LIETUVOS ENERGIJA

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

29/08/2008 Ref. No _____

STATEMENT OF THE RESPONSIBLE PERSONS

Abiding by the provisions of Article 22 of the Law on Securities of the Republic of Lithuania and by the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of Lithuania, we, the undersigned Rimantas Šukys, Finance Director, and Sigitas Baranauskas, Chief Financier of Lietuvos Energija AB hereby confirm that, to the best of our knowledge, the interim financial statements for the H1 of 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.

We also confirm that the Interim Consolidated Report for the H1 of 2008 gives a true and fair view of the company's operating activities and business development forecasts.

Rimantas Šukys

Finance Director

Sigitas Baranauskas

Chief Financier

Company code 220551550 VAT code LT205515515 Address: Žvejų g. 14, LT-09310 Vilnius LITHUANIA (LIETUVA)
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Register of Legal Entities administered by the State Enterprise Centre of Registers, V. Kudirkos g. 18, LT-03105 Vilnius

CONSOLIDATED INTERIM REPORT OF LIETUVOS ENERGIJA AB AND ITS SUBSIDIARIES FOR THE FIRST SIX-MONTH PERIOD OF 2008

The consolidated H1 2008 interim report of the public limited liability company Lietuvos Energija (hereinafter – referred to as the "Enterprise" or the "Company") and its subsidiaries (the company with its subsidiaries are hereinafter referred to as the "Group") has been prepared by the company's administration and approved by the Board in conformance with the Law on Financial Reporting of Enterprises of the Republic of Lithuania, Section Four$^{(1)}$, Article 24$^{(1)}$ and the Law on Consolidated Financial Reporting of Enterprises of the Republic of Lithuania, Section Two$^{(1)}$, Article 9$^{(1)}$, and also the Resolution No.1K-3 of the Securities Commission of the Republic of Lithuania, dated February 23, 2007 *Regarding Approval of Rules for Preparation and Submission of Periodical and Additional Information.*

General information about the Group

Reporting period for which the consolidated interim report has been prepared

The consolidated interim report of the public limited liability company Lietuvos Energija and its subsidiaries has been prepared for the first six-month period of 2008.

The companies comprising the group and their contact information (names, legal forms, registration dates and venues, company codes, registered addresses (if registered and actual addresses differ, both addresses are indicated), phone and fax numbers, email addresses, websites)

As of June 30, 2008, the company had a direct control over three subsidiaries: Energetikos Pajėgos UAB, Kauno Energetikos Remontas UAB and Kruonio Investicijos UAB. The company holds 100 per cent of the shares of these subsidiaries. Indirectly, via Kauno Energetikos Remontas UAB, the company had the majority votes in Gotlitas UAB and Kaliningradskij Energoremont OOO.

The Company, while preparing the consolidated financial statements for H1 2008, consolidated financial statements of Lietuvos Energija AB, Kauno Energetikos Remontas UAB, Gotlitas UAB, Kaliningradskij Energoremont OOO, Energetikos Pajėgos UAB and Kruonio Investicijos UAB. Contact information of the Group, presented in the last consolidated annual report, remained unchanged.

CORE BUSINESS AREAS OF COMPANIES BELONGING TO THE GROUP

Company	Shares owned by the Group	Main activity
Lietuvos Energija AB		Electricity transmission, electric power system services
Energetikos Pajėgos UAB	100 per cent	Design of energy projects
Kruonio Investicijos UAB	100 per cent	Development of public, engineering , recreational objects
Kauno Energetikos Remontas UAB	100 per cent	Repair of energy equipment, manufacture of metal constructions
Gotlitas UAB	100 per cent	Accommodation services, trading activities
Kaliningradskij Energoremont OOO	99 per cent	Repair of energy equipment

In addition to the aforementioned subsidiaries, the Company took part in the ownership of the following associates: Nordic Energy Link AS (25 per cent of shares); Geoterma UAB (23.44 per cent of shares), from May 19, 2008 – Lit Pol Link Sp.z.o.o. (50 per cent of shares).

The Issuer's contracts with broker companies and (or) credit institutions providing investment services and (or) performing investment business

On December 29, 2006 Lietuvos Energija AB and the bank Hansabankas AB entered into the Issuer's securities management agreement regarding accounting of the Issuer securities and management of personal securities accounts. The contract shall be valid until December 31, 2008.

On August 10, 2006 Lietuvos Energija AB and the bank SEB AB entered into an agreement regarding bonds listing (preparation of bonds emission).

Trade in securities of companies belonging to the Group in regulated markets (name of regulated market, quantity of securities traded)

Lietuvos Energija AB shares are traded at Vilnius Stock Exchange (VVPB). The issued company shares are listed on the additional VVPB trade list. The company has issued 689 515 435 ordinary registered shares with nominal value of LTL 1 each (ISIN code LT0000117681).

On September 29, 2006 Lietuvos Energija AB issued 75 000 ordinary registered shares of 1096-day maturity, EUR 100 nominal value, with total nominal value EUR 7 500 000 (seven million five hundred thousand) at 4.06% annual interest rate. The bonds have been listed on the VVPB debenture bonds trade list (ISIN code LT1000403311).

Overview of status, business performance and development, characterization of encountered main risk types and uncertainties of the Group's companies

Upon the adoption of the Law amending the Law on the Nuclear Power Plant of the Republic of Lithuania on February 1, 2008, the National Investor Company LEO LT, AB was established on May 20, 2008. Lietuvos Energija AB's 664 700 833 state-owned shares were invested in the authorized capital of the mentioned company.

The Company's operations, as compared with 2007, remained unchanged - during the reporting period Lietuvos Energija AB carried out the following core activities: the transmission system operator (electricity transmission), the market operator (transmission trade), generation and export. The company carried out other non-core activities as well. The Company's operations were positively impacted by the economic growth of the country, and, respectively, by the increase in electricity consumption. The main goal of the Company is to ensure reliable operation of the entire power system. No major disturbances occurred in the electric power system during the first six-month period of 2008.

Transmission System Operator's business

By performing the transmission system operator's functions, in H1 2008, to cover the domestic demand the Company transmitted 5.1 billion kWh of electricity via high voltage electric lines. The transmitted electricity quantities surpassed those which were transmitted during the respective period of 2007 by 7.0 per cent: electricity transmission to Rytų Skirstomieji Tinklai AB was up by 2.7 % and equaled 2.3 billion kWh, to VST AB it reached 2.2 billion kWh or an increase of 3.6 %, to eligible consumers - 0.6 billion kWh, or an increase of 56,4 %. This growth was mainly caused by restored operations of Mažeikių Nafta AB.

As of January 1, 2008, compensation for public service obligations (the "PSO") to producers of this type of electricity has become a constituent part of the transmission price. Therefore revenues and costs in electricity transmission business increased more than twice. This activity was profitable mainly because of the electricity transmission service rendered for the export of electricity, seasonal demand and the amended rules for performing the public service obligations (the PSO revenues are directly proportional to the transmitted electricity quantities, and the PSO costs are compensated to producers in equal installments throughout the year).

Market Operator's business

Since the beginning of the year, suppliers within Lithuanian wholesale market have been trading in electricity of two types – contractual electricity based on direct bilateral agreements signed between producers and suppliers, and additional electricity sold through the auction arranged for producers (in the cases when contractual electricity is not enough to satisfy the domestic demand). After the amendment of the rules for trade in electricity, electricity complying with public service obligations is not traded on the domestic market – funds for compensation to producers for the supplied PSO are collected by rendering the electricity transmission service.

In H 1 2008 Lithuania's wholesale market demand was 5.7 billion kWh (in 2007 – 5.3 billion kWh). The wholesale market players purchased 4.2 billion kWh of contractual electricity, 1.5 billion kWh of additional electricity.

Additional electricity was traded through Lietuvos Energija AB, acting as the market operator. The company trades in additional electricity on the wholesale electricity market without the profit margin.

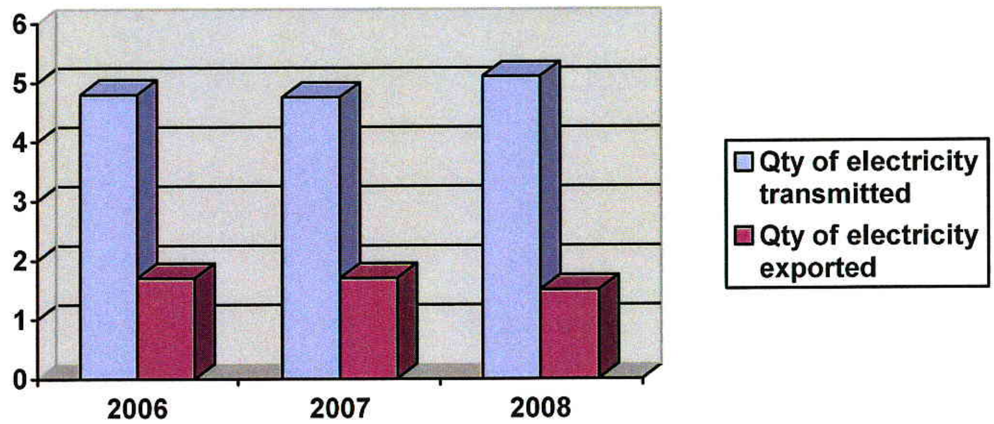
Electricity generation and exports

The company has got permits of unlimited validity to perform electricity generation, imports and export operations.

Lietuvos Energija AB owns two power plans – Kaunas HPP and Kruonis PSP – whereby it generates electricity. These power plants operated as integral parts of electricity transmission system, the electricity generated by them was mostly used for compensation of the company's technological losses and ensuring the balance between generation and consumption. During the reporting period, these power plants supplied to the transmission grid 0.5 billion kWh of electricity, which accounted for approximately 6.9 per cent of the total electricity quantity, supplied in the country.

The company continuously strives to optimize exports structure, to achieve the highest benefit at the least possible cost. During the reporting period, electricity exports accounted for 1.5 billion kWh (including peak electricity, exports during weekends and holidays). Compared with 2007, due to increased domestic electricity consumption electricity exports dropped by 10 per cent.

THE DYNAMICS OF TRANSMITTED AND EXPORTED ELECTRICITY IN H1 2006-2008, BILLION KWH



Other businesses

The company operates and expands telecommunications network, the capacity of which is mostly used for the needs of the transmission system operator and also for provision of information technologies and telecommunication services (hereinafter – the "ITT") to other consumers. Due to the optimized structure of sales of the company's ITT services, earnings from the ITT operations have been growing.

Investment in property, plant and equipment

In H1 2008 the Company's investments in non-current tangible and intangible assets accounted for LTL 66 million (89 per cent of investments were financed from the Company's own funds, from the contracting organizations and the EU support funds - 11 per cent; the latter consisted of the contracting organizations payments for connection to the grid and the European regional development and general financing funds allocated for the rehabilitation of Kaunas HPP.

Investment trends in 2008 remained the same as in the previous year: the reconstruction and development of the transmission grid (invested LTL 31.5 million), installation of technological equipment (installation of reactive power equipment, installation of commercial meters, rehabilitation and development of dispatch control system - totaling LTL 3.1 million), rehabilitation and development of IT systems and telecommunications (LTL 1.6 million), modernization and reconstruction of power plants (LTL 26.2 million), construction and reconstruction of manufacturing and other facilities, acquisition of equipment, intangible assets.

By implementing one of the main targets of Lietuvos Energija AB – to integrate the Lithuanian power system with the electricity market of West Europe, at the beginning of 2008 the chief executive officers of Lietuvos Energija AB and PSE Operator (Poland) signed the Shareholders Agreement of the project development company which will implement the interconnection project between the Lithuanian and Polish power systems. On May 19, 2008 the Articles of Association of the joint venture Litpol Link Sp.z o.o were signed. It is projected that this company will work out the technical project, conciliate the routes of the interconnecting lines, will perform the environmental impact assessment and other preparatory works.

