LIETUVOS ENERGIJA

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

29 /05/2008 Ref. No 12-4395

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, Acting Director General, and Sigitas Baranauskas, Chief Financier of Lietuvos Energija AB hereby confirm that, to the best of our knowledge, the interim financial statements for a three-month period ended 31 March 2008, 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 a three-month period ended 31 March 2008.

Rimantas Šukys
Acting Director General

AKCINĖ BENDROVĖ LIETUVOS ENERGIJA • LIETUVOS RESPUBLIKA • VILNIUS
LIETUVOS ENERGIJA

Sigitas Baranauskas
Chief Financier

LIETUVOS ENERGIJA AB

INTERIM FINANCIAL STATEMENTS FOR A THREE-MONTH PERIOD ENDED 31 MARCH 2008

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Interim Financial Statements signed on 22 May 2008

Rimantas Šukys Acting Director General	Sigitas Baranauskas Chief Financier

BALANCE SHEETS
For the period ended 31 March 2008
All amounts are in LTL thousand, unless stated otherwise

	Notes	Group, 31 March, 2008	Company, 31 March, 2008	Group, 31 December, 2007	Company 31 December, 2007
ASSETS					
Non-current assets:					
Intangible assets	4	4,536	4,448	5,105	5,003
Property, plant and equipment	5	2,561,609	2,536,810	2,569,054	2,544,042
Investments in subsidiaries	6	-	34,116	-	34,116
Investments in associates	6	23,380	22,964	21,040	20,625
Accounts receivable	7	709	709	1,978	1,978
Other financial assets		50	15	50	15
Total non-current assets		**2,590,284**	**2,599,062**	**2,597,227**	**2,605,779**
Current assets:					
Inventories	8	13,876	6,859	12,838	6,144
Prepayments		2,610	1,609	2,772	2,137
Trade receivables	9	145,262	126,470	121,370	105,067
Other receivables	10	7,442	7,387	11,805	11,485
Other assets		11	-	3	-
Term deposits	11	150	-	150	-
Cash and cash equivalents	12	6,377	5,211	18,318	14,566
Total current assets		**175,728**	**147,536**	**167,256**	**139,399**
TOTAL ASSETS		**2,766,012**	**2,746,598**	**2,764,483**	**2,745,178**
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	70,730	68,952	70,730	68,952
Other reserves	15	1,404,786	1,402,660	1,404,786	1,402,660
Retained earnings		96,192	97,603	47,335	48,911
Foreign currency translation reserve		(6)	-	(2)	-
Equity attributable to equity holders of the Parent		**2,261,220**	**2,258,733**	**2,212,367**	**2,210,041**
Minority interest		1	-	1	-
Total equity		**2,261,221**	**2,258,733**	**2,212,368**	**2,210,041**
Non-current liabilities:					
Borrowings	16	22,911	22,911	61,903	61,903
Issued bonds	18	25,896	25,896	25,896	25,896
Obligations under finance leases	17	51	-	-	-
Grants	19	50,280	50,234	50,871	50,819
Deferred income tax liabilities	21	206,412	206,058	208,486	208,129
Total non-current liabilities		**305,550**	**305,099**	**347,156**	**346,747**
Current liabilities:					
Borrowings	16	2,022	2,022	2,022	2,022
Obligations under finance leases	17	90	-	118	-
Current income tax liabilities		10,939	10,817	4,237	4,104
Trade and other payables	20	186,190	169,927	198,582	182,264
Total current liabilities		**199,241**	**182,766**	**204,959**	**188,390**
Total liabilities		**504,791**	**487,865**	**552,115**	**535,137**
TOTAL EQUITY AND LIABILITIES		**2,766,012**	**2,746,598**	**2,764,483**	**2,745,178**

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

LIETUVOS ENERGIJA AB
Company code 220551550, Žvejų g. 14, LT-09310 Vilnius
INCOME STATEMENTS
For the period ended 31March 2008
All amounts are in LTL thousand, unless stated otherwise

	Notes	Group 2008 January-March	Company 2008 January-March	Group 2007 January-March	Company 2007 January-March
Sales	22	353,246	335,915	305,592	292,010
Operating expenses	22	(294,352)	(277,304)	(288,898)	(275,630)
GROSS PROFIT		**58,894**	**58,611**	**16,694**	**16,380**
Other operating income	23	5,754	5,644	5,683	5,440
Other operating expenses		(5,314)	(5,114)	(5,607)	(5,182)
Other gains (losses), net	24	9	(687)	(162)	(130)
OPERATING PROFIT		**59,343**	**58,454**	**16,608**	**16,508**
Finance income		112	90	141	133
Finance costs		(926)	(923)	(1,474)	(1,470)
Net results (loss) of associates		(685)		(141)	-
PROFIT BEFORE INCOME TAX		**57,844**	**57,621**	**15,134**	**15,171**
Income tax expense	21	(8,987)	(8,929)	(2,503)	(2,402)
NET PROFIT		**48,857**	**48,692**	**12,631**	**12,769**
ATTRIBUTABLE TO:					
Equity holders of the Parent		48,857	48,692	12,631	12,769
Minority interest		-	-	-	-
		48,857	**48,692**	**12,631**	**12,769**
Basic and diluted earnings per share (LTL)	26	**0,07**	**0,07**	**0.03**	**0.03**

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

STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 March 2008
All amounts are in LTL thousand, unless stated otherwise

Group	Notes	Share capital	Share premium	Legal reserve	Other reserves (note 15)	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the Parent	Minority interest	Total
Balance as of 31 December, 2006		**689,515**	**3**	**70,407**	**1,394,560**	**17,651**	**(6)**	**2,172,130**	**1**	**2,172,131**
Transfer to reserves	15	-	-	-	25	(25)	-	-	-	-
Reserves used	15	-	-	-	(11)	11	-	-	-	-
Net profit for the period		-	-	-	-	12,631	-	12,631	-	12,631
Balance as of 31 March, 2007		**689,515**	**3**	**70,407**	**1,394,574**	**30,268**	**(6)**	**2,184,761**	**1**	**2,184,762**
Dividends	27	-	-	-	-	(8,154)	-	(8,154)	-	(8,154)
Transfers to reserves	15	-	-	325	12,361	(12,686)	-	-	-	-
Reserves used	15	-	-	(2)	(2,149)	2,151	-	-	-	-
Net profit for the period		-	-	-	-	35,756	-	35,756	-	35,756
Exchange difference arising on translation of foreign operations		-	-	-	-	-	4	4	-	4
Balance as of 31 December, 2007		**689,515**	**3**	**70,730**	**1,404,786**	**47,335**	**(2)**	**2,212,367**	**1**	**2,212,368**
Dividends	27	-	-	-	-	-	-	-	-	-
Transfer to reserves	15	-	-	-	-	-	-	-	-	-
Reserves used	15	-	-	-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	48,857	-	48,857	-	48,857
Exchange difference arising on translation of foreign operations		-	-	-	-	-	(4)	(4)	-	(4)
Balance as of 31 March, 2008		**689,515**	**3**	**70,730**	**1,404,786**	**96,192**	**(6)**	**2,261,220**	**1**	**2,261,221**

(Continued on the following page)

STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 March 2008
All amounts are in LTL thousand, unless stated otherwise

Company	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December, 2006		**689,515**	**3**	**68,952**	**1,392,429**	**18,385**	**2,169,284**
Net profit for the period		-	-	-	-	12,769	12,769
Balance as of 31 March, 2007		**689,515**	**3**	**68,952**	**1,392,429**	**31,154**	**2,182,053**
Dividends	27	-	-	-	-	(8,154)	(8,154)
Transfer to reserves	15	-	-	-	12,231	(12,231)	-
Reserves used	15	-	-	-	(2,000)	2,000	-
Net profit for the period		-	-	-	-	34,582	**34,582**
Revaluation of property, plant and equipment	6	-	-	-	1,560	-	1,560
Disposal of property, plant and equipment	6	-	-	-	(1,560)	1,560	-
Balance as of 31 December, 2007		**689,515**	**3**	**68,952**	**1,402,660**	**48,911**	**2,210,041**
Dividends	27	-	-	-	-	-	-
Transfer to reserves	15	-	-	-	-	-	-
Reserves used	15	-	-	-	-	-	-
Net profit for the period		-	-	-	-	48,692	**48,692**
Balance as of 31 March, 2008		**689,515**	**3**	**68,952**	**1,402,660**	**97,603**	**2,258,733**

