327	1,286	1,286
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 30 September 2007	2	2	5	5
Other (derivative financial instruments)	-	-	11	11
Total deferred income tax liabilities	**410,031**	**409,659**	**428,887**	**428,475**
Less: valuation allowance	331	331	326	326
Deferred income tax liabilities, net	**211,736**	**211,369**	**220,034**	**219,622**

Deferred income tax assets and liabilities were accounted by using 15% tax rate, excluding deferred income tax assets and liabilities which will be recovered or settled in 2007, 2006. According to the Law on Provisional Social Tax of the Republic of Lithuania, the Group's companies paid an additional social tax of 4% in 2006, and of 3% in 2007, calculated on taxable profit, therefore while assessing the deferred income tax assets and liabilities, the increase of deferred income tax assets and liabilities was evaluated for 2006 and 2007.

(Continued)

21. Income tax expense (continued)

As of 30 September 2007 and 31 December 2006 the Group's and Company's periods of deferred income tax assets recovery and deferred tax liabilities settlement were as follows:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	185,539	185,534	194,762	194,762
Deferred income tax assets to be recovered within 12 months	12,756	12,756	14,091	14,091
Total deferred income tax assets	**198,295**	**198,290**	**208,853**	**208,853**
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	387,536	387,164	401,677	401,265
Deferred income tax liabilities to be settled within 12 months	22,495	22,495	27,210	27,210
Total deferred income tax liabilities	**410,031**	**409,659**	**428,887**	**428,475**
Deferred income tax liabilities, net	**211,736**	**211,369**	**220,034**	**219,622**

Group's changes of temporary differences were as follows:

	As of 31 December 2006	Charged (credited) to the income statement	As of 30 September 2007
Impairment of Property, plant and equipment (deemed cost)	(1,310,920)	37,075	(1,273,845)
Allowances for doubtful receivables (Baltic Shem and Liberty)	(51,909)	19,463	(32,446)
Allowances for doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(2,512)	1550	(962)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(2,178)	(29)	(2,207)
Recognition for tax purposes of capitalized finance costs previously written-off	(1,396)	709	(687)
Allowances for inventories to net realizable value	(350)	68	(282)
Increase in value of Property, plant and equipment (deemed cost)	2,636,044	(92,711)	2,543,333
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	184,306	(9,776)	174,530
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,577	271	8,848
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 30 September 2007	25	(9)	16
Other (derivative financial instruments)	63	(63)	-
Total temporary differences	**1,450,138**	**(43,452)**	**1,406,686**
Deferred income tax by applying 15% tax rate, net	**217,521**	**(6,518)**	**211,003**
Increase in deferred income tax due to effect of social tax	2,187	(1,785)	402
Total deferred income tax, net	**219,708**	**(8,303)**	**211,405**
Less: valuation allowance	326	5	331
Deferred income tax liabilities, after assessment	**220,034**	**(8,298)**	**211,736**

(Continued)

21. Income tax expense (continued)

Company's changes of temporary differences consisted of the following:

	As of 31 December 2006	Charged (credited) to the income statement	As of 30 September 2007
Impairment of Property, plant and equipment (deemed cost)	(1,310,920)	37,075	(1,273,845)
Allowances for doubtful receivables (Baltic Shem and Liberty)	(51,909)	19,463	(32,446)
Allowances for doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(2,512)	1,586	(926)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(2,178)	(29)	(2,207)
Recognition for tax purposes of capitalized finance costs previously written-off	(1,396)	709	(687)
Allowances for inventories to net realizable value	(350)	68	(282)
Increase in value of Property, plant and equipment (deemed cost)	2,635,097	(92,591)	2,542,506
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	182,507	(9,634)	172,873
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,577	271	8,848
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 30 September 2007	25	(9)	16
Other (derivative financial instruments)	63	(63)	-
Total temporary differences	**1,447,392**	**(43,154)**	**1,404,238**
Deferred income tax by applying 15% tax rate, net	**217,109**	**(6,473)**	**210,636**
Increase in deferred income tax due to effect of social tax	2,187	(1,785)	402
Total deferred income tax, net	**219,296**	**(8,258)**	**211,038**
Less: valuation allowance	326	5	331
Deferred income tax liabilities, after assessment	**219,622**	**(8,253)**	**211,369**