Lietuvos Energija AB and Svenska Kraftnät, the transmission system operator of Sweden, completed the feasibility study for interconnection of the power systems of Lithuania and Sweden. The results of the study confirmed that based on the analyzed technical, economic and legal aspects, interconnection between the systems is feasible and economically substantiated.

The Company has proceeded the preparatory works related to the project for construction of the new nuclear power plant in Lithuania, the most important among them – the environmental impact assessment – is to be completed in the second half of the year 2008.

RISK FACTORS RELATED TO THE ISSUER'S OPERATIONS

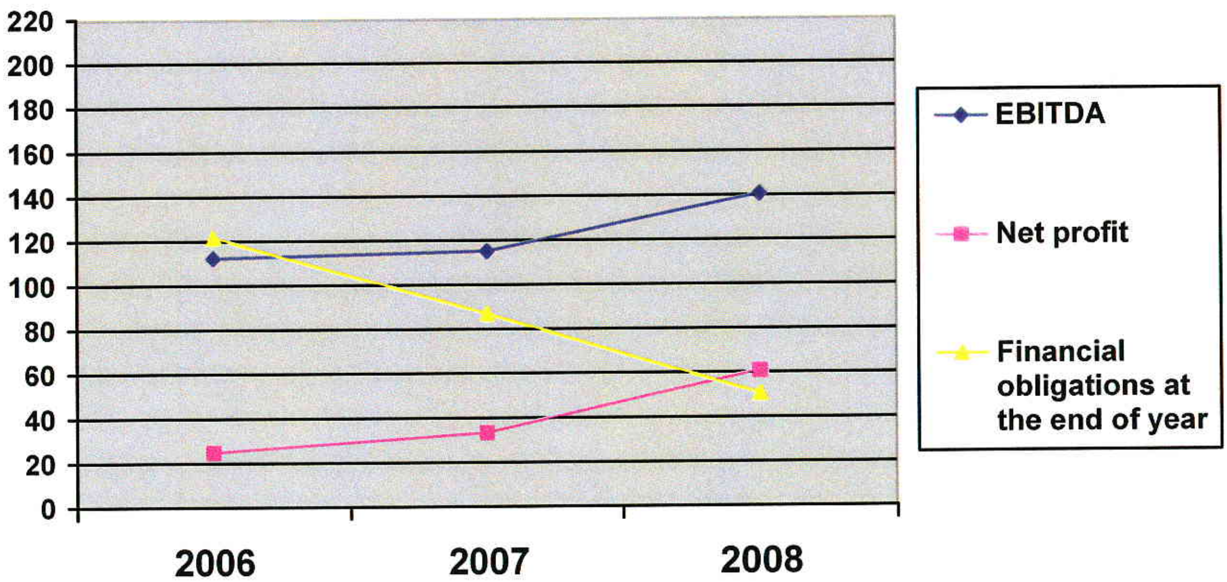
No essential changes took place as compared with the information presented in the Annual Report.

Analysis of the Group's financial and non-financial performance results, information related to the environmental protection and human resources management

The highlights of Lietuvos Energija AB as the patronizing company of the Group are presented in the Table below.

	Measurement units	H1 2006	H1 2007	H 1 2008
Financial results				
Operating income	LTL million	442.7	528.6	644.8
EBITDA		113.1	115.1	141.4
Operating profit		33.8	43.8	73.7
Net profit		25.4	33.8	61.4
Free cash flow (FCF)		38.3	40.8	69.0
Financial liabilities		122.0	87.3	50.8
Investments		57.0	51.3	65.8
Non-current assets at the end of the period		2585.3	2579.8	2609.5
Financial structure:				
Debt /equity	ratio	0.23	0.22	0.20
Margins and profitability:				
Return on equity	%	1.2%	1.5%	2.7%
Return on assets (ROA)	%	0.9%	1.3%	2.2%
Profit per share	LTct/share	3.7	4.9	10.75

EBITDA, net profit and financial liabilities in H 1 2006-2008, million LTL



In H1 2008, as compared with a respective period of 2007, the Company's profitability improved: return on equity increased by 1.2 percent, return on assets was up by 0.9 percent. Earnings before interest, taxes, depreciation and amortizations (EBITDA) grew by LTL 26.3m, or 22 percent.

The profitability indicators are not very high, but this basically can be substantiated by the specifics of the Company's operations – the core activity of the Company is regulated by setting the price for the transmission service, and the minimum profit ratio is included in this price.

The return on equity of Kauno Energetikos Remontas UAB Group during the year dropped by 0.9 per cent and was 1.05 per cent. EBITDA decreased by LTL 0.3m or 16 per cent.

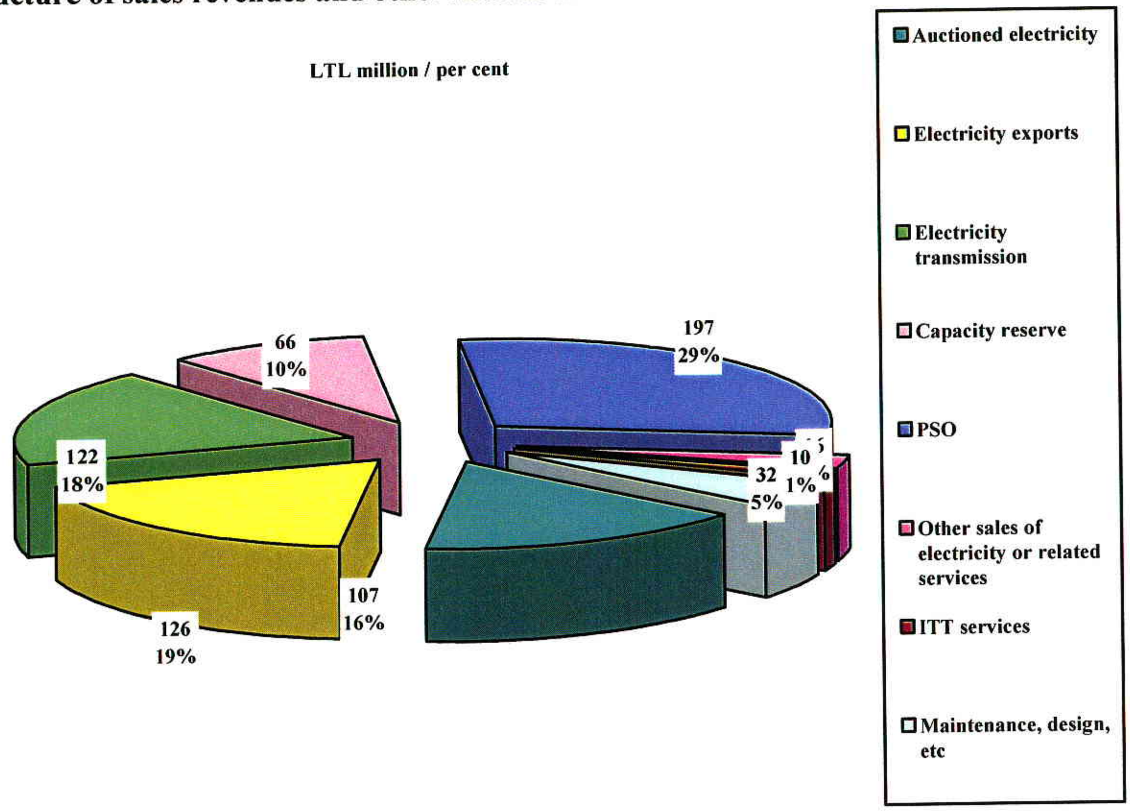
The diminishing debt to financial institutions reduced the debt ratio (financial liability/equity); the level of the Company's borrowings remained rather low. The major portion of the assets is financed by own capital, and the latter four times exceeded the total liabilities. The coverage ratios of the loans and interest are significantly above 1, i.e. the Company's yearly cash flows enable to accomplish full coverage of financial liabilities.

Income and costs

Income

In H1 2008, the sales revenues and other income of the Group reached LTL 676.8m, i.e. it was almost by 22 per cent higher than in 2007. The increased revenues may be accounted for by the bigger electricity transmission volumes, higher price of exported electric energy and the optimization of costs.

Structure of sales revenues and other income in H1 2008:



The biggest part in the structure of revenues - LTL 644.8m - is represented by the sales and other services. By performing the most important activity of the Company – rendering the transmission service, the Company earned LTL 385.3m, or 60 per cent from the total revenues. As mentioned above, an essential adjustment was introduced in the structure of revenues of the transmission system operator – after the amendments in the electricity trading rules, electricity complying with public service obligations (the PSO) is not traded on the domestic market - funds for the compensation to producers for rendering the PSO service are collected by supplying the electricity transmission service.

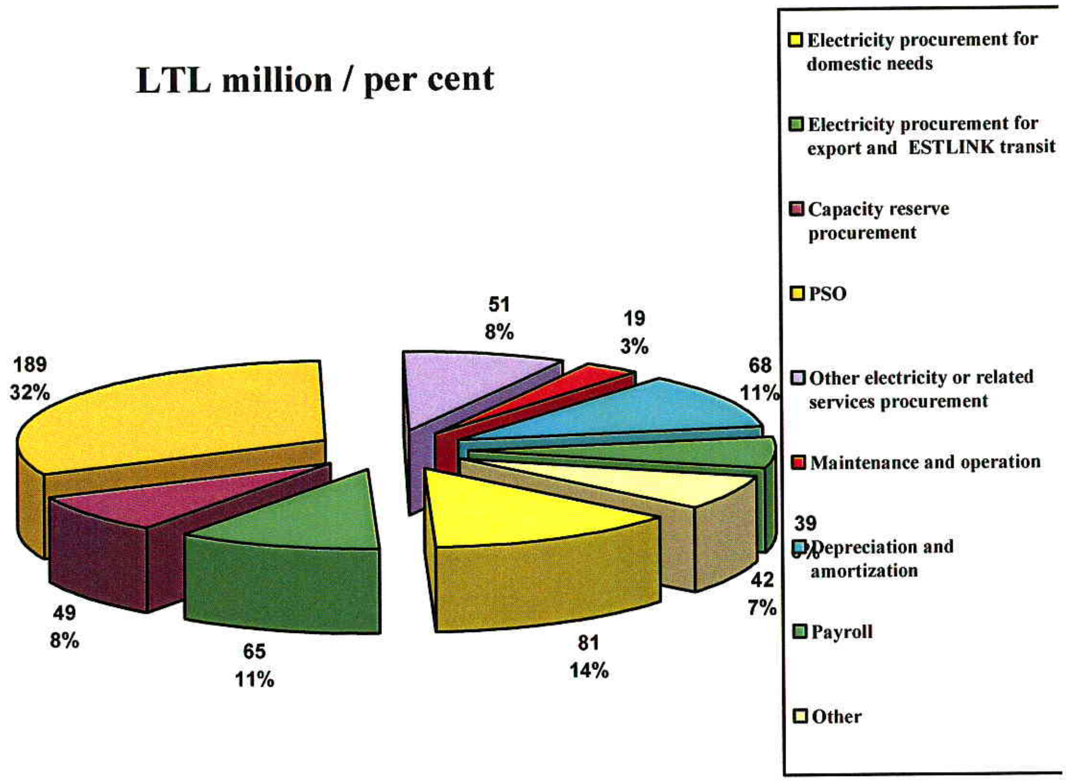
The sales revenues of the group Kauno Energetikos Remontas UAB, including the sales to the Group's companies, increased from LTL 30.1m (in 2007) to LTL 33.5 m (in 2008), an increase of 11 per cent as compared with H1 2007.

Energetikos Pajėgos UAB mainly rendered services to the companies of the Group. The revenues of this subsidiary totalled LTL 1.2 million. Kruonio Investicijos UAB did not earn revenues.

Costs

The costs of the Group in H 1 2008 were LTL 603m.