(Concluded)

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

	Group 31 March, 2008	Company 31 March, 2008	Group 31 March, 2007	Company 31 March, 2007
Net profit	48,857	48,692	12,631	12,769
Adjustments for non-cash expense (income) items and other adjustments				
Depreciation and amortization	34,656	34,154	36,610	36,130
Change in deferred income tax liabilities	(2,074)	(2,071)	(3,260)	(3,246)
Impairment of assets	(1,763)	(1,763)	127	127
Income and social tax expense	11,062	11,000	5,763	5,648
Income from grants	(591)	(585)	(269)	(263)
Profit (loss) from disposal of non-current assets (excluding financial assets)	455	454	(250)	(250)
Elimination of results of financial and investing activities:				
- Dividends			-	(180)
- Foreign currency exchange loss, net	(13)	(17)	96	96
- Finance costs	926	923	1,474	1,470
- Finance income	(112)	(90)	(141)	(133)
- Loss (gain) from other financial activities	11	18	(1)	49
Changes in working capital				
(Increase) decrease in inventories	(992)	(669)	(1,643)	(1,720)
(Increase) decrease in prepayments	162	529	709	692
(Increase) decrease in trade receivables	(19,146)	(18,185)	(19,658)	(22,017)
Decrease in other receivables	(2,457)	(2,702)	448	252
Decrease (increase) in other current assets	2,394	2,402	(8)	-
Increase (decrease) in current trade payables and advances received	(20,816)	(16,665)	(15,758)	(14,521)
Increase (decrease) in payroll related liabilities	2,515	2,363	2,548	1,890
Increase in other accounts payable	3,358	1,818	3,354	2,850
Decrease in provisions			49	-
Income and social tax paid	(4,080)	(4,007)	(58)	-
Net cash flows from operating activities	***52,352***	***55,599***	***22,763***	***19,643***
Cash flows from / (to) investing activities				
Purchases of property, plant and equipment and intangible assets	(26,107)	(26,829)	(14,527)	(14,713)
Proceeds on disposal of property, plant and equipment and intangible assets	7	7	350	350
Loan repayments received	1,522	1,522	4	4
Term deposits				
Acquisition of investments			(10)	(10)
Loans granted				
Proceeds on disposal of investments			-	-
Dividends received			-	-
Interest received	148	131	57	50
Net cash flows to investing activities	***(24,430)***	***(25,169)***	***(14,126)***	***(14,319)***
Cash flows from / (to) financing activities				
Proceeds from borrowings	24,066	24,066	43,872	43,872
Proceeds from issuance of bonds	-	-	-	-
Bonds redeemed	-	-	-	-
Repayments of borrowings	(63,058)	(63,058)	(46,979)	(46,979)
Repayments of obligations under finance leases	(74)	-	(74)	-
Dividends paid	(45)	(45)	(5)	(5)
Interest paid	(734)	(730)	(1,223)	(1,218)
Realized derivative financial instruments		-	-	-
Other cash flows from financing activities	(18)	(18)	(19)	(19)
Net cash flows to financing activities	***(39,863)***	***(39,785)***	***(4,428)***	***(4,349)***
Net cash increase (decrease)	**(11,941)**	**(9,355)**	**4,209**	**975**
Cash and cash equivalents at the beginning of the period	**18,468**	**14,566**	**4,938**	**1,357**
Cash and cash equivalents at the end of the period	**6,527**	**5,211**	**9,147**	**2,332**

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 at 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.

At 4 March 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 27 March 1991, after the restoration of independence of the Republic of Lithuania. The Company was re-registered on 13 April 1999 at the Ministry of Economy.

The share capital of the Company did not change neither in 2008 nor 2007 and as of 31 March 2008 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 2007 and 2008 the Company did not purchase its own shares. As of 31 March 2008 the main shareholder of Lietuvos Energija AB was the state of Lithuania holding 96.47% 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 3.53% of the Company's shares are held by other shareholders.

The main activities of the Company in 2008 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 22 March 2002 the Company has got 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 31 March 2008 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 the following 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 and Kaliningradskij Energoremont OOO. By the Resolution No 6-12/1119368 of the Register of Companies of the Republic of Latvia, on 4 October 2007 Rigas Energetikas Remonts SIA was withdrawn from the Commercial Register of Latvia. Before the liquidation date, 100% of Rigas Energetikas Remonts SIA shares were owned by Kauno Energetikos Remontas UAB.

These interim financial statements for Q1 2008 include the consolidated Lietuvos Energija AB and its subsidiaries' financial statements and separate financial statements of the parent 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 31 March 2008 (LTL)	Main activity
Energetikos Pajėgos UAB	T.Masiulio str. 16d, Kaunas, Lithuania	100%	430,400	78,201	756,113	Design of energy objects
Kauno Energetikos Remontas UAB	Chemijos str. 17, Kaunas, Lithuania	100%	31,340,763	152,888	36,729,261	Repair of energy equipment, manufacture of metal constructions
Kruonio Investicijos UAB	Kruonio II k., Kaišiadorių district, Lithuania	100%	2,361,000	(23,843)	2,286,931	Development of public, recreational objects
Gotlitas UAB	R.Kalantos str. 119, Kaunas, Lithuania	100%	1,450,000	1,729	1,462,121	Accommodation services, trading activities
Kaliningradskij energoremont OOO	Jaltinskaya str. 66, Kaliningrad, Russia	99%	951 (RUR 9,900)	15,393	133,737	Repair of energy equipment

(Continued)

1. General information (continued)

As of 31 March 2008 the number of employees of the Group was 1,756 (1,752 as of 31 December 2007). 853 employees were employed at the head office and transmission divisions (883 as of 31 December 2007), 275 – in the branches (277 as of 31 December 2007), Energetikos Pajėgos UAB - 21 (21 as of 31 December 2007), Kauno Energetikos Remontas UAB - 568 (560 as of 31 December 2007), Kruonio Investicijos UAB -1 (1 as of December 2007), Gotlitas UAB - 20 (22 as of 31 December 2006), Kaliningradskij Energoremont OOO - 18 (18 as of 31 December 2006).

On 8 March 2006 the heads of three Baltic energy companies – Lietuvos Energija AB, Eesti Energia AS and Latvenergo AS signed a memorandum of understanding regarding the preparation for the construction of a new nuclear power plant in Lithuania. The basis for signing this Memorandum was laid on 27 February 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. At 25 October 2006 the project's Steering Committee approved the results of the Feasibility Study on the construction of a new nuclear power plant in Lithuania. During the Study the 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 on the Nuclear Power Plant of the Republic of Lithuania dated 28 June 2007, as well as the Law No. X-1446 on change of Articles 8, 10, 11, 20 and amendment of the Law on the Nuclear Power Plant dated 1 February 2008.

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

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 22 November 2007, the Company became a member of the Nuclear Energy Association of Lithuania (LNEA). The LNEA is a voluntary association of legal and natural persons, who in their activity are related to nuclear energy, targeted to propagate technological and scientific development of applied nuclear technologies, to initiate, expand and promote exchange of experience and expertise, cooperation among the nuclear energy specialists of Lithuania and foreign countries.

At 18 October 2007 the international rating agency Standard & Poor's revised a corporate long-term credit rating for borrowings in foreign currency. It confirmed rating A- and established a negative rating outlook. The short-term credit rating for borrowings in foreign currency is A-2.

2. *Significant accounting policies*

The main accounting policies adopted in preparing the Company's interim financial statements and the Group's interim consolidated financial statements for the period ended 31 March 2008 are as follows:

2.1 Basis of representation

These 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 portfolio 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 reporting 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 the Company and the Group operations and effective for an accounting period beginning at 1 January 2008. 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) Standards, amendments and interpretations that became effective in 2008, 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, Change regarding capital disclosures (valid for reporting period starting on r after 1 January 2007)
- IFRS 7, Financial instruments: disclosure (30 IRS cancellation), (valid for reporting period starting on or after 1 January 2007; an advance application is possible);
- 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);

b) Standards, amendments and interpretations that were issued, but not effective in 2008 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) - not yet endorsed by the EU;
- IRFIC 13, Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008) - not yet endorsed by the EU;

The Company and the Group's management is of the opinion that adoption of these standards and interpretations 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 for 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 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 1 January 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 (1 January 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 Property, plant and equipment	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 overhead electricity transmission lines	40-55
330, 110, 35, 6-10 kV electric switchgear equipment	30-35
330, 110, 35, 6-10 kV power transformers	35
Relay protection 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 property, plant and equipment (PPE) and non-current 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.