Reconciliation of income tax expense to the accounting profit consisted of the following:

	Group 30 September 2007	Company September 30 2007	Group 31 December 2006	Company 31 December 2006
Profit before tax	47,697	46,978	31,589	31,587
Tax at the income tax rate of 18% (2006: 19%)	8,586	8,456	6,002	6,002
Tax effect of items that are not deductible or taxable in determining taxable profit	258	78	262	197
Income tax expense	**8,844**	**8,534**	**6,264**	**6,199**
Effective income tax rate (%)	**18**	**18**	**20**	**20**

22. *Business and geographical segments*

The Group has separated six business segments (activities). As of 30 September 2007 and for the nine month period then ended the information about these segments consisted of the following:

Nine months of 2007	Business segments						
	Electricity trans-mission	Electricity trade	Electricity generation	Electricity export	Nuclear power	Design and repair services	Total
Income	**261,976**	**493,803**	**65,082**	**239,433**	**-**	**50,184**	**1,110,478**
Incl. internal turnover among Company segments	*3,799*	*29,074*	*65,082*	*127,498*	-	-	*225,453*
Income after elimination of internal turnover among Company segments	258,177	464,729	-	111,935	-	50,184	885,025
Incl. internal turnover among Group companies	-	-	-	-	-	*5,363*	*5,363*
Income after elimination of internal turnover among Group companies	**258,177**	**464,729**	**-**	**111,935**	**-**	**44,821**	**879,662**
Expenses	**251,475**	**479,401**	**60,693**	**215,467**	*2,714*	*48,670*	**1,058,420**
Incl. internal turnover among Company segments	*28,9700*	*152,694*	*31,868*	*11,929*	-	-	*225,461*
Expenses after elimination of internal turnover among Company segments	222,505	326,707	28,825	203,538	2,714	48,670	832,959
Incl. internal turnover among Group companies	*1,254*	-	-	-	-	*3,881*	*5,135*
Expenses after elimination of internal turnover among Group companies	**221,251**	**326,707**	**28,825**	**203,538**	**2,714**	**44,789**	**827,824**
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	96,103	478,342	31,867	215,121	-	-	821,433
Repair and maintenance expenses	24,300	27	4,256	21	-	2,870	31,474
Depreciation and amortization	89,319	132	12,227	8	-	1,465	103,152
Wages, salaries, social insurance and accrued vacation reserve	28,052	311	5,892	248	160	16,984	51,646
Taxes other than income tax	2,202	10	4,973	10	-	154	7,349
Communications and IT expenses	3,198	444	66	8	-	220	3,937
Utilities	915	2	60	2	-	298	1,277
Subcontractors	-	-	-	-	-	19,043	19,043
Production materials expenses	-	-	-	-	-	5,770	5,770
Research and development	809	70	57	-	123	-	1,058
Other	6,577	62	1,295	51	2,431	1,865	12,281
Profit (loss) from ordinary activities (before elimination of internal turnover)	**10,501**	**14,402**	**4,389**	**23,966**	**(2,714)**	**1,514**	**52,058**
Elimination of internal turnover							(220)
Profit (loss) from ordinary activities (after elimination of internal turnover)	**36,926**	**138,023**	**(28,825)**	**(91,604)**	**(2,714)**	**33**	**51,838**
Segment's assets	2,149,835	129,958	423,760	129	-	51,623	2,755,305
Unallocated assets	-	-	-	-	-	-	50,427
Segment's liabilities	14,691	56,473	1,699	95,964	-	15,945	184,772
Unallocated liabilities	-	-	-	-	-	-	418,130
Capital additions	114,845	-	1,805	-	-	781	117,431
Unallocated capital additions	-	-	-	-	-	-	540
Depreciation and amortization	89,319	132	12,227	8	-	1,465	103,152
Unallocated depreciation and amortization	-	-	-	-	-	-	7,305
Impairment losses recognized in profit or loss	(15)	24	-	-	-	(29)	(20)
Unallocated impairment losses recognized in profit or loss	-	-	-	-	-	-	(1)