Structure of operation costs in H 1 2008:



The biggest portion of the costs (LTL 435m or 72 per cent) was incurred for purchases of electricity and related services. Depreciation and amortization costs were LTL 69m. The costs incurred by Kauno Energetikos Remontas UAB and Energetikos Pajėgos UAB made up insignificant portion in the total cost structure of the Group – 5.3 percent.

In H 1 2008, as compared with 2007, the costs of the Company for purchasing electricity and reserve capacity grew by 24 per cent as a result of the electricity production and capacity reserve price increase, and the costs of operations incurred by the Company (including depreciation and amortization) remained at the same level as during the respective period of 2007.

Profit

According to the International Financial Reporting Standards, in H1 2008 the Group earned LTL 72.5m in pre-tax profit, net profit was LTL 61.2m.

The Company earned LTL 61.4m in net profit. The results of operations of other companies of the Group made insignificant impact on the results of the Company – the net profit of Kauno Energetikos Remontas UAB group was LTL 0.43m, of Energetikos Pajėgos UAB – LTL 0.24m (the profit of the subsidiaries includes revenues for services rendered inside the Group).

Personnel and environmental protection

No essential changes took place as compared with the information provided in the Annual Report.

Personnel

In the middle of 2008, the companies of the Group employed 1739 people – by 47 employees less than a year ago. Of the total number of employees, Lietuvos Energija AB employees made up 65%, Kauno Energetikos Remontas – 34%, Energetikos Pajėgos UAB – approx. 1%.

Protection of the environment

In its operations Lietuvos Energija AB seeks to sparingly use natural resources, implements new, eco-friendly technologies and strives to operate in line with the requirements of the environmental laws and standards, to implement preventive measures decreasing negative impact on the environment. The company was not fined for the breach of the environmental protection requirements.

References and additional explanations about data presented in the Company's Financial Statements and the Consolidated Financial Statements of the Group

More detailed explanations of financial information are provided in the Explanatory Notes to the Financial Statements of H 1 2008.

Plans and forecasts for the Group's operations

On February 1, 2008, the Law amending the Law of the Republic of Lithuania on the Nuclear Power Plant, Articles 8,10,11,20 was adopted, pursuant to which the patronizing company LEO LT, AB was established. Thus the owner of the controlling package of the shares was changed from the state to a private legal person, however the state became the holder of the controlling package of the shares of the mentioned private legal person; hence the direct control executed by the state was changed into the indirect state control.

In preparing the forecasts of operations for the year 2008, the assumption was made that in 2008 Lietuvos Energija will continue the operations carried out in 2007: will perform the functions of the transmission system operator, the market operator, will produce and export electric energy, will provide the services of information technologies and telecommunications.

The number and nominal value of the patronizing company‘s shares held by the Company, by its subsidiaries or persons acting in line with their assignment, but on their own behalf.

The Company has not acquired its own shares. The subsidiaries have not acquired any shares of the Company as well.

Other information about the Issuer

The structure of the Issuer’s share capital (number of shares, nominal value per share, classes of shares, rights and obligations provided by each class of the shares, percentage of shares of a specific class in the total share capital)

On February 21, 2002, LTL 689 515 435 share capital of Lietuvos Energija AB was registered in the Register of Companies; It was divided into 689 515 435 registered shares with the nominal value of one Litas each. All shares are fully paid.

All shares of the Company are ordinary registered shares of a single class granting equal rights to their owners (shareholders).

The shareholders have the property and non –property rights prescribed by the Laws, other mandatory legislation and by the Articles of Association of the Company. The Company’s management bodies ensure proper conditions enabling the shareholders of the Company to exercise their rights.

The number of acquired and transferred own shares during the reporting period, their nominal value and the part of the share capital represented by such shares

During the reporting period the company did not acquire or transfer its own shares.

The shareholders (the total number of shareholders, the shareholders who at the end of the reporting period (indicate the specific date) owned by the right of title or had control over more than 5 percent of the Issuer’s share capital (names and surnames of natural persons; in the hard copy of the Annual Report to be provided to the Commission the person’s codes of these persons have to be indicated as well), names of companies, legal forms, company codes, registered addresses), quantity of shares held by shareholders by the right of title by class, share capital and voting

rights held by them in percent; the voting rights' percentage granted to each person by the shares held by him/her by the right of title as well as the indirectly held number of votes have to be indicated separately)

Total number of shareholders – 5 631. The shareholders who on June 30, 2008 held more than 5 per cent of Lietuvos Energija AB share capital (LTL 689 515 435 million):

Title	**Type of shares**	**No of shares**	**Portion of share capital (%)**	**Portion of votes granted by the share capital (%)**
LEO LT, AB Comapny code 301732248, Žvejų g. 14A, Vilnius	Ordinary nominal shares	664 700 833	96,4012	96,4012

Shareholders having special rights to execute control and description of these rights

Not applicable

All restrictions on voting rights (e.g. restrictions on the voting rights of persons holding a certain quantity or percentage of shares, deadlines prior to expiration of which it is not permitted to use the voting rights or the systems according to which the right of title granted by certain securities is separated from holding of these securities)

Not applicable

All agreements among the shareholders which are known to the Issuer and which may impose restrictions on the transfer of securities and (or) voting rights.

Not applicable

Information about the Company's branches and representation offices

As of June 30, 2008 the Company had two branches: Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant. The branches are operating in line with the regulations of a respective branch approved by the Board of the Company.

Employees (the average number of employees, changes during the reporting financial year, the reasons which caused the biggest change (over 10 percent), grouping of employees according to their educational background, number of

managers, specialists, workers, pre-tax average monthly salary of a respective group of employees, special rights or responsibilities of the Issuer's employees or a part thereof set forth in the employment contracts or in the Collective Agreement)

Changes in the average number of employees during the respective reporting periods

By the end of respective reporting periods, Lietuvos Energija AB employed:

	2006 12 31	**2007 12 31**	**2008 06 30**
Total number of employees	1 142	1 130	1 126
including:			
– power plants	295	277	275
– head office and transmission divisions	847	853	851

Employees by the type of their job (as of June 30, 2008):
Engineering and office staff – 65%
Workers – 35 %

Lietuvos Energija AB average number of employees and salary

	2006		2007		H1 2008	
	Average number of employees	Average salary (LTL)	Average number of employees	Average salary (LTL)	Average number of employees	Average salary (LTL)
Workers	418	1 974	399	2 107	385	2 243
Engineering and office staff	694	3 144	699	3 412	694	3 642
Executive Officers	6	16 367	6	19 203	6	23 128
TOTAL	1 118	2 776	1 104	3 025	1 085	3 254

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

	2006	2007	2008
Number of employees	1 134	1 142	1 126
By educational background:			
University degree	541	569	575
College degree	274	267	251
Secondary education	306	282	280
Unfinished secondary	13	24	20

education			

Procedure for amendment of the Issuer's Articles of Association

Excluding the cases proscribed by the Law on Public Limited Liability Companies of the Republic of Lithuania, the Company's Articles of Association are amended abiding by the resolution of the General Shareholders Meeting passed by no less than 2/3 of votes grated by number of shares of the shareholders present at the meeting. When the General Shareholders Meeting passes a resolution regarding amendment of the Articles of Association, the complete wording of the amended Articles of Association has to be written. They are signed by the representative authorized by the General Shareholders Meeting.

The Issuer's management bodies (the powers delegated to them, the procedure for appointment and replacement of their members)

The new wording of the Articles of Association of Lietuvos Energija AB was approved at the General Shareholders meeting convened on June 30, 2008.

The Company's management bodies are as follows:

1. General Shareholders Meeting;
2. Supervisory Council (annulled starting from 02 07 2008);
3. Board;
4. Chief Executive Officer.

The competencies of the General Shareholders Meeting do not differ from those prescribed by the Law on Public Limited Liability Companies.

The Board of the Company is the supreme and continuously functioning management body of the Company, the activities threof are directed by the Chairman. The Board of the Company is formed of 7 (seven) persons (as of 08 07 2008 - of 4 (four) persons. The members of the Board are appointed by the Supervisory Council for a 4 (four) year- period (as of 08 07 2008 – by the General Shareholders Meeting). The members of the Board elect the Chairman among themselves.

The Board of the Company considers and approves the strategy of operations of the Company and solves other issues of the Company's management assigned to its competence by the Articles of Association. The Board reports to the General Shareholders Meeting. The Board appoints and revokes the Chief Executive Officer of the Company (the General Director).

The procedure for convening the sittings of the Board and the procedure of voting therein as well as other issues related to the activity of the Board and the decisions made by the Board is regulated by the Law on Public Limited Liability Companies and the Civil Code of the Republic of Lithuania.

The Chief Executive Officer of the Company is its General Director, who within the limits of powers delegated to him, organizes current economic activity of the Company and performs other functions prescribed by the laws or the Articles of Association. The General Director is appointed and released, the employment agreement is concluded with him and the procedure for remuneration, incentives and penalties are established by the Board.

The authority of the Directors, who in accordance with the management structure of the Company are directly subordinate to the General Director and are responsible for the Company's operations in the specific areas within the Company's control as well as the functions and powers of the Chief Financier to enter into transactions on behalf of the Company, are defined in the work regulations of the Company's administration or in the authorizations issued by the Company.

Members of the collegial management bodies, Chief Executive Officer, Chief Financier (their names and surnames; A hard copy of the report to be submitted to the Commission has to additionally provide the Person's Codes of these officials), data about their participation in the Issuer's share capital, the commencement and expiration dates of their tenures, information about the amounts calculated by the Issuer, other transferred assets and guarantees provided to these officials in general and on the average per member of the collegial body, to the Chief Executive Officer and Chief Financier)

Prior to the extraordinary General Shareholders Meetings respectively convened on June 30, 2008 and July 8, 2008, the persons listed hereunder acted in the capacity of the members of the collegial management bodies, the Chief Executive Officer and the Chief Financier.

Position	Name, surname	Commencement date	Expiration date	Number of the Issuer's shares held by him/her
Supervisory Council				
Chairman	Anicetas Ignotas	2002-01-30	2008-04-29	-
Member	Saulius Spėčius	2001-10-01	2008-04-29	-
Member	Nijolė Bujauskienė	2004-04-29	2008-04-29	-
Member	Genovaitė	2004-04-29	2008-04-29	-
Member	Geleževičienė	2004-04-29	2008-04-29	-
	Petras Urbonas			
Board				
Chairman		2000-02-14	2009-05-31	-
Member	Jurgis Vilemas	2002-02-07	2009-05-31	306318 (0.0444
Member	Rymantas Juozaitis	2001-10-09	2009-05-31	%)
Member	Algimantas Zaremba	2002-08-06	2009-05-31	-
Member	Vida Dzermeikienė	2004-11-08	2009-05-31	-
Member	Dominikas Pečiulis	2004-11-08	2009-05-31	-
	Marijus			-
Management Board	Franckevičius			
General Director		2002-02-08	-	306318 (0.0444
Chief Financier	Rymantas Juozaitis	1998-07-27	-	%)
	Sigitas Baranauskas			-

At the mentioned meetings, the following persons were approved to act in the capacity of the members of the collegial management bodies, the Chief Executive Officer and Chief Financier.

Position	Name, surname	Commencement date	Expiration date	Number of the Issuer's shares held by him/her
Board				
Chairman of the	Darius Masionis	2008-07-08	2012-07-08	-
Board Member of	Rimantas Šukys	2008-07-08	2012-07-08	-
the Board	Petras Povilas	2008-07-08	2012-07-08	11 738(0,0017
Member of the	Škiudas			%)
Board				
		2008-07-14	-	
Administration	Darius Masionis	1998-07-27	-	-
General Director	Sigitas Baranauskas			-
Chief Financier				

All important transactions in which the Issuer is the counterparty, and which would come into effect, would be amended or terminated in the case of changes in the Issuer‘s control, as well as their impact, excluding the cases when due to the nature of these transactions their disclosure could cause considerable damage to the Issuer.