2.8 Impairment of plant, property and equipment (PPE) 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 (without exceeding the sum of previous value impairment).

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 is 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 2.9 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:

31 March 2008			31 December 2007		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 LVL	=	4.9550 LTL	1 LVL	=	4.9567 LTL
100 RUR	=	9.3119 LTL	100 RUR	=	9.6085 LTL
10 SEK	=	3.6755 LTL	10 SEK	=	3.6437 LTL
1 USD	=	2.1891 LTL	1 USD	=	2.3572 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 under the leasing agreement. 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 when they are earned, i.e. irrespective of cash inflows.

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 pre-tax 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 2008 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. During the mentioned taxing periods, the basis for social tax calculation was 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, in 2007 and the Q1 2008 were 689,515,435. As of 31 March 2008 and 31 December 2007 and in the Q1 2008 and 2007, 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 it is 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 financial 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 the intermediary) 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 31 March 2008 and 31 December 2007 there were no indications that property, plant and equipment was impaired.

4. *Intangible assets*

As of 31 March 2008 and 31 December 2007, 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, 2006	**2,329**	**16,698**	**43**	**19,070**
- additions	-	-	5	5
- disposals (-)	-	-	-	-
As of 31 March, 2007.	**2,329**	**16,698**	**48**	**19,075**
As of 31 December, 2007	**2,337**	**17,634**	**36**	**20,007**
- additions	-	112	-	112
- disposals (-)	-	(14)	-	(14)
As of 31 March, 2008	**2,337**	**17,732**	**36**	**20,105**
Amortization				
as of 31 December, 2006	**1,051**	**11,183**	**14**	**12,248**
- amortization	169	583	2	754
- disposals (-)	-	-	-	-
As of 31 March, 2007	**1,220**	**11,766**	**16**	**13,002**
As of 31 December, 2007	**1,714**	**13,173**	**15**	**14,902**
- amortization	127	552	2	681
- disposals (-)	-	(14)	-	(14)
as of 31 March, 2008	**1,841**	**13,711**	**17**	**15,569**
Carrying amount				
As of 31 December,	**623**	**4,461**	**21**	**5,105**
As of 31 March, 2008	**496**	**4,021**	**19**	**4,536**

As of 31 March, 2008 and 31 December, 2007, 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, 2006	**2,277**	**16,625**	**7**	**18,909**
- additions	-	-	-	-
- disposals (-)	-	-	-	-
as of 31 March, 2007	**2,277**	**16,625**	**7**	**18,909**
as of 31 December, 2007	**2,277**	**17,501**	-	**19,778**
- additions	-	112	-	112
- disposals (-)	-	(14)	-	(14)
as of 31 March, 2008	**2,277**	**17,599**	-	**19,876**
Amortization				
as of 31 December, 2006	**1,019**	**11,132**	**7**	**12,158**
- amortization	165	578	-	743
- disposals (-)	-	-	-	-
as of 31 March, 2007	**1,184**	**11,710**	**7**	**12,901**
as of 31 December, 2007	**1,667**	**13,108**	-	**14,775**
- amortization	123	544	-	667
- disposals (-)	-	(14)	-	(14)
as of 31 March, 2008	**1,790**	**13,638**	-	**15,428**
Carrying amount				
as of 31 December, 2007	**610**	**4,393**	-	**5,003**
as of 31 March, 2008	**487**	**3,961**	-	**4,448**

As of 31 March, 2008 and 31 December, 2007 the acquisition cost of Group and Company's fully amortized non-current intangible assets that are still in use consisted of the following:

Group of non-current intangible assets	Group 31 March, 2007	Company 31 March, 2007	Group 31 December, 2007	Company 31 December, 2007
Patents and licenses	795	795	555	555
Software	10,388	10,345	9,521	9,478
Other intangible assets	-	-	-	-
Total	**11,183**	**11,140**	**10,076**	**10,033**

5. *Property, plant and equipment*

As of 31 March, 2008 and 31 December, 2007 the Group's property, plant 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, 2006	-	**2,432,760**	**297,432**	**22,749**	**123,615**	**95,598**	**37,101**	**3,009,255**
- additions	-	28	239	227	180	15,714	4,926	21,314
- disposals (-)	-	(92)	(1,434)	(64)	(235)	-	-	(1,825)
- reclassifications +/(-)	-	15,567	3,770	-	3,309	(16,948)	(5,698)	-
as of 31 March, 2007	-	**2,448,263**	**300,007**	**22,912**	**126,869**	**94,364**	**36,329**	**3,028,744**
as of 31 December, 2007	**84**	**2,490,169**	**311,148**	**24,893**	**135,006**	**198,475**	**11,586**	**3,171,361**
- additions	35	69	512	187	43	23,921	2,225	26,992
- disposals (-)	-	(1,183)	(77)	-	(120)	-	-	(1,380)
- reclassifications +/(-)	-	3,177	243	-	1,024	(3,150)	(1,294)	-
as of 31 March, 2008	**119**	**2,492,232**	**311,826**	**25,080**	**135,953**	**219,246**	**12,517**	**3,196,973**
Depreciation								
as of 31 December, 2006	-	**332,444**	**59,456**	**12,161**	**55,384**	-	**254**	**459,699**
- depreciation	-	25,041	4,952	803	5,038	-	21	35,855
- disposals (-)	-	(8)	(1,423)	(64)	(230)	-	-	(1,725)
- reclassifications +/(-)	-	-	-	-	-	-	-	-
as of 31 March, 2007	-	**357,477**	**62,985**	**12,900**	**60,192**	-	**275**	**493,829**
as of 31 December, 2007	-	**432,292**	**77,846**	**14,796**	**74,560**		**336**	**599,830**
- depreciation	-	23,861	4,879	790	4,424	-	21	33,975
- disposals (-)	-	(725)	(74)	-	(119)	-	-	(918)
as of 31 March, 2008	-	**455,428**	**82,651**	**15,586**	**78,865**	-	**357**	**632,887**
Impairment								
as of 31 December, 2006	-	**1,218**	-	-	-	-	-	**1,218**
- impairment	-	-	-		-	-	-	-
- reversals (-)	-	(30)	-	-	-	-	-	(30)
as of 31 March, 2007	-	**1,188**	-	-	-	-	-	**1,188**
as of 31 December, 2007	-	**1,381**	**369**	-	**727**	-	-	**2,477**
- disposals (-)	-	-	-	-	-	-	-	-
- impairment	-	-	-	-	-	-	-	-
as of 31 March, 2008	-	**1,381**	**369**	-	**727**	-	-	**2,477**
Carrying amount								
as of 31 December, 2007	**84**	**2,056,496**	**232,933**	**10,097**	**59,719**	**198,475**	**11,250**	**2,569,054**
As of 31 March, 2008	**119**	**2,035,423**	**228,806**	**9,494**	**56,361**	**219,246**	**12,160**	**2,561,609**

(Continued on the following page)