(Continued)

22. Business and geographical segments (continued)

As of 30 September 2006 and for the period then ended the information about segments consisted of the following:

Nine month period of 2006	Business segments						
	Electricity trans-mission	Electricity trade	Electricity generation	Electricity export	Nuclear power	Design and repair services	Total
Income	**252,751**	**358,309**	**46,081**	**218,817**	**-**	**32,727**	**908,685**
Incl. internal turnover among Company segments	*3,122*	*15,466*	*46,081*	*103,237*	-	-	*167,906*
Income after elimination of internal turnover among Company segments	249,629	342,843	-	115,580	-	32,727	740,779
Incl. internal turnover among Group companies	-	-	-	-	-	*3,646*	*3,646*
Income after elimination of internal turnover among Group companies	**249,629**	**342,843**	**-**	**115,580**	**-**	**29,081**	**737,133**
Expenses	**234,555**	**361,979**	**45,388**	**191,621**	**467**	**32,192**	**866,201**
Incl. internal turnover among Company segments	*26,943*	*112,560*	*17,733*	*10,670*	-	-	*167,906*
Expenses after elimination of internal turnover among Company segments	207,612	249,419	27,655	180,951	467	32,192	698,296
Incl. internal turnover among Group companies	*886*	-	-	-	-	*2,716*	*3,602*
Expenses after elimination of internal turnover among Group companies	***206,726***	***249,419***	***27,655***	***180,951***	***467***	***29,476***	***694,694***
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	73,227	357,596	17,732	191,295	-	-	639,852
Repair and maintenance expenses	22,627	31	3,998	23	-	1,381	28,060
Depreciation and amortization	100,908	381	11,873	12	-	1,488	114,662
Wages, salaries, social insurance and accrued vacation reserve	24,890	296	5,936	225	98	13,388	44,834
Taxes other than income tax	2,291	11	4,775	10	-	231	7,319
Communications and IT expenses	3,478	501	67	5	-	197	4,248
Utilities	874	2	98	2	-	209	1,185
Subcontractors	-	-	-	-	-	6,816	6,816
Production materials expenses	-	-	-	-	-	6,337	6,337
Research and development	372	200	51	1	-	33	656
Other	5,888	2,962	856	48	369	2,111	12,234
Profit (loss) from ordinary activities (before elimination of internal turnover)	**18,195**	**(3,670)**	**694**	**27,196**	**(467)**	**535**	**42,483**
Elimination of internal turnover							(44)
Profit (loss) from ordinary activities (after elimination of internal turnover)	**42,903**	**93,424**	**(27,654)**	**(65,371)**	**(467)**	**(395)**	**42,439**
Segment's assets	2,112,386	85,201	434,528	1,339	-	43,620	2,677,074
Unallocated assets	-	-	-	-	-	-	50,221
Segment's liabilities	17,527	42,035	1,914	48,645	-	6,321	116,442
Unallocated liabilities	-	-	-	-	-	-	410,928
Capital additions	78,940	-	4,473	-	-	1,363	84,776
Unallocated capital additions	-	-	-	-	-	-	1,520
Depreciation and amortization	100,908	381	11,873	12	-	1,488	114,662
Unallocated depreciation and amortization	-	-	-	-	-	-	6,329
Impairment losses recognized in profit or loss	1,829	2,831	(31)	-	-	-	4,629
Unallocated impairment losses recognized in profit or loss	-	-	-	-	-	-	(8)

(Continued)

22. Business and geographical segments (continued)

Secondary reporting format is geographical segments. The Company exports electricity to Russia and EU countries. During the nine month period of 2007 the Company exported 1.9 bn kWh of electricity and earned MLTL 95 from electricity exports (during nine month period of 2006 – MLTL 77.7). In addition to that, the Group exported metal structures and repair services.