AB SEB bankas has the right to terminate the Loan Agreement with Lietuvos Energija AB dated August 28, 2002 in the case when the number of Lietuvos Energija AB shares held by the Government of Lithuania becomes less than 51 percent.

All agreements among the Issuer and the members of its management bodies or employees providing for compensation in the case of their resignation or dismissal without a justified reason or in the case of termination of their employment due to the changes in the Issuer‘s control.

There are no agreements of this type

Issuers of equities have to provide additional information about major transactions between related parties by indicating the value of these transactions, type of relationship among the counterparties and other information about the transactions which is deemed necessary in order to understand the financial status of the Company, should these transactions be important or concluded otherwise than under the usual market conditions. Information about specific transactions has to be summarised depending on the type of a transaction, excluding the cases when it is necessary to provide specific information in order to understand the impact of the related parties on the financial status of the company. The concept „related party“ is used in the same meaning as defined in the accounting standards applied by the Issuer.

There are no transactions of this type

Information regarding compliance with the Corporate Governance Code

Information about the implementation of the provisions of the Corporate Governance Code was enclosed to the Annual Report.

The following information has been made public:

During H1 2008 the company made public information about the following essential events:

2008-06-30 The extraordinary general shareholders meeting was convened on 30 June 2008

2008-06-26 -CORRECTION: Notice of additions to agenda of extraordinary general shareholders meeting to be held on 8 July 2008

2008-06-20 CORRECTION: Notice of additions to agenda of extraordinary general shareholders meeting to be held on 8 July 2008

2008-06-18 -CORRECTION: Notice of additions to agenda of extraordinary general shareholders meeting to be held on 8 July 2008

2008-06-13 -CORRECTION: Notifications on transactions concluded by managers of the companies

2008-06-10 – Joint Stock company Lietuvos Energija AB received a notification about loss of voting rights

2008-06-03 – Joint Stock company Lietuvos Energija AB received a notification about acquisition of voting rights

2008-06-03 – Notification on transactions concluded by managers of the companies

2008-06-03 – Regarding Non Provision of Mandatory Takeover Bid

2008-05-29 - Lietuvos Energija AB credit rating for borrowings in foreign currency

2008-05-29 – notification on interim financial statements of Lietuvos Energija AB for Q1 2007

2008-05-28 - Extraordinary general shareholders meetings are to be convened

2008-05-27 - The Shareholders Agreement of LEO LT, AB was signed and the authorized capital was increased

2008-05-20 - RE: the Director of Lietuvos Energija AB

2008-05-19 - The Articles of Association of the company which will implement the interconnection project between the power systems of Poland and Lithuania were signed in Warsaw

2008-05-07 – RE: Transfer of shares owned by the state by the right of title to LEO LT AB for the purpose of increase of the authorized capital

2008-04-30 – The Agreements on the establishment of the National Investor LEO LT were signed

2008-04-29 - The ordinary general shareholders meeting was convened on 29 April 2008

2008-04-24 – annual report on 2007

2008-04-22 - Information on the approval of the draft Agreement with NDX Energija UAB by the Government of the Republic of Lithuania (GoL)

2008-04-18 -Draft resolutions of the ordinary general shareholders meeting to be convened on 29 April 2008

2008-04-18 - Results of operations for the Q1 2008

2008-04-15 - Regarding Postponement of Profit Appropriation of Lietuvos Energija AB

2008-04-09 - RE: Information disseminated by mass media stating that Lietuvos Energija AB will not pay dividends

2008-04-07 - Lietuvos Energija AB Implements Occupational Health and Safety Management System OHSAS 18001:2007
2008-03-21 – Assessment of the assets of Lietuvos energija AB
2008-03-21 - Convocation notice for the general shareholders meeting
2008-03-20 - The pre-feasibility study on synchronous operation of the Baltic Power Systems with the UCTE was completed
2008-02-29 – Consolidated interim financial statements of Lietuvos Energija AB for the period of 12 months of 2007
2008-02-12 - Shareholders Agreement Signed in Warsaw for Joint Venture to Implement Interconnection Project of Lithuanian and Polish Power Systems
2008-02-06 - Feasibility Study for Power Interconnection Between Lithuania and Sweden Completed
2008-02-05 - Operations results of the year 2007
2008-02-04 - Signed agreement on preparation of environmental impact assessment report of a new nuclear power plant
2008-02-04 - The Law on the Amendment of the Law on the Nuclear Power Plant

All information about essential events made public during 2008 is available at the website of Vilnius stock exchange www.baltic.omxgroup.com/market/?pg=news and the website of the company www.lietuvosenergija.lt.
The company notifications are publicized in the dailies Lietuvos Rytas and Respublika

LIETUVOS ENERGIJA AB

INTERIM FINANCIAL STATEMENTS FOR H1 2008

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Interim financial statements signed on 29 July 2008

Darius Masionis	Sigitas Baranauskas
General Director	Chief Financier

BALANCE SHEETS
For the period ended 30 June 2008
All amounts are in LTL thousand, unless stated otherwise

	Notes	Group 30 June 2008	Company 30 June 2008	Group, 31 December, 2007	Company 31 December, 2007
ASSETS					
Non-current assets:					
Intangible assets	4	3,931	3,855	5,105	5,003
Property, plant and equipment	5	2,571,244	2,546,854	2,569,054	2,544,042
Investments in subsidiaries	6	-	34,116	-	34,116
Investments in associates	6	24,499	23,984	21,040	20,625
Accounts receivable	7	690	690	1,978	1,978
Other financial assets		29	15	50	15
Total non-current assets		**2,600,393**	**2,609,514**	**2,597,227**	**2,605,779**
Current assets:					
Inventories	8	12,328	6,959	12,838	6,144
Prepayments		3,307	1,725	2,772	2,137
Trade receivables	9	126,918	111,745	121,370	105,067
Other receivables	10	10,199	10,130	11,805	11,485
Other assets		19	-	3	-
Term deposits	11	250	-	150	-
Cash and cash equivalents	12	44,876	43,497	18,318	14,566
Total current assets		**197,897**	**174,056**	**167,256**	**139,399**
TOTAL ASSETS		**2,798,290**	**2,783,570**	**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	70,794	68,952	70,730	68,952
Other reserves	15	1,454,582	1,451,571	1,404,786	1,402,660
Retained earnings		58,665	61,421	47,335	48,911
Foreign currency translation reserve		(5)	-	(2)	-
Equity attributable to equity holders of the Parent		**2,273,554**	**2,271,462**	**2,212,367**	**2,210,041**
Minority interest		1	-	1	-
Total equity		**2,273,555**	**2,271,462**	**2,212,368**	**2,210,041**
Non-current liabilities:					
Borrowings	16	13,811	13,811	61,903	61,903
Issued bonds	18	25,896	25,896	25,896	25,896
Obligations under finance leases	17	50	-	-	-
Grants	19	57,019	56,978	50,871	50,819
Deferred income tax liabilities	21	204,589	204,246	208,486	208,129
Total non-current liabilities		**301,365**	**300,931**	**347,156**	**346,747**
Current liabilities:					
Borrowings	16	11,122	11,122	2,022	2,022
Obligations under finance leases	17	40	-	118	-
Current income tax liabilities		11,039	10,893	4,237	4,104
Trade and other payables	20	201,169	189,162	198,582	182,264
Total current liabilities		**223,370**	**211,177**	**204,959**	**188,390**
Total liabilities		**524,735**	**512,108**	**552,115**	**535,137**
TOTAL EQUITY AND LIABILITIES		**2,798,290**	**2,783,570**	**2,764,483**	**2,745,178**

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

INCOME STATEMENTS
For the period ended 30 June 2008
All amounts are in LTL thousand, unless stated otherwise

Group	Notes	2008 April - June	2007 April - June	2008 January - June	2007 January - June
Sales	22	311,301	238,798	664,547	544,390
Operating expenses	22	(296,684)	(211,521)	591,036	(500,419)
GROSS PROFIT		**14,617**	**27,277**	**73,511**	**43,971**
Other operating income	23	6,547	5,799	12,301	11,482
Other operating expenses		(6,278)	(5,319)	(11,592)	(10,926)
Other gains (losses), net	24	(5)	(44)	4	(206)
OPERATING PROFIT		**14,881**	**27,713**	**74,224**	**44,321**
Finance income		305	161	417	302
Finance costs		(574)	(1,408)	(1,500)	(2,882)
Net results (loss) of associates		79	(162)	(606)	(303)
PROFIT BEFORE INCOME TAX		**14,691**	**26,304**	**72,535**	**41,438**
Income tax expense	21	(2,358)	(5,156)	(11,345)	(7,659)
NET PROFIT		**12,333**	**21,148**	**61,190**	**33,779**
ATTRIBUTABLE TO:					
Equity holders of the Parent		12,333	21,148	61,190	33,779
Minority interest		-	-	-	-
		12,333	**21,148**	**61,190**	**33,779**
Basic and diluted earnings per share (LTL)	26	**0.02**	**0.03**	**0.09**	**0.05**

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

INCOME STATEMENTS
For the period ended 30 June 2008
All amounts are in LTL thousand, unless stated otherwise

Company	Notes	2008 April - June	2007 April - June	2008 January - June	2007 January - June
Sales	22	297,123	225,756	633,038	517,766
Operating expenses	22	(282,613)	(198,908)	(559,917)	(474,538)
GROSS PROFIT		**14,510**	**26,848**	**73,121**	**43,228**
Other operating income	23	6,079	5,350	11,723	10,790
Other operating expenses		(5,927)	(4,880)	(11,041)	(10,062)
Other gains (losses), net	24	618	17	(69)	(113)
OPERATING PROFIT		**15,280**	**27,335**	**73,734**	**43,843**
Finance income		289	144	379	277
Finance costs		(569)	(1,404)	(1,492)	(2,874)
Net results (loss) of associates		-	-	-	-
PROFIT BEFORE INCOME TAX		**15,000**	**26,075**	**72,621**	**41,246**
Income tax expense	21	(2,271)	(5,054)	(11,200)	(7,456)
NET PROFIT		**12,729**	**21,021**	**61,421**	**33,790**
ATTRIBUTABLE TO:					
Equity holders of the Parent		12,729	21,021	61,421	33,790
Minority interest		-	-	-	-
		12,729	**21,021**	**61,421**	**33,790**
Basic and diluted earnings per share (LTL)	26	**0.02**	**0.03**	**0.09**	**0.05**

STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 June 2008
All amounts are in LTL thousand, unless stated otherwise

Group	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the Parent	Minority interest	Total
Balance as of 31 December 2006		**689,515**	**3**	**70,407**	**1,394,560**	**17,651**	**(6)**	**2,172,130**	**1**	**2,172,131**
Dividends	27	-	-	-	-	(8,154)	-	(8,154)	-	(8,154)
Transfer to reserves	15	-	-	325	12,386	(12,711)	-	-	-	-
Reserves used	15	-	-	-	(2,024)	2,024	-	-	-	-
Net profit for the period		-	-	-	-	33,779	-	33,779	-	33,779
Balance as of 30 June 2007		**689,515**	**3**	**70,732**	**1,404,922**	**32,589**	**(6)**	**2,197,755**	**1**	**2,197,756**
Transfers to reserves	15	-	-	-	-	-	-	-	-	-
Reserves used	15	-	-	(2)	(136)	138	-	-	-	-
Net profit for the period		-	-	-	-	14,608	-	14,608	-	14,608
Equity adjustment 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	-	-	64	51,496	(51,560)	-	-	-	-
Reserves used	15	-	-	-	(1,700)	1,700	-	-	-	-
Net profit for the period		-	-	-	-	61,190	-	61,190	-	61,190
Equity adjustment arising on translation of foreign operations		-	-	-	-	-	(3)	(3)	-	(3)
Balance as of 30 June 2008		**689,515**	**3**	**70,794**	**1,454,582**	**58,665**	**(5)**	**2,273,554**	**1**	**2,273,555**