5. Property, plant and equipment (continued)

As of 31 March 2008 and 31 December 2007 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, 2006	-	**2,414,303**	**287,709**	**20,482**	**123,316**	**96,148**	**36,234**	**2,978,192**
- additions	-	-	191	138	180	15,805	4,909	21,223
- disposals (-)	-	(91)	(1,378)	(50)	(235)	-	-	(1,754)
- reclassifications +/(-)	-	15,615	3,770	-	3,309	(16,996)	(5,698)	-
as of 31 March, 2007	-	**2,429,827**	**290,292**	**20,570**	**126,570**	**94,957**	**35,445**	**2,997,661**
as of 31 December, 2007	84	**2,471,233**	**300,671**	**22,509**	**134,695**	**200,070**	**10,690**	**3,139,952**
- depreciation	35	-	274	139	43	24,009	2,216	26,716
- disposals (-)	-	(1,183)	(42)	-	(119)	-	-	(1,344)
- reclassifications +/(-)	-	3,176	243	-	1,024	(3,150)	(1,293)	-
as of 31 March, 2008	**119**	**2,473,226**	**301,146**	**22,648**	**135,643**	**220,929**	**11,613**	**3,165,324**
Depreciation								
as of 31 December, 2006	-	**331,229**	**56,930**	**11,479**	**55,208**	-	**106**	**454,952**
- depreciation	-	24,942	4,687	729	5,020	-	9	35,387
- disposals (-)	-	(8)	(1,366)	(50)	(230)	-	-	(1,654)
- reclassifications +/(-)	-	-	-	-	-	-	-	-
as of 31 March, 2007	-	**356,163**	**60,251**	**12,158**	**59,998**	-	**115**	**488,685**
as of 31 December, 2007	-	**430,684**	**74,380**	**13,918**	**74,321**	-	**141**	**593,444**
- depreciation	-	23,759	4,597	712	4,411	-	9	33,488
- disposals (-)	-	(725)	(40)	-	(119)	-	-	(884)
31 March, 2008	-	**453,718**	**78,937**	**14,630**	**78,613**	-	**150**	**626,048**
Impairment								
as of 31 December, 2006	-	**1,207**	-	-	-	-	-	**1,207**
- impairment	-	-	-	-	-	-	-	-
- reversals (-)	-	(30)	-	-	-	-	-	(30)
as of 31 March, 2007	-	**1,177**	-	-	-	-	-	**1,177**
as of 31 December, 2007	-	**1,369**	**369**	-	**728**	-	-	**2,466**
- impairment for the year	-	-	-	-	-	-	-	-
- disposals (-)	-	-	-	-	-	-	-	-
as of 31 March, 2008	-	**1,369**	**369**	-	**728**	-	-	**2,466**
Carrying amount								
as of 31 December, 2007	**84**	**2,039,180**	**225,922**	**8,591**	**59,646**	**200,070**	**10,549**	**2,544,042**
as of 31 March, 2008	**119**	**2,018,139**	**221,840**	**8,018**	**56,302**	**220,929**	**11,463**	**2,536,810**

In Q1 2008 the Company completed the following major investment projects:

Project	Value, LTL '000
Installation of commercial metering at 110/35/10 kV Kėdainiai substation	895
Construction of Jonava transformer substation's warehouse	539
Reconstruction of KE relay protection by replacing AP-100 protections	243
Installation of commercial metering at 110/10 kV Stakiai substation	231
Installation of commercial metering at 110/10 kV Žeimiai substation	199

5. Property, plant and equipment (continued)

As of 31 March 2008 and 31 December 2007 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	31 March 2008	31 December 2007
Machinery and equipment	1,210	1,196
Vehicles	143	102
Total	**1,353**	**1,298**

As of 31 March 2008 and 31 December 2007 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 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Buildings and structures	68,582	68,566	51,432	51,415
Machinery and equipment	12,828	12,663	11,388	11,223
Vehicles	8,428	8,318	8,246	8,137
Other equipment, tools and devices	33,089	32,954	19,712	19,634
Total	**122,927**	**122,501**	**90,778**	**90,409**

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 48,459 and EUR'000 23,670 (total amount LTL'000 130,187) of which MLTL 30 will be financed from European regional development fund and national budget. The contractor of the project – Alstom Power Sweden AS. The project is scheduled to be finished in 2008.

6. Investments

As of 31 March 2008 the Company had direct control over three subsidiaries: Energetikos Pajėgos UAB (acquisition cost of LTL'000 414), 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 each of these companies. The remaining two subsidiaries (Gotlitas UAB and Kaliningradskij energoremont OOO (Note 1)) the Company controls indirectly, i.e. through Kauno Energetikos Remontas UAB.

Kruonio Investicijos UAB was established on 18 January 2007. The Company owns 100% of the 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 with a par value of LTL 100 each. The objective of Kruonio Investicijos UAB business - the development of social and recreational facilities.

At 20 December 2007 the extraordinary general shareholders meeting of Geoterma UAB was convened where it was decided to reduce the share capital of Geoterma UAB from LTL 18,652,350 to LTL to 8,405,910 by withdrawing 1,024,644 ordinary registered shares of LTL 10 (ten) nominal value and thus to eliminate losses in the balance sheet. At the same time it was decided to increase the share capital of this company from LTL 8,405,910 to LTL 21,305,910 by additional contributions, i.e. by issuing 1,290,000 ordinary shares of LTL 10 (ten) nominal value. Lietuvos Energija AB acquired 302,423 shares by paying the monetary contribution of LTL 3,024,230. At 7 January 2008 this amount was offset according to the Payment Claims Settlement Agreement No G-08 as contribution made by Lietuvos Energija AB for the acquired shares, and for Geoterma UAB- as repayment of the loan which had been given by Lietuvos Energija AB. At 24 January amendments in the bylaws of Geoterma UAB related to the mentioned changes in the share capital were registered in the Register of Legal Persons.

Apart of the mentioned subsidiaries, the Group and the Company took part in the management of the following associates: Nordic Energy Link AS (acquisition cost LTL'000 18,978) and Geoterma UAB (acquisition cost LTL'000 4,994).

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 31 March 2008 and 31 December 2007 investments of the Company and the Group in associates consisted of the following:

31 March 2008	Acquisition cost	Ownership percentage	Impairment	Carrying amount
Geoterma UAB	4,994	23.44	1,008	3,986
Nordic Energy Link AS	18,978	25.00	-	18,978
Total	**23,972**		**1,008**	**22,964**

7. *Investments (continued)*

31 December 2007	Acquisition cost	Ownership percentage	Impairment	Carrying amount
UAB Geoterma	4,373	23.44	(2,726)	1,647
AS Nordic Energy Link	18,978	25.00	-	18,978
Total	**23,351**		**(2,726)**	**20,625**

Financial position as of 31 March 2008 and net profit (loss) for the Q1 2008 of the associates were the following:

Company 31 March 2008	Assets	Liabilities	Revenue	Net profit (loss)
Geoterma UAB	59,102	42,098	-	(2,930)
Nordic Energy Link AS*				

* On the date of signing the Financial Statements, the financial statements of this company were not available

Financial position as of 31 December 2007 and net profit (loss) for the year ended 31 December 2007 of the associates were the following:

Company 31 December 2007	Assets	Liabilities	Revenue	Net loss
Geoterma UAB	55,472	48,445	2,202	(3,503)
Nordic Energy Link AS	339,678	262,105	60,599	2,756

For the periods ended 31 March 2008 and 31 December 2007, the movement of investments in associates was as follows:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Carrying amount as of 1 January	**21,041**	**20,625**	**21,741**	**21,741**
Increase of share capital in associates	3,024	3,024	-	-
Decrease of share capital in associates	(2,402)	(2,402)		
Reversal of impairment of investment in associates (increase of impairment)	1,717	1,717	(59)	(606)
Share of financial result (loss) of associates			(132)	
Liquidation of Baltijas Energosistemu Dispečeru Centrs BO SIA (DC Baltija)	-	-	(510)	(510)
Carrying amount at the end of the period	**23,380**	**22,964**	**21,040**	**20,625**

8. Non-current accounts receivable

The Group and Company's non-current accounts receivable consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Accounts receivable from VST AB*	-	-	1,500	1,500
Other receivables	736	736	777	777
Total	**736**	**736**	**2,277**	**2,277**
Less: current receivables (note 10)	(27)	(27)	(299)	(299)
Carrying amount	**709**	**709**	**1,978**	**1,978**

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

9. Inventories

The Group and the Company's inventories consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Materials and spare parts, production in progress and finished goods at acquisition (production) cost	13,712	6,769	12,760	6,053
Goods for resale at acquisition cost	542	468	560	487
Less: write-down to net realizable value	(378)	(378)	(482)	(396)
Carrying amount	**13,876**	**6,859**	**12,838**	**6,144**

For the periods ended 31 March 2008 and 31 December 2007, the movement of allowances for inventories consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Carrying amount as of 1 January	**482**	**396**	**378**	**351**
Increase of provisions for inventory for the reporting period	-	-	264	205
Reversal of provision for inventory	(104)	(18)	(160)	(160)
Carrying amount at the end of the period	**378**	**378**	**482**	**396**

10. Trade receivables

The Group and the Company's trade receivables consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Receivables from electricity market participants	91,474	91,474	85,549	85,549
Receivables from other Lithuanian companies	39,303	20,186	33,745	17,107
Receivables for exported electricity	24,005	24,005	11,866	11,866
Receivables for electricity transit	417	417	157	157
Total	**155,199**	**136,082**	**131,317**	**114,679**
Less: allowance for doubtful receivables	(9,937)	(9,612)	(9,947)	(9,612)
Carrying amount	**145,262**	**126,470**	**121,370**	**105,067**

The fair value of trade receivables approximates to their carrying amount.