For the nine month period ended 30 September 2007 and 2006 the Group's and Company's sales by geographical segments consisted of the following:

Country	Group 2007	Company 2007	Group 2006	Company 2006
Lithuania	782,093	739,587	657,972	630,350
Russia	46,868	46,023	38,669	38,165
Finland	20,350	20,350	-	-
Estonia	17,889	17,756	6,806	6,413
Latvia	11,152	11,124	33,140	33,124
Germany	1,218	-	509	-
Sweden	92	-	37	-
Total	**879,662**	**834,840**	**737,133**	**708,052**

Besides direct exports, the Company also sells peak energy intended for export. During nine month period ended 30 September 2007 sales of peak energy amounted to MLTL 6.3 (during nine month period of 2006 – MLTL 9.3). Since May 2005, the Company has also exported electricity, generated on holidays and weekends. During nine month period of 2007 these sales amounted to MLTL 10.2 (during nine month period ended 30 September 2006 – MLTL 11.1).

23. Other income

For the nine month period ended 30 September 2007 and 2006 the Group's and Company's other income consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Data transmission	8,738	8,738	8,691	8,691
Internet services	2,163	2,168	1,873	1,878
Rent of property	1,668	1,661	1,324	1,342
Rent of facilities	1,887	1,887	1,967	1,967
Health and recreation services	937	719	849	652
Voice telephony services	330	362	335	361
IT services	303	303	296	296
Construction and other services	59	59	27	27
Gain on disposal of property, plant and equipment	42	283	117	70
Other income	1,363	410	630	292
Total other income	**17,490**	**16,590**	**16,109**	**15,576**

24. Other expenses

For the nine month period ended 30 September 2007 and 2006 the Group's and Company's other expenses consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Depreciation and amortization	6,337	6,337	5,979	5,979
IT and telecommunication expenses	4,380	4,380	4,417	4,417
Payroll and related expenses	2,179	2,018	2,206	2,077
Maintenance expenses	620	620	972	972
Other employment related expenses	976	976	892	892
Sponsorship and charity expenses	917	895	408	408
Repair expenses	-	-	356	356
Other expenses	1,803	863	1,622	1,157
Total other expenses	**17,212**	**16,089**	**16,852**	**16,258**

25. Other gains (losses)

For the nine month period ended 30 September 2007 and 2006 the Group's and Company's other gains (losses) consisted of the following:

	Group 2007	Company 2007	Group 2006	Company 2006
Fair value gains on derivative financial instruments at fair value	-	-	483	483
Income from advance repayment of the borrowing	-	-	237	237
Dividends received	-	413	-	208
Other income	36	-	109	-
Foreign currency exchange loss	(271)	(270)	(77)	(72)
Fair value losses on derivative financial instruments at fair value	(63)	(63)	(204)	(204)
Impairment of investments	(59)	(283)	-	(828)
Borrowings servicing expenses	(32)	(32)	(30)	(30)
Other expenses	-	-	(7)	(6)
Other gains (losses), net	**(389)**	**(235)**	**511**	**(212)**

26. Related party transactions

Sales and purchases of the goods and services:

As of 30 September 2007 and the nine month period, ended 30 September 2007, the Group's related party transactions consisted of the following:

Related parties	**Accounts payable**	**Accounts receivable**	**Purchases**	**Sales**
Parties related to Ministry of Economy of the Republic of Lithuania	50,097	84,893	318,340	374,154
Associates	1	50	6,925	109
Total	**50,098**	**84,943**	**325,265**	**374,263**