(Continued on the following page)

STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 June 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**
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		-	-	-	-	33,790	**33,790**
Result of revaluation of non-current assets	6	-	-	-	1,560	-	1,560
Transfer of non-current assets	6	-	-	-	(1,560)	1,560	-
Balance as of 30 June 2007		**689,515**	**3**	**68,952**	**1,402,660**	**35,350**	**2,196,480**
Net profit for the period		-	-	-	-	13,561	13,561
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	-	-	-	50,611	(50,611)	-
Reserves used	15	-	-	-	(1,700)	1,700	-
Net profit for the period		-	-	-	-	61,421	**61,421**
Balance as of 30 June 2008		**689,515**	**3**	**68,952**	**1,451,571**	**61,421**	**2,271,462**

(Concluded)

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

	Group January – June 2008	Company January – June 2008	Group January – June 2007	Company January – June 2007
Net profit	61,190	61,421	33,779	33,790
Adjustments for non-cash expense (income) items and other adjustments				
Depreciation and amortization	69,361	68,351	73,330	72,368
Change in deferred income tax liabilities	(3,897)	(3,882)	(5,732)	(5,701)
Impairment of assets	(1,763)	(1,763)	577	606
Income and social tax expense	15,242	15,082	13,391	13,157
Income from grants	(1,182)	(1,171)	(609)	(597)
Profit (loss) from disposal of non-current assets (excluding financial assets)	749	748	(59)	(47)
Elimination of results of financial and investing activities:				
- Dividends	-	(633)	-	(413)
- Foreign currency exchange loss, net	(22)	(19)	122	122
- Finance costs	1,500	1,492	2,882	2,874
- Finance income	(417)	(379)	(302)	(277)
- Loss from derivatives			63	63
- Loss (gain) from other financial activities	(45)	34	14	14
Changes in working capital				
(Increase) decrease in inventories	556	(769)	(1,725)	(1,870)
(Increase) decrease in prepayments	(535)	413	1,619	1,585
(Increase) decrease in trade receivables	(787)	(3,444)	(7,945)	(4,028)
Decrease in other receivables	(5,023)	(5,278)	1,375	1,364
Decrease (increase) in other current assets	2,286	2,402	285	295
Increase (decrease) in current trade payables and advances received	1,239	6,125	(16,079)	(15,989)
Increase (decrease) in payroll related liabilities	2,118	2,148	2,125	1,417
Increase in other accounts payable	(2,761)	(1,789)	1,044	(745)
Income and social tax paid	(8,161)	(8,013)	(5,177)	(5,061)
Net cash flows from operating activities	***129,648***	***131,076***	***92,978***	***92,927***
Cash flows from / (to) investing activities				
Purchases of property, plant and equipment and intangible assets	(63,808)	(63,596)	(53,009)	(53,200)
Proceeds on disposal of property, plant and equipment and intangible assets	4	-	342	711
Loan repayments received	1,524	1,524	21	21
Term deposits	100	-	(1,000)	-
Acquisition of investments	(1,020)	(1,020)	-	(802)
Loans granted				
Proceeds on disposal of investments	-	-	591	591
Dividends received	-	633	-	413
Interest received	448	420	124	100
Net cash flows to investing activities	***(62,752)***	***(62,039)***	***(52,931)***	***(52,166)***
Cash flows from / (to) financing activities				
Proceeds from borrowings	24,066	24,066	123,216	123,216
Proceeds from issuance of bonds	-	-	-	-
Bonds redeemed	-	-	-	-
Repayments of borrowings	(63,058)	(63,058)	(152,832)	(152,832)
Repayments of obligations under finance leases	(125)		(137)	-
Dividends paid	(45)	(45)	(8,070)	(8,070)
Interest paid	(1,042)	(1,035)	(2,367)	(2,359)
Realized derivative financial instruments	-	-	(63)	(63)
Other cash flows from financing activities	(34)	(34)	(13)	(13)
Net cash flows to financing activities	***(40,238)***	***(40,106)***	***(40,266)***	***(40,121)***
Net cash increase (decrease)	**26,658**	**28,931**	**(219)**	**640**
Cash and cash equivalents at the beginning of the period	**18,468**	**14,566**	**4,788**	**1,357**
Cash and cash equivalents at the end of the period	**45,126**	**43,497**	**4,569**	**1,997**

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

1. General information

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

On 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 March 27, 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 in 2008 and 2007 and as of 30 June 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. In 2008 and 2007 the Company did not purchase its own shares.

The Government of the Republic of Lithuania laid down in its Resolution No 364 dated 24 April 2008 that 689,515,435 ordinary registered shares of Lietuvos Energija AB with the nominal value of 1 LTL (one Litas) each owned by the state by the right of title had to be transferred as the contribution of the state represented by the Ministry of the Economy in increasing the share capital of LEO LT, AB. The Shareholders Agreement of the national investor company LEO LT, AB was signed on 27 May 2008. Afterwards the extraordinary general shareholders meeting of LEO LT, AB was convened where it was decided to increase the share capital of LEO LT, AB by the equity contributions of the shareholders - VTS AB, Rytų Skirstomieji Tinklai AB abd Lietuvos Energija AB. The main shareholder of Lietuvos Energija AB is LEO LT, AB (the "Patronizing Company") as of 30 June 2008 having control over 96.4012 percent of the Company's shares and exercising direct control over the Company. The remaining 3.5988 percent of the Company's shares are held by other shareholders.

The core 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 Articles of Association 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 30 June 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 these companies: Nordic Energy Link AS, Energetikos Pajėgos UAB, Geoterma UAB, Kruonio Investicijos UAB, Kauno Energetikos Remontas UAB. Indirectly, through Kauno Energetikos Remontas UAB, the Company had majority of votes in Gotlitas UAB 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 the H1 2008 include consolidated Lietuvos Energija AB and its subsidiaries' interim financial statements and separate interim financial statements of the patronizing company Lietuvos Energija AB. The Group consists of Lietuvos Energija AB and the following subsidiaries directly and indirectly controlled by the Company:

Company	Registered address	Shares held by the Group	Share capital of subsidiary (LTL)	Profit (loss) for reporting period (LTL)	Equity as of June 30, 2007 (LTL)	Main activity
Energetikos Pajėgos UAB	**T.Masiulio g. 16d, Kaunas, Lithuania**	100%	430,400	243,611	801,523	**Design of energy projects**
Kauno Energetikos Remontas UAB	**Chemijos g. 17, Kaunas, Lithuania**	100%	31,340,763	383,619	36,447,492	**Repair of energy equipment, manufacture of metal constructions**
Kruonio Investicijos UAB	Kruonio II k., Kaišiadorių raj., Lithuania	100%	2,361,000	(37,689)	2,268,113	Development of public, recreational objects
Gotlitas UAB	**R.Kalantos g. 119, Kaunas, Lithuania**	100%	1,450,000	988	1,461,380	**Accommodation services, trading activities**
Kaliningradskij energoremont OOO	**Jaltinskaya str. 66, Kaliningrad, Russia**	99%	951 (9,900 RUB	(34,804)	84,050	**Repair of energy equipment**

(Continued)

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 30 June 2008 are as follows:

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

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.

2.2 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.

2.3 Business Combinations

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

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

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

2.4 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.

2.5 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.

2.6 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 the income statements of a given year.

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.

2.7 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.

(Continued)

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 (FIFO) 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:

30 June 2008			31 December 2007		
1 EUR	=	3.4528 LTL	1 EUR	=	3.4528 LTL
1 LVL	=	4.9083 LTL	1 LVL	=	4.9567 LTL
100 RUB	=	9.3536 LTL	100 RUR	=	9.6085 LTL
10 SEK	=	3.66698 LTL	10 SEK	=	3.6437 LTL
1 USD	=	2.1938 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%. In 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania. According to the Law, the companies together with the income tax had to pay a 4% social tax for the year started 1 January and a 3% social tax for the year started 1 January 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 30 June 2008 and 31 December 2007 and in the H1 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 as follows.

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 30 June 2008 and 31 December 2007 there were no indications that property, plant and equipment were impaired.

4. Intangible assets

As of 30 June 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	-	179	5	184
- disposals (-)	-	(12)	-	(12)
As of 30 June 2007	**2,329**	**16,865**	**48**	**19,242**
As of 31 December 2007	**2,337**	**17,634**	**36**	**20,007**
- additions	-	126	-	126
- disposals (-)	-	(20)	-	(20)
As of 30 June 2008	**2,337**	**17,740**	**36**	**20,113**
Amortization				
as of 31 December 2006	**1,051**	**11,183**	**14**	**12,248**
- amortization	337	1,033	4	1,374
- disposals (-)	-	(12)	-	(12)
As of 30 June 2007	**1,388**	**12,204**	**18**	**13,610**
As of 31 December 2007	**1,714**	**13,173**	**15**	**14,902**
- amortization	255	1,042	3	1,300
- disposals (-)	-	(20)	-	(20)
as of 30 June 2008	**1,969**	**14,195**	**18**	**16,182**
Carrying amount				
As of 31 December 2007	**623**	**4,461**	**21**	**5,105**
As of 30 June 2008	**368**	**3,545**	**18**	**3,931**

As of 30 June 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	-	178	-	178
- disposals (-)	-	(12)	-	(12)
as of 30 June 2007	**2,277**	**16,791**	**7**	**19,075**
as of 31 December 2007	**2,277**	**17,501**	**-**	**19,778**
- additions	-	125	-	125
- disposals (-)	-	(20)	-	(20)
as of 30 June 2008	**2,277**	**17,606**	**-**	**19,883**
Amortization				
as of 31 December 2006	**1,019**	**11,132**	**7**	**12,158**
- amortization	330	1,024	-	1,354
- disposals (-)	-	(12)	-	(12)
as of 30 June 2007	**1,349**	**12,144**	**7**	**13,500**
as of 31 December 2007	**1,667**	**13,108**	**-**	**14,775**
- amortization	247	1,026	-	1,273
- disposals (-)	-	(20)	-	(20)
as of 30 June 2008	**1,914**	**14,114**	**-**	**16,028**
Carrying amount				
as of 31 December 2007	**610**	**4,393**	**-**	**5,003**
as of 30 June 2008	**363**	**3,492**	**-**	**3,855**

As of 30 June 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 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Patents and licenses	795	795	555	555
Software	11,078	11,078	9,521	9,478
Other intangible assets	-	-	-	-
Total	**11,183**	**11,873**	**10,076**	**10,033**

5. *Property, plant and equipment*

As of 30 June 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	Tc
sition (deemed)								
31 December 2006	-	**2,432,760**	**297,432**	**22,749**	**123,615**	**95,598**	**37,101**	
ditions	-	440	490	1,056	1,268	50,930	7,167	
posals (-)	-	(1,010)	(1,577)	(64)	(401)	(9)	-	
classifications +/(-)	-	26,206	7,700	-	4,020	(19,279)	(18,647)	
30 June 2007	-	**2,458,396**	**304,045**	**23,741**	**128,502**	**127,240**	**25,621**	
31 December 2007	**84**	**2,490,169**	**311,148**	**24,893**	**135,006**	**198,475**	**11,586**	
ditions	35	209	1,191	823	1,230	64,455	3,223	
posals (-)	-	(2,106)	(103)	(83)	(206)	-	-	
classifications +/(-)	-	30,526	4,110	-	5,513	(38,826)	(1,323)	
30 June 2008	**119**	**2,518,798**	**316,346**	**25,633**	**141,543**	**224,104**	**13,486**	
ciation								
31 December 2006	-	**332,444**	**59,456**	**12,161**	**55,384**	-	**254**	
oreciation	-	50,221	10,015	1,590	10,089	-	41	
oosals (-)	-	(412)	(1,486)	(63)	(396)	-	-	
30 June 2007	-	**382,253**	**67,985**	**13,688**	**65,077**	-	**295**	
31 December 2007	-	**432,292**	**77,846**	**14,796**	**74,560**		**336**	
oreciation	-	47,748	9,788	1,579	8,901	-	44	
oosals (-)	-	(1,235)	(95)	(49)	(203)	-	-	
30 June 2008	-	**478,805**	**87,539**	**16,326**	**83,258**	-	**380**	
rment								
31 December 2006	-	**1,218**	-	-	-	-	-	
oairment	-	-	-		-	-	-	
versals (-)	-	(30)	-	-	-	-	-	
30 June 2007	-	**1,188**	-	-	-	-	-	
31 December, 007	-	**1,381**	**369**	-	**727**	-	-	
oosals (-)	-	-	-	-	-	-	-	
oairment	-	-	-	-	-	-	-	
30 June 2008	-	**1,381**	**369**	-	**727**	-	-	
ng amount								
f 31 December, 7	**84**	**2,056,496**	**232,933**	**10,097**	**59,719**	**198,475**	**11,250**	
f 30 June 2008	**119**	**2,038,612**	**228,438**	**9,307**	**57,558**	**224,104**	**13,106**	