The movement of allowances for doubtful receivables for the periods ended 31 March 2008 and 31 December 2007 consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Carrying amount as of 1 January	**9,947**	**9,612**	**9,954**	**9,612**
Recognized as doubtful receivables per reporting period	-	-	-	-
Reversal of provisions for doubtful receivables	(10)	-	(7)	-
Write-off of provisions for doubtful receivables	-	-	-	-
Carrying amount at the end of the period	**9,937**	**9,612**	**9,947**	**9,612**

11. Other current receivables

The Group and the Company's other current receivables consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Deferred VAT receivable	4,364	4,364	2,961	2,961
Receivables for IT and telecommunication services	2,815	2,816	3,283	3,287
Loan to Geoterma UAB	-	-	3,222	3,222
Current portion of non-current receivables (note 7)	20	20	1,774	1,513
VAT receivable	27	27	299	299
Other receivables	216	160	266	203
Carrying amount at the end of the period	**7,442**	**7,387**	**11,805**	**11,485**

The ageing analysis of the Group and the Company's other receivables that were not recognized as doubtful, was as follows:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Not overdue	7,307	7,245	10,944	10,624
Overdue up to 30 days	86	90	609	609
Overdue from 30 to 60 days	49	52	252	252
Carrying amount	**7,442**	**7,387**	**11,805**	**11,485**

The carrying amounts of other current receivables approximates to their fair values.

12. Term deposits

The Group and the Company's term deposits consisted of:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Term deposit at Bank Snoras AB (LTL), maturity – July 2008	150	-	150	-
Carrying amount	**150**	**-**	**150**	**-**

The carrying amounts of term deposits approximates to their fair values.

13. Cash and cash equivalents

The Group and the Company's cash and cash equivalents consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Cash at banks and on hand	5,428	4,622	12,307	9,915
Term deposit at bank Nordea Bank Finland Plc Lithuania's branch (LTL), maturity – January 2008.	-	-	1,000	-
Term deposit at bank Nordea Bank Finland Plc Lithuania's branch (LTL), maturity – April 2008.	360	-	360	-
Overnight deposit at bank Hansabankas AB (LTL)	589	589	3,739	3,739
Overnight deposit at bank Hansabankas AB (EUR)	-	-	912	912
Carrying amount	**6,377**	**5,211**	**18,318**	**14,566**

Weighted average of annual interest rate for term deposits in banks accounted under term deposit at banks and cash and cash equivalent balances - 5.11 per cent.

14. Share capital

As of 31 March 2008 and 31 December 2007 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 are fully paid. In Q1 2008 the highest share price at the Stock Exchange session was LTL 4.83 per share, lowest – LTL 3.42 per share. The number of shareholders as of 31 March 2008 was 5,649.

Company shareholders were:

	31 March 2008 shares		31 December 2007 shares	
Shareholders	**(Lt)**	**Proc.**	**(Lt)**	**Proc.**
Lithuanian State, represented by Ministry of Economy of the Republic of Lithuania	665,171,376	96.47	665,400,833	96.50
Other	24,344,059	3.53	24,114,602	3.50
Total:	**689,515,435**	**100.00**	**689,515,435**	**100.00**

15. 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 31 March 2008, 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.

16. Other reserves

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	Restricted Reserve related to fixed assets	Other reserves	Total
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	-	-	-	(2,160)	-	-	(2,160)
Balance as of 31 December 2007	**(63,777)**	**162,744**	-	**1,719**	**1,293,569**	**10,531**	**1,404,786**
Transfers to reserve	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-
Balance as of 31 March 2008	**(63,777)**	**162,744**	-	**1,719**	**1,293,569**	**10,531**	**1,404,786**

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	Restricted Reserve related to fixed assets	Other reserves	Total
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
Disposal of property, plant and equipment	-	-	(1,560)	-	-	-	(1,560)
Balance as of 31 December 2007	**(63,777)**	**160,637**	-	**1,700**	**1,293,569**	**10,531**	**1,402,660**
Transfers to reserve	-	-	-	-	-	-	-
Reserves used	-	-	-	-	-	-	-
Balance as of 31 March 2008	**(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 yet been reduced by this amount).

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

17. Borrowings

The Group and the Company's borrowings according to the repayment schedules are as follows:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Within first year	2,022	2,022	2,022	2,022
Within second year	2,022	2,022	19,286	19,286
Within third year	2,022	2,022	19,286	19,286
Within fourth year	2,022	2,022	2,022	2,022
Within fifth year	15,834	15,834	19,287	19,287
After five years	1,011	1,011	2,022	2,022
Total	**24,933**	**24,933**	**63,925**	**63,925**

(Continued)

16. Borrowings (continued)

The Group and the Company's long-term borrowings consisted of the following:

Credit institution	Contractual amount (EUR'000)	Carrying amount (as of 31 March 2008) (EUR'000)	Maturity	Current portion (as of 31 March 2008)	Carrying amount as of 31 March 2008	Current portion (as of 31 December 2007)	Carrying amount as of 31 December 2007
Zurcher Kantonalbank	8,013	3,221	2013	2,022	11,122	2,022	12,133
SEB Vilniaus Bankas AB	15,000	-	2009	-	-	-	-
UniCredit Bank AS Lithuanian Branch	15,000	4,000	2012	-	13,811	-	51,792
Nordea Bank Finland Plc Lithuanian Branch	15,000	-	2007	-	-	-	-
Bank Hansabankas AB	11,585	-	2009	-	-	-	-
Total long-term borrowings:	**64,598**	**7,221**		**2,022**	**24,933**	**2,022**	**63,925**

The fair value of the borrowings approximates their carrying amount.

As of 31 March 2008 the Company had borrowings amounting to LTL'000 11,122 with a floating interest rate (weighted average – 4.8%) and borrowings amounting to LTL'000 13,811 with a fixed interest rate (weighted average – 4.8%).

As of 31 December 2007 the Company had borrowings amounting to LTL'000 50,114 with a floating interest rate (weighted average – 5.3%) and borrowings amounting to LTL'000 13,811 with a fixed interest rate (weighted average - 4.8%).

The Group companies do 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 12 May 2002 agreement with bank Hansabankas AB (contractual amounts – LTL'000 9,000, EUR'000 3,185 and EUR'000 11,585) the Company is obligated to carry monthly turnover of over MLTL 15 through the Company's accounts at this bank, not to close accounts without advance 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.

- Under 28 August 2002 agreement with SEB Vilniaus Bankas AB (contractual amounts – EUR'000 15,000 and LTL'000 10,358) the Company is 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 is 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 is 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. At 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.

17. Obligations under finance leases

The Group's minimum lease payments consisted of the following:

Group	31 March 2008 Minimum lease payments	31 March 2008 Present value of minimum lease payments	31 December 2007 Minimum lease payments	31 December 2007 Present value of minimum lease payments
Amounts payable under finance leases:				
Within one year	94	90	120	118
Within the second to fifth year inclusive	56	51	-	-
Minimum lease payments	**150**	**141**	**120**	**118**
Less: future finance charges	(9)	-	(2)	-
Present value of minimum lease payments	**141**	**141**	**118**	**118**

The Company's obligations under finance leases are secured by the lessor's right to the leased assets.

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 31 March 2008 was EUR'000 7,435 (LTL'000 25,671) (as of 31 December 2007 – EUR'000 7,409 (LTL'000 25,538).

19. Grants

For periods, ended 31 March, 2008 and 31 December, 2007, 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	Iš viso
Balance as of 31 December, 2006	**3,925**	**20,415**	**24,340**
- grants received	4,373	2,136	6,509
- grants used	(53)	(215)	(268)
Balance as of 31 March, 2007	**8,245**	**22,336**	**30,581**
Balance as of 31 December, 2007	**14,202**	**36,669**	**50,871**
- grants received	-	-	
- grants used	(145)	(446)	(591)
Balance as of 31 March, 2008.	**14,057**	**36,223**	**50,280**

Company	Grants related to assets		
	Grants related to connection fee	Grants related to financing of assets acquisition	Total
Balance as of 31 December, 2006	**3,925**	**20,340**	**24,265**
- grants received	4,373	2,136	6,510
- grants used	(53)	(209)	(263)
Balance as of 31 March, 2007	**8,245**	**22,267**	**30,512**
Balance as of 31 December, 2007	**14,202**	**36,617**	**50,819**
- grants received	-	-	-
- grants used	(145)	(440)	(585)
Balance as of 31 March, 2008	**14,057**	**36,177**	**50,234**

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 31 March, 2008 these advance payments amounted to LTL'000 23,213 (as of 31 December, 2007– LTL'000 18,883).