As of 30 September 2007 and the nine month period, ended 30 September 2007, the Company's related party transactions consisted of the following:

Related parties	**Accounts payable**	**Accounts receivable**	**Purchases**	**Sales**
Parties related to Ministry of Economy of the Republic of Lithuania	50,092	82,841	318,274	368,687
Subsidiaries	1,731	29	5,797	376
Associates	1	50	6,925	109
Total	**51,824**	**82,920**	**330,996**	**369,172**

As of 31 December 2007 and the year ended 31 December 2006, the Group's related party transactions consisted of the following:

Related parties	**Accounts payable**	**Accounts receivable**	**Purchases**	**Sales**
Parties related to Ministry of Economy of the Republic of Lithuania	30,599	45,328	366,410	438,836
Associates	-	395	1,310	137
Total	**30,599**	**45,723**	**367,720**	**438,973**

As of 31 December 2006 and for the year ended 31 December 2006 the Company's related party transactions consisted of the following:

Related parties	**Accounts payable**	**Accounts payable**	**Acquisitions**	**Sales**
Parties related to Ministry of Economy of the Republic of Lithuania	30,596	44,301	366,357	429,027
Subsidiaries	602	14	5,051	109
Associates	-	395	1,310	72
Total	**31,198**	**44,710**	**372,718**	**429,208**

All transactions with related parties were concluded on an arm's length basis.

(Continued)

26. Transactions with related parties (continued)

Compensation to key management personnel

For the nine month period ended 30 September 2007 and 2006 the Company's compensation to key management personnel consisted of the following:

	2007	2006
Remuneration of the management	1041	907
Other amounts paid to managers (bonuses for board members)	70	50
Number of managers	12	12

Management consists of Board members, heads of administrations and their deputies, chief accountants

27. Earnings per share

For the respective nine month periods ended September 30 of 2007 and 2006, earnings per share equaled:

	2007	2006
Net profit attributable to equity holders of the Company	38,853	31,713
Weighted average number of shares	689,515,435	689,515,435
Earnings per share (LTL)	**0.06**	**0.05**

28. Dividends per share

Dividends per share consisted of the following:

	For the financial year ended December 31, 2006	For the financial year ended December 31, 2005
Dividends declared	8,154	8,100
Weighted average number of shares	689,515,435	689,515,435
Dividends declared per share (LTL)	**0.01**	**0.01**

29. Financial risk management

The Group's companies incur financial risks in their operations, i.e. credit risk, liquidity risks and market risk (risks of foreign currency, interest rate in relation to fair value and cash flows, as well as the securities price risk). To manage the aforesaid risks, the Group's companies seek to reduce the impact of factors which could negatively impact financial results of their operations.
Financial risks of the Company are managed by its Finance Department abiding by the principles of Financial Risk Management approved by Company's management board on March 3, 2004.

Credit Risk

As of September 30, 2007 and December 31, 2006, the credit risk was related to:

	Group September 30, 2007	Company, September 30, 2007	Group December 31, 2006	Company, December 31, 2006
Financial assets	209,542	190,730	117,592	106,264

Financial assets consist of trade receivables, other receivables, term deposits, cash and cash equivalents.

The credit risk of the Group and the Company related to the amounts receivable is rather limited because the main buyers are reliable customers.

Neither the Group nor the Company has significant credit risk concentration, because credit risks are allocated to numerous customers.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

(Continued)

29. Financial risk management (continued)

Ratings of the banks issued by international rating agency Fitchratings:

Bank	Long-term credit rating	Short-term credit rating
SEB Vilniaus Bankas AB	A	F1
Hansabank Group	A	F1
AB DnB Nord bank	A	F-2
Nordea Bank Finland Plc, Lithuanian branch	AA-	F-1

Ratings of the banks issued by international rating agency Moody's:

Bank	Long-term credit rating	Short-term credit rating
Hansabank Group	A1	P-1
Nordea Bank Finland Plc. , Lithuanian Branch	Aa1-	P-1

As of 30 September 2007 and 31 December 2006 the majority of impaired financial assets of the Group and the Company consisted of trade receivables from Ekranas AB (in the amount of LTL'000 9,612, which is fully provided for), that went bankrupt at the date of the financial statements.