(Continued on the following page)

5. Property, plant and equipment (continued)

As of 30 June 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**	**Othe**
Acquisition (deemed) cost							
as of 31 December 2006	-	**2,414,303**	**287,709**	**20,482**	**123,316**	**96,148**	
- additions	-	1	279	942	1,258	51,225	
- disposals (-)	-	(1,010)	(1,486)	(50)	(402)	(9)	
- reclassifications +/(-)	-	26,269	7,698	-	4,021	(19,341)	(
as of 30 June 2007	-	**2,439,563**	**294,200**	**21,374**	**128,193**	**128,023**	
as of 31 December 2007	**84**	**2,471,233**	**300,671**	**22,509**	**134,695**	**200,070**	
- additions	35	-	886	770	1,230	64,670	
- disposals (-)	-	(2,105)	(49)	(83)	(206)	-	
- reclassifications +/(-)	-	30,599	4,109	-	5,513	(38,898)	
as of 30 June 2008	**119**	**2,499,727**	**305,617**	**23,196**	**141,232**	**225,842**	
Depreciation							
as of 31 December 2006	-	**331,229**	**56,930**	**11,479**	**55,208**	-	
- depreciation	-	50,020	9,481	1,440	10,056	-	
- disposals (-)	-	(412)	(1,404)	(50)	(396)	-	
as of 30 June 2007	-	**380,837**	**65,007**	**12,869**	**64,868**	-	
as of 31 December, 2007	-	**430,684**	**74,380**	**13,918**	**74,321**	-	
- depreciation	-	47,546	9,215	1,422	8,877	-	
- disposals (-)	-	(1,235)	(46)	(49)	(203)	-	
30 June 2008	-	**476,995**	**83,549**	**15,291**	**82,995**	-	
Impairment							
as of 31 December 2006	-	**1,207**	-	-	-	-	
- impairment	-	-	-	-	-	-	
- disposalss (-)	-	(30)	-	-	-	-	
as of 30 June 2007	-	**1,177**	-	-	-	-	
as of 31 December 2007	-	**1,369**	**369**	-	**728**	-	
- impairment for the year	-	-	-	-	-	-	
- disposals (-)	-	-	-	-	-	-	
as of 30 June 2008	-	**1,369**	**369**	-	**728**	-	
Carrying amount							
as of 31 December 2007	**84**	**2,039,180**	**225,922**	**8,591**	**59,646**	**200,070**	
as of 30 June 2008	**119**	**2,021,363**	**221,699**	**7,905**	**57,509**	**225,842**	

In H1 2008 the Company completed the following major investment projects:

Project	**Value, LTL '000**
Construction of the 110/10 kV Nemunas substation	17,908
Reconstruction of the 110/35/10 kV Ukmergė substation	8,012
Reconstruction of the 110/10 kV Gedminai substation	3,916
Reconstruction of the 110kV overhead line Vidiškiai - Skiemonys	1,471
Installation of video monitoring and security systems at the 110 kV switchgears	1,308
Installation of Commercial metering ar the 110/35/10 kV substation	895
Construction of warehouse at Jonava transformer substation	539

(Continued on the following page)

5. Property, plant and equipment (continued)

As of 30 June 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	30 June 2008	31 December 2007
Machinery and equipment	1,175	1,196
Vehicles	136	102
Total	**1,311**	**1,298**

As of 30 June 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 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Buildings and structures	68,203	68,187	51,432	51,415
Machinery and equipment	13,369	13,207	11,388	11,223
Vehicles	8,605	8,496	8,246	8,137
Other equipment, tools and devices	34,049	33,903	19,712	19,634
Total	**124,226**	**123,793**	**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 the Company's budget. The contractor of the project – Alstom Power Sweden AS. The project is scheduled to be finished in 2009.

6.Investments

As of 30 June 2008 the Company had direct control over three subsidiaries: Energetikos Pajėgos UAB (acquisition cost LTL'000 414), Kauno Energetikos Remontas UAB (acquisition cost 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 (Note 1) the Company controls indirectly, i.e. through Kauno Energetikos Remontas UAB.

On 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 on 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. On 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. On 24 January 2008 amendments in the Articles of Association of Geoterma UAB related to the mentioned changes in the share capital were registered in the Register of Legal Persons.

On 19 May 2008 the Chief Executive Officers of electricity transmission system operators Lietuvos Energija and PSE Operator (Poland) signed the Articles of Association of a joint venture LitPol Link, which will implement the interconnection project of Lithuanian and Polish power systems. Lietuvos Energija and PSE Operator each own 50 per cent of the joint venture shares. Final registration procedures the joint venture have been undertaken at the date of these Financial Statements.

As of June 30 2008 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) and the joint Polish – Lithuanian venture Lit Pol Link Sp.z.o.o. (acquisition costs LTL' 000 1,020). Indirectly, through Kauno Energetikos Remonts UAB, the Company participated in the management of Enmašas UAB (acquisition cost LTL' 000 20 for 33 percent of shares).

As of 30 June 2008 and 31 December 2007 investments of the Company and the Group in associates consisted of the following:

Company 30 June 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
Lit Pol link Sp.z.o.o.	1,020	50.00		1,020
Total	**24,992**		**1,008**	**23,984**

(Continued)

6. *Investments (continued)*

Company 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**

Group 30 June 2008	Acquisition cost	Ownership percentage	Impairment	Carrying amount
UAB Geoterma	4,994	23.44	(1,008)	3,986
AS Nordic Energy Link	18,978	25.00	416	19,394
UAB Enmašas	20	33.33	79	99
LitPol Link Sp.z.o.o	1,020	50.00		1,020
Total	**25,012**		**(513)**	**24,499**

Group 31 December 2007	Acquisition cost	Ownership percentage	Impairment	Carrying amount
UAB „Geoterma"	4,373	23.44	(2,727)	1,646
AS „Nordic Energy Link"	18,978	25.00	416	19,394
Total	**23,351**		**(2,311)**	**21,040**

Financial position as of 30 June 2008 and net profit (loss) for the H1 2008 of the associates were the following:

Company 30 June 2008	Assets	Liabilities	Revenues	Net profit (loss)
Geoterma UAB	59,102	42,098	-	(2,930)
Nordic Energy Link AS*				
LitPol Link Sp.z.o.o				

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

Financial position as of 30 June 2008 and net profit (loss) for the period ended 30 June 2008 of the associates were the following:

Group June 30 2008	Assets	Liabilities	Revenue	Net profit (loss)
UAB „Geoterma"*	59,102	42,098	-	(2,930)
AS „Nordic Energy Link"*				
„LitPol Link" Sp.z.o.o*				
UAB „Enmašas"	312	5	49	(16)

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

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

(Continued)

For the periods ended 30 June 2008 and 31 December 2007, the movement of investments in associates was as follows:

	Group 30 June 2008	Company 30 June 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)
Increase of investments in associates	1,040	1,020		
Share of financial result (loss) of associates	79		(132)	
Liquidation of Baltijas Energosistemu Dispečeru Centrs BO SIA (DC Baltija)	-	-	(510)	(510)
Carrying amount at the end of the period	**24,499**	**23,984**	**21,040**	**20,625**

7. Non-current accounts receivable

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Accounts receivable from VST AB*	-	-	1,500	1,500
Other receivables	715	715	777	777
Total	**715**	**715**	**2,277**	**2,277**
Less: current receivables (note 10)	(25)	(25)	(299)	(299)
Carrying amount	**690**	**690**	**1,978**	**1,978**

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

8. Inventories

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Materials and spare parts, production in progress and finished goods at acquisition (production) cost	12,206	6,904	12,760	6,053
Goods for resale at acquisition cost	212	145	560	487
Less: write-down to net realizable value	(90)	(90)	(482)	(396)
Carrying amount	**12,328**	**6,959**	**12,838**	**6,144**

By compiling these Financial Statements , the Group and the Company assessed the impairment of value of the inventories and accounted them at their net realizable value.

For the periods ended 30 June 2008 and 31 December 2007, the movement of allowances for inventories consisted of the following:

	Group 30 June 2008	Company 30 June 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	(392)	(306)	(160)	(160)
Carrying amount at the end of the period	**90**	**90**	**482**	**396**

9. Trade receivables

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Receivables from electricity market participants	74,498	74,498	85,549	85,549
Receivables from other Lithuanian companies	36,855	21,357	33,745	17,107
Receivables for exported electricity	25,100	25,100	11,866	11,866
Receivables for electricity transit	402	402	157	157
Total	**136,855**	**121,357**	**131,317**	**114,679**
Less: allowance for doubtful receivables	(9,937)	(9,612)	(9,947)	(9,612)
Carrying amount	**126,918**	**111,745**	**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 30 June 2008 and 31 December 2007 consisted of the following:

	Group 30 June 2008	Company 30 June 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**

10. Other current receivables

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Deferred VAT receivable	5,504	5,504	2,961	2,961
Receivables for IT and telecommunication services	2,958	2,960	3,283	3,287
Loan to Geoterma UAB	-	-	3,222	3,222
Current portion of non-current receivables (note 7)	1,385	1,385	1,774	1,513
VAT receivable	25	25	299	299
Other receivables	327	256	266	203
Carrying amount at the end of the period	**10,199**	**10,130**	**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 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Not overdue	9,733	9,664	10,944	10,624
Overdue up to 30 days	444	444	609	609
Overdue from 30 to 60 days	22	22	252	252
Carrying amount	**10,199**	**10,130**	**11,805**	**11,485**

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

11. Term deposits

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Term deposit at Bank Snoras AB (LTL), maturity – July 2008	150	-	150	-
Term deposit at Bank Snoras AB (LTL), maturity - December 2008	100			
Carrying amount	**250**	**-**	**150**	**-**

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

12. Cash and cash equivalents

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Cash at banks and on hand	8,271	7,252	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 – July 2008.	360	-	360	-
Overnight deposit at bank Hansabankas AB (LTL)	1,796	1,796	3,739	3,739
Overnight deposit at bank AS Uni Credit Bank, branch in Lithuania (LTL)	34,449	34,449		
Overnight deposit at bank Hansabankas AB (EUR)	-	-	912	912
Carrying amount	**44,876**	**43,497**	**18,318**	**14,566**

13. Share capital

As of 30 June 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 H1 2008 the highest share price at the Stock Exchange session was LTL 4.83 per share, lowest – LTL 3.30 per share. The number of shareholders as of 30 June 2008 was 5,631.

Company shareholders were:

	30 June 2008		31 December 2007	
	Share capital		Share capital	
Shareholders	**(LTL)**	**Percent**	**(LTL)**	**Percent**
LEO LT, AB	664,700,833	96.40	-	-
Lithuanian State, represented by Ministry of Economy of the Republic of Lithuania	470,543	0.07	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**

13. 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.

As of 30 June 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.