20. Trade and other payables

The Group and Company's trade and other payables consisted of the following:

	Group 31 March, 2008	**Company 31 March, 2008**	**Group 31 December, 2007**	**Company 31 December, 2007**
Trade payables	137,094	124,802	156,283	145,304
Advances received	27,351	25,299	24,716	21,463
Deferred VAT payable	9,199	9,199	7,658	7,658
Payroll related liabilities	5,718	3,585	2,872	1,222
Vacation reserve	3,363	3,797	3,355	3,025
Property tax payable	-	-	2,145	2,145
Dividends payable	588	588	633	633
Other payables and current liabilities	2,877	2,657	920	814
Carrying amount	**186,190**	**169,927**	**198,582**	**182,264**

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

21. Income tax expense

For the periods ended 31 March, 2008 and 31 March, 2007, the income tax expense consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 March 2007	Company 31 March 2007
Components of the income tax expense				
Income tax (including social tax)	11,061	11,000	5,763	5,648
Deferred income tax benefit	(2,074)	(2,071)	(3,260)	(3,246)
Income tax expenses for the reporting period	**8,987**	**8,929**	**2,503**	**2,402**

The Group and Company's deferred income tax consisted of the following:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Deferred income tax assets				
Impairment of property, plant and equipment (deemed cost)	(187,608)	(187,608)	(189,442)	(189,442)
Doubtful receivables (Baltic Shem and Liberty, etc.)	(2,921)	(2,921)	(3,894)	(3,894)
Doubtful receivables (Ekranas AB)	(1,442)	(1,442)	(1,442)	(1,442)
Vacation reserve	(620)	(569)	(503)	(454)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(151)	(151)	(409)	(409)
Recognition for tax purposes of capitalized finance costs previously written-off	(51)	(51)	(68)	(68)
Allowances for inventories to net realizable value	(57)	(57)	(59)	(59)
Total deferred income tax assets	**(192,850)**	**(192,799)**	**(195,817)**	**(195,768)**
Deferred income tax liabilities				
Increase in value of property, plant and equipment (deemed cost)	372,400	372,229	376,861	376,696
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	25,336	25,102	25,705	25,464
Impact of application of different depreciation rates for property, plant and equipment in financial and tax accounting	1,373	1,373	1,326	1,326
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 31 March, 2008	2	2	2	2
Other (derivative financial instruments)			-	-
Total deferred income tax liabilities	**399,111**	**398,706**	**403,894**	**403,488**
Less: valuation allowance	151	151	409	409
Deferred income tax liabilities, net	**206,412**	**206,058**	**208,486**	**208,129**

Deferred income tax assets and liabilities were accounted by using 15% tax rate, excluding deferred income tax assets and liabilities which were recovered or settled in 2007. According to the Law on Provisional Social Tax of the Republic of Lithuania, the Group's companies paid an additional social tax of 3 per cent, 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 2007.

(Continued on the following page)

21. Income tax expense (continued)

The Group and Company's periods of deferred income tax assets recovery and deferred tax liabilities settlement were as follows:

	Group 31 March 2008	Company 31 March 2008	Group 31 December 2007	Company 31 December 2007
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	182,188	182,188	184,126	184,126
Deferred income tax assets to be recovered within 12 months	10,511	10,460	11,282	11,233
Total deferred income tax assets	**192,699**	**192,648**	**195,408**	**195,359**
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	379,783	379,389	383,399	383,005
Deferred income tax liabilities to be settled within 12 months	19,328	19,317	20,495	20,483
Total deferred income tax liabilities	**399,111**	**398,706**	**403,894**	**403,488**
Deferred income tax liabilities, net	**206,412**	**206,058**	**208,486**	**208,129**

The Group's changes of temporary differences were as follows:

	As of 31 December, 2007	Charged (credited) to the income statement	As of 31 March, 2008
Impairment of property, plant and equipment (deemed cost)	(1,262,949)	12,224	(1,250,725)
Doubtful receivables (Baltic Shem and Liberty, etc.)	(25,961)	6,489	(19,472)
Doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(3,357)	(778)	(4,135)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(2,726)	1,718	(1,008)
Recognition for tax purposes of capitalized finance costs previously written-off	(450)	112	(338)
Allowances for inventories to net realizable value	(396)	18	(378)
Increase in value of property, plant and equipment (deemed cost)	2,512,410	(29,745)	2,482,665
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	171,371	(2,464)	168,907
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,837	315	9,152
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 31 March, 2008	16	-	16
Total temporary differences	**1,387,183**	**(12,111)**	**1,375,072**
Deferred income tax by applying 15% tax rate, net	**208,077**	**(1,816)**	**206,261**
Decrease in deferred income tax due to effect of social tax	-		
Total deferred income tax, net	**208,077**	**(1,816)**	**206,261**
Less: valuation allowance	409	(258)	151
Deferred income tax liabilities, after assessment	**208,486**	**(2,074)**	**206,412**

(Continued on the following page)

21. Income tax expense (continued)

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

	as of 31 December, 2007	Charged (credited) to the income statement	As of 31 March, 2008
Impairment of property, plant and equipment (deemed cost)	(1,262,949)	12,224	(1,250,725)
Allowances for doubtful receivables (Baltic Shem and Liberty)	(25,961)	6,489	(19,472)
Allowances for doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(3,025)	(772)	(3,797)
Impairment of financial assets (will be recognized for tax purposes at the moment of disposal)	(2,726)	1,718	(1,008)
Recognition for tax purposes of capitalized finance costs previously written-off	(450)	112	(338)
Allowances for inventories to net realizable value	(396)	18	(378)
Increase in value of property, plant and equipment (deemed cost)	2,511,305	(29,775)	2,481,530
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	169,762	(2,416)	167,346
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,837	315	9,152
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 31 March, 2008	16	-	16
Total temporary differences	**1,384,801**	**(12,087)**	**1,372,714**
Deferred income tax by applying 15% tax rate, net	**207,720**	**(1,813)**	**205,907**
Decrease in deferred income tax due to effect of social tax	-	-	-
Total deferred income tax, net	**207,720**	**(1,813)**	**205,907**
Less: valuation allowance	409	(258)	151
Deferred income tax liabilities, after assessment	**208,129**	**(2,071)**	**206,058**

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

	Group 31 March, 2008	Company 31 March, 2008	Group 31 March, 2007	Company 31 March, 2007
Profit before tax	57,844	57,621	15,134	15,171
Tax at the income tax rate of 15 per cent (in 2007 – 18 per cent)	8,677	8,643	2,724	2,731
Tax effect of items that are not deductible or taxable in determining taxable profit	310	286	(221)	(329)
Income tax expense	**8,987**	**8,929**	**2,503**	**2,402**
Effective income tax rate (%)	**16**	**16**	17	16

22. Business and geographical segments

The Group has separated six business segments (activities). As of 31 March, 2008 and for the year then ended the information about these segments consisted of the following:

Q1, 2008	Business segments						
	Electricity trans-mission	Electricity trade	Electricity generation	Electricity export	Nuclear power	Design and repair services	Total
Income	**220,522**	**73,753**	**23,371**	**67,828**	**-**	**17,825**	**403,299**
Incl. internal turnover among Company segments	*9,431*	*10,977*	*23,371*	*5,780*	-	-	*49,559*
Income after elimination of internal turnover among Company segments	211,091	62,776	-	62,048	-	17,825	353,740
Incl. internal turnover among Group companies	-	-	-	-	-	*494*	*494*
Income after elimination of internal turnover among Group companies	**211,091**	**62,776**	**-**	**62,048**	**-**	**17,331**	**353,246**
Expenses	**181,115**	**73,984**	**22,159**	**49,209**	***397***	***17,511***	**344,375**
Incl. internal turnover among Company segments	*8,588*	*14,903*	*13,029*	*13,041*	-	-	*49,561*
Expenses after elimination of internal turnover among Company segments	172,527	59,081	9,130	36,168	397	17,511	294,814
Incl. internal turnover among Group companies	-	-	-	-	-	*463*	*463*
Expenses after elimination of internal turnover among Group companies	**172,527**	**59,081**	**9,130**	**36,168**	**397**	**17,048**	**294,351**
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	133,967	73,613	13,029	49,078	-	-	269,687
Repair and maintenance expenses	3,602	8	558	5	-	609	4,782
Depreciation and amortization	27,546	3	4,092	3	-	526	32,170
Wages, salaries, social insurance and accrued vacation reserve	10,907	130	2,335	101	19	5,720	19,212
Taxes other than income tax	714	3	1,656	3	-	56	2,432
Communications and IT expenses	1,228	129	23	2	-	55	1,437
Utilities	377	1	20	1	-	238	637
Subcontractors	-	-	-	-	-	1,915	1,915
Production materials expenses	-	-	-	-	-	7,867	7,867
Research and development	239	80	-	-	-	-	319
Other	2,535	17	446	16	378	525	3,917
Profit (loss) from ordinary activities (before elimination of internal turnover)	**39,407**	**(231)**	**1,212**	**18,619**	**(397)**	**314**	**58,924**
Elimination of internal turnover							(30)
Profit (loss) from ordinary activities (after elimination of internal turnover)							**58,894**
Segment's assets	2,203,431	26,448	417,902	23,595	-	55,979	2,727,355
Unallocated assets	-	-	-	-	-	-	38,657
Segment's liabilities	44,261	35,044	1,668	18,832	-	17,342	117,147
Unallocated liabilities	-	-	-	-	-	-	387,644
Capital additions	26,320	-	308	-	-	364	26,992
Unallocated capital additions	-	-	-	-	-	-	112
Depreciation and amortization	27,546	3	4,092	3	-	526	32,170
Unallocated depreciation and amortization	-	-	-	-	-	-	2,559

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22. Business and geographical segments (continued)

As of 31 March, 2007 and for the period then ended the information about segments consisted of the following:

Q1, 2007	**Business segments**						
	Electricity trans-mission	**Electricity trade**	**Electricity generation**	**Electricity export**	**Nuclear power**	**Design and repair services**	**Total**
Income	**108,716**	**145,211**	**21,508**	**70,931**	**-**	**14,923**	**361,289**
Incl. internal turnover among Company segments	*14,735*	*7,797*	*21,508*	*10,317*	-	-	*54,357*
Income after elimination of internal turnover among Company segments	93,981	137,414	-	60,614	-	14,923	306,932
Incl. internal turnover among Group companies	-	-	-	-	-	*1,340*	*1,340*
Income after elimination of internal turnover among Group companies	**93,981**	**137,414**	**-**	**60,614**	**-**	**13,583**	**305,592**
Expenses	**79,380**	**159,677**	**20,154**	**69,364**	**1,416**	**14,560**	**344,551**
Incl. internal turnover among Company segments	*8,842*	*16,370*	*10,633*	*18,516*	-	-	*54,361*
Expenses after elimination of internal turnover among Company segments	70,538	143,307	9,521	50,848	1,416	14,560	290,190
Incl. internal turnover among Group companies	*893*	-	-	-	-	*399*	*1,292*
Expenses after elimination of internal turnover among Group companies	***69,645***	***143,307***	***9,521***	***50,847***	***1,416***	***14,161***	***288,898***
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	31,682	159,247	10,633	69,232	-	-	270,794
Repair and maintenance expenses	4,020	6	1,306	5	-	382	5,719
Depreciation and amortization	29,560	125	4,079	3	-	488	34,255
Wages, salaries, social insurance and accrued vacation reserve	9,691	108	2,071	91	65	4,950	16,976
Taxes other than income tax	714	3	1,594	3	-	46	2,360
Communications and IT expenses	1,105	153	23	2	-	66	1,349
Utility expenses	787	2	18	2	-	162	971
Subcontractors	-	-	-	-	-	5,611	5,611
Production materials expenses	-	-	-	-	-	2,215	2,215
Research and development	50	-	-	-	-	-	50
Other	1,771	33	430	26	1,351	640	4,251
Profit (loss) from ordinary activities	29,336	(14,466)	1,354	1,567	(1,416)	363	16,738
(after elimination of internal turnover)							(44)
Profit (loss) from ordinary activities							**16,694**
Segment's assets	2,083,897	86,359	431,777	23,400	-	48,021	2,673,454
Unallocated assets	-	-	-	-	-	-	44,858
Segment's liabilities	13,565	62,826	1,753	31,097	-	11,528	120,769
Unallocated liabilities	-	-	-	-	-	-	412,781
Capital additions	21,059	-	67	-	-	183	21,309
Unallocated capital additions	-	-	-	-	-	-	5
Depreciation and amortization	29,560	125	4,079	3	-	488	34,255
Unallocated depreciation and amortization	-	-	-	-	-	-	2,354

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22. Business and geographical segments (continued))

Secondary reporting format is geographical segments. The Company exports electricity to [EU countries. During Q1 2008 the Company earned from electricity export LTL 53,4 million (in Q1 2007 – LTL 54,5 million). In addition to that, the Group exported metal structures and repair services.

For periods ended 31 March, the Group and Company's sales by geographical segments consisted of the following:

Country	Group Q1 2008	Company Q1 2008	Group Q1 2007	Company Q1 2007
Lithuania	298,858	282,540	250,490	237,490
Russia	89	-	19,196	18,921
Finland	20,601	19,870	12,293	12,293
Latvia	21,321	21,321	5,856	5,844
Estonia	12,225	12,184	17,462	17,462
Germany	152	-	295	-
Total:	**353,246**	**335,915**	**305,592**	**292,010**

Besides direct exports, the Company also sells peak energy intended for export. In Q1 2008 the sales of peak energy amounted to MLTL 3.2, (in Q1 2007 - MLTL3.0). the Company has also exported electricity, generated on holidays and weekends. In Q1 2008, the revenues from exported electricity, generated on holidays and weekends these sales accounted for MLTL 1,2 (in Q1 2007 – MLTL 3.1).

23. Other operating income

During periods, ended 31 December the Group and the Company's other income consisted of the following:

	Group 2008	Company 2008	Group 2007	Company 2007
Data transmission	3,134	3,134	3,137	3,137
Internet services	885	887	718	720
Rent of facilities	700	700	328	328
Rent of property	508	516	526	543
Health and recreation services	134	76	120	62
Voice telephony services	120	121	108	109
IT services	103	112	114	123
Construction and other services	-	-	-	283
Gain on disposal of property, plant and equipment	-	-	1	1
Other income	170	98	631	134
Total other income	**5,754**	**5,644**	**5,683**	**5,440**

24. Other gains (losses)

During the periods ended 31 March, the Group and the Company's other gains (losses) consisted of the following:

	Group 2008	Company 2008	Group 2007	Company 2007
Positive impact of currency rate change	14	17	-	-
Dividends received	-	-	-	180
Other income	18	-	7	-
Foreign currency exchange loss		-	(96)	(96)
Fair value losses on derivative financial instruments at fair value	(8)	(8)	(19)	(19)
Impairment of investments	-	-	(30)	(30)
Dividends received	-	(685)	(24)	(165)
Other expenses	(15)	(11)	-	-
Other gains (losses), net	**9**	**(687)**	**(162)**	**(130)**

25. Related party transactions

Sales and purchases of the goods and services:

As of 31 March, 2008 and during the period, ended 31 March, 2008, 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	57,472	53,330	146,887	138,837
Associates	397	846	2,120	2,205
Total	**57,869**	**54,176**	**149,007**	**141,042**

As of 31 March, 2008 and the period ended 31 March, 2008, 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	57,459	51,375	146,842	138,792
Subsidiaries	868	32	494	33
Associates	397	-	2,120	3
Total	**58,724**	**51,407**	**149,456**	**138,828**

As of 31 December, 2007 and for the year ended 31 December, 2007, 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	48,614	53,993	429,268	499,160
Associates	786	3,446	11,369	345
Total	**49,400**	**57,439**	**440,637**	**499,505**

As of 31 December, 2007 and for the year ended 31 December, 2007, 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	48,601	51,564	429,156	485,949
Subsidiaries	1,489	12	7,472	409
Associates	786	3,256	11,369	118
Total	**50,876**	**54,832**	**447,997**	**486,476**

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

Compensation to key management personnel

For the year ended 31 March, the Company's compensation to key management personnel consisted of the following:

	2008	2007
Remuneration of the management	393	281
Other amounts paid to managers (bonuses for board members)	-	-
Number of managers	12	12

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

26. Earnings per share

For the periods ended 31 March, earnings per share equaled:

	2008	2007
Net profit attributable to equity holders of the Company	48,857	12,631
Weighted average number of shares	689,515,435	689,515,435
Basic and diluted earnings per share (LTL)	**0.07**	**0.02**

27. Dividends per share

Dividends per share consisted of the following:

	For the financial year ended 31 December, 2007	**For the financial year ended as of 31 December, 2006**
Dividends declared	-	8,154
Weighted average number of shares	689,515,435	689,515,435
Dividends declared per share (LTL)	-	**0.01**

28. Financial risk management

The Group's companies are facing 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). In managing the aforesaid risks, the Group's companies seek to reduce the effect 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 at 3 March 2004.