As of 30 September 2007 and 31 December 2006 the ageing analysis of the Group's and Company's financial assets that were past due but not impaired consisted of the following:

	Group 30 September 2007	Company 30 September 2007	Group 31 December 2006	Company 31 December 2006
Paid on due date	175,498	162,280	94,169	87,730
Overdue up to 30 days	1,129	458	719	382
Overdue from 30 to 60 days	44	-	828	13
Overdue from 60 to 90 days	151	-	11	-
Overdue more than 90 days	4	-	47	-
Carrying amount	**176,826**	**162,738**	**95,774**	**88,125**

Liquidity risk
The liquidity risk is managed by planning the cash flows of Group's. In order to minimize the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late coverage of receivables and the short-term cash flows (proceeds and payments).

When concluding credit contracts, the Group companies follow the following principles: the amount of liquid assets and unused credit lines and credits in the bank accounts must cover the current liabilities of the Group companies, including the current portion of long-term borrowings.

The following table details the Group's and Company's contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 30 September 2007				
Borrowings	2,022	3,818	50,953	2,022
Obligations under finance leases	182	-	-	-
Trade and other payables	270,325	-	-	-
As of 31 December 2006				
Borrowings	20,581	5,085	44,047	21,308
Obligations under finance leases	263	119	-	-
Trade and other payables	175,131	-	-	-

(Continued)

29. *Financial risk management (continued)*

The Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 30 September 2007				
Borrowings	2,022	3,818	50,953	2,022
Trade and other payables	256,842	-	-	-
As of 31 December 2006				
Borrowings	20,581	5,085	44,047	21,308
Trade and other payables	166,333	-	-	-

As of 30 September 2007 the Group and Company's net working capital was negative and amounted to LTL'000 55,042 and LTL'000 66,044 respectively. The Group's current ratio was 0.80, the Company's – 0.75. The Group's quick ratio was 0.76, the Company's – 0.72.

As of 31 December 2006 the Group and Company's net working capital was negative and amounted to LTL'000 71,508 and LTL'000 80,305 respectively. The Group's current ratio was 0.64, the Company's – 0.57. The Group's quick ratio was 0.57, the Company's – 0.54.

Market risk

Interest rate risk
The income and cash flows of the Group companies are not exposed significantly to the fluctuations of the market interest rate. Mostly interest rate risk arose from long-term borrowings. The borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. The borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

According to the principles of financial risk management approved by the Group's companies, the interest expenses must be forecasted with sufficient precision for a period that is not shorter than the period of establishing the price cap of the electricity transmission service (three years). The loan portfolio of the Group is formed on the basis of the following principle: at least 50% of all the borrowings must be with fixed interest rate, the remaining borrowings – with floating interest rate.

The Group's companies have borrowings with fixed and floating interest rates, related to EURIBOR, EUR LIBOR and VILIBOR.

The Company manages the interest rate risk by entering into interest swap agreements, by changing a floating interest rate into a fixed interest rate. The Company takes long-term borrowings from banks with the floating interest rate and concludes respective swap agreements for changing the floating interest rate to fixed interest rate by ensuring lower fixed interest rates as compared to those which would be applicable if the loan agreements with the fixed interest rate were directly concluded with the banks.

An interest rate swap agreement is a bilateral agreement according to which the parties undertake to swap the cash flows of interest calculated for the period agreed when entering into transaction on the agreed amount. Usually, according to this agreement the cash flows of one financial instrument (either with fixed or floating interest rate) are changed over to the cash flows from other financial instrument (either with fixed or floating interest rate). In such transaction both parties can pay the calculated amount of interest or one of the parties can pay the difference between the interest amounts.