15. 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 non-current 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	-	-	-	(2,024)	-	-	(2,024)
Balance as of 30 June 2007	**(63,777)**	**162,744**	**-**	**1,855**	**1,293,569**	**10,531**	**1,404,922**
Reserves used	-	-	-	(136)	-	-	(136)
Balance as of 31 December 2007	**(63,777)**	**162,744**	**-**	**1,719**	**1,293,569**	**10,531**	**1,404,786**
Transfers to reserve	-	-	-	3,053	-	48,443	51,496
Reserves used	-	-	-	(1,700)	-	-	(1,700)
Balance as of 30 June 2008	**(63,777)**	**162,744**	**-**	**3,072**	**1,293,569**	**58,974**	**1,454,582**

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 non-current 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 30 June 2007	**(63,777)**	**160,637**	**-**	**1,700**	**1,293,569**	**10,531**	**1,402,660**
Balance as of 31 December 2007	**(63,777)**	**160,637**	**-**	**1,700**	**1,293,569**	**10,531**	**1,402,660**
Transfers to reserve	-	-	-	2,780	-	47,831	50,611
Reserves used	-	-	-	(1,700)	-	-	(1,700)
Balance as of 30 June 2008	**(63,777)**	**160,637**	**-**	**2,780**	**1,293,569**	**58,362**	**1,451,571**

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 non-current assets from retained earnings.

16. Borrowings

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Within first year	11,122	11,122	2,022	2,022
Within second year			19,286	19,286
Within third year			19,286	19,286
Within fourth year			2,022	2,022
Within fifth year	13,811	13,811	19,287	19,287
After five years			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 30 June 2008) (EUR'000)**	**Maturity**	**Current portion (as of 30 June 2008)**	**Carrying amount as of 30 June 2008**	**Current portion (as of 31 December 2007)**	**Carrying amount as of 31 December 2007**
Zurcher Kantonalbank	8,013	3,221	2008	11,122	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**		**11,122**	**24,933**	**2,022**	**63,925**

The fair value of the borrowings approximates their carrying amount.

As of 30 June 2008 the Company had borrowings amounting to LTL'000 11,122 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%).

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 are 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 maintain 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 the Company 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. On 1 September 2007 under a contract UniCredit Bank from HVB-Bank overtook all rights and obligations acquired through Bayerische Hypo und Vereinsbank AB Vilnius Branch.

In H1 2008 and 2007, the Group and the Company complied with all covenants under the loan agreements.

17. Obligations under finance leases

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

	30 June 2008		31 December 2007	
Group	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Amounts payable under finance leases:				
Within one year	44	40	120	118
Within the second to fifth year inclusive	54	50	-	-
Minimum lease payments	**98**	**90**	**120**	**118**
Less: future finance charges	(8)	-	(2)	-
Present value of minimum lease payments	**90**	**90**	**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 was EUR'000 7,500 (LTL'000 25,896). Annual interest rate – 4.06%. The maturity date – 29 September 2009.

The fair value of the issued bonds as of 30 June 2008 was EUR'000 7,394 (LTL'000 25,530) (as of 31 December 2007 – EUR'000 7,409 (LTL'000 25,538).

19. Grants

For periods, ended 30 June 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	3,477	7,850
- grants used	(159)	(450)	(609)
Balance as of 30 June 2007	**8,139**	**23,442**	**31,581**
Balance as of 31 December 2007	**14,202**	**36,669**	**50,871**
- grants received	-	7,330	7,330
- grants used	(291)	(891)	(1,182)
Balance as of 30 June 2008.	**13,911**	**43,108**	**57,019**

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	3,477	7,850
- grants used	(159)	(438)	(597)
Balance as of 30 June 2007	**8,139**	**23,379**	**31,518**
Balance as of 31 December 2007	**14,202**	**36,617**	**50,819**
- grants received	-	7,330	7,330
- grants used	(291)	(880)	(1,171)
Balance as of 30 June 2008	**13,911**	**43,067**	**56,978**

The Group has received advance payments, which, upon meeting the contractual obligations by the Group, will be recognized as grants. These advance payments are accounted under trade and other payables (Note 20). As of 30 June 2008 these advance payments amounted to LTL'000 25,451 (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 30 June 2008	**Company 30 June 2008**	**Group 31 December 2007**	**Company 31 December 2007**
Trade payables	153,430	145,310	156,283	145,304
Advances received	29,471	27,582	24,716	21,463
Deferred VAT payable	7,860	7,860	7,658	7,658
Payroll related liabilities	4,939	3,370	2,872	1,222
Vacation reserve	3,318	2,936	3,355	3,025
Property tax payable	134	134	2,145	2,145
Dividends payable	587	587	633	633
Other payables and current liabilities	1,430	1,383	920	814
Carrying amount	**201,169**	**189,162**	**198,582**	**182,264**

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

21. Income tax expense

For the periods ended 30 June 2008 and 30 June 2007, the income tax expense consisted of the following:

	Group 30 June 2008	Company 30 June 2008	Group 30 June 2007	Company 30 June 2007
Components of the income tax expense				
Income tax (including social tax)	15,242	15,083	13,391	13,157
Deferred income tax benefit	(3,897)	(3,883)	(5,732)	(5,701)
Income tax expenses for the reporting period	**11,345**	**11,200**	**7,659**	**7,456**

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

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Deferred income tax assets				
Impairment of property, plant and equipment (deemed cost)	(185,775)	(185,775)	(189,442)	(189,442)
Doubtful receivables (Baltic Shem and Liberty, etc.)	(1,947)	(1,947)	(3,894)	(3,894)
Doubtful receivables (Ekranas AB)	(1,442)	(1,442)	(1,442)	(1,442)
Vacation reserve	(497)	(440)	(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	(34)	(34)	(68)	(68)
Allowances for inventories to net realizable value	(14)	(14)	(59)	(59)
Total deferred income tax assets	**(189,860)**	**(189,803)**	**(195,817)**	**(195,768)**
Deferred income tax liabilities				
Increase in value of property, plant and equipment (deemed cost)	367,971	367,798	376,861	376,696
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	24,970	24,743	25,705	25,464
Impact of application of different depreciation rates for property, plant and equipment in financial and tax accounting	1,355	1,355	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 30 June 2008	2	2	2	2
Other (derivative financial instruments)			-	-
Total deferred income tax liabilities	**394,298**	**393,898**	**403,894**	**403,488**
Less: valuation allowance	151	151	409	409
Deferred income tax liabilities, net	**204,589**	**204,246**	**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% 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 30 June 2008	Company 30 June 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	180,310	180,310	184,126	184,126
Deferred income tax assets to be recovered within 12 months	9,399	9,342	11,282	11,233
Total deferred income tax assets	**189,709**	**189,652**	**195,408**	**195,359**
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	375,044	374,658	383,399	383,005
Deferred income tax liabilities to be settled within 12 months	19,254	19,240	20,495	20,483
Total deferred income tax liabilities	**394,298**	**393,898**	**403,894**	**403,488**
Deferred income tax liabilities, net	**204,589**	**204,246**	**208,486**	**208,129**

The Group's adjustments for temporary differences were as follows:

	As of 31 December 2007	Recognized in income statements	As of 30 June 2008
Impairment of property, plant and equipment (deemed cost)	(1,262,949)	24,447	(1,238,502)
Doubtful receivables (Baltic Shem and Liberty, etc.)	(25,961)	12,979	(12,982)
Doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(3,357)	39	(3,318)
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)	225	(225)
Allowances for inventories to net realizable value	(396)	306	(90)
Increase in value of property, plant and equipment (deemed cost)	2,512,410	(59,264)	2,453,146
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	171,371	(4,903)	166,468
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,837	193	9,030
Carrying amount of construction in progress acquired under investment exemption for tax purpose in 1998 - 2001 and not commissioned into operation until 30 June 2008	16	-	16
Total temporary differences	**1,387,183**	**(24,260)**	**1,362,923**
Deferred income tax by applying 15% tax rate, net	**208,077**	**(3,639)**	**204,438**
Decrease in deferred income tax due to effect of social tax	-		
Total deferred income tax, net	**208,077**	**(3,639)**	**204,438**
Less: valuation allowance	409	(258)	151
Deferred income tax liabilities, after assessment	**208,486**	**(3,897)**	**204,589**

(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	Recognized in income statements	as of 30 June 2008
Impairment of property, plant and equipment (deemed cost)	(1,262,949)	24,447	(1,238,502)
Allowances for doubtful receivables (Baltic Shem and Liberty)	(25,961)	12,979	(12,982)
Allowances for doubtful receivables (Ekranas AB)	(9,612)	-	(9,612)
Vacation reserve	(3,025)	89	(2,936)
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)	225	(225)
Allowances for inventories to net realizable value	(396)	306	(90)
Increase in value of property, plant and equipment (deemed cost)	2,511,305	(59,316)	2,451,989
Carrying amount of assets acquired under investment exemption for tax purpose (excluding construction in progress)	169,762	(4,808)	164,954
Effect of application of different depreciation rates for property, plant and equipment in financial and tax accounting	8,837	193	9,030
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**	**(24,167)**	**1,360,634**
Deferred income tax by applying 15% tax rate, net	**207,720**	**(3,625)**	**204,095**
Decrease in deferred income tax due to effect of social tax	-	-	-
Total deferred income tax, net	**207,720**	**(3,625)**	**204,095**
Less: valuation allowance	409	(258)	151
Deferred income tax liabilities, after assessment	**208,129**	**(3,883)**	**204,246**

Reconciliation of income tax expense and pre-tax profit:

	Group 30 June 2008	Company 30 June 2008	Group 30 June 2007	Company 30 June 2007
Profit before tax	72,535	72,621	41,438	41,246
Tax at the income tax rate of 15 per cent (in 2007 – 18 per cent)	10,880	10,893	7,459	7,424
Tax effect of items that are not deductible or taxable in determining taxable profit	465	307	200	32
Income tax expense	**11,345**	**11,200**	**7,659**	**7,456**
Effective income tax rate (%)	**16**	**15**	18	18

22. *Business and geographical segments*

The Group has separated six business segments (activities). As of 30 June 2008 and for the period then ended the information about these segments consisted of the following:

H1, 2008	Business segments						
	Electricity trans-mission	Electricity trade	Electricity generation	Electricity export	Nuclear power	Design and repair services	Total
Income	**407,636**	**139,438**	**44,572**	**139,352**	**-**	**34,036**	**765,034**
Incl. internal turnover among Company segments	*19,552*	*20,499*	*44,572*	*13,337*	-	-	*97,960*
Income after elimination of internal turnover among Company segments	388,084	118,939	-	126,015	-	34,036	667,074
Incl. internal turnover among Group companies	-	-	-	-	-	*2,527*	*2,527*
Income after elimination of internal turnover among Group companies	**388,084**	**118,939**	**-**	**126,015**	**-**	**31,509**	**664,547**
Expenses	**360,335**	**140,095**	**43,124**	**113,007**	***1,316***	***33,475***	**691,352**
Incl. internal turnover among Company segments	*16,453*	*32,350*	*24,044*	*25,113*	-	-	*97,960*
Expenses after elimination of internal turnover among Company segments	343,882	107,745	19,080	87,894	1,316	33,475	593,392
Incl. internal turnover among Group companies	-	-	-	-	-	*2,356*	*2,356*
Expenses after elimination of internal turnover among Group companies	**343,882**	**107,745**	**19,080**	**87,894**	**1,316**	**31,119**	**591,036**
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	257,122	139,431	24,044	112,692	-	-	533,289
Repair and maintenance expenses	15,512	25	1,842	19	-	1,415	18,813
Depreciation and amortization	55,178	6	8,231	6	-	1,058	64,479
Wages, salaries, social insurance and accrued vacation reserve	22,487	255	4,715	209	443	11,527	39,636
Taxes other than income tax	1,480	7	3,281	6	14	98	4,886
Communications and IT expenses	2,467	258	48	5	17	133	2,928
Utilities	677	2	44	2	-	506	1,231
Production materials expenses	-	-	-	-	-	4,726	4,726
Subcontractors	-	-	-	-	-	13,183	13,183
Research and development	433	80	-	-	-	-	513
Other	4,979	31	919	68	842	829	7,668
Profit (loss) from ordinary activities (before elimination of internal turnover)	**47,301**	**(657)**	**1,448**	**26,345**	**(1,316)**	**561**	**73,682**
Elimination of internal turnover							(171)
Profit (loss) from ordinary activities (after elimination of internal turnover)							**73,511**
Segment's assets	2,203,287	20,864	420,556	24,712	-	53,195	2,722,614
Unallocated assets	-	-	-	-	-	-	75,676
Segment's liabilities	62,508	13,392	4,548	21,972	-	15,227	117,647
Unallocated liabilities	-	-	-	-	-	-	407,088
Capital additions	63,560	-	7,016	-	-	591	71,167
Unallocated capital additions	-	-	-	-	-	-	125
Depreciation and amortization	55,178	6	8,231	6	-	1,058	64,479
Segment's assets	-	-	-	-	-	-	4,881