Credit Risk
As of 31 March, 2008 and 31 December, 2007, the credit risk was related to:

	Group 31 March, 2008	**Company 31 March, 2008**	**Group 31 December, 2007**	**Company 31 December, 2007**
Financial assets	159,940	139,777	153,621	133,096

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 have significant credit risk concentration, because credit risks are shared among 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.

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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	F1
Nordea Bank Finland Plc, Lithuanian branch	AA-	F1

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 31 March 2008 and 31 December 2007 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.

The ageing analysis of the Group's and the Company's financial assets that were past due but not impaired consisted of the following:

	Group 31 March, 2008	**Company 31 March, 2008**	**Group 31 December, 2007**	**Company 31 December, 2007**
Paid on due date	142,791	125,789	109,360	94,078
Overdue up to 30 days	2,151	500	11,464	10,883
Overdue from 30 to 60 days	193	181	427	106
Overdue from 60 to 90 days	16	-	22	-
Overdue more than 90 days	111	-	97	-
Carrying amount	**145,262**	**126,470**	**121,370**	**105,067**

Liquidity risk
The liquidity risk is managed by planning the cash flows of the Group. 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 collection 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.

The Group	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
As of 31 March, 2008				
Borrowings and bonds	2,022	27,918	19,878	1,011
Obligations under finance leases	90	-	-	-
Trade and other payables	186,190	-	-	-
As of 31 December, 2007				
Borrowings and bonds	2,022	45,182	40,595	2,022
Obligations under finance leases	118	-	-	-
Trade and other payables	198,582	-	-	-

(Continued on the following page)

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 31 March, 2008				
Borrowings and bonds	2,022	27,918	19,878	1,011
Trade and other payables	169,927	-	-	-
as of 31 December, 2007				
Borrowings and bonds	2,022	45,182	40,595	2,022
Trade and other payables	182,264	-	-	-

As of 31 March, 2008 the Group and the Company's net working capital was negative and amounted to LTL'000 23,513 and '000 35,230. The Group's current ratio was 0.88, the Company's – 0.81. The Group's quick ratio was – 0.8, the Company's – 0.76.

As of 31 December, 2007 the Group and the Company's net working capital was negative and amounted to 37,703 and 48,992 respectively. The Group's current ratio was 0.82, the Company's – 0.74. The Group's quick ratio was 0.74, the Company's – 0.7.

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. The interest rate risk relates mainly to 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 at the fixed interest rate, the remaining borrowings – at the floating interest rate.

The Group's companies have borrowings with fixed and floating interest rates, the latter 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 on 30 June 2007.

If in Q1 2008 the interest rates on the Group and the Company's borrowings were higher by 1 basis point, the net profit of the Group and the Company would have decreased by 0.1% (in 2007 – 0.7%). If in Q1 2008 the interest rates on the Group 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 0.1% (in 2007 – 0.7%).

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 2008 and in 2007.

(Continued on the following page)

29. *Financial risk management (continued)*

As of 31 March, 2008 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	133,014	446,911	(313,897)	115,247	430,152	(314,905)
EUR	29,214	57,849	(28,635)	26,134	57,357	(31,223)
USD	13	-	13	3	356	(353)
RUR	159	31	128	2	-	2
Total	**162,400**	**504,791**	**(342,391)**	**141,386**	**487,865**	**(346,479)**

As of 31 December, 2007 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	134,372	457,600	(323,228)	115,930	440,676	(324,746)
EUR	21,633	94,448	(72,815)	19,146	94,447	(75,301)
USD	167	14	153	157	14	143
RUR	221	53	168	-	-	-
Total	**156,393**	**552,115**	**(395,722)**	**135,233**	**535,137**	**(399,904)**

Risk of security prices

The Group's companies have not acquired any securities (shares, bonds, etc.) for trading 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. The Company 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 September 2014 respectively.

As of 31 March 2008 bank Hansabankas AB issued the following guarantees:

1. Beneficiary - Vilnius Municipality, amount - LTL'000 16, type - performance security, maturity – 2 December 2009;
2. Beneficiary – Ministry of Environment of the Republic of Lithuania, Agency of Environmental Project Management, amount – LTL'000 2112, type – advance payment security, maturity – 30 September 2008;
3. Beneficiary – Ministry of Environment of the Republic of Lithuania, Agency of Environmental Project Management,, amount – LTL'000 422, type – performance security, maturity – 30 September 2008;

Nordea Bank Finland Plc. Lithuanian Branch issued the following guarantees, which were valid as of 31 March 2008:

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.
3. Beneficiary – Fabryka Kotlow RAFAKO S.A., amount – EUR 58,168 (LTL 200,842.47), type – performance security, maturity – 15 October 2009.

Legal proceedings

At the date of preparation of these financial statements an arbitration dispute is being held between the Company and a foreign customer regarding the performance of the agreement on the delivery of electricity. The parties disagree about orders, submitted under this agreement and obligation of supply of electricity volumes. The dispute relates to orders submitted by the foreign customer during the period from January 2007 to February 2008. In the opinion of the Company's management, the amount claimed for arbitration is unsubstantiated and the estimation of actual losses (and the obligation) is quite complicated at the current moment, therefore the Company did not account for any provisions related with the case mentioned above in these financial statements.

31. Subsequent events

On 29 April 2008, an ordinary general shareholders meeting was convened. At the meeting the Financial Statements of Lietuvos Energija AB for the year 2007 and the Consolidated Financial Statements of Lietuvos Energija AB and its subsidiaries for the year 2007 were approved and the Resolution on the distribution of the accrued profit was passed:

	Lt
Retained earnings (loss) from the previous financial year at the end of the reported financial year 2007	0
Net profit (loss) of the reported financial year 2007	47,350,718
Profit (loss) of the reported financial year 2007, which was not recognized in the Income Statements	1,559,440
Shareholders contributions to cover the company's losses	0
Transfers from reserves	1, 700, 000
Total distributable profit (loss)	50,610,158
Profit distribution:	
- portion of the profit allocated to the legal reserve	0
- portion of the profit allocated to the reserve for acquisition of the company's own shares	0
- portion of the profit allocated to other reserves	47,830,158
- portion of the profit allocated for payment of dividends	0
- portion of the profit allocated for yearly remunerations (bonuses) to the members of the Board and the Supervisory Board, premium payments to the employees and other purposes including:	2, 780, 000
Bonuses to the members of the Board	
Support	80, 000
Premiums to the employees and other purposes	1,700,000
Retained earnings (loss) at the end of the reported financial year which were transferred to the subsequent financial year	1,000,000

Retained earnings (loss) from the previous financial year at the end of the reported financial year 2007	0

The Government of the Republic of Lithuania by its Resolution No 364 of 24 April 2008 resolved that 664 700 833 ordinary registered shares of Lietuvos Energija AB with a nominal value of one Litas (LTL1) each, owned by the state by the right of title, will be transferred as a contribution of the state represented by the Ministry of the Economy in increasing the authorized capital of Leo LT AB.

On 29 April 2008, at the Ministry of Economy of Lithuania the Agreement on the establishment of the National Investor company was signed between the Government of the Republic of Lithuania and NDX Energija UAB along with the Incorporation Agreements of the public limited liability company LEO LT.

On 19 May 2008, the Chief Executive Officers of the transmission system operators - Lietuvos Energija AB and PSE Operator (Poland) signed the Articles of Association of LitPol Link - a joint venture which will carry out the works for the implementation of the interconnection project of Lithuanian and Polish power systems. Lietuvos Energija and PSE Operator will held equal portion of the shares of the joint venture (50 percent each of them). It is planned to register the company in June 2008.

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