Interest swap agreements are concluded when the increase of the interest base-rate is projected in the future and hence the interest payable by the Company at the floating interest rate could increase respectively, or when the decrease of interest base-rate is projected in the future and hence the interest payable by the Company at the fixed interest rate could increase respectively.

With an aim to manage the interest rate fluctuation risk, at the end of 2003 the Company entered into the interest rate swap agreement with Nordea Bank Finland Plc., Lithuanian branch, with maturity falling to 30 June 2007.

If during the nine month period ended 30 September 2007 the interest rates on the Group's and the Company's borrowings were higher by 1 basis point, the net profit of the Group and the Company would have decreased by 0,7% (in 2006 – 2,7%). If during the nine month period the interest rates on the Group's and the Company's borrowings were lower by 1 basis point, the Group's and the Company's net profit would have been higher by 0,7% (in 2006 – 2,7%).

Foreign exchange risk
In order to manage the foreign exchange risk, the Group's companies conclude credit contracts only in Euros and Litas. The sales/purchase contracts are also denominated mostly in Euros and Litas.

Starting from 2 February 2002, Litas is pegged to EUR, therefore the Group's and the Company's equity is not sensitive to changes in foreign currencies exchange rates.

The Group's companies have no significant concentration of foreign exchange risk; therefore, it did not use any financial instruments facilitating control over the foreign exchange risk in 2007 and in 2006.

(Continued)

29. *Financial risk management (continued)*

As of 30 September 2007 monetary assets and liabilities in various currencies consisted of the following:

	Group			Company		
	Asset	Liabilities	Net on-balance sheet financial position	Asset	Liabilities	Net on-balance sheet financial position
LTL	204,112	513,075	(308,963)	188,673	498,920	(310,247)
EUR	5,806	89,215	(83,409)	3,276	89,210	(85,934)
USD	56	485	(429)	45	485	(440)
RUR	84	127	(43)	-	-	-
LVL	8	-	8	-	-	-
EEK	-	-	-	-	-	-
Total	**210,066**	**602,902**	**(392,836)**	**191,994**	**588,615**	**(396,621)**

As of 31 December 2006 financial asset and liabilities in various currencies were as follows:

	Group			Company		
	Asset	Liabilities	Net on-balance sheet financial position	Asset	Liabilities	Net on-balance sheet financial position
LTL	117,413	416,067	(298,654)	107,833	406,453	(298,620)
EUR	2,654	121,563	(118,909)	735	121,526	(120,791)
USD	63	445	(382)	49	445	(396)
RUR	62	59	3	-	-	-
LVL	13	4	9	-	-	-
Total	**120,205**	**538,138**	**(417,933)**	**108,617**	**528,424**	**(419,807)**

Risk of security prices
The Group's companies have not acquired any securities (shares, bonds, etc.) for trading in securities thus they do no face the risks related to security prices.

The Group's companies have direct control over their subsidiaries and take part in management of associates (Note 6 *Investments).* Investments in these companies are accounted at acquisition cost in the financial statements of the Company which is adjusted by impairment losses, if any. Investments in associates in Group's consolidated financial statements are accounted using the equity method by adjusting their carrying amounts by the share of the profits or losses attributable to the Group. The increase / decrease in the carrying amount of these investments directly impact the financial results of the Group's companies. The Group impacts the results of its subsidiaries or associates by taking part in the formation of the policy of operations managements of these companies.