(Continued on the following page)

22. Business and geographical segments (continued)

As of 30 June 2007 and for the period then ended the information about segments consisted of the following:

H1, 2007	**Business segments**						
	Electricity trans-mission	**Electricity trade**	**Electricity generation**	**Electricity export**	**Nuclear power**	**Design and repair services**	**Total**
Income	**200,582**	**256,348**	**41,830**	**115,431**	**-**	**30,177**	**644,368**
Incl. internal turnover among Company segments	*24,736*	*15,378*	*41,830*	*14,481*	-	-	*96,425*
Income after elimination of internal turnover among Company segments	175,846	240,970	-	100,950	-	30,177	547,943
Incl. internal turnover among Group companies	-	-	-	-	-	*3,553*	*3,553*
Income after elimination of internal turnover among Group companies	**175,846**	**240,970**	**-**	**100,950**	**-**	**26,624**	**544,390**
Expenses	**157,674**	**256,760**	**39,021**	**115,257**	**2,257**	**29,216**	**600,185**
Incl. internal turnover among Company segments	*18,143*	*27,391*	*19,620*	*31,277*	-	-	*96,431*
Expenses after elimination of internal turnover among Company segments	139,531	229,369	19,401	83,980	2,257	29,216	503,754
Incl. internal turnover among Group companies	*16*	-	-	-	-	*3,319*	*3,335*
Expenses after elimination of internal turnover among Group companies	***139,515***	***229,369***	***19,401***	***83,980***	***2,257***	***25,897***	***500,419***
Break-down of significant items of expenses:							
Electricity purchase, purchase of capacity reserve, transmission, regulation and balancing expenses	57,699	255,955	19,620	115,005	-	-	448,279
Repair and maintenance expenses	12,566	15	2,978	11	-	763	16,333
Depreciation and amortization	59,281	129	8,156	5	-	978	68,549
Wages, salaries, social insurance and accrued vacation reserve	18,893	207	4,064	172	316	10,541	34,193
Taxes other than income tax	1,381	6	3,197	6	10	66	4,666
Communications and IT expenses	2,186	315	44	6	18	137	2,706
Utility expenses	706	1	38	1	-	333	1,079
Subcontractors	-	-	-	-	-	10,585	10,585
Production materials expenses	-	-	-	-	-	4,729	4,729
Research and development	490	70	40	-	78	-	678
Other	4,472	62	884	51	1,835	1,084	8,388
Profit (loss) from ordinary activities	**42,908**	**(412)**	**2,809**	**174**	**(2,257)**	**961**	**44,183**
(after elimination of internal turnover)							(212)
Profit (loss) from ordinary activities							**43,971**
Segment's assets	2,129,542	39,615	428,521	22,277	-	49,726	2,669,681
Unallocated assets	-	-	-	-	-	-	34,040
Segment's liabilities	13,574	37,408	3,375	31,699	-	13,768	99,824
Unallocated liabilities	-	-	-	-	-	-	406,141
Capital additions	59,351	-	1,224	-	-	781	61,356
Unallocated capital additions	-	-	-	-	-	-	179
Depreciation and amortization	59,281	129	8,156	5	-	978	68,549
Unallocated depreciation and amortization	-	-	-	-	-	-	4,781

The report by business segments for H1 2008 has the following revisions, compared to report issued in interim financial statements of H1 2007: there was an increase in income from electricity transmission and export expenses by LTL'000 21,201 due to the amended procedure for issuing the Company's separate businesses income (loss) statements (February 7, 2008. Minutes of the meeting of administration No.9).

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22. Business and geographical segments (continued))

Secondary reporting format is geographical segments. The Company exports electricity to the EU countries. During H1 2008 the Company earned from electricity export LTL 111.2 million (in H1 2007 – LTL 87 million). In addition to that, the Group exported metal structures and repair services.

For periods ended 30 June, the Group and Company's sales by geographical segments consisted of the following:

Country	**Group H1 2008**	**Company H1 2008**	**Group H1 2007**	**Company H1 2007**
Lithuania	552,225	521,799	455,942	430,755
Russia	150	-	42,063	41,680
Finland	35,683	34,952	17,842	17,842
Latvia	33,624	33,617	10,028	10,016
Estonia	42,713	42,670	17,556	17,473
Germany	152	-	867	-
Sweden			92	-
Total:	**664,547**	**633,038**	**544,390**	**517,766**

Besides direct exports, the Company also sells peak energy intended for export. In H1 2008 the sales of peak energy amounted to MLTL 4.1 (in H1 2007 – MLTL 5.2). The Company also exported electricity, generated on holidays and weekends. In H1 2008, the revenues from exported electricity, generated on holidays and weekends accounted for MLTL 2.9 (in H1 2007 – MLTL 8.7).

23. Other operating income

During periods, ended 30 June the Group and the Company's other income consisted of the following:

	Group 2008	**Company 2008**	**Group 2007**	**Company 2007**
Data transmission	6,337	6,337	6,296	6,296
Internet services	1,760	1,765	1,425	1,429
Rent of facilities	1,360	1,360	667	667
Rent of property	1,084	1,095	1,111	1,110
Health and recreation services	481	335	432	273
Voice telephony services	283	283	217	217
IT services	213	232	221	242
Construction and other services	-	-	13	283
Gain on disposal of property, plant and equipment	53	53	20	20
Other income	730	263	1,080	253
Total other income	**12,301**	**11,723**	**11,482**	**10,790**

24. Other gains (losses)

During the periods ended 30 June, 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 exchange rate adjustment	19	19	-	-
Dividends received	-	633	-	413
Other income	28	-	17	-
Foreign currency exchange loss		-	(122)	(122)
Fair value losses on derivative financial instruments at fair value	(22)	(22)	(14)	(14)
Impairment of investments	-	-	(63)	(63)
Dividends received	-	(685)	(24)	(327)
Other expenses	(21)	(14)	-	-
Other gains (losses), net	**4**	**(69)**	**(206)**	**(113)**

25. Related party transactions

Sales and purchases of the goods and services:

As of 30 June 2008 and during the period, ended 30 June 2008, the Group's related party transactions consisted of the following:

Related parties	Accounts payable	Accounts receivable	Purchases	Sales
LEO LT, AB and its subsidiaries (sales and purchases only for June)	2,432	73,217	1,932	61,894
Associates of the Group	1	7	6,352	14
Total	**2,433**	**73,224**	**8,284**	**61,908**

As of 30 June 2008 and the period ended 30 June 2008, the Company's related party transactions consisted of the following:

Related parties	Accounts payable	Accounts receivable	Purchases	Sales
LEO LT, AB and its subsidiaries (sales and purchases only for June)	2,409	73,202	1,913	61,881
Subsidiaries	1,797	19	2,527	62
Associates	1	7	6,352	14
Total	**4,207**	**73,228**	**10,792**	**61,957**

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.

(Continued on the following page)

Compensation to key management personnel

For the periods ended 30 June of a respective year, the Company's compensation to key management personnel consisted of the following:

	2008	2007
Remuneration of the management	948	687
Other amounts paid to managers (bonuses for board members)	80	70
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 30 June of a respective year, earnings per share equaled:

	2008	2007
Net profit attributable to equity holders of the Company	61,190	33,779
Weighted average number of shares	689,515,435	689,515,435
Basic and diluted earnings per share (LTL)	**0.09**	**0.05**

27. Dividends per share

Dividends per share consisted of the following:

	For the financial year ended 31 December 2007	For the financial year ended 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 on 3 March 2004.

Credit Risk
As of 30 June 2008 and 31 December 2007, the credit risk was related to:

	Group 30 June 2008	Company 30 June 2008	Group 31 December 2007	Company 31 December 2007
Financial assets	182,933	166,062	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 several customers.

The credit risk on overdrafts is limited because the Company and the Group conduct transactions with the 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 30 June 2008 and 31 December 2007 the majority of impaired trade receivables of the Group and the Company consisted of trade receivables from Ekranas AB (LTL'000 9,612), that went bankrupt at the date of the financial statements.

The ageing analysis of the Group and the Company's trade receivables that were not recognized doubtful consisted of the following:

	Group 30 June 2008	Company 30 June 2008	Group 31 December, 2007	Company 31 December, 2007
Paid on due date	125,909	110,971	109,360	94,078
Overdue up to 30 days	571	446	11,464	10,883
Overdue from 30 to 60 days	356	328	427	106
Overdue from 60 to 90 days	-	-	22	-
Overdue more than 90 days	82	-	97	-
Carrying amount	**126,918**	**111,745**	**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 (revenues 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.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 30 June 2008				
Borrowings and bonds	11,122	25,896	13,811	-
Obligations under finance leases	40	50	-	-
Trade and other payables	201,168	-	-	-
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)*

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
as of 30 June 2008				
Borrowings and bonds	11,122	25,896	13,811	-
Trade and other payables	189,162	-	-	-
as of 31 December, 2007				
Borrowings and bonds	2,022	45,182	40,595	2,022
Trade and other payables	182,264	-	-	-

Market risk

Interest rate risk
The income and cash flows of the Group companies are not significantly exposed 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, usually 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 have been 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.

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, LTL is pegged to EUR, therefore the Group 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 30 June 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	180,929	441,068	(260,139)	166,636	428,602	(261,966)
EUR	5,064	83,467	(78,403)	1,150	83,464	(82,314)
USD	11	42	(31)	1	42	(41)
RUR	235	158	77	-	-	-
Total	**186,239**	**524,735**	**(338,496)**	**167,787**	**512,108**	**(344,321)**

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 in securities thus they do no face the risks related to security prices.

The Group's companies have direct control over their subsidiaries and take part in management of associates (Note 6 *Investments).* Investments in these companies are accounted at acquisition cost in the financial statements of the Company which is adjusted by impairment losses, if any. Investments in associates in Group's consolidated financial statements are accounted using the equity method by adjusting their carrying amounts by the share of the profits or losses attributable to the Group. The increase / decrease in the carrying amount of these investments directly impact the financial results of the Group. The Company impacts the results of its subsidiaries or associates by taking part in the formation of the policy of operations management 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 30 June 2008 the following guarantees issued by Hansabankas AB were in effect:
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;

As of June 30 2008 the following guarantees issued by Nordea Bank Finland Plc. Lithuanian Branch were in effect:
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 has been litigated between the Company and a foreign customer regarding performance of the agreement on the delivery of electricity. The parties disagree about orders, submitted under this agreement and an obligation to supply the ordered electricity volumes. In the opinion of the Company's management, the amount claimed at the arbitration court is unsubstantiated and the estimation of actual losses (and relevant liabilities) is quite complicated at the moment, therefore the Company have not allocated any provisions related with the mentioned claim in the interim financial statements for H1 2008.

31. Subsequent events

On 8 July 2008 an extraordinary general shareholders meeting was convened. At the meeting the then working Board was revoked and the new Board of the Company was elected.

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