30. *Commitments and contingencies*

Guarantees issued
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 30 September 2007 bank Hansabankas AB issued the following guarantees:
1. Beneficiary - Vilnius Municipality, amount - LTL'000 16, type - performance security, maturity - 2 December 2009;

As of 30 September 2007 Nordea Bank Finland Plc. Lithuanian Branch issued the following guarantees:
1. Beneficiary - Fabryka Kotlow RAFAKO S.A., amount - EUR 55,838 (LTL 192,798), type - performance security, maturity – 1 October 2008.
2. Beneficiary – Fabryka Kotlow RAFAKO S.A., amount - EUR 56,756 (LTL 195,966), type - performance security, maturity – 30 March 2009.

Legal proceedings
As of 30 September 2007 and 31 December 2006 the Group and the Company was not involved in legal proceedings which in the management opinion would have a material impact on the financial statements.

31. Subsequent events

At 18 October 2007 the international rating agency Standard & Poor's confirmed the Company's corporate long-term credit rating A- and issued a negative outlook.
At 5 November 2007 in Stockholm the Company and Swedish transmission system operator Svenska Kraftnat approved the first stage of a feasibility study for interconnection of the transmission systems of both countries. The study report stated that the interconnection of Lithuanian and Swedish power grids is feasible and would be economically substantiated. The preliminary estimations showed that the investments in the project would be approx. EUR 550 million. During the second stage of the feasibility study it is planned to additionally assess the possibilities to connect the wind parks to the Lithuanian – Swedish interconnection cable, and possibilities to raise financing for the project. The feasibility study for interconnection of the power systems of Sweden and Lithuania assesses the possibility to interconnect the transmission systems of both countries by constructing the undersea cable of approx. 350 km length and 700 – 1,000 MW capacity across the Baltic Sea. This interconnection is important for promotion of energy safety and reliability of electricity supply of the entire Baltic region as well as for integration of the Baltic States with the European Union electricity market. It is projected to complete the entire study in January 2008.

At 15 November 2007 the environmental impact assessment (EIA) program of a new nuclear power plant, initiated by Lietuvos Energija, was approved by the Ministry of Environment of the Republic of Lithuania. The program was prepared by a consortium composed of experts of Finnish company Poyry Energy Oy and scholars of Lithuanian Energy Institute.

During the international hearing, the following foreign countries were informed about the planned business activity: Latvia, Estonia, Belarus, Poland, Russia, Finland and Sweden. Summarized comments from public and state institutions of the respective countries have been presented by Latvian, Estonian, Belarussian, Swedish and Finnish authorized institutions.

According to the EIA program, it is planned to assess an environmental impact of construction and operation of a new Lithuanian nuclear power plant with the capacity of up to 3400 MW on population, water systems, air quality, soil, fauna, protected territories, landscape, cultural heritage, etc. There will be a separate summarized assessment of impact on the ecosystem of Drūkšiai lake. It is projected to assess two territorial alternatives in the territory of the existing Ignalina nuclear power plant and three possible technological alternatives of reactors: boiling water, pressurized water or pressurized heavy water. Moreover, the environmental impact of the zero alternative will be assessed, i.e. the case when no nuclear power plant is constructed in Lithuania. Taking into account the conclusions of responsible state institutions, opinion of residents, results of international consultations with Latvia, Belarus and other countries, where the operation of the nuclear power plant may have an impact, a final decision will be adopted regarding the construction of a new nuclear power plant.

The approved EIA program is available on the website of Lietuvos Energija under the *Project for a New Nuclear Power Plant* (http://www.le.lt/lt/main/atom/PAV_nuclear/PAV_programa_nuclear).

At 26 October 2007 the Board of Lietuvos Energija during its meeting resolved to convene an extraordinary general shareholders meeting on November 27 of this year. The agenda of the meeting had to include the increasing of company's authorized capital, revision and approval of the Company's Articles of Association, dismissal of the current Board of Supervisors and election of a new Board of Supervisors. It was projected to increase the Company's authorized capital by additional contributions of shareholders and emission of new shares. However, the general shareholder meeting was not held due to the absence of the quorum. The notice on the repeated convocation of the general shareholders meeting will be published according to the established procedure.